

Emthanjeni Municipality



Annual Report
2021/22

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MAYOR'S FOREWORD

The Municipal Finance Management Act, 56 of 2003 (MFMA), Section 127 (2) requires that the municipality develops an annual report to be tabled before Council within seven months after the end of each financial year. The report will further interrogate the Council's ability to meet the growing needs of its constituency by rendering quality basic services and promoting Local Economic Development (LED) and fiscal discipline.

During the financial year, the municipality engaged on numerous activities aimed at enhancing public participation. These activities included Council Meets the People Meetings across all eight (8) wards for the drafting of the Integrated Development Plan (IDP). Council continues to place a high value on the inclusion of communities in the crafting of the developmental agenda of the municipality.

During the year under review 848 sites were serviced for housing development in Britstown by the Department of Cooperative Governance, Human Settlements and Traditional Affairs, which is crucial in government's endeavours to eradicate the current housing backlog. The housing project in De Aar however, progressed at a slow pace which urged COGHSTA to appoint new contractors.

The slow or non-spending of capital grant allocations poses a threat to service delivery and it is of paramount importance that we implement measures which will address root causes.

This report is presented at a time when the country is still recovering from the adverse effects of Covid-19 which threatened the livelihoods of our people and lowered our revenue stream. During this period, services to our people were rendered against the backdrop of limited financial resources. On top of this, we experience major challenges with vandalism to our municipal infrastructure, which also amounts to huge financial losses.

We must commend the strides by Council, senior management and officials in addressing the aspirations of its people despite all limitations.

The municipality remains greatly invested to good governance which translated to better controls thereby ensuring greater accountability.

GL NKUMBI

MAYOR: EMTHANJENI MUNICIPALITY

MUNICIPAL MANAGER'S OVERVIEW

This Annual Report reflects more than just the gains achieved in the past financial year. A review of municipal governance in Emthanjeni Municipality over the past financial year is also provided. This Report also documents the substantial progress achieved in the provision of basic services in line with the approved Strategic Plan of the Council. The Constitution of the Republic of South Africa states that every person has the right to access adequate housing, and in order to achieve a gradual realisation of that right, the State must take appropriate legislative measures and other mandatory steps within its available resources. In order to ensure that households enjoy a fair standard of living, access to housing also requires access to services such as potable water, basic sanitation, reliable energy sources and refuse collection services.

The COVID-19 pandemic had a devastating impact on the economy of the Emthanjeni Municipality, and the health and livelihoods of its citizens. During this crisis, Emthanjeni Municipality still needs to function and provide essential services such as water, sanitation, electricity and solid waste removal. In the midst of this unprecedented moment in time, it is more essential than ever that Emthanjeni Municipality is able to carry out its duties towards local communities. Investment in infrastructure remains an important priority for the Municipality. This involves recognising investment and development patterns in order to ensure the provision of sufficient infrastructure in areas of high development.

By investing in adequate economic and social infrastructure to promote and facilitate any further economic growth, the Municipality continues to serve as a catalyst. In order to ensure that service delivery and good governance practices are accelerated throughout the organisation, we have put in place different controls. This Annual Report once again demonstrates this commitment. The COVID-19 pandemic has exposed and emphasized the severity of inequality and the lack of resilience in our social environment. While the Municipal Spatial Development Framework (MSDF) introduces sound policy and values, embracing the development norms and principles embedded in National Policy, the pandemic brings home the realisation that our drive to spearhead spatial transformation and redress needs to be escalated and pursued with intensity.

ACHIEVEMENTS:

- In February 2022, the Council of Emthanjeni adopted a Land Use Management Scheme (LUMS);
- Drafting and adoption of a Small-Scale Embedded Generation/ PV Policy. These requirements are applicable to all customers who wish to install SSEG systems;
- Title deeds were handed over by the MEC of COGHSTA; and
- Servicing of 848 sites by the Department of Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA).

KEY CHALLENGES:

- Financial Sustainability of the municipality and the ever-increasing debtor's book;
- Low productivity levels in the workplace;
- Growing ESKOM debt;
- Slow spending on grant funding due to internal capacity constraints;
- Ageing critical infrastructure; and
- To improve our audit opinion in the 2022/23 Financial year.

Emthanjeni Municipality: Annual Report 2021/22

This Annual Report reflects all the efforts towards building a better Emthanjeni Municipality with a sustainable future. Finally, it is worth mentioning that the service delivery progress reported in this Annual Report would not have been possible without the commitment, hard work and dedication of the Municipal staff, sometimes under extremely difficult circumstances. Therefore, I would like to express my sincere appreciation to them. Lastly, I submit this overview in appreciation of support rendered by the community and the Councillors for their political guidance and support during the year under review.

I VISSER

MUNICIPAL MANAGER

Council Draft

CHAPTER I

EXECUTIVE SUMMARY

I.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 2021/22 Annual Report reflects on the performance of the Emthanjeni Municipality for the period 1 July 2021 to 30 June 2022. 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”*

I.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 Population

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

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

Table 2: Population

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 6	2 660	2 955	27	496	39	6 178
Ward 7	1 440	4 292	23	410	24	6 188

Table 3: Population per Ward

The table below indicates that in 2016, females represent (51%) and males (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

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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

Households	2020/21	2021/22
Number of households in municipal area	12 810	12 810
Number of indigent households in municipal area	3 916	3 861

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 8 Wards:



Ward	Areas
1	Montana, Kareeville, Sunrise and Klein Kareeville
2	Residencia, New bright, Happy Valley, Extension 20, Extension 7 and Macarena
3	Nonzwakazi(from street 11, 10,20 until street 3,15, 16, Izinyoka including left side of street 2), Portion of Waterdal
4	Barcelona, Malay Camp, Leeuwenshof & portion of Nonzwakazi (only street 12 ,18)
5	Portion of town Area and Louisville
6	Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town)
7	Jansenville, Mziwabantu, Britstown(town), Proteaville
8	Right side of Street 2, 1. 13, 14, 17 (Nonzwakazi), Waterdal and portion of town area up until Van Zyl Street.

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.

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.

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

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).

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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
	Colossal Concrete, Green Akker, Vleis Sentraal for meat processing
	Solar Energy
Retail	Purchasing of goods and services
	Checkers, Shoprite, Mr Price, Ackermans, Sheet Street, Fashion Express, Foschini, Total Sport, KFC, Built It, Cash Build, Clicks, Sport Scene, 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
Water	
Improvement in reservoir water levels.	July 2021 to December 2021 – Reservoir water levels were at an average of 55%
	Jan 2022 to Jun 2022 – Reservoir water levels were at an average of 75%
Electricity	
Reconfiguration of the STS 6 system as the current system will be phased out in 2024.	Field workers accessing all meters and reconfiguring to the new system and identifying bypassed and faulty meters.
Installation of new prepaid meters.	Upgrade of conventional meters to prepaid meters.
Procurement of split meters.	This approach will lessen the possible bypass meters and therefore decrease the electrical losses.
Installation of LED streetlights and high mast lights.	Decrease saving in electricity consumption.
Roads and Storm Water	
Paving of town entrances.	Beautification of Municipal entrances.
Pothole maintenance.	Annual routine road maintenance.
Waste Management	

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Highlights	Description
De Aar, Hanover and Britstown landfill sites permitted / licenced.	Approval was obtained from the Department of Environment Nature Conservation.
Cleaning Campaigns.	Dedicated cleaning campaigns were done throughout the year.
Established task team for awareness programs.	A task team was established to educate residents about waste management in the Municipal Area (Britstown, De Aar, Hanover).
Appointed Waste Management Officer.	A Waste Management Officer Control was appointed to manage the waste function (Superintendent).
Renewed our waste management Bylaws.	The Bylaws are currently stricter.
Cemeteries	
Introduction of burial application form in Britstown.	An application form was introduced for more control.
Stopping of grave reservations.	Reservation of graves was stopped due to space management.
Meeting with Funeral undertakers.	Better management and sharing information
Acceptable level of service.	Service was rendered throughout the year with minimal complaints
Housing	
Servicing of 1400 sites in De Aar.	Sites completed.
Servicing of 848 sites in Britstown.	Sites completed in 2021.
Municipal Human Settlement Plan.	Reviewed and approved for 2021/22.

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
WATER	
Development of 12 additional boreholes in De Aar North.	Water use license (WUL) to be obtained 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.
Aged infrastructure	Increase operations and maintenance budget.
Electricity	
Completion of the 16 Hanover houses to be electrified.	Contractor delaying in remedying the snag lists.
Vandalism to existing infrastructure.	To better secure the existing infrastructure.
No Master Plans.	DBSA to provide funding. Feedback awaited on application that was submitted.
Aged infrastructure	Submission of business plans for funding.
Roads and Storm Water	
Insufficient budget	Business plans were submitted to MIG for the approval of funding but due to outdated plans, MIG was not able to consider the plans.
Insufficient operations and maintenance budget.	Majority of the roads need to be resealed and some be replaced.
Damaged road infrastructure caused by trucks.	Redirect and discourage trucks inside our towns.
Delay in implementation of paving project due to broken grader.	Grader parts can only be procured outside of the country. Hiring of a grader to complete project.
Underspending of grant allocation for paving of streets.	Delay in implementation of project due to broken grader.
Waste management	
Landfill machinery to perform waste management and minimisation efforts at the landfill sites.	Acquire additional machinery in 2022/2023.

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Challenges	Actions to address
Illegal dumping still evident amid the Municipal efforts to ensure refuse collection is according the weekly schedule.	Host more integrated awareness programmes with sector department and the communities to plough the seed of education in keeping the environment clean.
Lack of training of Municipal personnel to manage the landfill sites.	Provide training to capacitate the employees.
Leaking drains are posing a great challenge, especially in Britstown.	Encourage residents to fix their leaking toilets. Conversion of the septic tanks to water borne system.
Lack of consequence management.	Implement consequence management.
Cemeteries	
Management system of cemeteries require improvement.	Need to improve the administrative processes through introducing additional forms and to have regular meetings with affected parties
Continued vandalism, breaking of graves, theft of fencing and stray animals invasion of cemeteries.	Investigate possibilities of a sustainable system.
Maintenance work not performed as expected.	Stricter control will have to be implemented.
Quality of service provided (Tombstone)- certain funeral undertakers deliver poor quality services.	Monitor service delivery and consult with undertakers.
Hard rock surfaces at Karoluspoort and Burgerville Cemeteries.	Purchase a TLB and or Jack hammer.
Shortage of personnel.	Appoint more personnel so that they can be able to maintain the Cemeteries.
Housing	
Slow progress on construction of 345 houses.	COGHSTA to appoint two new contractors in July 2022.

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:

Service	2020/21	2021/22
Electricity service connections <i>(Represents the number of formal properties which are billed for electricity or have pre paid meters (Excluding Eskom areas as at 30 June)</i>	10 220	7 048
Water - available within 200 m from dwelling <i>(Represents the number of formal properties which are billed for water or have pre paid meters as at 30 June)</i>	8 183	8 654
Sanitation - Households with at least VIP service <i>(Represents the number of formal properties which are billed for sewerage as at 30 June)</i>	6 931	8 626
Waste collection - kerbside collection once a week <i>(Represents the number of formal properties which are billed for refuse removal as at 30 June)</i>	7 261	8 252

Table 11: Households with Minimum Level of Basic Services

I.4 FINANCIAL HEALTH OVERVIEW

1.4.1 Financial Viability Highlights

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

Highlights	Description
Sustainable Service Delivery within the Municipality during the financial year.	Emthanjeni Municipality has rendered adequate services to all its communities on a continuance basis.
Compliance with s122 of the Municipal Finance Management Act, where the municipality will submit Annual Financial Statements on 31 August 2022.	All internal stakeholders are committed to comply and are striving for "Clean Audit Status".
Honouring commitments in the normal course of business.	With everything that is happening within our Municipality, Emthanjeni is proud to render services on a sustainable manner and serve the communities to the best of our ability.

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
Non-payment by customers creating severe cash flow shortages experienced in the municipality.	The revival of a Revenue Enhancement Campaign and the enforcement of the Credit Control Policy of Council.
Late payment of Suppliers and Contractors resulting in low credit rating which lead to Suppliers not willing to provide goods and services to the municipality.	The management of cash reserves should be strictly implemented and service providers, suppliers and other contractors should be paid within 30 days after receipt of their invoices.
Incurrence of Interest charged (Fruitless and wasteful expenditure) due to non or late payment of service providers and contractors.	When Cash flow position improves, payments should be processed and approved timeously.
Vandalism of infrastructural assets that should provide services to the communities.	The culprits should be held accountable because repairs and maintenance programmes are affected by these criminal actions.

Table 13: Financial Viability Challenges

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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	2020/21	2021/22
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))	132.50%	135.00%
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)	33.30%	132.00%
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)	0.37	0.00

Table 14: National KPI's for Financial Viability and Management

1.4.4 Financial Overview

Details	2020/21	2021/22		
		Original budget	Adjustment Budget	Actual
R'000				
Income				
Grants (Operating + Capital)	64 196	81 870	71 470	63 613
Taxes, Levies and tariffs	172 779	200 257	194 257	188 861
Other	12 638	51 559	49 559	6 235
Sub Total	249 613	333 687	315 287	258 709
Less Expenditure	(325 099)	(292 232)	(284 231)	(306 874)
Net surplus/(deficit)	(75 487)	41 455	31 055	(48 165)

Table 15: Financial Overview

1.4.5 Total Capital Expenditure

Detail	2021/22
	R'000
Original Budget	41 456
Adjustment Budget	31 056
Actual	12 667
% Spent	40.79%

Table 16: Capital Expenditure

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

1.5.1 Municipal Transformation and Organisational Development Highlights

Highlight	Description
Employment equity appointments	Two female employees were appointed from the designated group.
Training	<ul style="list-style-type: none"> 📌 Four officials attended training on Municipal Staff Regulations. 📌 Training of eight officials on Municipal Finance Management. 📌 Councilors received four days training from SALGA and other different inductions.
Ordination	New Councilors and employees orientate on municipal legislation and operations.
Awareness on Municipal Staff Regulations	<ul style="list-style-type: none"> 📌 All employees were oriented on Municipal Staff Regulations. 📌 Each employee was given an opportunity to identify his/her skills need inline to the job description.
Training of Supervisor	<ul style="list-style-type: none"> 📌 Trained on general management. 📌 Trained on anti-fraud and corruption.

Table 17: Municipal Transformation and Organisational Development Highlights

1.5.2 Municipal Transformation and Organisational Development Challenges

Challenge	Actions to address
Limited time to prepare for implementation of Municipal Staff Regulations.	Implementation plan has been developed in-line with the extension date receive from the departments.
Covid-19 regulations.	The municipality operated within the guidelines and regulations from Department of Health and Department of Employment and Labour.
Lack of internal funding for skills development.	Council to increase skills development budget for the next financial year.

Table 18: Municipal Transformation and Organisational Development Challenges

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 evidence 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	2021/22
Opinion received	Qualified	Qualified	Qualified	Qualified

Table 19: Opinion Received

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 GOOD GOVERNANCE AND PUBLIC PARTICIPATION HIGHLIGHTS

Highlight	Description
Inauguration Council meeting	Council held a successful and incident free inauguration meeting.
Paperless Council agenda	New councilors are encouraged to make use of paperless agendas by using technology in their meetings.
Election of ward committees	All eight ward committees have been established.
Establishment of Youth Councils	Council established Youth Council in all wards and the municipal structure which will look on youth matters and advice Council.
Audit Performance Committee	Appointment of the APC Chairperson.
Financial Misconduct Disciplinary Board	Filling of vacancies with the (FMDB).
Training of Supervisor	<ul style="list-style-type: none"> ☛ Trained on general management ☛ Trained on anti-fraud and corruption
IDP & Budget Process Plan Time Schedule	<ul style="list-style-type: none"> ☛ Municipality managed to adopt IDP and Budget within prescribed timeframes. ☛ All activities were implemented as set out in the IDP & Budget Process Plan Time Schedule.
Cleaning campaign	The mayor has launched a bi-weekly cleaning campaign lead by Councilors and Senior Managers

Table 20: Good Governance and Public Participation Highlights

2.2 GOOD GOVERNANCE AND PUBLIC PARTICIPATION CHALLENGES

Description	Actions to address
Postponement of Council and Committee meetings due to 2021 local government elections.	Speaker to ensure that all meetings are convened according to the planned schedule.
Delay on implementation of Council resolutions.	MM and Senior Manager will monitor implementation of resolutions.
Late submission of items for Council agenda.	The process of submission to be monitored by the Chief Admin Officer.
Poor quality of oversight since councilors are newly elected.	Constant induction for all Councilors.
Unavailability of previous Councilors for Council meets the people meetings.	Officials lead the IDP and budget inputs meeting until new Council was inaugurated.
Financial Misconduct Disciplinary Board could not meet during the financial due resignation board members.	Filling of vacancies for the board.

Table 21: Good Governance and Public Participation Challenges

2.3 GOVERNANCE STRUCTURE

The council performs both legislative and executive functions. It focuses on legislative, oversight and participatory roles, and has delegated its executive function to the Executive Mayor and the Mayoral Committee. Its primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as policy makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

2.3.1 Council

The table below categorised the councillors within their specific political parties and wards for the period **1 July 2021 to 31 October 2021**:

Name of Councillor	Capacity	Political Party	Ward representing or proportional	Dates of Council Meetings held
ST Sthonga	Mayor	ANC	Proportional	26 August 2021 23 September 2021
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 22: Council for the period 1 July 2021 to 31 October 2021

The table below categorised the councillors within their specific political parties and wards for the period **1 November 2021 to 30 June 2022**:

Name of councillor	Capacity	Political Party	Ward representing or proportional	Dates of Council Meetings held
GL Nkumbi	Mayor	ANC	Proportional	18 November 2021 2 December 2021 17 February 2022 31 March 2022 31 May 2022
MC Kivedo	Speaker	ANC	Proportional	
FC Swanepoel	Ward Councillor	ANC	Ward 1	
MN Mackay	Ward Councillor	ANC	Ward 2	
SW Makhandula	Ward Councillor	ANC	Ward 3	
TJ Brandt	Ward Councillor	ANC	Ward 4	
GK Engelbrecht	Ward Councillor	DA	Ward 5	
LE Andrews	Ward Councillor	ANC	Ward 6	
JM Fortuin	Ward Councillor	ANC	Ward 7	

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Name of councillor	Capacity	Political Party	Ward representing or proportional	Dates of Council Meetings held
PP Mhlauli	Ward Councillor	ANC	Ward 8	
RH Adams- Beukes	Proportional	DA	Proportional	
B Swanepoel	Proportional	DA	Proportional	
R Smith	Proportional	DA	Proportional	
PN Bushula	Proportional	EFF	Proportional	
MST Booysen	Proportional	PA	Proportional	

Table 23: Council for the period 1 November 2021 to 30 June 2022

2.3.2 Executive Committee

The Mayor of the Municipality, 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. This means that he has an overarching strategic and political responsibility.

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period **1 July 2021 to 31 October 2021**:

Name of member	Portfolio	Meeting Dates
S Sthonga	Chairperson	<ul style="list-style-type: none"> 📅 29 July 2021 📅 19 August 2021 📅 30 September 2021
N Mkontwana	Member	
C Louw	Member	

Table 24: Executive Committee from 1 July 2021 to 31 October 2021

The name and portfolio of each Member of the Mayoral Committee is listed in the table below for the period **1 November 2021 to 30 June 2022**:

Name of member	Portfolio	Meeting Dates
GL Nkumbi	Chairperson	<ul style="list-style-type: none"> 📅 2 December 2021 📅 27 January 2022 📅 17 February 2022 📅 24 March 2022 📅 21 April 2022
LE Andrews	Member	
R Smith	Member	

Table 25: Executive Committee from 1 November 2021 to 30 June 2022

2.3.3 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.

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The composition of the portfolio committees for the period **1 July 2021 to 31 October 2021** are stipulated in the tables below:

Corporate and Human Resource Services Committee		
Chairperson	Other members	Dates of Meetings
NP Mkontwana	D Vanel	📅 14 July 2021
	MD Maramba	
Infrastructure Services Committee		
Chairperson	Other members	Dates of Meetings
ST Sthonga	PD van Wyk	📅 No meetings were held
	HJ Rust	
Municipal Public Accounts Committee		
Chairperson	Other members	Dates of Meetings
L Billie	PP Mhali	📅 25 June 2021
	NP Bushula	
Rules Committee		
Chairperson	Other members	Dates of Meetings
MC Kivedo	RR Faul	📅 No meetings were held
	MO Maramba	
	WJ du Plessis	

Table 26: Portfolio Committees 1 July 2021 to 31 October 2021

The composition of the portfolio committees for the period **1 November 2021 to 30 June 2022** are stipulated in the tables below:

Corporate and Human Resource Services Committee		
Chairperson	Other members	Dates of Meetings
LE Andrews	TJ Brandt	📅 9 February 2022 📅 11 May 2022
	RH Adams- Beukes	
Infrastructure Services Committee		
Chairperson	Other members	Dates of Meetings
GL Nkumbi	SW Makhandula	📅 8 February 2022
	B Swanepoel	
Municipal Public Accounts Committee		
Chairperson	Other members	Dates of Meetings
MN Mackay	PP Mhlauli	📅 29 March 2022 📅 12 May 2022 (Investigation Meeting)
	GK Engelbrecht	
Rules Committee		
Chairperson	Other members	Dates of Meetings
MC Kivedo	R Smith	📅 No meetings were held
	NP Bushula	
	MST Booyesen	

Table 27: Portfolio Committees 1 November 2021 to 30 June 2022

2.3.4 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 28: 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.

2.4 INTERGOVERNMENTAL RELATIONS

2.4.1 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

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Name of structure	Members	Outcomes of engagements/topics discussed
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 Conference Working Group	Senior Manager Corporate Services and Manager Development and Strategic Services	Renewable Energy Conferences focusing on the benefits for the 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	Portfolio Councillor: Development and Manager Development & Strategic Services	Support and capacitating Karoo municipalities.
SANRAL PLC Forum	Senior Manager: Infrastructure and Manager Development & Strategic Services	Project implementation feedback
Pixley Ka Seme District Coordinating Forum	Manager Development & Strategic Services and IDP Officer	Renewable Energy IPPs reporting on the projects benefiting the district and municipality
Emthanjeni Tourism Forum	Manager Development & Strategic Services and Tourism official	Tourism promotion

Table 29: Intergovernmental Structures

2.4.2 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 30: 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

2.5 PUBLIC MEETINGS

2.5.1 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.

The composition of the ward committees for the period **1 July 2021 to 31 October 2021** are stipulated in the tables below:

Ward 1: Montana, Kareeville, Sunrise and Klein Kareeville

Name of representative	Capacity representing	Dates of meetings
B Sight	Women	13 July 2021 18 August 2021
C Ferris	Women	
M Groep	Youth	
J Fredericks	Business	
J Hoogstander	Women	
A Louw	Women	

Table 31: Ward 1 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
L Mitchell	Women	14 July 2021 18 August 2021
M Kock	Women	
M De Wee	Elderly	
D Tiger	Youth	
H Makae	Women	
J Rooi	Women	
M Mackay	Youth	

Table 32: Ward 2 Committee Members

Ward 3: Nonzwakazi, Portion of Waterdal

Name of representative	Capacity representing	Dates of meetings
N Nonzapa	Women	📅 6 July 2021 📅 9 August 2021
N Sijeku	Youth	
C Mangoali	Women	
T Dyushu	Man	
N Dyushu	Youth	
Z Jacobs	Elderly	
V Monna	Youth	
P Sgonyela	Women	

Table 33: Ward 3 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
M Webb	Women	📅 31 August 2021
J Johnson	Youth	
L Henge	Women	
N Godlo	Elderly/Disabled	
N Brandt	Youth	
N Ndzunga	Women	
E Sigonyela	Men	

Table 34: Ward 4 Committee Members

Ward 5: Portion of town Area and Louisville

Name of representative	Capacity representing	Dates of meetings
E Kammies	Elderly	📅 6 July 2021 📅 10 August 2021
W Hendricks	Women	
P Holstruis	Youth	
B Eiman	Youth	
M Booysen	Women	
J Hendricks	Youth	
M Louw	Women	

Table 35: Ward 5 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
P Siyoko	Religious	 24 August 2021
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 36: Ward 6 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
M Seekoei	Youth	 13 July 2021  16 August 2021
C Eland	Women	
M Du Preez	Elderly	
L Baartman	Farmer	
W Eland	Youth	
L Dawids	Elderly	
N Mdebuka	Women	

Table 37: Ward 7 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
T Louw	Youth	 13 July 2021  16 August 2021
A Jonas	Youth	
T Tokwana	Elderly	
X Mafilika	Women	
L Madyoli	Elderly	
P Vywer	Women	
E Lakay	Youth	

Table 38: Ward 8 Committee Members

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The composition of the ward committees for the period **1 November 2021 to 30 June 2020** are stipulated in the tables below:

Ward 1: Montana, Kareville, Sunrise and Klein Kareville

Name of representative	Capacity representing	Dates of meetings
Gregory Afrika	Sport	🕒 8 March 2022 🕒 21 April 2022 🕒 23 May 2022 🕒 8 June 2022
Marlon Matroos	Youth	
Kenneth Tambo	Sport	
Imelda Phillip	Youth	
Monique Grorep	Youth	
Meagan Vywers	Woman	
Gillian Jejane	Community	
Ronny Karelse	Church	
Veronica Louw	Business	
Sunet Justine Mpendukani	Woman	

Table 39: Ward 1 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
Annet Williams	Woman	🕒 14 March 2022 🕒 20 April 2022 🕒 09 June 2022
Regina Marie Bothma	Woman	
Elizabeth Jooste	Business	
Levona Van Staden	Youth	
Muriel Adams-Phillips	Church	
Shaleen Scheepers	Community	
Patrick Henry Van Staden	GPF	
Simphiwe Masango	Sport	
Michael Pienaar	Elderly	
Lodewyk	Disabled	

Table 40: Ward 2 Committee Members

Ward 3: Nonzwakazi, Portion of Waterdal

Name of representative	Capacity representing	Dates of meetings
Thandiwe Mpengesi	Woman	🕒 20 April 2022 🕒 26 May 2022 🕒 8 June 2022
Akhona Mvela	Community	
Sam Mooi	Arts & Culture	
Nomthandaso Khweleta	Woman	
Bongani Mona	business	
Qoliswa Skhampula	Church	
Sindisa Qeqe	Youth	
Sindisile Thomas	Business	
Thembela Kelemi	Woman	
Buyani Maliti	Youth	

Table 41: Ward 3 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
Fransiena Baartman	Woman	📅 13 March 2022 📅 27 April 2022 📅 6 June 2022
Wendy Tantsi	Business	
Pamela Filifani	Community	
Maria Kondile	Social	
Delia Swarts	Sports	
Bonakele Bosman	Business	
Johannes Johnson	Business	
Bonisile Segonyela	Community	
Geduld Peers	Sport	
Sydney Tengwana	Community	

Table 42: Ward 4 Committee Members

Ward 5: Portion of town Area and Louisville

Name of representative	Capacity representing	Dates of meetings
Johanna Lamberts	Community	📅 8 May 2022 📅 14 June 2022
Rosie Stevens	Woman	
Wilhelmiens Hendricks	Woman	
Auburn Jaftha	Business	
Barry Fisher	Church	
Idah Arendse	Woman	
Azola Loko	Youth	
Nathan Louw	Youth	
Naomi White	Business	
Prudence White	Youth	

Table 43: Ward 5 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
Rosie Mzalwana	Woman	📅 27 April 2022 📅 8 June 2022
Annie Thys	Business	
Nadine Matthews	Youth	
Vuyiseka Ngolo	Community	
Lwandile Mali	Church	
Ntombethemba Mhluntsa	Youth	
Adam Andrews	Community	
Helena Koopman	Woman	
Aubrey Harmse	Sport	
Abongile Mtwana	Business	

Table 44: Ward 6 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
Ntsiki Mdebuka	Community	10 March 2022 8 April 2022 10 May 2022 10 June 2022
Monica Sekoe	Community	
Sera Matthews	Church	
Loretta Dawids	Woman	
Henry-Jevu Claasen	Youth	
Absolom Welkom	Church	
Martiens Du Preez	Business	
Thembani Jali	Community	
Calvin Hofsta	Business	
Abednego Pietersen	Church	

Table 45: Ward 7 Committee Members

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

Name of representative	Capacity representing	Dates of meetings
Ntombiyoxolo Sijeku	Community	11 June 2022
Athenkosi Poswa	Woman	
Zimasa Thiyo	Community	
Thabo Gantile	Community	
Trevor Tokwana	Church	
Bongiwe Mpela	Community	
Priscilla Vywers	Woman	
Priscilla Holstruis	Youth	
Edna Lackay	Woman	
Sammy Pylman	Business	

Table 46: Ward 8 Committee Members

2.5.2 Representative Forums

Labour Forum

The table below specifies the members of the Local Labour Forum from **1 July 2021 to 31 October 2021**:

Name of representative	Capacity	Dates of meetings
N Mkontwana	Chairperson (employer)	No meetings were held
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 47: Labour Forum from 1 July 2021 to 31 October 2021

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The table below specifies the members of the Local Labour Forum from **1 November 2021 to 30 June 2022**:

Name of representative	Capacity	Dates of meetings
Clr LE Andrews	Chairperson (employer)	📅 30 March 2022 📅 21 April 2022 📅 28 April 2022 📅 17 May 2022
Mr N Hendricks	Deputy Chair Person (IMATU)	
Mr SW Makhandula	Employer	
Ms M Mc Kay	Employer	
Mr GK Engelbrecht	Employer	
Mr S Mantyi	Member (SAMWU)	
Ms BM Lenga	Member (IMATU)	
Mr TW Msengana	Employer	
Ms T Mosia	Member (SAMWU)	
Mr GM Mhlaba	Member (SAMWU)	
Mr V Mkosana	Member (IMATU)	

Table 48: Labour Forum from 1 November 2021 to 30 June 2022

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.

2.6 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

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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
Unauthorised Expenditure	Ensure proper adherence to Budgetary and Accounting reporting formats.	Low	CFO&MM	Consequence management, MPAC should investigate the difference between the Budgetary and AFS reporting.
Under spending of conditional grants	Planning and procurement should be done timeously to address this risk. Monitoring and supervision of service providers, procurement plans in place. Proper master plans, approved business plans as back up.	High	MM&CFO	Enforcement and monitoring of the procurement plan.
Irregular Expenditure	Reporting on a monthly basis to EXCO, MPAC on spending of expenditure and other SCM Procurement activities.	High	MM&CFO	Consequence management must be enforced and matter needs to be investigated and if applicable refer to Financial Misconduct Board. Update the Irregular Expenditure Register on a continuous basis.
Fraud and corruption	Delegations, Financial misconduct board. SCM checklist, fraud prevention plan, Internal Auditors, Internal controls	Medium	MM	Review fraud prevention plan.
Limitation of scope: Tender documents not provided for audit	Proper recording keeping	High	CFO/MFS	Incoming and out going register is maintained to ensure all documents that leaves the office are registered
Lack of Law Enforcement vehicles.	Ensure that Vehicle Policy is adhered to, budget accordingly to obtain sufficient vehicles.	High	Senior Manager Community Services	Proper budgeting
Illegal dumping	Purchased an extra TLB in addition to the existing front-end loader. Monitor illegal dumping sites using a map. Appoint more Peace Officers for law enforcement. Regular Cleaning campaigns. We have quarterly advocacy session with community through Ward Meetings and Council Meets the People Sessions.	High	Senior Manager Community Services	Continuous awareness. Cleaning campaigns. Encourage Ward committee involvement.
Low investors interests	Engagements with SMME's, training of LED Official. Public participation committees. LED mentorship programme. Assistance from Transnet.	Low	Senior Manager Corporate Services	Liaise with sector departments to build investor confidence. Mentorship programme to be considered. Implement LED Strategy.
Inadequate management on health and safety	Health and Safety Policy. Health and Safety committee.	High	Senior Manager Corporate Services	Ensure committee is functional. Perform OHS risk assessment. Designated Health and Safety responsibilities allocated to an official.

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Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans
Tampering with meters by communities.	Conlog meter type in place, and meter seals are being replaced with LGM type. Penalties charged for by-passing and case is open to the affected employees.	High	Senior Manager Infrastructure Services	Follow up on all replaced meters and spot check of the staff and community members. Need to request a report on low consumption to monitor the tampering of meters when fleet is available.

Table 49: 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 are 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 were held
T Msengana	Senior Manager Corporate Services	
M Joka	Senior Manager Community Services	
L Thiso	Senior Manager Infrastructure Services	
Z Mtwana	PMS Risk Officer	

Table 50: Risk Committee

2.7 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.

2.7.1 Developed Strategies

Name of strategy	Developed (Yes/No)	Date Adopted
Fraud and Corruption Policy	Yes	May 2021
Supply Chain Management Policy	Yes	May 2022
Cost Containment Policy	Yes	May 2022

Table 51: Strategies

2.7.2 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 52: Implementation of the Strategies

2.8 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

2.8.2 Members of the Audit Committee

The following table indicates the members of the Audit Committee:

Name of representative	Capacity	Dates of meetings
ST Hendricks	Acting Chairperson: Audit Committee	📅 14 October 2021 📅 29 November 2021 📅 30 March 2022 📅 27 May 2022
AF Jaftha	Audit Committee Member	
C Delaney	Audit Committee Member	
EJD Brown	Chairperson: Audit Committee (resigned)	

Table 53: Members of the Audit Committee

2.9 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.

2.9.1 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

2.9.2 Members of the Performance Audit Committee

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

Name of representative	Capacity	Dates of meetings
ST Hendricks	Acting Chairperson: Audit Committee	📅 14 October 2021 📅 29 November 2021 📅 30 March 2022 📅 27 May 2022
AF Jaftha	Audit Committee Member	
C Delaney	Audit Committee Member	
EJD Brown	Chairperson: Audit Committee (resigned)	

Table 54: Members of the Performance Audit Committee

2.10 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	Yes

Table 55: Communication Activities

Newsletters

Type of Newsletter	Distributed
Internal	No
External	No

Table 56: Newsletter

Additional Communication Channels Utilised

Channel	Yes/No
SMS system	Yes
Call system and WhatsApp	Yes
Facebook	Yes
Flyers	Yes
Website	Yes
Local Radio station	Yes

Table 57: Additional Communication Channels Utilised

2.11 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.

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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 2021/22	Yes
Adjusted Budget 2021/22	Yes
Asset Management Policy	Yes
Customer Care, Credit Control & Debt Collection Policy	Yes
Indigent Policy	Yes
Investment & Cash Management Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2021/22	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 2021/22	Yes
IDP Process Plan for 2021/22	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 2020/21	Yes
Oversight reports 2020/21	Yes
Mid-year budget and performance assessment 2021/22	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

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Description of information and/or document	Yes/No
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 58: Website Checklist

2.12 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:

2.12.1 Senior Management

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

Table 59: Management Control

2.12.2 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 60: Skills Development

2.12.3 Enterprise and Supplier Development

Total Procurement Spend			
Total Number of Suppliers	6	Total Value Spend	R 819 955.55
Total number of Exempt Micro Enterprises (EME's) suppliers	Total value spend	% Black Ownership	%Black women ownership
6	R 819 955.55	50%	0%
Total number of Qualifying Small Enterprises (QSE's) suppliers	Total value spend	% Black Ownership	%Black women ownership
0	R0	0%	0%
Total number of large suppliers	Total value spend	% Black Ownership	%Black women ownership
2	R 1 768 168.800	100%	0%

Table 61: Enterprise and Supplier Development

Council Draft

CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2021/22 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 2021/22 was approved by Council on **6 June 2021**. 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 2021. 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.

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 2021/22 financial year were signed in July 2021.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2020/21 financial year (1 January 2021 to 30 June 2021) took place on 26 October 2021 and the mid-year performance of 2021/22 (1 July 2021 to 31 December 2021) took place on 8 March 2022.

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 Councillors
- Municipal Manager
- Chairperson of the Audit Committee
- External Municipal Manager

3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2021/22

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2021/22 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 graphs and tables below the performance achieved is illustrated against the Top Layer SDBIP KPI’s applicable to 2021/22 in terms of the IDP strategic objectives.

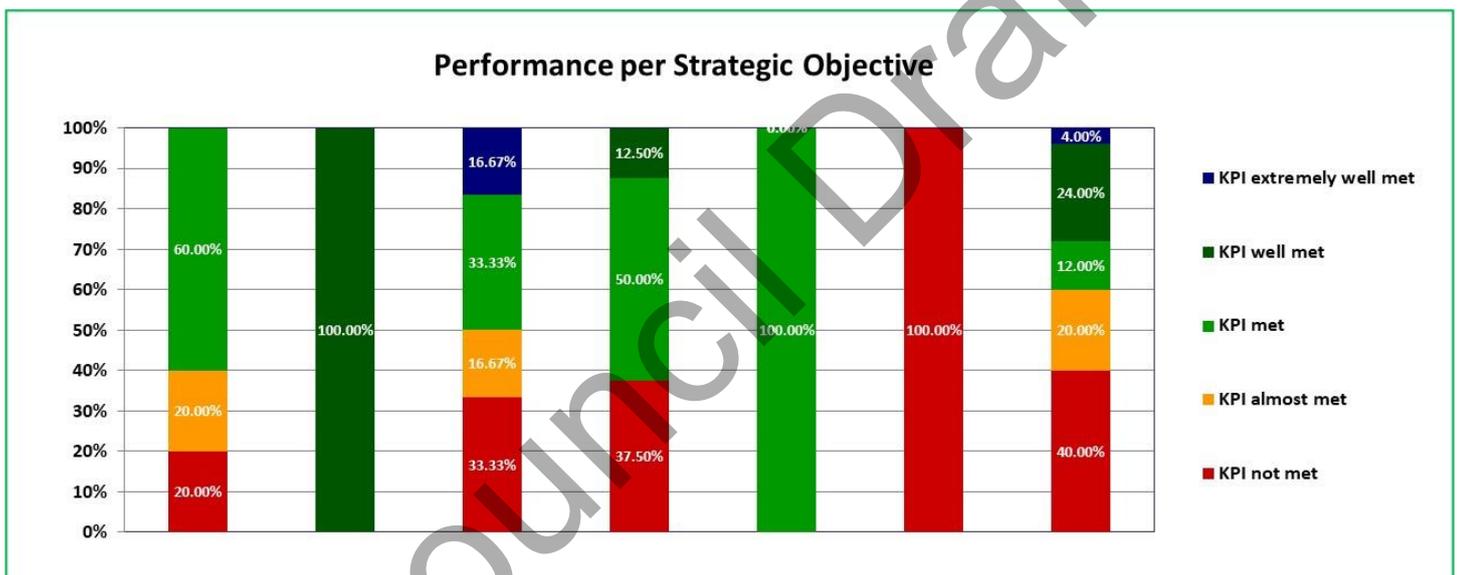
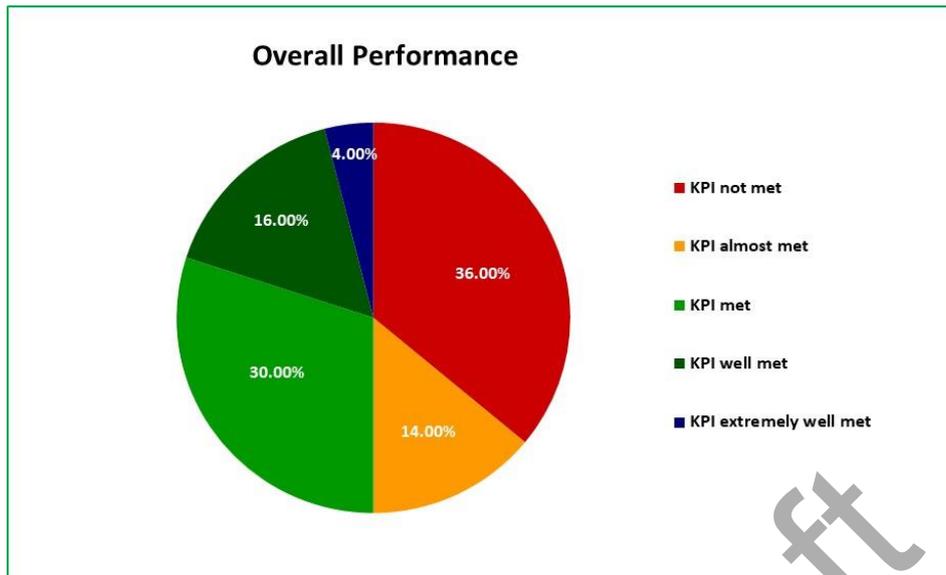
The following table explains the method by which the overall assessment of the actual performance against the targets set for the KPI’s of the SDBIP are measured:

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

Figure 1: SDBIP Measurement Criteria

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



Measurement Category	Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties	Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor	Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objectives	Maintaining a financially sustainable and viable Municipality	Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality	Promote the equitable creation and distribution of wealth in Emthanjeni Municipal area	Provision of access to all basic services rendered to residents within the available resources
KPI Not Met	1	0	2	3	0	2	10
KPI Almost Met	1	0	1	0	0	0	5
KPI Met	3	0	2	4	3	0	3
KPI Well Met	0	1	0	1	0	0	6
KPI Extremely Well Met	0	0	1	0	0	0	1
Total	5	1	6	8	3	2	25

Graph 1: Top Layer SDBIP Performance per Strategic Objective

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Actual strategic performance for 2021/22 per strategic objective and corrective measures that will be implemented

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 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
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	15.57%	0.00%	10.00%	50.00%	60.00%	60.00%	46.69%	O
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase.									
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	0	0	0	1	1	1	G
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	0	0	0	1	1	1	G
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	16.40%	0.00%	0.00%	0.00%	70.00%	70.00%	17.30%	R
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase.									
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	0	0	0	1	1	1	G

Table 62: Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

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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 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
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	3 916	3 000	3 000	3 000	3 000	3 000	3 863	G2

Table 63: 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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						
					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 2022	Number of people employed (newly appointed)	All	2	0	0	0	1	1	0	R
	Reason and/or Corrective Action	No appointments were made during this financial year within the three levels of management, as there were no vacancies to be filled.									
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	0.00%	0.00%	0.00%	0.00%	0.10%	0.10%	0.27%	B
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	0	0	0	1	1	1	G
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	7.48%	0.00%	15.00%	0.00%	15.00%	15.00%	24.20%	R
	Reason and/or Corrective Action	Numerous positions could not be filled due to the cashflow position of municipality. Appointments will be made in the 2022/23 financial year if the cashflow position of the municipality improves.									
TL10	Review the Delegation of Powers and submit	Delegation of Powers reviewed and submitted to	All	0	0	0	0	1	1	1	G

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Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	to Council by 30 June 2022	Council by 30 June 2022									
TL11	Submit quarterly reports to the HR Portfolio Committee on the implementation of the COVID-19 response plan	Number of reports submitted	All	4	1	1	1	1	4	3	O
	Reason and/or Corrective Action	The report for the 2 nd quarter of the year was not submitted due to the Local government Elections and new Portfolio Committees not yet in place.									

Table 64: Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives

Maintaining a financially sustainable and viable Municipality

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL27	Financial viability measured in terms of the municipality's ability to meet its 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	132.50%	0.00%	0.00%	0.00%	35.00%	35.00%	135.00%	R
	Reason and/or Corrective Action	The Municipality should implement credit control mechanisms seriously to be able to honour commitments timeously.									
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	33.30%	0.00%	0.00%	0.00%	45.00%	45.00%	132.00%	R
	Reason and/or Corrective Action	Non-payment efforts must be intensified seriously and the Municipality should implement credit control mechanisms seriously.									
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	Number of months it takes to cover fixed operating expenditure with available cash	All	0.37	0	0	0	0.05	0.05	0	R

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Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))											
	Reason and/or Corrective Action	Cashflow and credit control efforts need to be sharpened vigorously. Revenue enhancement Strategy will be developed and submitted to Council during the 2022/23 financial year.										
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	1	0	0	0	1	1	G	
TL31	Achievement of a payment percentage of above 60% by 30 June 2022 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	Payment % achieved	All	33.13%	70.00%	70.00%	60.00%	60.00%	60.00%	64.15%	G2	
TL32	Prepare and submit the adjustments budget to Council by the 28 February 2022	Adjustments budget submitted by 28 February 2022	All	1	0	0	1	0	1	1	G	
TL33	Prepare and submit the draft budget to Council by 31 March 2022	Draft budget submitted by 31 March 2022	All	1	0	0	1	0	1	1	G	

Table 65: Maintaining a financially sustainable and viable Municipality

Promote representative governance through the sustainable utilisation of available resources in consultation with the

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
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	0	0	0	1	1	1	G
TL8	Review the Risk Committee and sent appointment letters to members by 31 March 2022	Risk Committee reviewed and appointment letters sent to members by 31 March 2022	All	1	0	0	1	0	1	1	G
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	0	0	0	1	1	1	G

Table 66: Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni

Municipality

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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL6	Host a LED summit by June 2022	LED summit hosted by 30 June 2022	All	0	0	0	0	1	1	0	R
	Reason and/or Corrective Action	LED summit was not held on the request of the Mayor to extend the dates to the 2022/23 financial year and to host the Minister of Small Business Development.									
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	72	0	0	0	61	61	42	R
	Reason and/or Corrective Action	The target was not achieved due to the delays in the implementation of MIG and WSIG grant projects. Temporary job creation will increase in the 2022/23 financial year as the implementation of these projects progressed.									

Table 67: Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

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

Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL14	Conduct quarterly housing consumer education programs	Number of housing consumer education programs conducted	All	4	1	1	1	1	4	4	G
TL15	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
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	0	0	0	1	1	1	G
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	102.14%	0.00%	10.00%	50.00%	60.00%	60.00%	35.70%	R
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase. Revenue collection to be improved through better implementation of credit control policy & measures. Ensuring that municipal accounts are distributed timeously. Ward Committee structures to assist with awareness raising in all wards and encourage customers to pay municipal accounts. Maintenance plans will be compiled in 2022/23 financial year (included as Top Layer KPI in SDBIP 2022/23) and budget will be in accordance with maintenance plans.									
TL20	70% of approved budget spent by 30 June 2022 for the acquisition of Fleet ((Actual expenditure divided by the total	% of approved budget spent	All	96%	0.00%	0.00%	0.00%	70.00%	70.00%	0.00%	R

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Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	approved budget) x 100}											
	Reason and/or Corrective Action	Due to delay in SCM process and tender that could not be finalized to be advertised. Improvement of Supply Chain Management processes and procurement processes of fleet will start early in the 2022/23 financial year.										
TL21	Number of formal 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 properties which are billed for water or have pre paid meters as at 30 June 2022	All	8 183	8 000	8 000	8 000	8 000	8 000	8 000	8 654	G2
TL22	Number of formal 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 properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2022	All	10 220	6 000	6 000	6 000	6 000	6 000	6 000	7 048	G2
TL23	Number of formal 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 properties which are billed for sewerage as at 30 June 2022	All	6 931	7 200	7 200	7 200	7 200	7 200	7 200	8 626	G2
TL24	Number of formal properties for which refuse is removed once per week and billed for the service as at 30 June 2022	Number of properties which are billed for refuse removal as at 30 June 2022	All	7 261	7 200	7 200	7 200	7 200	7 200	7 200	8 252	G2
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	9.00%	0.00%	15.00%	0.00%	40.00%	40.00%	40.00%	33.41%	O
	Reason and/or Corrective Action	Spending is slow due to lack of proper planning. The implementation of a Procurement Plan during the 2022/23 financial year will improve the spending. SCM Committees revised and training workshop was requested from Provincial Treasury to be conducted early in 2022/23 financial year. Regular meetings with Committees to follow up on statuses of tender processes to improve on delays of procurement processes.										
TL36	60% of the water maintenance budget spent by 30 June 2022	% of approved water maintenance	All	51.37%	0.00%	10.00%	50.00%	60.00%	60.00%	60.00%	32.60%	R

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Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	((Actual expenditure divided by the approved budget)x100)	budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)									
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase. Revenue collection to be improved through better implementation of credit control policy & measures. Ensuring that municipal accounts are distributed timeously. Ward Committee structures to assist with awareness raising in all wards and encourage customers to pay municipal accounts. Maintenance plans will be compiled in 2022/23 financial year (included as Top Layer KPI in SDBIP 2022/23) and budget will be in accordance with maintenance plans.									
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	15.20%	0.00%	0.00%	0.00%	22.00%	22.00%	10.20%	B
TL38	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	25.00%	90.00%	90.00%	90.00%	90.00%	90.00%	47.27%	R
	Reason and/or Corrective Action	Water quality is far below the National standard. The Municipality needs a lab to test the water internally. 26 out of 55 samples tested were acceptable (47.27%). The Municipality will improve its water treatment processes to ensure better quality of water and closely monitor the chlorine dosage. As soon as funding is available, testing will be done monthly and mitigation measures will follow. Better implementation of credit control measures to improve cashflow position in order to have funds for testing of water samples to be done by the municipality on a monthly bases and be able to follow mitigation measures.									
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	100.00%	0.00%	10.00%	50.00%	60.00%	60.00%	30.90%	R
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase. Revenue collection to be improved through better implementation of credit control policy & measures. Ensuring that municipal accounts are distributed timeously. Ward Committee structures to assist with awareness raising in all wards and encourage customers to pay municipal accounts. Maintenance plans will be compiled in 2022/23 financial year (included as Top Layer KPI in SDBIP 2022/23) and budget will be in accordance with maintenance plans.									
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	All	81.84%	0.00%	10.00%	50.00%	60.00%	60.00%	33.20%	R

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Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22						Actual	R
					Target							
					Q1	Q2	Q3	Q4	Annual			
		divided by the approved budget)X100)										
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase. Revenue collection to be improved through better implementation of credit control policy & measures. Ensuring that municipal accounts are distributed timeously. Ward Committee structures to assist with awareness raising in all wards and encourage customers to pay municipal accounts. Maintenance plans will be compiled in 2022/23 financial year (included as Top Layer KPI in SDBIP 2022/23) and budget will be in accordance with maintenance plans.										
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	12.79%	0.00%	0.00%	0.00%	18.00%	18.00%	20.25%	R	
	Reason and/or Corrective Action	Target was not met due to distribution losses that also have to be taken into account. The municipality has procured 200 Conlog meters to further reduce losses. The Syntell team assisted the municipality with auditing of all meters in Emthanjeni Municipality an in conjunction configuring and upgrading all meters to the STS System. Subsequent to the audit, the municipality has also addressed the meters that were found to be in bypass. The Syntell team also assisted in replacing LPU meters.										
TL42	40% 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	73.00%	0.00%	10.00%	20.00%	40.00%	40.00%	33.26%	O	
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase. Revenue collection to be improved through better implementation of credit control policy & measures. Ensuring that municipal accounts are distributed timeously. Ward Committee structures to assist with awareness raising in all wards and encourage customers to pay municipal accounts. Maintenance plans will be compiled in 2022/23 financial year (included as Top Layer KPI in SDBIP 2022/23) and budget will be in accordance with maintenance plans.										
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	63.00%	0.00%	10.00%	50.00%	60.00%	60.00%	49.81%	O	
	Reason and/or Corrective Action	Low spending is due to cashflow challenges. If the cashflow improve in the 2022/23 financial year, spending will increase. Revenue collection to be improved through better implementation of credit control policy & measures. Ensuring that municipal accounts are distributed timeously. Ward Committee structures to assist with awareness raising in all wards and encourage customers to pay municipal accounts. Maintenance plans will be compiled in 2022/23 financial year (included as Top Layer KPI in SDBIP 2022/23) and budget will be in accordance with maintenance plans.										

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Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22							Actual	R
					Target					Actual	R		
					Q1	Q2	Q3	Q4	Annual				
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	96.00%	0.00%	0.00%	0.00%	70.00%	70.00%	0.00%	R		
	Reason and/or Corrective Action	Due to delay in SCM process and tender that could not be finalized to be advertised. Improvement of Supply Chain Management processes and procurement processes of fleet will start early in the 2022/23 financial year.											
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	81.00%	0.00%	15.00%	0.00%	70.00%	70.00%	99.04%	G2		
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 and 8	New KPI for 2021/22	0.00%	15.00%	0.00%	70.00%	70.00%	25.82%	R		
	Reason and/or Corrective Action	Due to delay in SCM processes. Consultant has been appointed and timeous appointment of service providers during the 2022/23 financial year. Application to be submitted for roll over of funds to the 2022/23 financial year. Project cost increased and business plan had to be revised and was resubmitted to the Department Water and Sanitation to increase funding allocation. Tender for appointment of Contractor to be advertised before end November 2022.											
TL47	50% 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	New KPI for 2021/22	0.00%	15.00%	0.00%	50.00%	50.00%	39.54%	O		
	Reason and/or Corrective Action	Service Provider was only appointed in May 2022. Appointment of Service Providers must be made well in time. Application to be submitted for roll over of funds to the 2022/23 financial year. Project was delayed due to COGHSTA who provided approval late and after the Municipality had to make a commitment to co-fund the project. Project was further delayed by late appointment of CLO, subcontractors who striked and heavy rain. Project is currently implemented.											
TL48	70% of approved budget spent by 30 June 2022 for the procurement of electrical equipment for the electrification of stands in De Aar {(Actual expenditure divided by the total	% of approved budget spent	1,2,4	New KPI for 2021/22	0.00%	15.00%	0.00%	70.00%	70.00%	97.60%	G2		

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Int. Ref	KPI	Unit of Measurement	Ward	Actual performance for 2020/21	Overall Performance 2021/22							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	approved budget) x 100}											
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	New KPI for 2021/22	0.00%	15.00%	0.00%	70.00%	70.00%	68.13%	O	
	Reason and/or Corrective Action	Implementation of project was delayed due to grader that broke and could not be repaired. It was a challenge to obtain quotations for hiring of a grader to complete Henry Botha Street project. Procurement processes for EPWP project of 2022/23 will be done early to avoid delays with implementation.										
TL50	70% of approved budget spent by 30 June 2022 for the procurement of new De Aar West electricity transformer and refurbishment of existing De Aar West transformer {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	1,2,3, 4,5 and 8	New KPI for 2021/22	0.00%	15.00%	0.00%	70.00%	70.00%	0.00%	R	
	Reason and/or Corrective Action	The performance target was not met due to delay in SCM processes as result of the hold on tender processes by National Treasury as result of the Afriforum court case. Project will be implemented in 2022/23 and funds will be rolled-over. Tender for procurement of new De Aar West electricity transformer and refurbishment of existing De Aar West transformer was awarded to Contractor (Motheo). Project implemented from Mid November 2022. The Municipality also applied for co-funding from DTIC to complete the project and is awaiting feedback.										

Table 68: 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

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

Municipal Function	Municipal Function (Yes/ No)
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	Yes
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No
Pontoons, ferries, jetties, piers and harbours, 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 69: 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. Grant funding received for Northern Scheme to Equip 12 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 2021/22 financial year were 10.2% compared to the 15.20% in the 2020/21 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	July 2021 to December 2021 – Reservoir water levels were at an average of 55%
Improvement in reservoir water levels	Jan 2022 to Jun 2022 – Reservoir water levels were at an average of 75%

Table 70: 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	Water use license (WUL) was obtained from Department of Water and Sanitation (DWS) and co-funding for the project was secured.
Staff shortages within the water section	Fill vacancies with experienced and qualified personnel.
Water quality not compliant with SANS 241 standard	Establishment of own lab for monthly testing of water samples.
Water shortage in Hanover	Apply for funding to do a Water Feasibility Study and apply for funding from DWA to increase water supply.

Table 71: Water Services Challenges

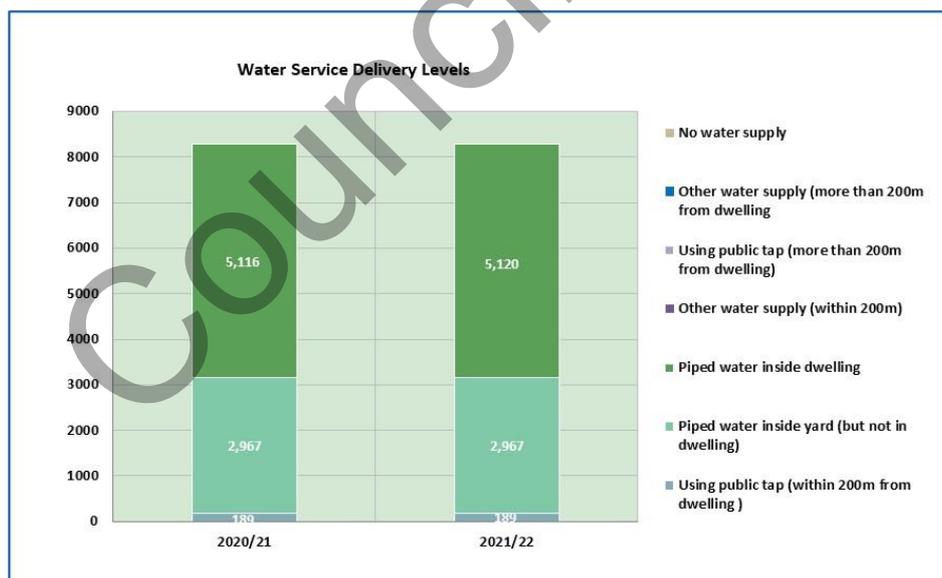
3.3.3 Service Delivery Levels: Water Services

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

Households		
Description	2020/21	2021/22
<i>Water: (above min level)</i>		
Piped water inside dwelling	5 116	5 120
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>	8 272	8 276
<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	8 272	8 276

Include informal settlements

Table 72: Water Service Delivery Levels: Households



Graph 2: Water Service Delivery Levels

3.3.4 Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	11	7	4	36.4
4 - 6	6	5	1	16.7
7 - 9	5	1	4	80.0
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	23	14	9	39.1

As at 30 June 2022

Table 73: Employees: Water Services

3.3.5 Capital: Water Services

The following table indicates the capital expenditure for this division:

Capital Projects	2021/22 R'000				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
De Aar Northern Scheme Boreholes	8 000	4 000	1 032	(6 968)	33 659

Table 74: Capital Expenditure: Water Services

3.4 WASTE WATER (SANITATION) PROVISION

3.4.1 Introduction to Waste Water (Sanitation) Provision

De Aar Waste Water Treatment Works (WWTW) is currently not operational. The WWTW Phase 2 upgrade is pending approval from Municipal Infrastructure Grant (MIG).

There is still the challenge of the Urine Diversion System (UDS) toilets in Hanover and converting it to full waterborne sewerage. We are currently doing it from own funding. However, it is not sufficient and alternative sources of funding will be explored.

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

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
Construction of internal sewer reticulation network in Mzwabantu	Full waterborne sewer reticulation construction for 392 erven in Mziwabantu in Britstown.

Table 75: 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 WWTW Section	Filling of vacancies to address shortage of staff.
Upgrading of De Aar WWTW	Business plan to be revised and submitted for funding.
Bucket system	Apply for funding to eradicate bucket system.

Table 76: Waste Water (Sanitation) Provision Challenges

3.4.4 Service Delivery Levels: Waste Water (Sanitation) Provision

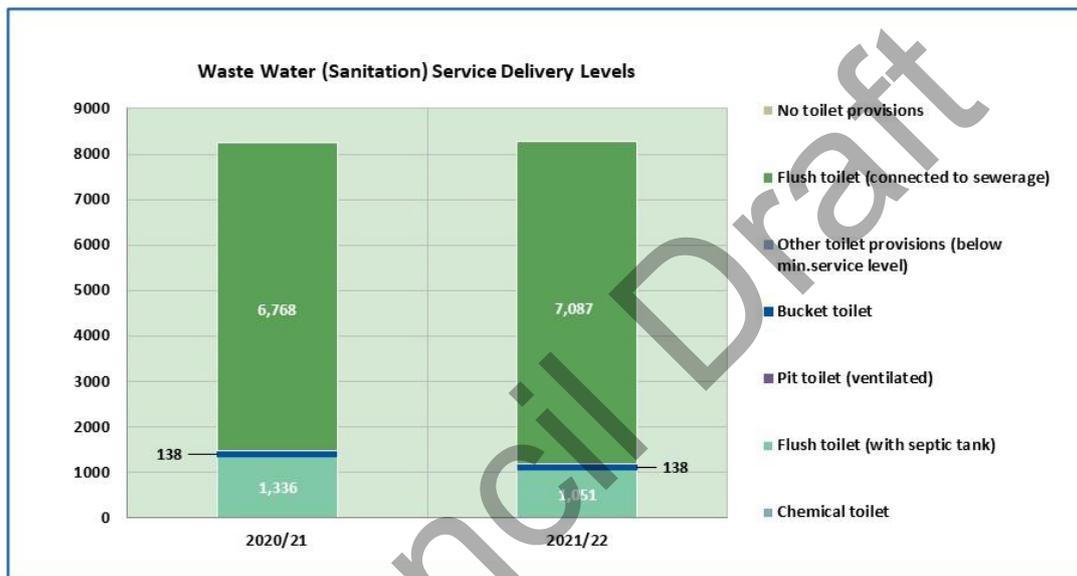
The table below specifies the different sanitation service delivery levels per households for the financial years 2020/21 and 2021/22 in the areas in which the Municipality is responsible for the delivery of the service:

Description	Households	
	2020/21	2021/22
<i>Sanitation/sewerage: (above minimum level)</i>		
Flush toilet (connected to sewerage)	6 768	7 087
Flush toilet (with septic tank)	1 336	1 051
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	8 138
<i>Minimum Service Level and Above Percentage</i>	98.33	98.33

Households		
Description	2020/21	2021/22
Sanitation/sewerage: (below minimum level)		
Bucket toilet	138	138
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
Below Minimum Service Level sub-total	138	138
Below Minimum Service Level Percentage	1.67	1.67
Total households	8 242	8 276

Including informal settlements

Table 77: Waste Water (Sanitation) Provision Service Delivery Levels



Graph 3: Waste Water Service Delivery Levels

3.4.5 Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	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	25.0
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

As at 30 June 2022

Table 78: 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	2021/22 R'000				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Construction of Sewer reticulation of Mziwabantu	12 596	10 096	3 529	(9 067)	12 596

Table 79: Capital Expenditure: 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 2020/21 financial year were 12.79% whilst the losses in the 2021/22 financial year were 12.25% This outcome gives an end result of a 0.54 % 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
Reconfiguration of the STS 6 system as the current system will be phased out in 2024.	Field workers accessing all meters and reconfiguring to the new system and identifying bypassed and faulty meters.
Installation of new prepaid meters.	Upgrade of conventional meters to prepaid meters.
Procurement of split meters	This approach will lessen the possible bypass meters and therefore decrease the electrical losses.
Installation of LED streetlights and high mast lights	Decrease electricity consumption.

Table 80: Electricity Highlights

3.5.3 Challenges: Electricity

The table below specifies the challenges for the year:

Description	Actions to address
Completion of the 16 Hanover houses to be electrified.	Contractor delaying in remedying the snag lists.
Vandalism to existing infrastructure.	To better secure the existing infrastructure.
No master plans.	DBSA to provide funding. Feedback awaited on application that was submitted.
Aged infrastructure.	Submission of business plans for funding.

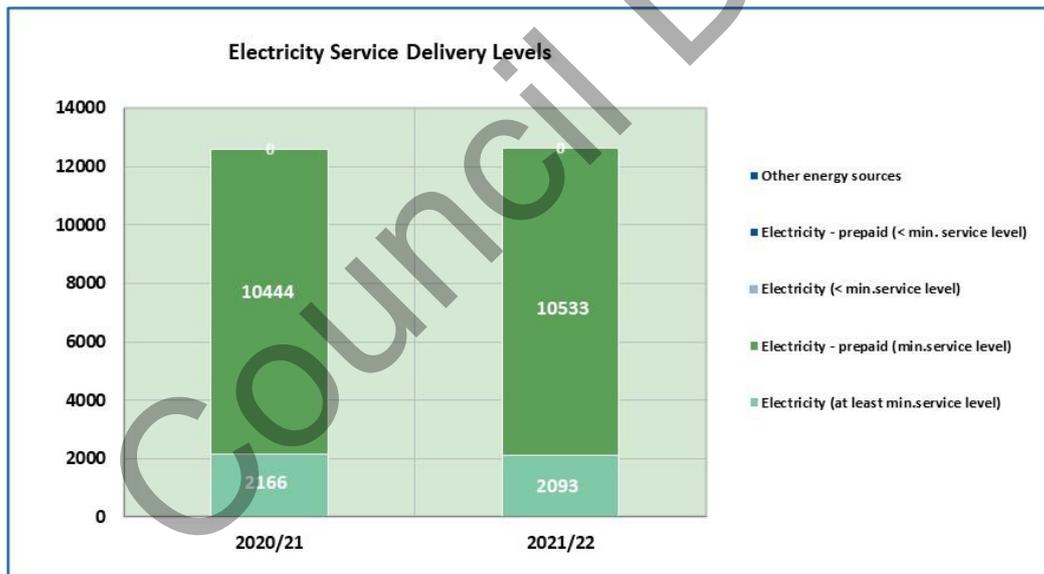
Table 81: Electricity Challenges

3.5.4 Service Delivery Levels: Electricity

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

Households		
Description	2019/20	2020/21
<i>Energy: (above minimum level)</i>		
Electricity (at least min. service level)	2 166	2 093
Electricity - prepaid (min. service level)	10 444	10 533
<i>Minimum Service Level and Above sub-total</i>	12 610	12 626
<i>Minimum Service Level and Above Percentage</i>	100	100
<i>Energy: (below minimum level)</i>		
Electricity (< min. service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	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	12 610	12 626

Table 82: Electricity Service Delivery Levels



Graph 4: Electricity Service Delivery Levels

3.5.5 Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	11	3	8	72.7
4 - 6	10	5	5	50.0
7 - 9	4	4	0	0
10 - 12	8	6	2	25.0
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	0	0	0	0
Total	34	19	15	44.1

As at 30 June 2022

Table 83: Employees: Electricity Services

3.5.6 Capital: Electricity

The following table indicates the capital expenditure for this division:

Capital Projects	2021/22 R'000				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
EEDSM Program (replacement of streetlights with LED lights)	3 000	3 000	3 000	0	11 000
Procurement of material for De Aar East Housing	4 000	1 600	1 312	2 688	26 352
Procurement of new De Aar West electricity transformer and refurbishment of existing De Aar West transformer 2	13 000	13 000	0	13 000	13 000

Table 84: Capital Expenditure: 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
De Aar, Hanover and Britstown landfill sites permitted / licenced	Approval was obtained from the Department of Environment Nature Conservation.
Cleaning Campaigns	Dedicated cleaning campaigns were done throughout the year.
Establish of the task team for awareness programs	A task team was established to educate residents about waste management in the municipal area (Britstown, De Aar, Hanover).
Appointed Waste Management Officer	A Waste Management Officer Control was appointed to manage the waste function (Superintendent).
Renewed our waste management By-Laws	The By-Laws are currently stricter.

Table 85: Waste Management Highlights

3.6.3 Challenges: Waste Management

The table below specifies the challenges for the year:

Description	Actions to address
Landfill machinery to perform waste management and minimisation efforts at the landfill sites.	Acquire additional machinery in 2022/2023.
Illegal dumping still evident amid the municipal efforts to ensure refuse collection is according to the weekly schedule.	Host more integrated awareness programmes with sector department and the communities to plough the seed of education in keeping the environment clean.
Lack of training of municipal personnel to manage the landfill sites.	Provide training to capacitate the employees.
Leaking drains are posing a great challenge, especially in Britstown	Encourage residents to fix their leaking toilets. Conversion of the septic tanks to water borne system.
Lack of consequence management.	Implement consequence management.

Table 86: Waste Management Challenges

3.6.4 Service Delivery Levels: Waste Management

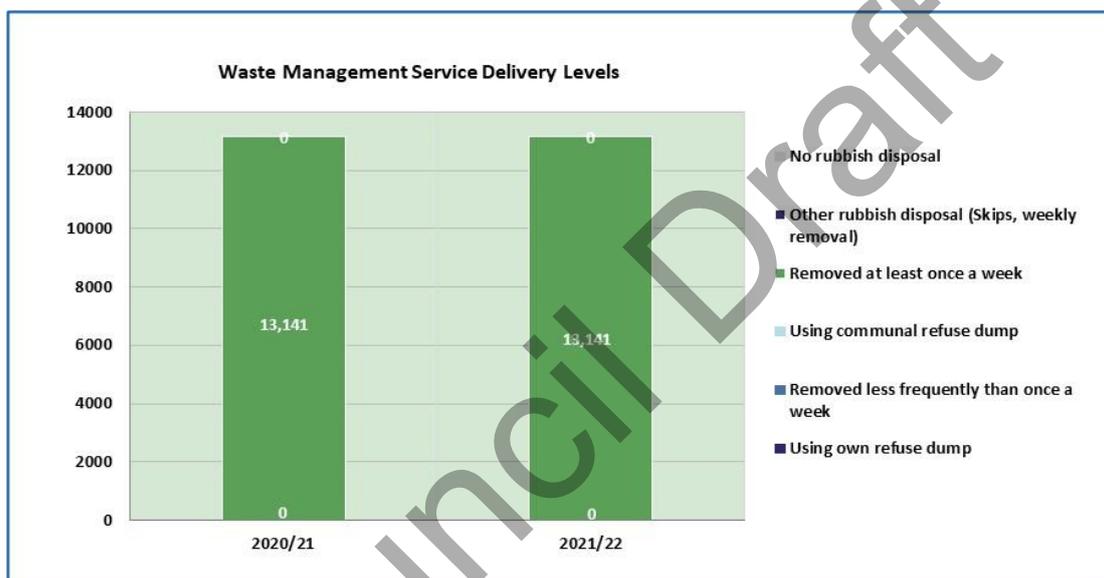
The table below specifies the service delivery levels for the year:

Description	Households	
	2020/21	2021/22
<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

Emthanjeni Municipality: Annual Report 2021/22

Description	Households	
	2020/21	2021/22
<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 87: Waste Management Service Delivery Levels



Graph 5: Waste Management Service Delivery Levels

3.6.5 Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	69	56	13	18.8
4 - 6	17	10	7	41.2
7 - 9	4	2	2	50.0
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	90	68	22	24.4

As at 30 June 2022

Table 88: Employees: Waste Management

3.6.6 Capital: Waste Management

The following table indicates the capital expenditure for this division:

Capital Projects	2021/22 R'000				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Procurement of fleet	200	150	0	0	1 000

Table 89: Capital Expenditure: Waste Management

3.7 HOUSING

3.7.1 Introduction to Housing

In 2011, Emthanjeni commissioned a scoping in terms of Sustainable Human Settlements to determine the elements that would, amongst others, structure the spatial context of the three towns and surrounding farms.

It was found that there is sufficient land in the Municipality, but it needed to be formalized through Planning and Rezoning Schemes and the installation of basic services to the sites. There are currently 848 serviced erven for new residential use in Britstown which is completed: Block A- Proteaville: 58 sites, Block B: 190 sites and Block C: 600 sites.

The servicing of sites was completed in November 2021. Hanover has 470 serviced sites and 195 houses are already constructed and completed. De Aar is currently having 1400 erven that has already been serviced sites for residential use, and we are now busy with the construction of 345 houses.

The National Human Settlements has prioritized the eradication of the current backlogs of low-income houses and also supply adequate tenure to residents in a municipal area who does not necessarily qualify for a bonded house. Young professionals and other middle-income earners normally find it hard to purchase property.

Emthanjeni Municipality has responded to this Breaking New Ground Policy by availing land for Rental and Social Housing in the affluent are of Rantsig (just opposite the new hospital). This clearly demonstrates alignment to National Human Settlements' policies of BNG and others, trying to eradicate Apartheid style spatial planning.

The Emthanjeni MHSP will continue in its efforts to align itself with the NC Annual Performance Plan in as much to deliver priorities for the current 5-year cycle (2022/23 – 2024/2027)

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 90: Housing Needs

3.7.2 Highlights: Housing

The table below specifies the highlights for the year:

Highlights	Description
Servicing of 1400 sites in De Aar.	Sites completed.
Servicing of 848 sites in Britstown.	Sites completed in 2021.
Municipal Human Settlement Plan	Reviewed and approved for 2021/22.

Table 91: Highlights: Housing

3.7.3 Challenges: Housing

The table below specifies the challenges for the year:

Description	Actions to address
Slow progress on construction of 345 houses.	COGHSTA to appoint two new contractors in July 2022.

Table 92: 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 formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2020/21	13 141	12 582	96%
2021/22	13 141	12 582	96%

Table 93: 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)
2020/21	4 264	(2.2)
2021/22	4 304	0.9

Table 94: Housing Waiting List

Financial year	Number of houses built	Number of sites serviced
2020/21	240	983
2021/22	345	1400: De Aar 848: Britstown

Table 95: Houses Built and Sites Services

3.7.5 Employees: Housing

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	9	5	4	44.4
7 - 9	1	1	0	0
10 - 12	1	0	1	100.0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	12	7	5	41.7

As at 30 June 2022

Table 96: 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.

Financial year	Total no of HH	Number of households							
		Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2020/21	12 810	3 916	30.57%	3 916	30.57%	3 916	30.57%	3 916	30.57%
2021/22	12 810	3 860	30.13%	3 860	3 860	3 860	3 860	3 860	3 860

Table 97: Free Basic Services to Indigent Households

Financial year	Electricity								
	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
2020/21	3 916	50.00	2 820	8 894	50.00	5 550	676	50.00	422
2021/22	3 269	50.00	2 707	8 950	50.00	7 411	591	50.00	489

Table 98: Free Basic Electricity Services to Indigent Households

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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
2020/21	3 916	125.70	5 908	8 894	125.70	13 416
2021/22	3 860	130.92	6 064	8 950	130.92	14 061

Table 99: 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
2020/21	3 916	216.42	10 170	8 894	216.42	23 098
2021/22	3 860	225.07	10 425	8 950	225.07	24 173

Table 100: 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
2020/21	3 916	1 (once)	6 342	8 894	134.95	14 403
2021/22	3 860	1 (once)	6 501	8 950	140.35	15 074

Table 101: Free Basic Refuse Removal Services to Indigent Households

COMPONENT B: ROAD TRANSPORT

3.9 ROADS

3.9.1 Introduction to Roads

The total of tar roads within the municipal area to 91,15 km. At present about 56% of all municipal streets are still gravel roads which cause a great deal of inconvenience during rain and strong wind.



3.9.2 Highlights: Roads

The table below specify the highlight for the year:

Highlight	Description
Paving of town entrances (See photo above)	Beautification of Municipal entrances.
Pothole maintenance	Annual routine road maintenance.

Table 102: 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 but due to outdated plans, MIG was not able to consider the plans.
Insufficient operations and maintenance budget.	Majority of the roads need to be resealed and some be replaced.
Damaged road infrastructure caused by trucks.	Redirect and discourage trucks inside our towns.
Delay in implementation of paving project due to broken grader.	Grader parts can only be procured outside of the country. Hiring of a grader to complete project.
Underspending of grant allocation for paving of streets.	Delay in implementation of project due to broken grader.

Table 103: 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
2020/21	114.47	0	0	114.47
2021/22	114.47	0	0	114.47

Table 104: 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
2020/21	91.15	0.25	0	0	91.40
2021/22	91.40	0	0	0	91.40

Table 105: 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		
2020/21	0	0	9 750
2021/22	0	0	244

The cost for maintenance includes stormwater

Table 106: Cost of Construction/Maintenance of Roads

3.9.5 Employees: Roads

The following table indicates the staff composition for this division:

Job Level	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	52.9
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	42.1

As at 30 June 2022

Table 107: Employees: Roads

3.9.6 Capital: Roads

The following table indicates the capital expenditure for this division:

Capital Projects	2021/22 R'000				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Paving of streets	1 389	1 389	946	443	1 389

Table 108: Capital Expenditure: Roads

3.10 WASTE WATER (STORMWATER)

3.10.1 Highlights: Waste Water (Stormwater)

The table below specify the highlight for the year:

Highlight	Description
Cleaning of stormwater drainage channels.	Quarterly routine maintenance of stormwater channels.

Table 109: Waste Water (Stormwater) Highlights

3.10.2 Challenges: Waste Water (Stormwater)

The table below specifies the challenges for the year:

Description	Actions to address
Water drainage challenge at Subway linking De Aar East with De Aar West.	Increase sump size of the stormwater storage. Procure bigger pumps.
Maintenance of stormwater drainage due to budget constraints.	Budget provision must be made for equipment and personnel, including training.

Table 110: 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
2020/21	0	0	6.28
2021/22	0	0	6.28

Table 111: 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	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	3	2	1	33.3
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	33.3

As at 30 June 2022

Table 112: 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.

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

The SDF is 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 Municipal Infrastructure Support Agency (MISA) has allocated funds to assist the Municipality with the drafting of the new SDF. MISA will be responsible for all processes involved in appointing a service provider as well as coordinating the drafting of the new SDF. The project is currently in procurement stage.

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 2022 the project is complete and the Final LUS has been gazetted on 30 May 2022.

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 in order to be SPLUMA compliant.

3.11.2 Highlights: Planning

The table below specifies the highlights for the year:

Highlights	Description
8 Land use applications have been approved	10 applications were submitted to the DMPT and 8 applications were approved, 2 were referred back.
Establishment of the DMPT	The District Municipal Planning Tribunal was established comprising all local municipalities in the district.
Building plans	A total of 66 building applications were processed.

Table 113: Planning Highlights

3.11.3 Challenges: Planning

The table below specifies the challenges for the year:

Description	Actions to address
The 5-year term for the DMPT members lapsed and caused a delay in deciding on the Land Use applications.	Establishment of the DMPT.
The applicants for Renewable energy projects are reluctant in paying the Augmentation fees and settlement of rates & taxes.	Assistance from Finance department and clear policy guidelines.
Vacant post of Town planner. The land use applications the Municipality is receiving has increased rapidly and that makes it difficult for the PMU Manager who is also responsible of implementing and monitoring of capital projects.	Appointment of the Town Planner
Outdated SDF	Development of the SDF by the NC MISA in the new financial year.

Table 114: 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	
	2020/21	2021/22	2020/21	2021/22
Planning application received	0	0	11	13
Determination made in year of receipt	0	0	10	10
Determination made in following year	0	0	1	3
Applications withdrawn	0	0	0	0
Applications closed	0	0	10	8
Applications outstanding at year end	0	0	1	3
Awaiting DEA&DP decision	0	0	0	0

Table 115: Applications for Land Use Development

Type of service	2020/21	2021/22
Building plans application processed	94	66
Total surface (m ²)	8 415.82	7 393.84
Approximate value	R35 995 411	R32 332 465.48
New residential dwellings	10	3
Residential extensions	69	54
New Business buildings	6	1
Business extensions	8	6
Land use applications processed	11	10

Table 116: Additional Performance Town Planning and Building Control

3.11.5 Employees: Planning

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	4	3	1	25.0
13 - 15	1	0	1	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	3	2	40.0

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Table 117: Employees: Planning

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

The current LED Strategy of Emthanjeni Municipality was developed during 2018 with the assistance from the Department of Economic Development and Pixley Ka Seme District Municipality. It will be due for review during 2022/23 financial year following the LED Summit which has been postponed to be held during September / October 2022.

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 Municipal area. 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. A lack of funding to implement the strategy and projects identified and included in the current strategy is a major challenge.

Emthanjeni Municipality has been included for the pilot project by SALGA for developing a Trade and Investment Strategy as part of their trade and investment guidelines roll out programme. Roll out of the programme will be continued in the next financial year.

3.12.1 Highlights: LED

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

Highlights	Description
Redevelopment of De Aar Hydroponics Project	Council approved Vital Veggies to redevelop the Hydroponics project which was funded by the Department of Agriculture.
Fibre installation	<ul style="list-style-type: none"> • Council approved Herotel to install a fibre network in De Aar. • Council approved MTD Civils to install fibre networks in Britstown and Hanover.
Ministerial visit	The Minister together with MEC of Economic Development and Premier of Northern Cape visited Pixley, the event was hosted at De Aar for purpose of providing support to SMME’s as part of entrepreneur development.
Investor interest	Numerous investors presented development proposals to Council and the SCM process need to be followed to start with implementation.
Disposal of land	<ul style="list-style-type: none"> • Van der Merwe Caravan Park was disposed of for the development of a mixed housing project. The project will be implemented during 2022/23 financial year. • Zoning applications for Rose Park was submitted to the newly established DMPT for the development of a retail shopping centre including doctors’ offices. Development of mini shopping centre at Rose Park is progressing well.
Renewable Energy projects (Solar Corridor)	The municipality has approved a further development of solar PV and wind projects.
Trade and investment strategy	The municipality has been included as a pilot for the trade and investment guidelines roll out programme. Roll out of the programme will be continued in the next financial year.
National roads development	<p>There are three major projects which are initiated and negotiations between municipality and developers has started:</p> <ul style="list-style-type: none"> • Shopping centre and filling station to be development • Recharge stations at Hanover and Britstown
Paving of sidewalks	Entrances of De Aar and sidewalks in strategic areas has been beautified with paving bricks.
Servicing of Sites	884 sites have been serviced at Britstown.

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Highlights	Description
LED streetlights	LED lights are installed.
Land Audit	Land Audit was conducted in all towns of Emthanjeni during 2021/22 financial year
Waterborne sewerage	Households in Britstown have been connected to the sewer reticulation system.
Cleaning campaigns to attract investors	Cleaning campaigns have been done on a regular basis in the respective wards.
Solar heating system project	Phase 1 of the Solar heating system project was implemented and currently busy with phase 2.
De Aar Logistic and Storage hub	Current process of entering into long term Lease Agreement for renting of land.
N1, N10 and N12 Road maintenance	Maintenance is done by SANRAL on an ongoing basis. Local SMMEs have contracts for these maintenance projects.

Table 118: LED Highlights

3.12.2 Challenges: LED

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

Description	Actions to address
Impact of Covid 19 restrictions on local SMMEs.	Investors and funding institutions e.g., SEDA, DSBD, NC SMME Trust to provide funding support to SMMEs.
Lack of funding to implement LED Strategy.	Collaborative partnerships with investors and stakeholders to implement projects identified in LED Strategy.
No funding for perilous SMME's.	Discussions with investors in Emthanjeni to provide funding support to SMMEs.
No LED Forums could emerge.	LED Forum to be revived in the new financial year.
Vandalism of municipal buildings and assets	Safeguard of municipal buildings and leasing or dispose to private business owners which will generate revenue to municipality.
<ul style="list-style-type: none"> 🔧 LED Lease Agreements expired and process to renew or terminate has been delayed. 🔧 Loss of rental income from LED lessees. 	Renewal of lease agreements of interested lessees with no outstanding accounts and termination of lease agreements of lessees who did not honour their contractual obligation to pay their accounts up to date.
Postponement of LED Summit	Hosting of LED Summit in new financial year.
Vandalism of LED streetlights	Lights to be replaced with security measures in place.
Removing of paving bricks on sidewalks	Future plan is to install CCTV on strategic areas.

Table 119: Challenges LED

3.12.3 Job Creation: EPWP

Details	Full Time Equivalent (FTE's) created through EPWP projects
	No.
2020/21	72
2021/22	42

Table 120: 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) and must be reviewed. The funding of the Strategy activities remained 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.

Highlights: Tourism

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

Highlight	Description
Emthanjeni Tourism Forum	The forum, which comprises of local tourism businesses and representatives from the local & district municipality, has been established with the assistance of the Department of Economic Development and Tourism.

Table 121: Highlights: Tourism

Challenges: Tourism

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

Description	Actions to address
Outdated Tourism Plan	Review of Tourism Strategy/Plan.
Vacant Tourism Officer position	Filling of Tourism Officer position or dedicate functions to dedicated official.
Vandalised and aged heritage buildings	Establish partnerships with investors and Department Arts and Culture to upgrade heritage buildings.

Table 122: Challenges: Tourism

3.12.5 Employees: LED

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	4	3	1	25.0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	4	1	20.0

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Table 123: 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
Hanover library renovations	<ul style="list-style-type: none"> ✎ Removed the old wooden floor and replaced it with a concrete slab because the wooden floor was a serious risk to patrons who used the library daily. ✎ Renovated the entire library internally, ceiling, the interior walls, laid ceramic tiles inside the library except for the kitchen. ✎ Removed the old circulation counter and installed a new one.
Book club launch for Hennie Liebenberg Junior library	The library never had a book club before, it was launched in May 2022.
Book launch	Local writer by the name Tertius Lammerd title of the book Die Tuiste van Tower Sprokies.

Table 124: Libraries Highlights

3.13.3 Challenges: Libraries

The table below specifies the challenges for the year:

Description	Actions to address
Load shedding	It really hampers the services we render to our patrons especially the school kids who have to use the libraries after school.
Renovation of Hanover library	The renovations hampered the books circulation figures in that library. The renovations took place in two phases. This meant that the library had to close for longer periods in a given time and that contributed to the low overall figures.
Late return of books	We write reminders, send our messenger to collect books from our patrons at home.
Roof leakage	We are in the process to fix this come next financial year.

Table 125: Libraries Challenges

3.13.4 Service Statistics for Libraries

The table below specifies the service statistics for the year:

Service statistic	2020/21	2021/22
Number of libraries	5	5
Library members	7 234	5 596
Books circulated	20 038	19 512
Exhibitions held	4	11
Internet users	3 721	4 002
New library service points or Wheelie Wagons	0	0
Children programs	2	6
Visits by school groups	11	23
Book group meetings for adults	0	3

Table 126: Service Statistics for Libraries

3.13.5 Employees: Library Services

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	5	4	1	20.0
4 - 6	9	7	2	22.2
7 - 9	7	7	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	22	19	3	13.6

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Table 127: 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 128: Emthanjeni Cemeteries

3.14.1 Highlights: Cemeteries

The table below specifies the highlights for the year:

Highlights	Description
Introduction of a burial application form in Britstown.	An application form was introduced for better control.
Stopping of grave reservations.	Reservation of graves was stopped due to space management.
Meeting with funeral undertakers.	Better management and sharing of information
Acceptable level of service.	Service was rendered throughout the year with minimal complaints.

Table 129: Cemeteries Highlights

3.14.2 Challenges: Cemeteries

The table below specifies the challenges for the year:

Description	Actions to address
Management system of cemeteries requires improvement.	Need to improve the administrative processes through introducing of additional forms and to have regular meetings with affected parties.
Continued vandalism, breaking of graves, theft of fencing and stray animal invasion of cemeteries.	Investigate possibilities of a sustainable system.
Maintenance work not performed as expected.	Stricter control will have to be implemented.
Quality of service provided (Tombstones)- certain funeral undertakers deliver poor quality services.	Monitor service delivery and consult with undertakers.
Hard rock surfaces at Karoluspoort and Burgerville Cemeteries.	Purchase a TLB and/or jack hammer.
Shortage of personnel.	Appoint more personnel so that they can be able to maintain the Cemeteries.

Table 130: Cemeteries Challenges

3.14.3 Service Statistics for Cemeteries

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

Type of service	2020/21	2021/22
Burials	885	630

Table 131: 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
Upgrade Vehicle Testing Station.	Testing equipment at De Aar Vehicle Testing Station were upgraded and we are now fully compliant to relevant SABS codes.
Upgrade Emthanjeni Driving Licence Testing Centres.	The Learner Licence test facility within the DLTC were upgraded to the new electronic test method in both our DLTC’s of De Aar and Hanover.
One examiner for driver’s licences upgrade.	One examiner for driver’s licences successfully completed his course as a Grade A examiner at Nelson Mandela Bay Traffic College.

Table 132: Traffic Services Highlights

3.15.3 Challenges: Traffic Services

The table below specifies the challenges for the year:

Description	Actions to address
Shortage of patrol vehicles.	Waiting on the procurement of new municipal fleet.

Table 133: Traffic Services Challenges

3.15.4 Service Statistics for Traffic Services

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

Details	2020/21	2021/22
Number of road traffic accidents during the year	292	361
Number of by-law infringements attended	20	12
Number of Traffic officers in the field on an average day	4	5
Number of Traffic officers on duty on an average day	9	10
Animals impounded	0	0
Motor vehicle licenses processed	6 352	5 149
Learner driver licenses processed	3 473	4 691

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Details	2020/21	2021/22
R-value of fines collected	200 485	88 725
Roadblocks held	24	24
Complaints attended to by Traffic Officers	10	24

Table 134: Service Statistics for Traffic Services

3.15.5 Employees: Traffic Services

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	5	4	1	20.0
4 - 6	5	3	2	40.0
7 - 9	9	7	2	22.2
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	18	5	21.7

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Table 135: Employees: Traffic Services

3.15.6 Employees: Law Enforcement

The following table indicates the staff composition for this division:

Job Level	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	60.0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	2	3	60.0

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Table 136: 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
Response time down.	Average response time to fires has been reduced to approximately 10 minutes from time callout has been received.

Table 137: 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
Shortage of sufficient equipment.	Need to procure new equipment and fixing of old equipment.

Table 138: 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	2020/21	2021/22
Total fires attended in the year	60	72
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 139: 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
Funding approved for the upgrading of Nonzwakazi Sport Complex	The upgrade will include the repairing and refurbishment of combi-court, tennis court, sprinkler system (by means of a dedicated borehole), refurbish player's change rooms, upgrade of the grandstand and repairing existing fencing.

Table 140: Sport and Recreation Highlights

3.17.2 Challenges: Sport and Recreation

The table below specifies the challenges for the year:

Description	Actions to address
Lack of income for renting of sport facilities due to COVID-19 restrictions.	Promote sport facilities now that restrictions are lifted.
Funding for the upgrade of the existing gravel track to tartar track for De Aar West.	The Department Sport, Arts and Culture should provide additional funding for the project.
Vandalism is extremely high of Sport and Recreation infrastructure.	Improve security at facilities and do more awareness.

Table 141: 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	2020/21	2021/22
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	0	0
Sport fields		
Number of wards with sport fields	6	6
R-value collected from utilization of sport fields	R0	R28 000
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 142: 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	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	35	20	15	42.9
4 - 6	0	0	0	0
7 - 9	3	2	1	33.3
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	23	16	41.0

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Table 143: Employees: Parks and Cemeteries

3.17.5 Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	14	10	4	28.6
4 - 6	1	0	1	100.0
7 - 9	1	0	1	100.0
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	10	6	37.6

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Table 144: 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 OFFICE OF THE MAYOR

3.18.1 Highlights: Office of the Mayor

The table below specifies the highlights for the year:

Highlights	Description
Cleaning of Wards Campaign	Ongoing cleaning campaigns in all Wards.
Hosting Premier's Top 16 Soccer Tournament	Winners and runners-up of municipalities in Pixley ka Seme region competed for the Trophy during the Premier's Top 16 Soccer Tournament hosted in Emthanjeni.
Establishment of ward-based Youth Councils in all 8 Wards and the establishment of Emthanjeni Youth Council.	Youth Councils were elected in all wards during March to May 2022.
Women's Day Celebrations	Hosted an event on 31 August 2021 to celebrate Women's Day with elderly women.
Freedom Day Celebrations	Hosted programme for 50 elderly persons from Reabooth and Masekhane in celebration of Freedom Day. They participated in games and were served with soup and bread.

Table 145: Office of the Mayor Highlights

3.18.2 Challenges: Office of the Mayor

The table below specifies the challenges for the year:

Description	Actions to address
Office Space after the Youth Centre burned down.	Re-allocate the staff of the youth centre to another building.
Knowledge and understanding of legislation and policies by new Councillors	Consistent induction of Councillors on local government legislation.
Implementation of ward projects due to cashflow challenges.	Reduce ward projects costs and prioritise identified projects.
Convening of "Council Meets the People" meetings in wards 3 and 5.	Sectoral meetings to be held within wards.
Internal capacity.	Expand the staff component in the office of the Mayor.

Table 146: Office of the Mayor Challenges

3.18.3 Employees Office of the Mayor

The following table indicates the staff composition for this division:

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

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Table 147: Employees: Office of the Mayor

3.19 OFFICE OF MUNICIPAL MANAGER

3.19.1 Highlights: Office of Municipal Manager

The table below specifies the highlights for the year:

Highlights	Description
Emthanjeni Land Use Scheme	Successful adoption of the Emthanjeni Municipality Land Use Scheme- LUMS adopted by the ELM Council at an Ordinary meeting dated February 2022.
Small Scale Embedded Generation (SSEG) Policy	Adoption of Small- Scale Embedded Generation (SSEG). The policy will allow the municipality to control the installation of solar power at households/businesses within our jurisdiction.

Table 148: Office of Municipal Manager Highlights

3.19.2 Challenges: Office of Municipal Manager

The table below specifies the challenges for the year:

Description	Actions to address
Financial Sustainability of the municipality.	Consistent implementation of the credit control policy as well as creating an enabling environment for economic development.
Low productivity levels in the workplace.	To get to the bottom, a work study will have to be performed initially.
Ill discipline	Consequence management to be implemented consistently.
Effectiveness of the Municipality's Supply Chain Management Unit	Stick to timeframes and timeous implementation of consequence management actions.

Table 149: Office of Municipal Manager Challenges

3.19.3 Employees: Office of the Municipal Manager

The following table indicates the staff composition for this division:

Job Level	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	100.0
13 - 15	1	0	1	100.0
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	4	2	2	50.0

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Table 150: Employees: Office of the Municipal Manager

3.20 CORPORATE SERVICES: ADMINISTRATION

3.20.1 Highlights: Corporate Services: Administration

The table below specifies the highlights for the year:

Highlights	Description
Filling of vacancies	The position of Translator, Typist and Messenger were filled.
Timeous distribution Council agendas	Since Council agendas are distributed electronically, they are received timeously by Councillors.
Mentorship program	The municipality has been struggling with a Translator for a year, but the municipality embarked on headhunting of a Translator and she was placed under a retired person for six months for mentoring.
Filling of the Manager Support Services position	The position has been vacant for four years and finally the recruitment and selection process has been finalised and newly appointed person will start on 1 July 2022.
Review of HR policies to be implemented for Municipal Staff Regulations	Council has been struggling to adopt HR policies because it could not reach consensus with the union, but this process has been concluded and all policies were adopted by LLF.

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Highlights	Description
Training of employees	All employees have been trained on the new Municipal Staff Regulations.
Consultation for skills development needs	The municipality had a meeting with all employees in sections/ units to determine their skills gaps so that their needs can be included in Workplace Skills Plan.

Table 151: Corporate Services: Administration Highlights

3.20.2 Challenges: Corporate Services: Administration

The table below specifies the challenges for the year:

Description	Actions to address
Late submission of agenda items, delaying the distribution of agendas timeously	Agenda items to be submitted 14 days in advance for the agenda to be finalized and distributed early.
Shortage of offices space	Alternative space to be considered at the town hall.
Employees not having matric certificates for promotion when vacancies exist.	ABET classes to be organised with the Department Education.
Ageing of the office infrastructure	Office building to be renovated once cashflow improves.

Table 152: Corporate Services: Administration Challenges

3.20.3 Employees: Corporate Services: Administration

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	16	11	5	31.3
4 - 6	8	6	2	25.0
7 - 9	5	3	2	40.0
10 - 12	8	5	3	37.5
13 - 15	1	0	1	100.0
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	39	26	13	33.3

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Table 153: Employees: Corporate Services: Administration

3.21 HUMAN RESOURCE SERVICES

3.21.1 Introduction to Human Resources

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.

3.21.2 Highlights: Human Resources

The table below specifies the highlights for the year:

Highlights	Description
Selfless services	Employees has been able to work under difficult circumstances due to Covid-19.
Filling of critical vacancies	Despite the high vacancy rate due to cashflow challenges, the municipality managed to fill all critical vacancies with qualified and skilled people.

Table 154: Human Resources Highlights

3.21.3 Challenges: Human Resources

The table below specify the challenge for the year:

Description	Actions to address
Resignation of officials with institutional memory	Where possible, these officials will be requested to come and assist with skills transfer and appointment of skilled individuals.
Shortage of officials with scarce skills	Training of officials with potential.
Poor performance of individuals	Full implementation of Municipal Staff Regulation.

Table 155: Human Resources Challenges

3.21.4 Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	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	100.0
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	33.3

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Table 156: Employees: Human Resources

3.22 DEVELOPMENT AND STRATEGIC SERVICES

3.22.1 Introduction to Development and Strategic Services

The Development and Strategic Services Unit comprises the following components, namely: Integrated Development Planning, Local Economic Development, Performance Management & Risk Management, Commonage as well as Tourism. Each component is championed by an official except for Tourism.

3.22.2 Highlights: Development and Strategic Services

The table below specifies the highlights for the year:

Highlights	Description
Draft Commonage Policy	Council approved the Draft Commonage Policy for public comment as well as to be workshopped with all relevant stakeholders.
Commonage meetings with Committees	Meetings with Commonage Committees were held on a quarterly basis.
Investor interest	Numerous investors presented development proposals to Council and the SCM process need to be followed to start with implementation.
Compliance with municipal legislation	Council approved all strategic related compliance documents within the required legislative timeframes and it were submitted to relevant stakeholders.
IDP & Budget Process Plan Time Schedule implementation	Implementation of the IDP & Budget Process Plan Time Schedule according to key deadlines. Plan was revised during February to include election and inauguration of new Councillors, election of new Ward Committees as well as new Municipal Staff Regulation process.
Regular IDP Steering Committee Meetings	Six IDP Steering Committee meetings have been held to monitor and evaluate implementation of the IDP and Budget processes.
Regular IDP Representative forum Meetings held	Three IDP Representative Forum meetings were held and stakeholder participation improved/increased.
Development and approval of Emthanjeni LUS	The Unit was responsible for coordination of the process of drafting the Land Use Scheme which was funded by the Department of Rural Development who appointed Data World to draft the LUS.
Development of Spatial Development Framework	<ul style="list-style-type: none"> • A business plan was submitted to DBSA via the Northern Cape PMU for funding to review the outdated SDF. Feedback on the application is awaited. • MISA committed to fund the development of an SDF for Emthanjeni. Project will be implemented during 2022/23 financial year.
Karoo Small Town Regeneration Initiative	The Development Unit participated in the Karoo Small Town Regeneration Initiative. Various programmes and projects were identified for municipalities that form part of this initiative that will be implemented in future financial years.
SANRAL PLC participation	<p>The Development Unit participated in the forum which serves as platform to provide feedback with regards to SANRAL's projects in the municipal area.</p> <p>Projects for Hanover has been identified as part of SANRAL's social responsibility towards the community.</p>

Table 157: Development and Strategic Services Highlights

3.22.3 Challenges: Development and Strategic Services

The table below specify the challenge for the year:

Description	Actions to address
Transport	Procurement of vehicle to be utilized by officials in the Unit.
Delayed implementation of Council resolutions	Capacity building with regards to SCM processes that needs to be followed once Council has approved projects for implementation.
Outdated Spatial Development Framework (SDF)	Development of new SDF.

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Description	Actions to address
Delay in implementation of investor developments approved by Council in line with SCM Policy directives.	<ul style="list-style-type: none"> Standard Operating Procedures for implementation of development proposals requiring long term leases for municipal owned land. Review of policies to include procedures for long term lease agreements for municipal owned land. Drafting of policy regulating implementation of renewable energy projects in municipal area.
Drafting of Hunting Policy for Emthanjeni Municipality.	Assistance required from Department Agriculture and Environmental Affairs to draft policy.
Audit opinion for Performance information.	Regular reviews and monitoring of performance information & portfolio of evidence.

Table 158: Development and Strategic Services Challenges

3.22.4 Employees: Development and Strategic Services

The following table indicates the staff composition for this division:

Job Level	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	3	2	1	33.3
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	4	1	20.0

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Table 159: Employees: Development and Strategic Services

3.23 FINANCIAL SERVICES

3.23.1 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.

3.23.2 Highlights: Financial Services

The table below specifies the highlights for the year:

Highlights	Description
The municipality does not have any arrears on statutory payments such as Pension Fund- , Medical Aid- and other salary contributions.	The Creditors and Payroll section are working very hard and is dedicated to ensure that transfers, payments are done timeously.
Investigation on the Maximization of Revenue Streams within the Municipality.	The Revenue staff are intensely busy to ensure that we maximise of revenue by introducing income generating mechanisms. The replacement of old KVA electrical meters and moving toward split prepaid electricity meters are steps in a right direction.
Finance staff is dedicated to achieve financially unqualified audit opinion for 2022 financial year.	BTO Staff and other senior staff members are working extremely hard and long hours to ensure that the Audit Opinion of the Municipality improves from the previous year.

Table 160: Financial Services Highlights

3.23.3 Challenges: Financial Services

The table below specifies the challenges for the year:

Description	Actions to address
The smooth migration of the Municipal Standard Chart of Accounts (MSOCA) is not yet functioning.	Parallel Runs of both systems need to be monitored so that when "Take-On Balances" are taken on that it should be free of audit risks.
Lack of Capacity amongst staff within the Finance Department is impacting the operations negatively.	Staff needs to be more dedicated towards their work and should be open to attend training and should start reading budgetary policies.
Late processing of municipal monthly services accounts lead to the high outstanding accounts receivable balances.	Municipal accounts should be ready for distribution on or before the 20 th of each month.
Absenteeism in the Finance Department is a major factor for unproductivity within the workplace.	Discipline should be re-enforced to ensure that absenteeism is address smoothly.

Table 161: Financial Services Challenges

3.23.4 Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	3	1	25.0
4 - 6	30	29	1	3.3
7 - 9	6	6	0	0
10 - 12	5	4	1	20.0
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	1	1	0	0
Total	47	44	3	6.4

As at 30 June 2022

Table 162: Employees: Financial Services

3.24 PROCUREMENT SERVICES

3.24.1 Highlights: Procurement Services

The table below specifies the highlights for the year:

Highlights	Description
Reduction of Irregular, Fruitless and Wasteful Expenditure.	Internal Controls were properly instituted and segregation of duties were reviewed.
Provincial Treasury's continued support with Supply Chain Processes was of big assistance to SCM Staff.	Continuance monitoring, coaching and support contributed to better understanding the SCM Regulations and other legislative requirements.
Attainment of SCM Qualification by SCM Staff.	National Certificate: SCM.

Table 163: Procurement Services Highlights

3.24.2 Challenges: Procurement Services

The table below specifies the challenges for the year:

Description	Actions to address
One of the main challenge is that we need to register many more people on CSD that cannot be helped by other departments.	This does take a bit of our time but we are managing it.
Decentralisation remains the challenge.	Recommendation of centralisation and probably an addition of one or two interns.
Turnaround time SCM Committees.	Making sure SCM committees are allocated time lines. Secondly, training of committee members is needed.

Table 164: Procurement Services Challenges

3.24.3 Service Statistics for Procurement Services

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

Description	2020/21	2021/22
Requests processed	561	530
Orders processed	561	530
Requests cancelled or referred back	0	0
Extensions	0	0
Bids received (number of documents)	145	131
Bids awarded	9	9
Bids awarded ≤ R200 000	9	16
Appeals registered	0	1
Successful Appeals	0	0

Table 165: Service Statistics for Procurement Division

3.24.4 Total Awards Made

A total of **9** bids of an estimated value of **R 29 877 772** (excluding term tenders or tenders where rates are applicable) were awarded during 2021/22.

3.24.5 Awards Made by the Bid Adjudication Committee

In terms of paragraph 5(2)(b) of Council’s Supply Chain Management policy, only the Bid Adjudication Committee may award a bid between R200 000 and below R10 000 000. These powers were sub-delegated to the Bid Adjudication Committee as prescribed in terms of the Regulations.

The Bid Adjudication Committee awarded **9** bids of an estimated value of **R 16 612 772** (excluding term tenders or tenders where rates are applicable).

The highest bids awarded by the Bid Adjudication Committee are as follows:

Bid number	Title of bid	Directorate	Successful Bidder	Value of bid awarded
T11_2022	Britstown Construction of Sewer House Reticulations	Infrastructure	BT Group	R 10 998 393
T1_2022	Compilation of Emthanjeni Municipality Performance Management System.	Corporate Services	Ignite Advisory	R 4 115 397
T12_2022	Supply and Delivery of Electrical Material of De Aar East Housing Project	Infrastructure	MDL	R 1 312 487
T16_2021: RFI	Consulting Civil Engineers: De Aar Northern Scheme Bore Hole Development	Infrastructure	Melokuhle Consulting	R 1 243 097
T11_2022	Consulting Civil Engineers Britstown Construction of Sewer House Reticulations	Infrastructure	BVI Consulting Engineers	R 1 098 000
T1_2022	Consulting Electrical Engineers: Transformer De Aar West	Infrastructure	Heyns van Rooyen Electrical Engineers	R 560 000 paid to date
T16_2021: RFI	Consulting Civil Engineers: Nonzwakasi Sportsground	Infrastructure	Melokuhle Consulting	R 513 184
T9_2022	Supply and Delivery of PPE	Finance, Corporate Services, Community Services and Infrastructure	SL Darnie	R 464 384
T19_2021	Supply and Delivery of Horizontal Split Casing pump	Infrastructure	Masiye Consulting	R 272 830
T1_2022	Transformer De Aar West	Infrastructure	Not Awarded at 30 June 2022. Still at Bid Evaluation Stage	N/A
T10_2022	VAT Review	Finance	Not Awarded	N/A

Table 166: Highest bids awarded by bid adjudication committee

3.24.6 Awards Made by the Accounting Officer

In terms of paragraph 5(2)(a) of Council’s Supply Chain Management policy, only the Accounting Officer may award a bid which is in excess of R10 000 000. The power to make such an award may not be sub-delegated by the Accounting Officer.

The Municipal Manager awarded bids of an estimated value of **R 13 265 000.00** (excluding term tenders or tenders where rates are applicable).

Bid number	Title of bid	Directorate	Successful Bidder	Value of bid awarded
T18_2021	Long term Loan	Finance	Absa	R 13 000 000
T6_2022	Disposal of Erf 1625 and portion of 310/3	Corporate Services	We Built It	R 265 000

Table 167: Awards made by Accounting Officer

3.24.7 Details of Deviations for Procurement Services

The following table provides a summary of deviations approved for 2021/22:

Type of deviation	Number of deviations	Value of deviations R	Number of deviations	Value of deviations R
	2019/20		2021/22	
Clause 36(1)(a)(i)- Emergency	10	849	3	38 501
Clause 36(1)(a)(ii)- Sole Supplier	65	1 351	27	1 371 887
Clause 36(1)(a)(iii)- Unique arts	0	0	0	0
Clause 36(1)(a)(v)- Impractical/impossible	0	0	0	0

Table 168: Statistics of Deviations from the SCM Policy

COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2022/23

The main development and service delivery priorities for 2021/22 forms part of the Municipality's Top Layer SDBIP for 2022/23 and are indicated in the table below:

3.22 DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2022/23

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

Int. Ref	KPI	Unit of Measurement	Ward	Annual Target
TL6	60% of the maintenance budget for Community Halls spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of approved Community Halls maintenance budget spent by 30 June 2023	All	60%
TL11	Review and sign a MOU with the Department of Defence by 30 June 2023 for support with fire brigade services	MOU reviewed and signed by 30 June 2023	All	1
TL12	Review the disaster management plan that includes contingency plans and submit to Council by 30 June 2023	Disaster management plan reviewed and submitted to Council by 30 June 2023	All	1
TL17	Submit a business plan to potential funders for the upgrading of the Fire Brigade by 30 June 2023	Business plan submitted by 30 June 2023	All	1
TL22	Provide free basic services to indigent households as at 30 June 2023	Number of indigent households receiving free basic services as at 30 June 2023	All	3 000

Table 169: 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 Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objectives

Int. 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 2023	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 2023 [(Actual total training expenditure/total personnel budget)x100]	% of the personnel budget spent on training by 30 June 2023	All	0.1%
TL4	Review the EEP and submit to the Portfolio Committee by 30 June 2023	EEP reviewed and submitted to the Portfolio Committee by 30 June 2023	All	1
TL5	Limit vacancy rate to 15% of budgeted posts by 30 June 2023 [(Number of funded posts vacant divided by budgeted funded posts)x100]	[(Number of funded posts vacant divided by budgeted funded posts)x100]	All	15%

Table 170: Services Delivery Priorities - Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objective

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3.22.3 Maintaining a financially sustainable and viable Municipality

Int. Ref	KPI	Unit of Measurement	Ward	Annual Target
TL24	Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2023 (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 2023	All	35%
TL25	Financial viability measured in terms of the outstanding service debtors as at 30 June 2023 (Total outstanding service debtors minus provision for bad debt)/ (revenue received for services)	% of outstanding service debtors as at 30 June 2023	All	45%
TL26	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2023 ((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
TL27	Submit the annual financial statements to the Auditor-General by 31 August 2022	Statements submitted to the AG by 31 August 2022	All	1
TL28	Achievement of a payment percentage of 70% by 30 June 2023 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	Payment % achieved	All	70%
TL29	Prepare and submit the adjustments budget to Council by the 28 February 2023	Adjustments budget submitted by 28 February 2023	All	1
TL30	Prepare and submit the draft budget to Council by 31 March 2023	Draft budget submitted by 31 March 2023	All	1
TL31	Prepare and submit the final budget to Council by 31 May 2023	Final budget submitted by 31 May 2023	All	1
TL32	Compile a Debt Recovery Plan with short medium and long term actions that can be implemented and submit to Council by 30 September 2022	Revenue Enhancement Strategy submitted to Council by 30 September 2022	All	1

Table 171: Services Delivery Priorities - Maintaining a financially sustainable and viable Municipality

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

Int. Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Develop Risk based audit plan (RBAP) for 2023/24 and submit to the Audit Committee by 30 June 2023	RBAP for 2023/24 submitted to the Audit Committee by 30 June 2023	All	1
TL7	Review the Risk Committee and send appointment letters to members by 31 March 2023	Risk Committee reviewed and appointment letters sent to members by 31 March 2023	All	1
TL8	Complete the annual risk assessment and submit to the Risk Committee by 31 March 2023	Risk assessment completed and submitted to the Risk Committee by 31 March 2023	All	1
TL9	Review the Communication Strategy and submit to Council by 31 December 2022	Reviewed Communication Strategy submitted to Council by 31 December 2022	All	1

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Int. Ref	KPI	Unit of Measurement	Ward	Annual Target
TL10	Review the organogram and submit to Council by 30 June 2023	Reviewed organogram submitted to Council by 30 June 2023	All	1

Table 172: *Services Delivery Priorities - Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality*

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

Int. Ref	KPI	Unit of Measurement	Ward	Annual Target
TL33	Create temporary jobs - FTE's in terms of EPWP by 30 June 2023 (Person days / FTE (230 days))	Number of FTE's created	All	61

Table 173: *Service Delivery Priorities - Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area*

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

Int. Ref	KPI	Unit of Measurement	Ward	Annual Target
TL13	Conduct quarterly housing consumer education programs	Number of housing consumer education programs conducted	All	4
TL14	Conduct a quarterly verification of the housing needs register	Number of verification of the housing needs register conducted	All	4
TL15	Review the Human Settlement Plan and submit to Council by 30 June 2023	Human Settlement Plan reviewed and submitted to Council by 30 June 2023	All	1
TL16	60% of the maintenance budget of waste management spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL18	Number of formal 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 2023	Number of properties which are billed for water or have pre paid meters as at 30 June 2023	All	8 000
TL19	Number of formal 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 2023	Number of properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2023	All	6 000
TL20	Number of formal 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 2023	Number of properties which are billed for sewerage as at 30 June 2023	All	7 200
TL21	Number of formal properties for which refuse is removed once per week and billed for the service as at 30 June 2023	Number of properties which are billed for refuse removal as at 30 June 2023	All	7 200
TL23	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2023 {(Actual amount spent on projects /Total amount budgeted for capital projects)X100}	% of capital budget spent by 30 June 2023	All	70%
TL34	60% of the water maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of approved water maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL35	Limit unaccounted for water to 25% by 30 June 2023 [(Number of Kilolitres Water Purchased or	% unaccounted water by 30 June 2023	All	25%

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Int. Ref	KPI	Unit of Measurement	Ward	Annual Target
	Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100]			
TL36	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	90%
TL37	60% of the waste water maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL38	60% of the roads and stormwater maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of approved roads and stormwater maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL39	Limit % electricity unaccounted for to 20% by 30 June 2023 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100]	% of electricity unaccounted for at 30 June 2023	All	20%
TL40	60% of the recreational and swimming pool maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of approved recreational areas and swimming pool maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL41	60% of the electricity maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	All	60%
TL42	Compile maintenance plans for water, electricity, waste water and roads and stormwater that include weekly, monthly, quarterly and annual actions and submit to Municipal Manager for approval by 31 March 2023	Number of plans submitted to Municipal Manager by 31 March 2023	All	4
TL43	70% of approved budget spent by 30 June 2023 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%
TL44	70% of approved budget spent by 30 June 2023 for the electrification of Stands in De Aar {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	1;2;4	70%
TL45	70% of approved budget spent by 30 June 2023 for the construction of Internal Sewer Reticulation for Mziwabantu {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	7	70%
TL46	70% of approved budget spent by 30 June 2023 for the installation of High Mast Lighting in De Aar {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70%
TL47	70% of approved budget spent by 30 June 2023 for the upgrading of the Nonzwakazi Sports Ground {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	3	70%
TL48	70% of approved budget spent by 30 June 2023 for the replacement and upgrading of the De Aar West electricity main transformers {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	70%

Table 174: 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
	2020/21	2021/22
The 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	2	0
The percentage of a municipality’s budget actually spent on implementing its workplace skills plan	0	0.27

Table 175: National KPIs– Municipal Transformation and Organisational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs **313** (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”.

Employment Equity targets/actual

African		Coloured		Indian		White	
Target June	Actual June						
0	0	1	1	0	0	1	1

Table 176: 2021/22 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	0	0	2	2	2	0	0	0

Table 177: 2021/22 EE Targets/Actual by Gender Classification

Employment Equity vs. Population

Description	African	Coloured	Indian	White	Total
Population numbers	14 516	27 644	116	3 129	45 404
% Population	31.97	60.89	0.25	6.89	100
Number for positions filled	159	148	0	6	313
% for Positions filled	50.79	47.30	0.00	1.91	100

Table 178: EE Population 2021/22 (including non-permanent officials)

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	1	2	1	0	0	9
Professionally qualified and experienced specialists and mid- management	2	3	0	2	2	1	0	0	10
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	15	14	0	2	2	0	0	0	34
Semi-skilled and discretionary decision making	19	22	0	0	28	24	0	0	93
Unskilled and defined decision making	56	63	0	0	25	13	0	0	156
Total permanent	96	107	0	5	60	39	0		307
Non- permanent employees	1	0	0	0	2	2	0	1	6
Total	97	107	0	5	62	41	0	1	313

Table 179: Occupational Categories

4.2.2 Vacancy Rate

The approved organogram for the Municipality has **413** positions for the 2021/22 financial year. The actual positions filled are **313**. Therefore, 100 positions were vacant at the end of 2021/22, resulting in a vacancy rate of **24.2%** in terms of the organogram.

Below is a table that indicates the vacancies within the municipality:

PER POST LEVEL		
Post level	Filled	Vacant
MM & MSA section 57 & 56	5	0
Senior management	9	2
Professionals and Middle management	10	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	34	7
Semi - skilled	97	21
Unskilled and defined decision making	158	66
Total	313	100
PER FUNCTIONAL LEVEL		

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PER POST LEVEL		
Post level	Filled	Vacant
Per Department	Filled	Vacant
Office of the Municipal Manager	2	2
Corporate Services	48	12
Financial Services	44	3
Community Services	73	48
Infrastructure Services	146	35
Total	313	100

Table 180: Vacancy Rate per Post and Functional Level

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 6.13% in 2020/21 to **7.66%** in 2021/22.

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
2020/21	326	13	20	6.13%
2021/22	313	5	24	7.66%

Table 181: 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 2020/21 and 2021/22:

Directorates	2020/21	2021/22
Office of the Municipal Manager	0	0
Corporate Services	0	0
Financial Services	0	0
Infrastructure Services	1	1
Community Services	5	1
Total	9	2

Table 182: 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 2021/22 financial year shows an **increase of 179%** when compared with the 2020/21 financial year.

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

Department	2020/21	2021/22
Office of the Municipal Manager	119	92
Corporate Services	23	536
Financial Services	117	469
Infrastructure Services	396	960
Community Services	558	1 684
Total	1 342	3 741

Table 183: 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	25 September 2015
Bereavement Policy	25 September 2015
Bursary Policy (Study Aid Policy)	25 June 2015
Cell Phone	21 January 2012
Chronic Illness Policy	29 November 2010
Education, Training and Development Policy	25 September 2015
Employee Health and Wellness Policy	25 September 2015
Employee Dress Code Policy	25 September 2015
Employment Equity	25 September 2015
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	25 September 2015
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

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Approved policies	
Language	9 August 2008
Legal Aid Policy for Councillors and Employees	8 July 2022
Nepotism Policy	29 November 2010
Overtime Policy	12 March 2020
Private Work	29 November 2010
Recruitment Policy	8 July 2022
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 2015
Succession Planning and Career Pathing Policy	25 September 2015
Substance Abuse	25 September 2015
Task Job Evaluation Policy	25 September 2015
Uniform Protective Clothing	25 September 2015
Unpaid Leave	25 September 2015
Whistle Blowing Policy	25 September 2015
Occupational Health and Safety Policy	25 September 2015
Acting Policy	25 September 2015
Leave Policy	25 September 2015
Performance Management Policy	25 September 2015
Employee Attraction Policy	25 September 2015
Vehicle Policy	25 September 2015
Human Resource Development Plan	25 September 2015
Telecommunications Policy	25 September 2015

Table 184: 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	1	1
	Male	4	0
	Female	6	0

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Management level	Gender	Number of employees identified for training	Number of Employees that received training
Legislators, senior officials and managers	Male	10	2
Associate professionals and Technicians	Female	0	0
	Male	0	0
Professionals	Female	3	3
	Male	1	1
Clerks	Female	10	0
	Male	10	0
Service and sales workers	Female	15	0
	Male	15	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	15	0
Elementary occupations	Female	9	0
	Male	15	0
Sub total	Female	34	4
	Male	45	2
Total		79	6

Table 185: 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	1
	Male	0
Legislators, senior officials and managers	Female	0
	Male	2
Professionals	Female	0
	Male	0
Technicians and associate professionals	Female	3
	Male	1
Clerks	Female	0
	Male	0
Service and sales workers	Female	0
	Male	0

Occupational categories	Gender	Skills programmes & other short courses
		Total
		Actual
Craft and related trade workers	Female	0
	Male	0
Plant and machine operators and assemblers	Female	0
	Male	0
Elementary occupations	Female	0
	Male	0
Sub total	Female	4
	Male	3
Total		7

Table 186: 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				
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 187: 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		
2020/21	87 454	306 874	28.50%
2021/22	93 671	325 099	28.81%

Table 188: Personnel Expenditure

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

Financial year	2020/21		2021/22	
	Actual	Original Budget	Adjusted Budget	Actual
Description	R'000			
Councillors (Political Office Bearers plus Other)				
Salary	3 763	4 435	4 435	3 748
Pension Contributions	43	0	0	0
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	662	1 425	1 425	667
Cell phone allowance	1 215	855	855	1 244
Housing allowance	0	0	0	0
Other benefits or allowances	0	0	0	0
In-kind benefits	0	0	0	0
Sub Total	5 683	6 715	6 715	5 658
Senior Managers of the Municipality				
Salary	3 272	3786	3786	3 329
Pension Contributions	489	600	600	571
Medical Aid Contributions	0	0	0	0
Motor vehicle allowance	716	838	838	789
Cell phone allowance	144	176	176	168
Housing allowance	0	0	0	0
Performance Bonus	473	720	720	778
Other benefits or allowances	434	644	644	537
In-kind benefits	0	0	0	0
Sub Total	5 528	6 764	6 764	6 172

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Financial year	2020/21	2021/22		
Description	Actual	Original Budget	Adjusted Budget	Actual
R'000				
<u>Other Municipal Staff</u>				
Basic Salaries and Wages	64 625	65 356	65 356	68 455
Pension Contributions	10 782	11 123	11 123	11 396
Medical Aid Contributions	2 962	3 564	3 564	3 064
Motor vehicle allowance	1 179	1 196	1 196	1 156
Cell phone allowance	181	258	258	168
Housing allowance	571	702	702	242
Overtime	1 376	3 143	3 143	2 211
Other benefits or allowances	249	3 164	3 164	807
Sub Total	81 925	88 506	88 506	87 499
Total	87 454	95 270	95 270	93 671

Table 189: 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 2021/22 financial year:

The table below shows a summary of performance against budgets:

Description	2020/21	2021/22			2021/22 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000					
Financial Performance						
Property rates	39,420	39,820	39,820	39,620	-0.50	-0.50
Service charges	131,151	154,708	148,708	145,929	-6.02	-1.90
Investment revenue	1,182	425	425	1,297	67.26	67.26
Transfers recognised - operational	52,490	54,274	54,274	53,237	-1.95	-1.95
Other own revenue	8,689	56,863	54,863	7,152	-695.02	-667.06
Total Revenue (excluding capital transfers and contributions)	232,931	306,091	298,091	247,236	-23.81	-20.57
Employee costs	87,454	93,351	94,551	93,671	0.34	-0.94
Remuneration of councillors	5,682	6,715	6,715	5,714	-17.52	-17.52
Depreciation & asset impairment	83,016	17,105	17,105	79,194	78.40	78.40
Finance charges	11,851	3,342	2,742	13,964	76.07	80.37
Materials and bulk purchases	76,661	98,066	98,066	82,802	-18.43	-18.43
Transfers and grants	0	0	0	0	0.00	0.00
Other expenditure	60,434	73,654	65,053	31,529	-133.61	-106.33
Total Expenditure	325,099	292,232	284,231	306,874	4.77	7.38
Surplus/(Deficit)	(92,168)	13,859	13,860	(59,638)	123.24	123.24
Transfers recognised - capital	11,706	27,596	17,196	10,376	-165.96	-65.73
Contributions recognised - capital & contributed assets	4,975	0	0	1,097	100.00	100.00
Surplus/(Deficit) after capital transfers & contributions	(75,487)	41,455	31,056	(48,165)	186.07	164.48
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised - capital	23,945	27,596	17,196	11,473	-140.53	-49.88
Public contributions & donations	3,567	0	0	0	0.00	0.00
Borrowing	0	13,000	13,000	0	0.00	0.00

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Description	2020/21	2021/22			2021/22 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000					
Internally generated funds	2,909	860	860	1,194	28.02	28.02
Total sources of capital funds	30,422	41,456	31,056	12,667	-227.26	-145.16
Financial position						
Total current assets	130,797	64,120	145,219	154,382	58.47	5.93
Total non-current assets	889,845	873,333	730,774	836,782	-4.37	12.67
Total current liabilities	181,461	66,475	156,856	199,571	66.69	21.40
Total non-current liabilities	92,399	66,475	156,856	92,975	28.50	-68.71
Community wealth/Equity	746,783	758,646	606,395	698,617	-8.59	13.20
Cash flows						
Net cash from (used) operating	14,327	29,170	18,570	6,979	-317.96	-166.08
Net cash from (used) investing	(10,390)	(41,126)	(30,726)	(9,981)	-312.05	-207.85
Net cash from (used) financing	(241)	12,193	12,193	691	-1665.74	-1665.74
Cash/cash equivalents at the year end	10,208	237	37	7,897	96.99	99.53
Cash backing/surplus reconciliation						
Cash and investments available	0	1,923	1,923	0	0.00	0.00
Application of cash and investments	(7,645)	(5)	(3,857)	5,097	100.10	175.68
Balance - surplus (shortfall)	(7,645)	1,918	(1,934)	5,097	62.37	137.95
Asset management						
Asset register summary (WDV)	1,020,642	873,310	862,786	991,163	11.89	12.95
Depreciation & asset impairment	52,209	9,891	10,633	52,646	81.21	79.80
Renewal of Existing Assets	0	0	0	0	0.00	0.00
Repairs and Maintenance	816	13,011	14,729	1,305	-897.09	-1028.75
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

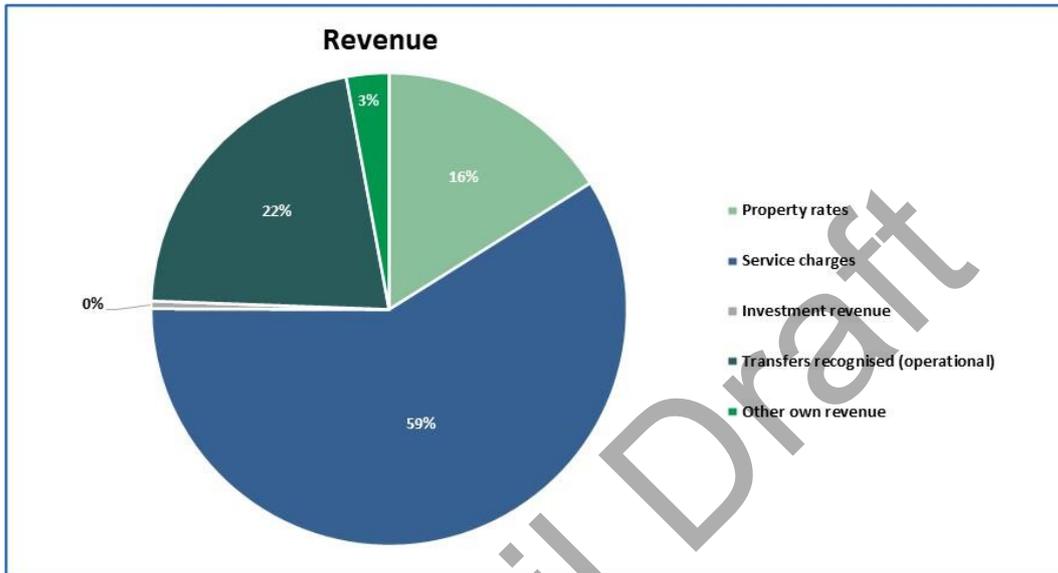
Table 190: Financial Performance 2020/21

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Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2020/21	299,642	249,613	(50,029)	-16.70	279,546	325,099	45,554	16.30
2021/22	315,287	257,612	(57,675)	-18.29	284,231	306,874	22,643	7.97

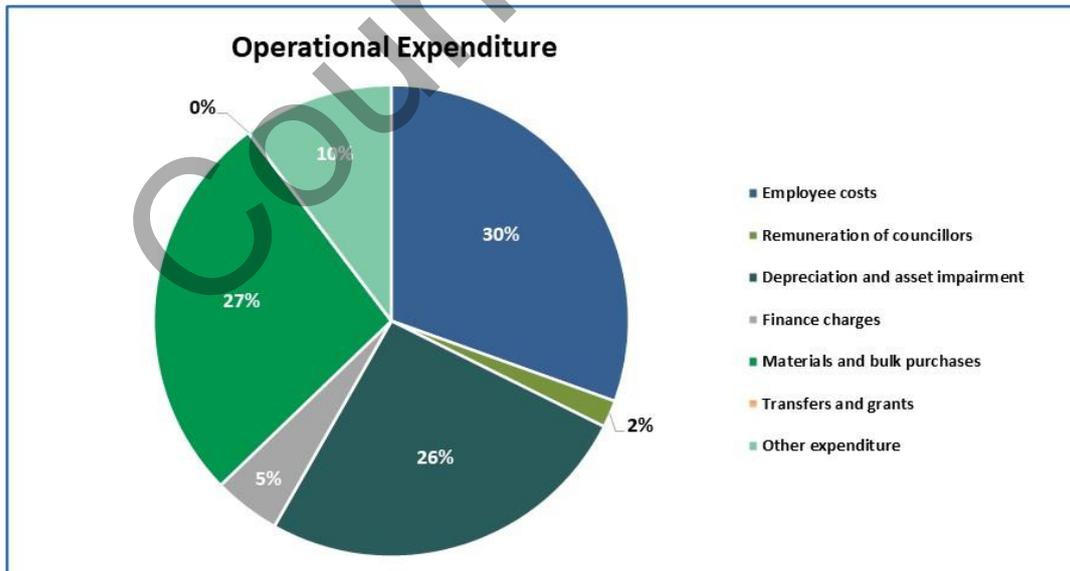
Table 191: Performance Against Budgets

The following graph indicates the various types of revenue items in the municipal budget for 2021/22



Graph 6: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2021/22



Graph 7: Operating Expenditure

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5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote	2020/21	2021/22			2021/22 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Vote 1 - Office of the Mayor	5,890	4,399	4,399	5,555	20.80	20.80
Vote 2 - Municipal Manager	615	480	480	13,462	96.43	96.43
Vote 3 - Corporate Services	0	128	128	0	0.00	0.00
Vote 4 - Finance Service	60,429	60,262	60,262	58,279	-3.40	-3.40
Vote 5 - Infrastructure Service	164,048	207,316	188,916	168,794	-22.82	-11.92
Vote 6 - Community and Social Services	18,629	61,102	61,102	17,434	-250.48	-250.48
Total Revenue by Vote	249,612	333,687	315,287	263,524	-26.62	-19.64

Table 192: Revenue by Vote

5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2021/22 financial year:

Description	2020/21	2021/22			2021/22 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
	R'000					
Property rates	39,420	39,820	39,820	39,620	-0.50	-0.50
Property rates - penalties & collection charges	0	0	0	0	0.00	0.00
Service Charges - electricity revenue	79,378	79,333	75,333	88,756	10.62	15.12
Service Charges - water revenue	31,534	38,396	36,396	34,492	-11.32	-5.52
Service Charges - sanitation revenue	13,513	23,925	23,925	15,109	-58.35	-58.35
Service Charges - refuse revenue	6,726	13,055	13,055	7,572	-72.41	-72.41
Service Charges - other	0	0	0	0	0.00	0.00
Rentals of facilities and equipment	1,238	877	877	2,393	63.34	63.34
Interest earned - external investments	1,182	425	425	1,297	67.26	67.26
Interest earned - outstanding debtors	2,770	1,746	1,746	5,114	65.87	65.87
Dividends received	0	0	0	0	0.00	0.00
Fines	1,288	1,160	1,160	1,447	19.84	19.84
Licenses and permits	970	1,945	1,945	918	-111.86	-111.86
Agency services	0	0	0	0	0.00	0.00
Transfers recognised - operational	52,490	54,274	54,274	53,237	-1.95	-1.95
Other revenue	2,423	50,805	48,805	2,090	-2330.59	-2234.90
Gains on disposal of PPE	0	330	330	(4,811)	106.86	106.86
Total Revenue (excluding capital transfers and contributions)	232,931	306,091	298,091	247,236	-23.81	-20.57

Table 193: Revenue by Source

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5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

The tables below indicate the financial performance per municipal function:

5.2.1 Water Services

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	38,574	49,820	43,820	44,492	-11.97
Expenditure:					
Employees	2,980	3,075	3,075	3,400	9.57
Repairs and Maintenance	0	0	1,863	566	100.00
Other	30,009	16,923	14,961	18,666	9.34
Total Operational Expenditure	32,989	19,998	19,900	22,633	11.64
Net Operational (Service)	5,584	29,822	23,920	21,860	-36.42

Table 194: Financial Performance: Water Services

5.2.2 Waste Water (Sanitation)

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	32,452	35,831	35,831	31,356	-14.27
Expenditure:					
Employees	5,110	6,036	6,133	5,595	-7.87
Repairs and Maintenance	0	1,050	1,050	323	-225.30
Other	17,982	15,693	11,873	11,806	-32.92
Total Operational Expenditure	23,092	22,778	19,055	17,724	-28.52
Net Operational (Service)	9,360	13,053	16,776	13,633	4.25

Table 195: Financial Performance: Waste Water (Sanitation) Services

5.2.3 Electricity

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	98,121	139,162	126,162	96,897	-43.62
Expenditure:					
Employees	7,329	7,778	7,897	7,481	-3.97
Repairs and Maintenance	94	3,701	3,526	1,644	-125.17
Other	138,896	96,504	94,679	86,279	-11.85
Total Operational Expenditure	146,319	107,983	106,102	95,403	-13.19
Net Operational (Service)	(48,199)	31,179	20,060	1,494	-1987.17

Table 196: Financial Performance: Electricity

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5.2.4 Waste Management

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	18,852	20,579	20,579	17,967	-14.53
Expenditure:					
Employees	9,567	8,942	9,164	9,596	6.81
Repairs and Maintenance	29	1,055	1,055	402	-162.55
Other	9,143	9,899	7,399	10,497	5.70
Total Operational Expenditure	18,739	19,896	17,618	20,495	2.92
Net Operational (Service)	113	682	2,961	(2,528)	127.00

Table 197: Financial Performance: Waste Management

5.2.5 Housing

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	493	505	505	435	-16.04
Expenditure:					
Employees	2,240	2,600	2,664	2,470	-5.26
Repairs and Maintenance	0	7	407	0	0.00
Other	829	185	185	1,444	87.18
Total Operational Expenditure	3,069	2,792	3,256	3,914	28.67
Net Operational (Service)	(2,576)	(2,287)	(2,751)	(3,479)	34.26

Table 198: Financial Performance: Housing

5.2.6 Roads and Stormwater

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	22	24	24	26	5.25
Expenditure:					
Employees	6,512	6,921	7,028	6,993	1.02
Repairs and Maintenance	230	1,733	1,733	618	-180.45
Other	12,466	6,158	6,158	1,339	-359.95
Total Operational Expenditure	19,209	14,812	14,919	8,949	-65.51
Net Operational (Service)	(19,187)	(14,788)	(14,895)	(8,924)	-65.71

Table 199: Financial Performance: Roads and Stormwater

5.2.7 LED

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	3,637	3,603	3,603	3,415	-5.49
Repairs and Maintenance	0	11	11	5	-98.80
Other	80	147	147	25	-490.01
Total Operational Expenditure	3,716	3,761	3,761	3,445	-9.15
Net Operational (Service)	(3,716)	(3,761)	(3,761)	(3,445)	-9.15

Table 200: Financial Performance: LED

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

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	471	1,389	1,389	1,002	-38.64
Expenditure:					
Employees	4,250	5,167	3,946	4,567	-13.13
Repairs and Maintenance	8	47	47	0	0.00
Other	5,459	3,605	4,254	1,417	-154.31
Total Operational Expenditure	9,717	8,818	8,246	5,985	-47.35
Net Operational (Service)	(9,246)	(7,429)	(6,857)	(4,983)	-49.10

Table 201: Financial Performance: Planning

5.2.9 Tourism

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	0	0	0	0	0.00
Repairs and Maintenance	0	11	11	0	0.00
Other	24	36	47	11	-231.85
Total Operational Expenditure	24	47	58	11	-332.42
Net Operational (Service)	(24)	(47)	(58)	(11)	-332.42

Table 202: Financial Performance: Tourism

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5.2.10 Libraries

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	3	821	821	775	-5.92
Expenditure:					
Employees	3,559	4,380	4,380	4,027	-8.76
Repairs and Maintenance	12	26	26	0	0.00
Other	309	1,716	1,716	829	-106.99
Total Operational Expenditure	3,881	6,122	6,122	4,856	-26.06
Net Operational (Service)	(3,878)	(5,301)	(5,301)	(4,081)	-29.89

Table 203: Financial Performance: Libraries

5.2.11 Cemeteries

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	612	667	667	566	-17.76
Expenditure:					
Employees	1,020	935	935	1,185	21.08
Repairs and Maintenance	0	8	8	0	0.00
Other	56	290	312	74	-289.84
Total Operational Expenditure	1,076	1,233	1,255	1,260	2.09
Net Operational (Service)	(464)	(567)	(589)	(694)	18.29

Table 204: Financial Performance: Cemeteries

5.2.12 Traffic Services and Law Enforcement

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	1,423	2,340	2,340	1,631	-43.52
Expenditure:					
Employees	5,664	6,297	6,350	5,718	-10.14
Repairs and Maintenance	0	953	1,030	126	-657.86
Other	724	1,680	1,603	943	-78.23
Total Operational Expenditure	6,389	8,931	8,984	6,786	-31.60
Net Operational (Service)	(4,966)	(6,590)	(6,643)	(5,155)	-27.83

Table 205: Financial Performance: Traffic Services and Law Enforcement

Emthanjeni Municipality: Annual Report 2021/22

5.2.13 Sport and Recreation

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	3	29	29	19	-51.47
Expenditure:					
Employees	2,271	2,131	2,178	2,220	4.00
Repairs and Maintenance	5	279	279	68	-307.38
Other	808	557	2,867	112	-395.56
Total Operational Expenditure	3,084	2,966	5,324	2,400	-23.57
Net Operational (Service)	(3,080)	(2,937)	(5,294)	(2,381)	-23.35

Table 206: Financial Performance: Sport and Recreation

5.2.14 Office of the Mayor

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	707	731	731	539	-35.59
Expenditure:					
Employees	1,458	1,503	1,276	2,139	29.73
Repairs and Maintenance	0	76	76	83	8.51
Other	2,163	1,896	1,920	1,793	-5.75
Total Operational Expenditure	3,621	3,475	3,271	4,015	13.45
Net Operational (Service)	(2,914)	(2,745)	(2,540)	(3,476)	21.05

Table 207: Office of the Mayor

5.2.15 Office of the Municipal Manager

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	615	480	480	13,462	96.43
Expenditure:					
Employees	1,868	1,887	1,890	1,985	4.91
Repairs and Maintenance	0	72	72	0	0.00
Other	164	1,092	1,072	102	-973.35
Total Operational Expenditure	2,032	3,052	3,035	2,086	-46.26
Net Operational (Service)	(1,417)	(2,572)	(2,555)	11,376	122.61

Table 208: Office of the Municipal Manager

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5.2.16 Financial Services

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	18,446	18,458	18,458	14,597	-26.45
Expenditure:					
Employees	7,176	7,783	7,887	8,624	9.75
Repairs and Maintenance	516	610	610	685	11.07
Other	9,764	5,079	5,089	11,284	54.99
Total Operational Expenditure	17,456	13,471	13,585	20,593	34.58
Net Operational (Service)	990	4,986	4,872	(5,997)	183.15

Table 209: Financial Performance: Financial Services

5.2.17 Corporate Service

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	0	0	0	0	0.00
Expenditure:					
Employees	5,341	5,344	5,396	5,221	-2.34
Repairs and Maintenance	63	467	467	12	-3803.40
Other	1,476	2,625	1,450	768	-242.02
Total Operational Expenditure	6,879	8,436	7,313	6,001	-40.57
Net Operational (Service)	(6,879)	(8,436)	(7,313)	(6,001)	-40.57

Table 210: Financial Performance: Corporate Service

5.2.18 Other

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	22,137	306,091	298,091	247,236	-23.81
Expenditure:					
Employees	16,657	18,101	19,873	18,185	0.46
Repairs and Maintenance	0	2,907	2,459	0	0.00
Other	94,667	127,935	128,317	159,458	19.77
Total Operational Expenditure	111,324	148,943	150,649	177,643	16.16
Net Operational (Service)	(89,187)	157,148	147,441	69,593	-125.81

Table 211: Financial Performance: Other

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5.3 GRANTS

5.3.1 Grant Performance

The table below indicates the Grant performance for the 2021/22 financial year:

The Municipality had a total amount of **R65,572 million** available that was received in the form of grants from the National and Provincial Governments during the financial year. The performance in the spending of these grants is summarised as follows:

Description	2020/21	2021/22			2021/22 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
	R'000				%	
National Government:	63,006	71,232	64,832	61,409	-16.00	-5.57
Local Government Equitable Share	48,465	49,936	49,936	49,936	0.00	0.00
Finance Management Grant	1,700	1,700	1,700	1,700	0.00	0.00
EPWP Incentive	471	0	0	1,002	100.00	100.00
Municipal Infrastructure Grant	8,522	12,596	8,596	4,239	-197.17	-102.80
Integrated National Electrification Program	490	4,000	1,600	1,562	-156.15	-2.46
Energy Efficiency and Demand Management Grant	3,357	3,000	3,000	2,971	-0.97	-0.97
Provincial Government:	1,190	740	740	2,205	66.44	66.44
Housing Accreditation	450	0	0	400	100.00	100.00
Sport, Arts and Culture (Library Grant)	740	740	740	772	4.18	4.18
Water Service Infrastructure Grant	0	0	0	1,033	100.00	100.00
Total Operating Transfers and Grants	64,196	71,972	65,572	63,614	-13.14	-3.08

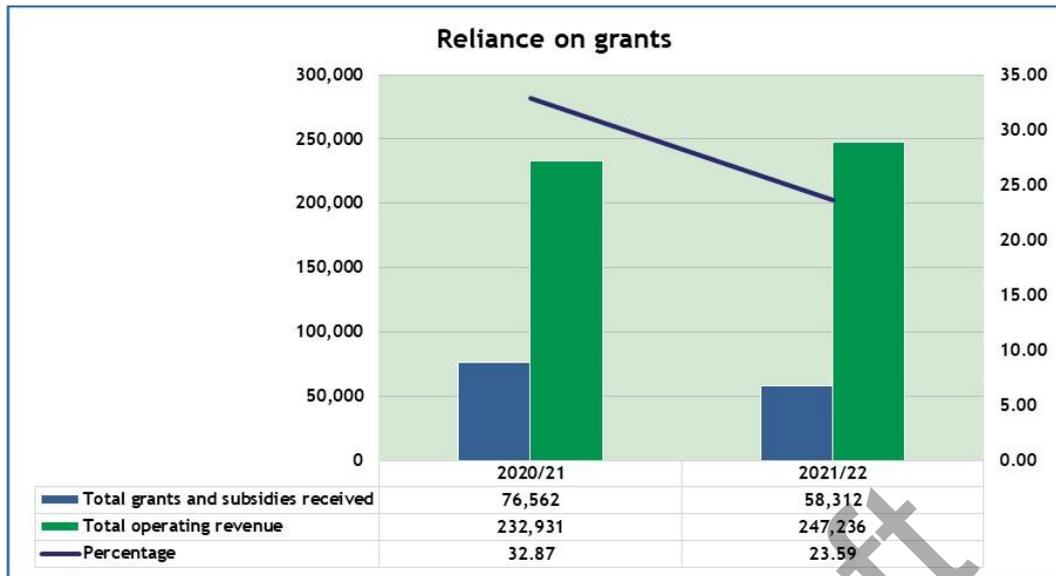
Table 212: Grant Performance for 2020/21

5.3.2 Level of Reliance on Grants & Subsidies

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'000		%
2020/21	76,562	232,931	32.87
2021/22	58,312	247,236	23.59

Table 213: Reliance on Grants

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



Graph 8: Reliance on Grants

5.4 ASSET MANAGEMENT

5.4.1 Treatment of the Three Largest Assets

Asset 1		
Name	Landfill site: De Aar	
Description	Solid waste	
Asset Type	Infrastructure Asset	
Key Staff Involved	Community Services personnel	
Asset Value as at 30 June 2020	2020/21 R million	2021/22 R million
	27,753	20,733
Capital Implications	N/A	
Future Purpose of Asset	Ensure that landfill site is appropriately rehabilitated	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 214: Asset 1

Asset 2		
Name	De Aar east Reservoir	
Description	Reservoir	
Asset Type	Infrastructure Asset	
Key Staff Involved	Infrastructure personnel	
Asset Value as at 30 June 2020	2020/21 R million	2021/22 R million
	10,084	9,891
Capital Implications	Ongoing Maintenance	
Future Purpose of Asset	Storage and reticulation of water supply	
Describe Key Issues	Provision of quality water to the community of De Aar	
Policies in Place to Manage Asset	Asset Management Policy	

Table 215: Asset 2

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Asset 3		
Name	Stormwater channel	
Description	Storm water	
Asset Type	Infrastructure Asset: Storm water	
Key Staff Involved	Infrastructure personnel	
Asset Value as at 30 June 2020	2020/21 R million	2021/22 R million
	6,264	6,141
Capital Implications	Ongoing maintenance	
Future Purpose of Asset	To channel excess water away from the community in times of heavy rain/flood	
Describe Key Issues	Protection for the community to channel water into a drainage system	
Policies in Place to Manage Asset	Asset Management Policy	

Table 216: Asset 3

5.4.2 Repairs and Maintenance

Description	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			
Repairs and Maintenance Expenditure	816	13,011	14,729	1,305	-1028.75

Table 217: Repairs & Maintenance

5.5 FINANCIAL RATIOS

5.5.1 Liquidity Ratio

Description	Basis of calculation	2020/21	2021/22
Current Ratio	Current assets/current liabilities	0.72	0.77
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.67	0.69
Liquidity Ratio	Monetary assets/current liabilities	0.17	0.12

Table 218: 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.

5.5.2 Performance Management Regulation Financial Viability Indicators

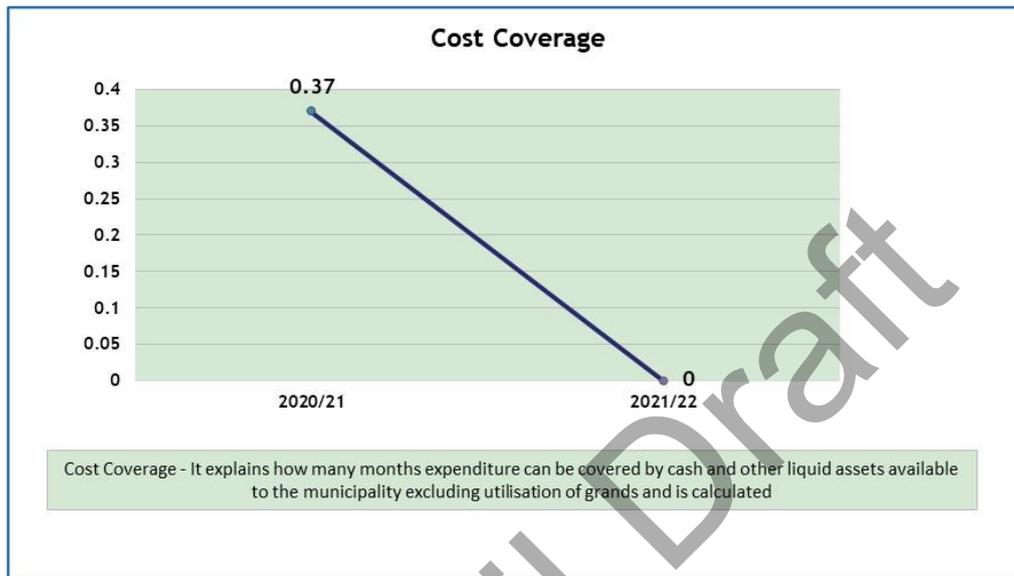
Description	Basis of calculation	2020/21	2021/22
Cost Coverage	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	0.37	0
Total Outstanding Service Debtors to Revenue	(Total outstanding service debtors minus provision for bad debt) / (revenue received for services)	33.30%	132.00%
Debt coverage	((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grants))	132.50%	135.00%

Table 219: Financial Viability National KPAs

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:

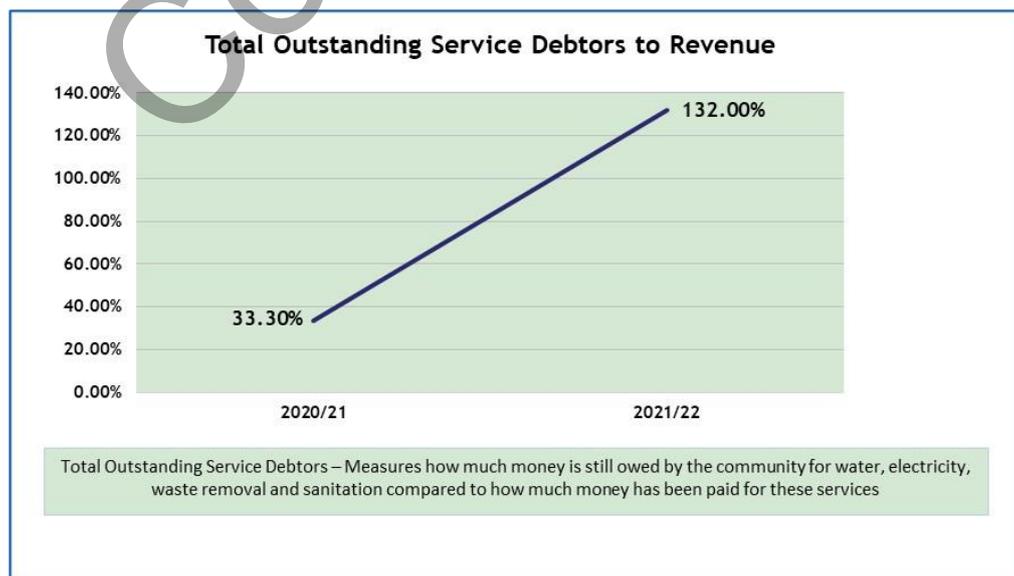


Graph 9: Cost Coverage

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:

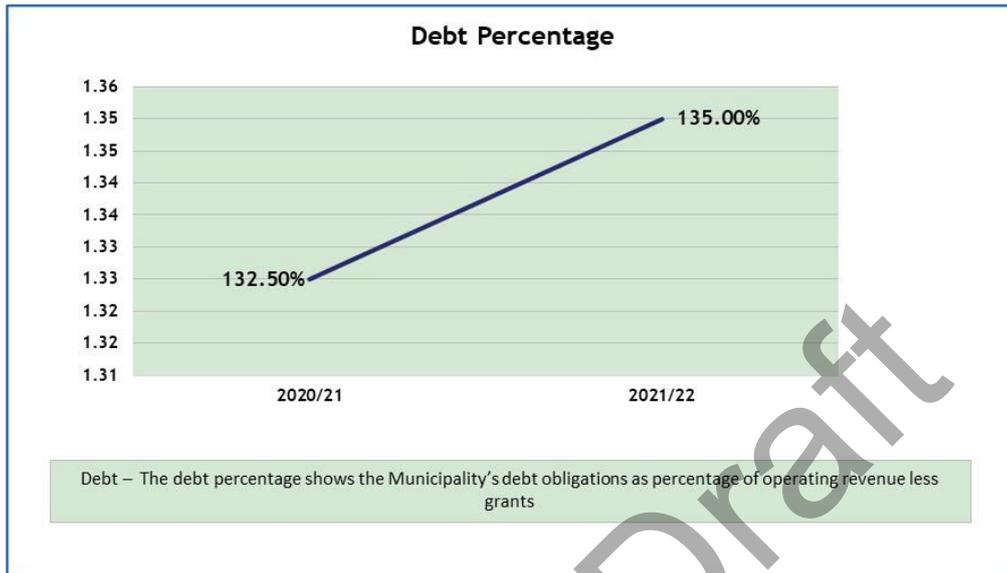


Graph 10: Total Outstanding Service Debtors

Debt Percentage

The debt percentage shows the Municipality's debt obligations as percentage of operating revenue less grants. A percentage of 25% is generally considered acceptable assuming the other tests of safety have been met.

The following graph indicates the debt coverage financial viability indicator:



Graph 11: Debt Percentage

5.5.3 Borrowing Management

Description	Basis of calculation	2020/21	2021/22
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.011	0.023

Table 220: Borrowing Management

5.5.4 Employee costs

Description	Basis of calculation	2020/21	2021/22
Employee costs	Employee costs/(Total Revenue - capital revenue)	37.54%	37.89%

Table 221: Employee Costs

The ratio gives an indication of the total percentage paid on employee cost of operating revenue. The ratio increased from 37.54% in 2020/21 to 37.89% in 2021/22, which is still within the national norm of between 35% to 40%.

5.5.5 Repairs & Maintenance

Description	Basis of calculation	2020/21	2021/22
Repairs and Maintenance	R&M (Total Revenue excluding capital revenue)	0.35%	0.53%

Table 222: Repairs & Maintenance

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

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 2021/22 financial year:

Description	2020/21	2021/22			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2022/23	2023/24	2024/25
R'000							
Capital expenditure by Asset Class							
Infrastructure - Total	23,950	40,796	30,396	11,945	0	0	0
Infrastructure: Road transport - Total	582	12,596	8,596	2,069	0	0	0
Roads, Pavements & Bridges	582	12,596	8,596	2,069	0	0	0
Storm water	0	0	0	0	0	0	0
Infrastructure: Electricity - Total	4,188	20,000	17,600	5,581	0	0	0
Generation	0	0	0	0	0	0	0
Transmission & Reticulation	4,188	20,000	17,600	5,581	0	0	0
Street Lighting	0	0	0	0	0	0	0
Infrastructure: Water - Total	3,656	8,000	4,000	1,147	0	0	0
Dams & Reservoirs	0	0	0	0	0	0	0
Water purification	3,656	8,000	4,000	1,147	0	0	0
Reticulation	0	0	0	0	0	0	0
Infrastructure: Sanitation - Total	5,587	0	0	3,148	0	0	0
Reticulation	5,587	0	0	3,148	0	0	0
Sewerage purification	0	0	0	0	0	0	0
Infrastructure: Other - Total	9,937	200	200	0	0	0	0
Waste Management	9,937	200	200	0	0	0	0
Transportation	0	0	0	0	0	0	0
Gas	0	0	0	0	0	0	0
Other - Waste Water	0	0	0	0	0	0	0
Community - Total	75	0	0	33	0	0	0
Parks & gardens	0	0	0	0	0	0	0
Sports fields & stadia	0	0	0	0	0	0	0
Swimming pools	0	0	0	0	0	0	0
Community halls	45	0	0	32	0	0	0
Libraries	0	0	0	0	0	0	0
Recreational facilities	0	0	0	0	0	0	0
Fire, safety & emergency	0	0	0	1	0	0	0
Security and policing	0	0	0	0	0	0	0
Buses	0	0	0	0	0	0	0
Clinics	30	0	0	0	0	0	0
Museums & Art Galleries	0	0	0	0	0	0	0

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Description	2020/21	2021/22			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2022/23	2023/24	2024/25
R'000							
Cemeteries	0	0	0	0	0	0	0
Social rental housing	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Capital expenditure by Asset Class	6,397	660	660	4,256	0	0	0
Heritage assets - Total	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Investment properties - Total	0	0	0	0	0	0	0
Housing development	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Other assets	6,397	660	660	4,256	0	0	0
General vehicles	0	0	0	0	0	0	0
Specialised vehicles	0	0	0	1,097	0	0	0
Plant & equipment	0	0	0	181	0	0	0
Computers - hardware/equipment	4,481	0	0	85	0	0	0
Furniture and other office equipment	3	660	660	627	0	0	0
Abattoirs	0	0	0	0	0	0	0
Markets	0	0	0	0	0	0	0
Civic Land and Buildings	0	0	0	0	0	0	0
Other Buildings	0	0	0	11	0	0	0
Other Land	0	0	0	0	0	0	0
Surplus Assets - (Investment or Inventory)	0	0	0	0	0	0	0
Other	1,914	0	0	2,256	0	0	0
Agricultural assets	0	0	0	0	0	0	0
Biological assets	0	0	0	0	0	0	0
Intangibles	0	0	0	0	0	0	0
Computers - software & programming	0	0	0	0	0	0	0
Total Capital Expenditure on new assets	30,422	41,456	31,056	16,234	0	0	0
Specialised vehicles	0	0	0	0	0	0	0
Refuse	0	0	0	0	0	0	0
Fire	0	0	0	0	0	0	0
Conservancy	0	0	0	0	0	0	0
Ambulances	0	0	0	0	0	0	0

Table 223: Capital Expenditure: New Asset Programme

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5.6.2 Capital Expenditure: Funding Sources

The table below indicates the capital expenditure by funding source for the 2021/22 financial year:

Details	2020/21	2021/22				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'000					%
External loans	0	13,000	13,000	0	0.00	0.00
Public contributions and donations	3,567	0	0	3,567	0.00	0.00
Grants and subsidies	23,945	27,596	17,196	11,473	-37.69	-33.28
Own funding	2,909	860	860	1,194	0.00	38.94
Total	30,422	41,456	31,056	16,234	-33.49	-155.36
Percentage of Finance						
External loans	0	31	42	0	0.00	0.00
Public contributions and donations	12	0	0	22	0.00	0.00
Grants and subsidies	79	67	55	71	-16.82	27.63
Own funding	10	2	3	7	33.49	165.78
Capital Expenditure						
Description	R'000					%
Water and sanitation	9,243	8,000	4,000	4,295	-50.00	7.38
Electricity	4,188	20,000	17,600	4,518	-12.00	-74.33
Housing	0	0	0	0	0.00	0.00
Roads and Stormwater	582	12,596	8,596	2,069	-31.76	-75.93
Other	16,409	860	860	5,352	0.00	522.61
Total	30,422	41,456	31,056	16,234	-33.49	-155.36
Percentage of Expenditure						
Water and sanitation	30	19	13	26	-33.26	105.41
Electricity	14	48	57	28	17.47	-50.89
Housing	0	0	0	0	0.00	0.00
Roads and stormwater	2	30	28	13	-8.90	-53.95
Other	54	2	3	33	33.49	1091.03

Table 224: Capital Expenditure by Funding Source

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5.6.3 Capital Spending on Largest Capital Projects

Name of Project	2021/22				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Britstown Sewer Reticulation - Mziwabantu	12,596	10,096	3,148	-75.01	-68.82
Electrification of De Aar East Ph1	4,000	1,600	1,242	-68.95	-22.37
Acquisition of TLB	0	0	1,097	0.00	0.00
EPWP - Upgrading of Reverend Swart Street	1,389	1,389	946	-31.87	-31.87
WSIG Development of Boreholes - De Aar	8,000	4,000	898	-88.78	-77.55
Name of Project - A	Britstown Sewer Reticulation - Mziwabantu				
Objective of Project	Connection of households to the sewer reticulation network in Britstown				
Future Challenges	The cost of planned & unplanned Repairs & Maintenance to ensure that the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				
Name of Project - B	Electrification of De Aar East PH1				
Objective of Project	Improved provision of electricity				
Future Challenges	The cost of planned & unplanned Repairs & Maintenance to ensure that the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				
Name of Project - C	Acquisition of TLB				
Objective of Project	To improve the efficiency of service delivery to the community				
Future Challenges	The cost of planned & unplanned Repairs & Maintenance to ensure that the standard of service is maintained				
Anticipated citizen benefits	Improved basic services and quality of life				
Name of Project - D	EPWP - Upgrading of Reverend Swart Street				
Objective of Project	To upgrade gravel roads to tarred streets				
Future Challenges	The cost of planned & unplanned Repairs & Maintenance to ensure that the standard of service is maintained				
Anticipated citizen benefits	Improved roads				
Name of Project - E	WSIG Development of Boreholes - De Aar				
Objective of Project	To improve on the availability on water sources in the Emthanjeni Municipal area				
Future Challenges	The gradual decrease in underground water sources. The cost of repairs and maintenance to ensure that standard is maintained				
Anticipated citizen benefits	Improved water resources to the community of Emthanjeni				

Table 225: 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

Description	2020/21	2021/22		
	<i>Actual</i>	Original Budget	Adjusted Budget	Actual
	R'000			
Cash flow from operating activities				
Receipts				
Ratepayers and other	141,694	196,301	188,301	135,647
Government - operating	76,562	55,274	55,274	53,237
Government - capital	0	27,596	17,196	5,075
Interest	3,953	1,845	1,845	6,411
Dividends	0	0	0	0
Payments				
Suppliers and employees	(204,605)	(248,504)	(241,304)	(189,452)
Finance charges	(3,277)	(3,342)	(2,742)	(4,679)
Transfers and Grants	0	0	0	0
Net cash from/(used) operating activities	14,327	29,170	18,570	6,239
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	0	330	330	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	(10,390)	(41,456)	(31,056)	(9,981)
Net cash from/(used) investing activities	(10,390)	(41,126)	(30,726)	(9,981)
Cash flows from financing activities				
Receipts				
Short term loans	0	13,000	13,000	0
Borrowing long term/refinancing	0	82	82	0
Payments				
Repayment of borrowing	(241)	(889)	(889)	691
Net cash from/(used) financing activities	(241)	12,193	12,193	691
Net increase/ (decrease) in cash held	3,695	237	37	(3,051)
Cash/cash equivalents at the year begin:	6,512	487	487	10,208
Cash/cash equivalents at the yearend:	10,208	724	524	7,897

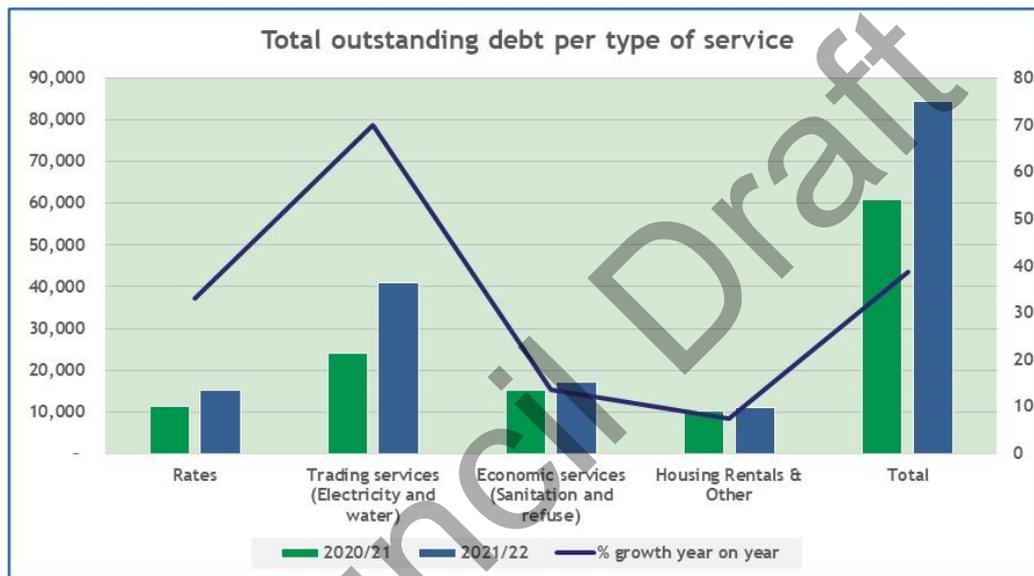
Table 226: Cash Flow

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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						
2020/21	11,408	24,154	15,080	108	10,073	60,823
2021/22	15,196	41,080	17,128	174	10,758	84,336
Difference	3,788	16,926	2,048	66	685	23,512
% growth year on year	33	70	14	62	7	39

Table 227: Gross Outstanding Debtors per Service



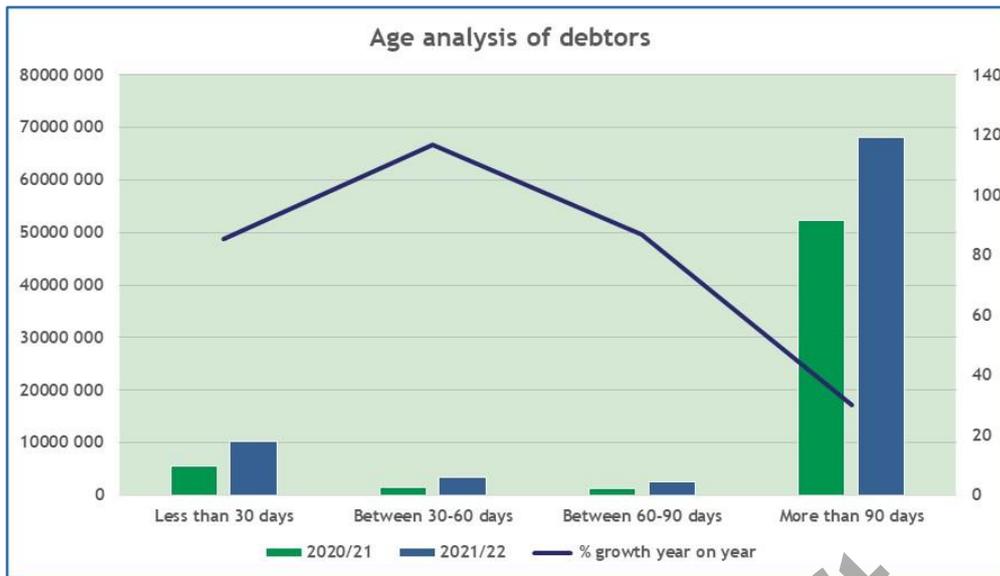
Graph 12: Outstanding Debt per type of Services

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				
2020/21	5,545	1,558	1,339	52,381	60,823
2021/22	10,274	3,379	2,504	68,180	84,336
Difference	4,729	1,820	1,164	15,799	23,512
% growth year on year	85	117	87	30	39

Note: Figures exclude provision for bad debt.

Table 228: Service Debtor Age Analysis



Graph 13: Age Analysis of Debtors

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 Borrowings

Instrument	2020/21	2021/22
	R'000	
Financial Leases	0	644
Total	0	644

Table 229: Actual Borrowings

5.10.2 Investments

Investment type	2020/21	2021/22
	R'000	
Deposits - Bank	25,574	20,645
Total	25,574	20,645

Table 230: Municipal Investments

5.11 MUNICIPAL COST CONTAINMENT MEASURES

The Municipal Cost Containment Regulations (MCCR) were promulgated on 7 June 2019, with the effective date of 1 July 2019. The objective of these Regulations, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Municipal Finance Management Act, is to ensure that the resources of a municipality are used effectively, efficiently and economically by implementing cost containment measures.

Regulation 4(1) of the MCCR require that a municipality must develop or revise and implement a cost containment policy which must -

- be adopted by the municipal council as part of its budget related policies;

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- ✎ define a municipality's objectives for the use of consultants; and
- ✎ be consistent with the MFMA and these Regulations

In terms of section 15(1) of the MCCR, cost containment measures applied by the municipality must be disclosed and included in the municipal in -year budget reports and annual costs savings in the annual report. The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution.

The following cost savings for the financial year are disclosed:

Cost Containment Measure	Actual Expenditure 2020/21	Budget 2021/22	Actual Expenditure 2021/22	Saving/(Over spending) 2021/22	Saving/(Increase) between 2020/21 and 2021/22
	R'000				
Use of consultants	3 691	10 761	7 503	(3 258)	3 812
Vehicles used for political office -bearers	1 215	570	1 244	674	29
Travel and subsistence	364	260	686	426	322
Sponsorships, events and catering	890	678	26	(652)	(864)
Communication	1 686	2 062	1 531	(531)	(155)
Other related expenditure items	6 755	9 095	7 926	(1 169)	1 171
Total	14 601	23 426	18 916	(4 510)	4 315

Table 231: Cost Containment

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION 2019/20

6.1 AUDITOR-GENERAL REPORT 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	
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

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Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
Control deficiencies in the IT environment	
<p>During the planning phase of AGSA the following control deficiencies in the IT environment were identified:</p> <ol style="list-style-type: none"> 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 	<p>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</p>
Assets written off without authorization of the council	
<p>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</p>	<p>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</p>
SCM Competitive Bidding: Contract not approved by Council	
<p>During the audit of SCM competitive bidding AGSA identified a tender that imposes a financial obligation on the municipality for more than 3 years.</p> <p>Contrary to the MFMA act, the Municipality failed to adhere to the following:</p> <ol style="list-style-type: none"> 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 	<p>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</p>
SCM Contract Management- No contract in place	
<p>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</p>	<p>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</p>
SCM competitive processes not followed	
<p>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.</p> <ol style="list-style-type: none"> 1. T6/2021- BVI Consulting 	<p>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</p>
SCM Local content was not applied	
<p>It was identified by AGSA that one supplier Luno Electrical minimum threshold for local content was not stipulated in the bid documents</p>	<p>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</p>
CIDB requirements for construction Project not adhered to	
<p>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</p>	<p>CFO must investigate the appointment and recommend to the MPAC on the way forward of the appointment</p>
Limitation of scope: Tender documents not provided for audit	
<p>Request for information 18 of 2021 for T6/2016 was issued on 9 September 2021 which was due 13 September 2021 was not submitted</p>	<p>Management must ensure that there is proper record keeping, and documents are kept in a safe place. The 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</p>

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Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
SCM-Preferential point system not applied for transactions above R30 000	
During the audit of SCM AGSA noted that the are certain bids were 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 the 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 understanding 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	
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	

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Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
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) 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 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
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 232: AG Report on Financial Performance 2020/21

COMPONENT B: AUDITOR-GENERAL OPINION 2020/21

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6.2 AUDITOR-GENERAL REPORT 2021/22

Main issues raised	Corrective steps implemented/ to be implemented
Emphasis of Matter	
FINANCIAL STATEMENTS	
Cash and cash equivalents	
<p>Prior year misstatement: no information was submitted in support of the prior misstatement/issue raised, e.g., an RFI was submitted for the cash books of two ABSA bank accounts:</p> <p>In order to support the amounts disclosed in the AFS under Cash and Cash Equivalents for the two bank accounts, the information submitted was inappropriate as it did not support the bank balances disclosed as cash book balances.</p>	<p>The reconciliations should be performed to identify the unreconciled items and ensure that they're supported by appropriate evidence.</p>
<p>Insufficient supporting documents in order to support the amounts disclosed in the AFS under Cash and Cash Equivalents for the two bank accounts. The information submitted was inappropriate as it did not support the bank balances disclosed as cash book balances.</p>	
<p>Current liability unreconciled: During the testing of Cash and cash equivalents liability the differences was identified.</p>	
Expenditure - Contracted services	
<p>Invoices not signed or stamped on receipt to acknowledge the receipt of goods and services.</p>	<p>Management does have progress report and SLA's to prove that the services were rendered. File and submit the SLAs as part of audit file.</p>
<p>Payments were not made within the 30 days for Contracted Services and Electricity.</p>	<p>The municipality should generate enough cashflow to settle its creditors. This matter is still ongoing for the municipality. Pay all creditors within 30 days of receipt of invoice or make arrangements to avoid penalties.</p>
<p>Bulk Purchases payments not made within 30 days and still outstanding.</p>	
<p>Non-Compliance identified for Unauthorised, Irregular, Fruitless and wasteful expenditure.</p>	<ul style="list-style-type: none"> 🔍 Prepare a training for the MPAC Committee and CFO. 🔍 Ensure that the MPAC sits on a regular basis. 🔍 Obtain the UIF registers of the prior year and prepare the investigations. 🔍 Either consider using an external source or inquire with the Provincial Treasury about doing the investigations in house.
Expenditure	
<p>Insufficient supporting documents for Journals.</p>	<p>The supporting documentation will be prepared and submitted to the auditors during the 2023 audit.</p>
<p>Remaining population, Contracted services & Finance costs -Invoice dates as per GL differ from actual invoice.</p>	<p>The invoices will be dated once received from the supplier. The date of receipt will be recorded on the system and not the invoice date unless they are the same. This finding will be reviewed against the date of receipt and an appropriate response will be provided to the AG in the 2023 audit.</p>
Expenditure: Operational	
<p>VAT incorrectly accounted for.</p>	<p>Prior to recording an invoice or order, the supplier will be verified to confirm whether they are a VAT vendor or not. The invoices will be drawn from the order. Any inconsistencies will be corrected prior to authorisation of order. The CFO will review the order and invoice for correctness. Furthermore, this matter will be corrected in the new financial year.</p>
<p>November 2021 Output VAT understated.</p>	
<p>Finance Costs: Invoices recorded in the incorrect year.</p>	
Expenditure (non-exchange transactions)	
<p>Limitation of scope: On the receipt of the request for information 85 annexure B it was identified that the following fines were not submitted as the municipality does not have the fines anymore.</p>	<p>Request the missing fines from the Dept. of Justice. Keep records of the traffic books and only submit a list of the fines with references to the fines and amounts.</p>

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Main issues raised	Corrective steps implemented/ to be implemented
Receivables from non-exchange transactions	
Fines were understated by the projected amount of R1 034 745.96.	Request the missing fines from the Department of Justice. Keep records of the traffic books and only submit a list of the fines with references to the fines and amounts.
Prior year misstatement – Limitation (Fines) – Erratum: During the audit it was identified that Issue 36 raised in the prior year was not addressed by the municipality in the current year. The management managed to submit 10 Fines on the current year and the following 7 was not submitted for the audit purpose.	
Limitation of scope on Sundry deposits.	
Revenue from Exchange Transactions	
Interest Earned – understated. The interest was not charged for long Outstanding debtors.	Run a system check on interest charged on debtors to identify outstanding debtors that are not charged interest on overdue accounts.
Supporting documents of Indigent listings information (e.g., Application forms) were not submitted.	Prepare an indigent register supported by completed forms for each municipal area. The register should be reviewed on a quarterly basis for completeness and accuracy.
Revenue from Non-exchange Transactions	
Interest earned – Understated. Interest was not charged for the long Outstanding debtors for Property rates.	Run a system check on interest charged on debtors to identify outstanding debtors that are not charged interest on overdue accounts.
Interest was incorrectly calculated by the management.	
Interest earned - understatement – Erratum. During the testing of revenue from exchange transactions (Interest earned), it was noted that the interest was Incorrectly calculated by the management.	
Service charges (Water) - Prior year misstatement: Issue 39 raised in the prior year as listed below was not addressed by the municipality in the current year.	This matter relates to the 2021 financial year, the matter will be removed from the audit report during the 2023 audit period.
Revenue Management	
Interest not charged on debtors	Run a system report for a sample of debtors and manually recalculate the interest charged. Identify any discrepancies and request possible corrections.
Inventory	
Consumables and material overstated.	A prior period error will be prepared for this finding. The supporting documentation will be prepared and submitted during the 2023 audit. The population will be tested at 100% to rule out all errors.
Indigent listing	
All approved application forms were not included on the Indigent list.	Prepare an indigent register supported by completed forms for each municipal area. The register should be reviewed on a quarterly basis for completeness and accuracy.
Supply Chain Management	
Competitive bid not advertised for more than 30 Days. No approved deviation form attached to substantiate the reasons for advertising less than 30 days. Refer to T1/2021.	The tender notices and documents will be reviewed by the SCM division and CFO's office prior to notices being advertised.
No contract in place between the auditee and Consulting Engineers for the 481 sewer housing connections project (T6/2021) and for the construction of sewer reticulation for Mziwabantu in Britstown project (T11/2022).	Review the contract register, contract suppliers and confirm that contracts exist. If no contracts are available, request a new SLA and have it signed by the municipality and the contractor.
Competitive processes were not followed and no deviation form was provided for deviating from the SCM processes for three Service Providers.	<ul style="list-style-type: none"> 🔍 Prior to authorisation of orders, the SCM team will review the order and its supporting documentation for completeness, non-compliance and corrections where required. 📄 Possibly prepare a checklist to be submitted with the order.

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Main issues raised	Corrective steps implemented/ to be implemented
Suppliers that the municipality did business with, did not disclose working for state and having interest in their companies.	Prior to authorisation of orders, the SCM team will ensure that all documents are included with the order. These include the MBD4, Tax compliance status, BEE (Above R30k) and Local content where required.
Three quotations not obtained and no approved deviation attached to the payment batch for some suppliers.	<ul style="list-style-type: none"> 🔍 Prior to authorisation of orders, the SCM team will review the order and its supporting documentation for completeness, non-compliance and corrections where required. 🔍 Possibly prepare a checklist to be submitted with the order.
Deviations not reported to council and not recorded in the AFS.	Prepare the finance monthly reports to EXCO. Inform the mayor on a monthly basis on deviations that occurred.
No Supplier CSD reports attached for some suppliers.	<ul style="list-style-type: none"> 🔍 Prior to authorisation of orders, the SCM team will review the order and its supporting documentation for completeness, non-compliance and corrections where required. 🔍 Possibly prepare a checklist to be submitted with the order.
No SARS Tax Clearance submitted by a Supplier.	<ul style="list-style-type: none"> 🔍 Prior to authorisation of orders, the SCM team will review the order and its supporting documentation for completeness, non-compliance and corrections where required. 🔍 Possibly prepare a checklist to be submitted with the order.
Some suppliers did not disclose on the MBD4 forms that their directors are in the service of the state.	Prior to authorisation of orders, the SCM team will ensure that all documents are included with the order. These include the MBD4, Tax compliance status, BEE (Above R30k), PPPF (Above R30k) and Local content where required.
No effective contracts monitoring in place between the auditee and service provider whose contract exceeded the initial 60 days contract period.	Review the contract register, contract suppliers end dates. Inquire with Senior Managers regarding any requirement for possible contract extensions and the MM approvals. Inquire with responsible Senior Managers about the reasons for the extensions and cost implications for adequate budgeting and approvals.
Preferential point system not applied for transactions above R30 000.	Prior to authorisation of orders, the SCM team will ensure that all documents are included with the order. These include the MBD4, Tax compliance status, BEE (Above R30k), PPPF (Above R30k) and Local content where required.
Competitive processes were not followed for service provider of prepaid electricity meters.	<ul style="list-style-type: none"> 🔍 Prior to authorisation of orders, the SCM team will review the order and its supporting documentation for completeness, non-compliance and corrections where required. 🔍 Possibly prepare a checklist to be submitted with the order.
Deviation not disclosed and non-compliance.	<ul style="list-style-type: none"> 🔍 Prior to authorisation of orders, the SCM team will review the order and its supporting documentation for completeness, non-compliance and corrections where required. 🔍 The expenditure payments will be reviewed on monthly basis to identify any irregular expenditure or deviations not recorded.
Assets	
Assets written off without authorisation of the council.	Prior to the disposal of any assets, the finance and asset management team will prepare a detailed list of assets to be disposed and present them to council for approval.
Heritage assets could not be verified.	The assets in relation to the finding will be identified and kept safe and will be verified by the auditor during 2023 audit.
PERFORMANCE MANAGEMENT	
Audit of pre-determined objectives	
Differences identified between Approved budget and Budget as per Abakus (denominators) for the following KPIs: <ol style="list-style-type: none"> 1. TL47 50% of approved budget spent for internal Sewer reticulation for Mziwabantu in Britstown. 2. TL48 70% of approved budget spent for the procurement of electrical equipment for the electrification of stands in De Aar. 	The budget accountant should create a different vote for all the different MIG projects each with their own individual budgets. These votes should be reviewed by the CFO.

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Main issues raised	Corrective steps implemented/ to be implemented
<p>Limitation of scope (Numerator). Payment batches for the indicators listed below were not submitted for audit:</p> <ol style="list-style-type: none"> 1. TL36 - expenditure for water maintenance budget 2. TL48 - expenditure for the procurement of electrical equipment for the electrification of stands in De Aar. 	<p>The CFO, Finance Manager should ensure that all original payment batches are filed in clearly marked file and stored in a safe place. CFO should also ensure that all requested payments be presented to Auditors.</p>
<p>The numerator for some indicators were not accurate.</p>	<ul style="list-style-type: none"> ✎ The finance department will ensure that the final figures be presented to the Performance Manager. This will ensure that financial as well as performance information aligns to each other. ✎ The Manager responsible for PMS will review the quarterly submissions with its supporting documentations and confirm that the reporting agrees with appropriately supported relevant information.
<p>Measures taken to improve performance have not been disclosed appropriately in the Annual Performance Report. (TL17, TL36, TL38, TL39, TL46, TL47 and TL50.)</p>	<p>The Manager responsible PMS will review the corrective measures provided by KPI owners for targets not achieved in line with appropriate supporting information to ensure that it is disclosed appropriately.</p>
Financial and performance management	
<p>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.</p>	<p>Internal processes will be improved.</p>
<p>Management did not implement controls over daily and monthly processing and reconciling of transactions.</p>	<p>Internal processes will be improved.</p>
Internal Control Deficiencies	
<p>Internal control deficiencies related to IT.</p> <ul style="list-style-type: none"> ✎ Power failures, hardware failure, ineffective data security administration, inadequate security system. ✎ Encryption on sent data. Weak IT controls ✎ No approved IT strategic plan in place ✎ No formal approved IT security policy in place 	<p>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.</p>
<p>Audit Committee did not have regular engagements with the external auditors, to discuss the effectiveness of internal control over financial reporting, performance reporting and compliance with laws and regulations.</p>	<p>Ensure that the audit committee sits at least 4 times, the AFS are submitted to the committee before 31 August 2023 for review.</p>
<p>The risk assessment/strategy performed by the municipality did not include new or emerging risk factors such as changes in the regulatory environment (e.g., new financial reporting standard, new laws and regulations that have a direct impact on the entity's operations), changes in key personnel and changes in IT and control systems.</p>	<p>New and emerging risk factors will be included by May 2023.</p>
<p>Contract Register not completed (some parts are omitted).</p>	<p>Review the contract register and ensure that it is complete.</p>
<p>Amendment of the IDP was not submitted within 10 days to the MEC's office.</p>	<p>Any amendments done on the IDP will be communicated on a timeous basis to the MEC's office. The communication will be filed for record purposes.</p>
<p>Local Content information not submitted to Department of Trade and Industry.</p>	<p>Prior to the authorisation of any local content procurement, the SCM will communicate the information disclosed by the supplier to DTI to confirm accuracy and validity. The communication will be kept as part of the procurement documentation.</p>
Other Matters	
<p>Audit Committee Roles and Responsibilities not performed as per legislative requirements.</p>	<p>Ensure that the Audit Committee sits at least 4 times per annum and that the AFS are submitted to the committee before 31 August 2023 for review.</p>

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Main issues raised	Corrective steps implemented/ to be implemented
Policies not approved and adopted.	Submit the policies to Council for review and approval by 30 June 2023.
Unspent conditional grant - not surrendered to National Revenue Fund.	Appropriately file the communications from National Treasury about withheld funds for submission during audit.
No consultant reduction plan in place.	Prepare a consultant reduction plan by 30 June 2023.
Effective leadership culture	
Officials under leadership's guidance and supervision continued to contravene laws and regulations governing procurement and supply chain management. The lack of appropriate action against officials has a material impact on the effectiveness and the stability of the control environment. Leadership's inability to address and prioritise this critical area has a direct bearing on the number of compliance findings reported in the current year.	Implementation of consequence management to improve on compliance and ensure that SCM procurement processes are conducted within laws and regulation.
Oversight responsibility	
Effective oversight was not displayed by management over supply chain management related matters as well as overspending on votes. This is evidenced by the extent of irregular and unauthorised expenditure identified during the current financial year and disclosed which management has failed to prevent and detect.	Regular reporting to oversight committees.
Management did not develop action plans and assign the responsibility to implement the recommendations of the prior year as IT is not regarded as of strategic importance resulting in repeat findings	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.
The municipality did not have sufficient documented and approved internal policies and procedures to address the process of reporting of performance against predetermined objectives.	Review of PMS Policy with inclusion of process for reporting of performance against predetermined objectives. Policy to be workshopped with staff.

Table 233: AG Report on Financial Performance 2021/22

LIST OF ABBREVIATIONS

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

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Council Draft

Annexure A: Financial Statements

Council Draft

EMTHANJENI LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2022

[These financial statements have not been audited]
AUDITED FINANCIAL STATEMENTS

EMTHANJENI LOCAL MUNICIPALITY

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EMTHANJENI LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2022, which are set out on pages 1 to 109 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 2023 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. 2022

Date

EMTHANJENI LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
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

GL Nkumbi

SPEAKER

MC Kivedo

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Councillor
Executive Councillor

MUNICIPAL MANAGER

I Visser

REGISTERED OFFICE

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

POSTAL ADDRESS:

P.O.Box 42
De Aar
7000

AUDITORS

Office of the Auditor General

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)

CHIEF WHIP

LE Andrews

R.Smith

LE Andrews

CHIEF FINANCIAL OFFICER

MF Manuel

ATTORNEYS

Calteaux & Partners
Van Zyl Attorneys

PRINCIPLE BANKERS

ABSA Bank Limited

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
Proportional

COUNCILLOR

FCS Swanepoel
MN Mackay
SW Makhandula
JT Brandt
GK Engelbrencht
LE Andrews
JM Fortuin
PP Mhali
PN Bushula
R Smith
B Swanepoel
RH Adams- Beukes
MST Booysen
MC Kivedo
GL Nkumbi

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Notes	2022 R	2021 Restated R
ASSETS			
Non-Current Assets		836 781 552	889 844 839
Property, Plant and Equipment	2	821 009 762	875 137 011
Investment Property	3	8 767 885	7 694 692
Intangible Assets	4	12 754	25 508
Heritage Assets	5	6 959 273	6 959 273
Investments	6	31 878	28 355
Current Assets		175 108 324	130 797 337
Inventory	8	47 045 696	26 462 195
Receivables from Exchange Transactions	9	57 497 456	39 436 332
Receivables from Non-exchange Transactions	10	26 000 126	21 387 131
Unpaid Transfers and Subsidies	18	-	740 000
Taxes	19	20 110 027	12 670 076
Cash and Cash Equivalents	11	24 455 018	30 101 602
Total Assets		1 011 889 876	1 020 642 175
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		92 975 214	92 398 732
Long-term Borrowings	12	643 842	-
Non-current Provisions	13	68 643 371	67 337 731
Non-current Employee Benefits	14	23 688 001	25 061 001
Current Liabilities		200 359 539	181 326 656
Consumer Deposits	15	2 818 757	2 678 885
Current Employee Benefits	16	13 985 340	14 095 884
Trade and Other Payables from Exchange Transactions	17.1	140 358 847	114 223 769
Trade and Other Payables from Non-Exchange Transactions	17.2	11 577 786	10 119 222
Unspent Transfers and Subsidies	18	15 013 816	20 315 030
Cash and Cash Equivalents	11	16 558 310	19 893 866
Current Portion of Long-term Borrowings	12	46 683	(0)
Total Liabilities		293 334 753	273 725 388
Net Assets		718 555 122	746 916 787
Capital Replacement Reserve	20	2 252 793	2 252 793
Accumulated Surplus		716 302 329	744 663 994
Total Net Assets and Liabilities		1 011 889 876	1 020 642 175

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 Restated R
REVENUE			
Revenue from Non-exchange Transactions		108 929 088	109 885 293
Taxation Revenue		39 620 403	39 419 873
Property Rates	21	39 620 403	39 419 873
Transfer Revenue		65 608 069	68 430 844
Government Grants and Subsidies - Capital	22	11 274 117	11 706 049
Government Grants and Subsidies - Operating	22	53 237 084	51 749 597
Contributed Property, Plant and Equipment	23	1 096 868	4 975 198
Other Revenue		3 700 617	2 034 575
Fines and Penalties	30	1 447 222	1 287 663
Interest Earned - Non-exchange Transactions	29	2 253 395	746 913
Revenue from Exchange Transactions		160 818 420	148 538 151
Service Charges	25	151 488 336	140 702 374
Operational Revenue	26	1 860 329	2 422 269
Rental of Facilities and Equipment	27	2 393 440	1 238 274
Interest Earned - External Investments	28	1 296 990	1 182 337
Interest Earned - Exchange Transactions	29	2 861 061	2 023 361
Licences and Permits	24	918 264	969 538
Total Revenue		269 747 508	258 423 444
EXPENDITURE			
Employee related costs	31	93 670 636	87 004 404
Remuneration of Councillors	32	5 714 447	5 682 471
Contracted Services	33	15 564 017	10 156 067
Depreciation and Amortisation	34	52 645 591	52 208 938
Finance Costs	35	13 963 680	11 851 357
Bulk Purchases	36	80 410 544	72 890 341
Inventory Consumed	8	2 094 194	3 480 398
Operational Costs	37	24 251 227	29 595 807
Total Expenditure		288 314 337	272 869 783
Operating Surplus/(Deficit) for the Year		(18 566 829)	(14 446 339)
Actuarial gain/(loss)	14	3 227 000	(2 656 000)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	8	19 508 113	(27 230 237)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(26 548 513)	(30 807 509)
Gains/(Loss) on Sale of Fixed Assets	39	(7 057 360)	(213 125)
Fair value adjustment		1 075 924	665
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	40	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		(28 361 665)	(75 352 545)

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2020	2 252 793	638 835 922	641 088 715
Correction of Error		181 180 617	181 180 617
Restated balance 30 JUNE 2020	2 252 793	820 016 539	822 269 332
Net Surplus/(Deficit) for the year	-	(77 024 360)	(77 024 360)
Balance at 30 JUNE 2021	2 252 793	742 992 179	745 244 972
Correction of Error	-	1 671 815	1 671 815
Restated balance 30 JUNE 2021	2 252 793	744 663 994	746 916 787
Net Surplus/(Deficit) for the year	-	(28 361 665)	(28 361 665)
Balance at 30 JUNE 2022	2 252 793	716 302 329	718 555 122

EMTHANJENI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Cash receipts from customers		149 254 600	151 600 089
Grants		59 949 987	75 822 000
Interest received investments		1 296 990	1 182 337
Interest earned - outstanding debtors		5 114 457	2 770 274
Property rates - Interest received			
Taxes		(7 439 950)	(354 706)
Cash payments			
Employee costs		(100 047 162)	(93 192 950)
Suppliers		(96 470 369)	(120 223 628)
Finance costs		(4 679 418)	(3 276 758)
Transfers and Grants		-	-
Net Cash from Operating Activities	43	6 979 134	14 326 659
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(9 979 895)	(10 390 412)
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Investment Properties		-	-
Purchase of Intangible Assets		0	0
Purchase of Heritage Assets		-	-
Purchase of Agricultural Assets		-	-
Decrease/(Increase) in Non-Current Debtors		-	-
Decrease/(Increase) in Non-Current Investments		(793)	-
Net Cash from Investing Activities		(9 980 688)	(10 390 412)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term Loans (new loans raised)		-	-
Repayment of borrowings		690 526	(240 852)
Increase/(Decrease) in Consumer Deposits		-	-
Proceeds from Borrowings		-	-
Net Cash from Financing Activities		690 526	(240 852)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2 311 028)	3 695 395
Cash and Cash Equivalents at the beginning of the year		10 207 736	6 512 336
Cash and Cash Equivalents at the end of the year		7 896 708	10 207 736
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2 311 028)	3 695 400

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	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)	(i.t.o. Council approved by-law)	R	2022 R	%	
ASSETS									
Current Assets									
Cash (N1)	9 165 484	12 967 818	22 133 302			22 133 302	3 810 086	-82.79%	Additional investment made during year
Call Investment Deposits (N1)		-				-	20 644 932	0.00%	Not a material variance
Consumer Debtors (N2)	-	68 131 872	68 131 872			68 131 872	57 497 456	-15.61%	Less billed than expected. Impairment greater than expected
Other Debtors (N3)	6 330	-	6 330			6 330	46 110 153	728338.44%	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 (N4)	1 902	-	1 902			1 902	-	-100.00%	No long term receivables for the year
Inventory	54 946 089	-	54 946 089			54 946 089	47 045 696	-14.38%	More inventory expensed than expected
Total Current Assets	64 119 805	81 099 690	145 219 495	-	-	145 219 495	175 108 324	20.58%	
Non-Current Assets									
Investments	30 090	-	30 090			30 090	31 878	5.94%	Not a material variance
Investment Property	5 782 250	63 650	5 845 900			5 845 900	8 767 885	49.98%	Not a material variance
Property, Plant and Equipment Living Resources	867 308 914	(142 434 125)	724 874 789			724 874 789	821 009 762	13.26%	Due to under budget of depreciation. Additions recognised that was not budgeted for, resulting in additional depreciation. Landfill site depreciation not budgeted.
Intangible Assets	211 500	(188 013)	23 487			23 487	12 754	-45.70%	Less addition purchases than expected budget
Other Non-Current Assets (N5)	-	-	-			-	6 959 273	100.00%	Due to heritage not budgeted
Total Non-Current Assets	873 332 754	(142 558 488)	730 774 266	-	-	730 774 266	836 781 552	14.51%	
TOTAL ASSETS	937 452 559	(61 458 798)	875 993 761	-	-	875 993 761	1 011 889 876	15.51%	
LIABILITIES									
Current Liabilities									
Bank Overdraft	7 272 415	14 336 786	21 609 201			21 609 201	16 558 310	0.00%	Not a material variance
Borrowing (N6)	410 000	(410 000)	-			-	46 683	100.00%	Due to new finance leases entered into which was not budgeted for.
Consumer Deposits	2 741 285	-	2 741 285			2 741 285	2 818 757	2.83%	Not a material variance
Trade and Other Payables (N7)	53 905 557	76 454 672	130 360 229			130 360 229	166 950 449	28.07%	Slow payment of creditors
Provisions (N8)	2 145 739	-	2 145 739			2 145 739	13 985 340	551.77%	Landfill site not budgeted
Total Current Liabilities	66 474 996	90 381 458	156 856 453	-	-	156 856 453	200 359 539	27.73%	
Non-Current Liabilities									
Borrowing (N6)	12 590 000	410 000	13 000 000			13 000 000	643 842	-95.05%	Due to new finance leases entered into which was not budgeted for.
Provisions (N9)	99 742 052	-	99 742 052			99 742 052	92 331 372	-7.43%	Not a material variance
Total Non-Current Liabilities	112 332 052	410 000	112 742 052	-	-	112 742 052	92 975 214	-17.53%	
TOTAL LIABILITIES	178 807 048	90 791 458	269 598 505	-	-	269 598 505	293 334 753	8.80%	
NET ASSETS									
Accumulated Surplus/(Deficit) Reserves (N10)	758 645 511	(152 250 256)	606 395 256			606 395 256	716 302 329	18.12%	Net effect of reasons above
	-	-	-			-	2 252 793	100.00%	Net effect of reasons above
TOTAL NET ASSETS	758 645 511	(152 250 256)	606 395 256	-	-	606 395 256	718 555 122	18.50%	

- N1 The actual figure is the balance of cash and cash equivalents as per the Statement of Financial Position
N2 The actual figure is the balance of Receivables from Exchange Transaction as per the Statement of Financial Position
N3 The actual figure is the balance of current portion of non-current receivables as per the Statement of Financial Position
N4 The actual figure is the balance of Receivables from Exchange Transaction as per the Statement of Financial Position
N5 The actual figure is the balance of Heritage assets as per the Statement of Financial Position
N6 The actual figure is the balance of current portion of long-term borrowings and long-term borrowings as per the Statement of Financial Position
N7 The actual figure is the balance of Trade Payables from Exchange Transactions, Non-Exchange Transactions and Unspent Transfer and Subsidies as per the Statement of Financial Position
N8 The actual figure is the balance of current employee benefits as per the Statement of Financial Position
N9 The actual figure is the balance of Non-current Provisions and Non-current Employee Benefits as per the Statement of Financial Position
N10 The actual figure is the balance of Capital Replacement Reserve as per the Statement of Financial Position

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Original Budget	Budget Adjustments (I.t.o. s28 and s31 of the MFMA)	Final Adjusted Budget	Shifting of Funds (I.t.o. s31 of the MFMA)	Virement (I.t.o. Council approved by-law)	Final Budget	Actual Outcome 2022	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	R	R	R	R	R	R	%	
REVENUE									
Property Rates	39 820 479	-	39 820 479			39 820 479	39 620 403	-0.50%	Not a material variance
Property Rates - Penalties & Collection Charges	-	-	-			-	-	0.00%	Not a material variance
Service Charges - Electricity Revenue	79 332 548	(4 000 000)	75 332 548			75 332 548	94 588 290	25.56%	Due to pre-paid sales budgeted with other revenue.
Service Charges - Water Revenue	38 396 021	(2 000 000)	36 396 021			36 396 021	33 890 990	-6.88%	Not a material variance
Service Charges - Sanitation Revenue	23 924 658	-	23 924 658			23 924 658	15 331 485	-35.92%	More sanitation revenue was anticipated with budget
Service Charges - Refuse Revenue	13 055 092	-	13 055 092			13 055 092	7 677 571	-41.19%	More refuse revenue was anticipated with budget
Rental of Facilities and Equipment	877 496	-	877 496			877 496	2 393 440	172.76%	Additional halls rented, due to less stricter COVID
Interest Earned - External Investments	424 580	-	424 580			424 580	1 296 990	205.48%	Additional investment made during year
Interest Earned - Outstanding Debtors (N1)	1 745 536	-	1 745 536			1 745 536	5 114 457	193.00%	Additional investment made during year
Fines, penalties and forfeits (N2)	1 160 125	-	1 160 125			1 160 125	1 447 222	24.75%	Penalties for consumers not budgeted for.
Licenses and Permits	1 945 439	-	1 945 439			1 945 439	918 264	-52.80%	Due to COVID 19, not all offices were fully operating
Agency Services	-	-	-			-	-	-	-
Transfers and subsidies (N3)	54 274 000	-	54 274 000			54 274 000	53 237 084	-1.91%	Not a material variance
Other Revenue (N4)	50 804 851	(2 000 000)	48 804 851			48 804 851	1 860 329	-96.19%	Due to pre-paid sales budgeted with other revenue.
Gains (N5.1)	330 000	-	330 000			330 000	(2 754 436)	-934.68%	Gains not budgeted for.
Total Revenue (excluding capital transfers and contributions)	306 090 825	(8 000 000)	298 090 825	-	-	298 090 825	254 622 088	(5)	
EXPENDITURE									
Employee Related Costs	93 350 859	1 200 000	94 550 859			94 550 859	93 670 636	-0.93%	Not a material variance
Remuneration of Councilors	6 715 414	-	6 715 414			6 715 414	5 714 447	-14.91%	The municipality budgeted for a greater increase in councilors remuneration, however the amount did not materialise.
Debt Impairment	7 213 830	-	7 213 830			7 213 830	26 548 513	268.02%	Due to slow payment of debtors, greater amount was impaired.
Depreciation and Asset Impairment (N6)	9 890 825	-	9 890 825			9 890 825	52 645 591	432.27%	Due to under budget of depreciation. Additions recognised that was not budgeted for, resulting in additional depreciation. Landfill site depreciation not budgeted.
Finance Charges (N7)	3 341 523	(600 000)	2 741 523			2 741 523	13 963 680	409.34%	Not budgeted for finance cost of non-current provisions and employee benefits. Slow payment of creditors resulting in additional finance charges.
Bulk purchases - electricity (N8)	85 054 922	-	85 054 922			85 054 922	80 410 544	-5.46%	Not a material variance
Inventory consumed	13 010 786	-	13 010 786			13 010 786	2 094 194	-83.90%	Due to cost containment measures implemented
Contracted Services	10 761 621	-	10 761 621			10 761 621	15 564 017	44.63%	Due to cost containment measures implemented
Other Expenditure (N9)	62 892 425	(8 601 000)	54 291 425			54 291 425	4 793 114	-91.26%	Due to cost containment measures implemented
Total Expenditure	292 232 205	(8 001 000)	284 231 205	-	-	284 231 205	295 354 737	3.91%	
Surplus/(Deficit)	13 858 620	1 000	13 859 620	-	-	13 859 620	(40 732 649)	(6)	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) (N10)	27 596 000	(10 400 000)	17 196 000			17 196 000	11 274 117	-34.44%	Rollover not approved and was deducted from equitable share
Transfers and subsidies - capital (in-kind - all)	-	-	-			-	1 096 868	100.00%	Contributed PPE not budgeted
Surplus/(Deficit) after Capital Transfers & Contributions	41 454 620	(10 399 000)	31 055 620	-	-	31 055 620	(28 361 665)	-191.33%	
Taxation	-	-	-			-	-	#DIV/0!	
Surplus/(Deficit) after Taxation	41 454 620	(10 399 000)	31 055 620	-	-	31 055 620	(28 361 665)	-191.33%	
Attributable to Minorities	-	-	-			-	-	#DIV/0!	
Surplus/(Deficit) Attributable to Municipality	41 454 620	(10 399 000)	31 055 620	-	-	31 055 620	(28 361 665)	-191.33%	
Share of Surplus/(Deficit) of Associate	-	-	-			-	-	#DIV/0!	
Surplus/(Deficit) for the year	41 454 620	(10 399 000)	31 055 620	-	-	31 055 620	(28 361 665)	(5)	

N1 The actual figure is the balance of Interest Earned from Exchange and Non-Exchange Transactions as per the Statement of Financial Performance

N2 The actual figure is the balance of Fines and Penalties as per the Statement of Financial Performance

N3 The actual figure is the balance of Government Grants and Subsidies - Operating as per the Statement of Financial Performance

N4 The actual figure is the balance of Operational Revenue as per the Statement of Financial Performance

N5 The actual figure is the balance of Actuarial gain/(loss), Gains/(Loss) on Sale of Fixed Assets and Fair value adjustment as per the Statement of Financial Performance

N6 The actual figure is the balance of Depreciation and Amortisation and Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets as per the Statement of Financial Performance

N7 The actual figure is the balance of Finance Costs as per the Statement of Financial Performance

N8 The actual figure is the balance of Bulk Purchases as per the Statement of Financial Performance

N9 The actual figure is the balance of Operational cost, Operating lease and Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value as per Statement of Financial Performance

N10 The actual figure is the balance of Government Grants and Subsidies - Capital as per the Statement of Financial Performance

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	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	2022 R	%	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates (N1)	33 838 431	-	33 838 431			33 838 431		-100.00%	Actual taxation relating to movement in VAT
Service Charges (N1)	128 937 487	(6 000 000)	122 937 487			122 937 487	149 254 600	-28.84%	Due to pre-paid sales budgeted with other revenue.
Other Revenue (N1)	33 525 561	(2 000 000)	31 525 561			31 525 561		-100.00%	Due to pre-paid sales budgeted with other revenue.
Transfers and Subsidies - Operational (N2)	55 274 000	-	55 274 000			55 274 000	59 949 987	-17.28%	Rollover not approved and was deducted from equitable share
Transfers and Subsidies - Capital (N2)	27 596 000	(10 400 000)	17 196 000			17 196 000		-100.00%	
Interest (N3)	1 844 599	-	1 844 599			1 844 599	6 411 447	247.58%	Cashflow only include interest on investments
Taxes							(7 439 950)	0.00%	Actual taxation relating to movement in VAT
Payments									
Suppliers and Employees (N4)	(248 504 443)	7 200 000	(241 304 443)			(241 304 443)	(196 517 531)	-18.56%	Slow payment of creditors, Movement in employee related provisions not budgeted for.
Finance charges (N5)	(3 341 523)	600 000	(2 741 523)			(2 741 523)	(4 679 418)	70.69%	Slow payment of creditors resulting in additional interest
Net Cash from/(used) Operating Activities	29 170 111	(10 600 000)	18 570 111	-	-	18 570 111	6 979 134	-62.42%	
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE (N6)	330 000	-	330 000			330 000		-100.00%	Effect of disposal considered against capital assets
Decrease/(Increase) in Non-Current Debtors		-					-	0.00%	
Decrease/(Increase) in Other Non-Current Receivables		-					-	0.00%	
Decrease/(Increase) in Non-Current Investments		-					-	0.00%	
Payments									
Capital Assets (N7)	(41 455 620)	10 400 000	(31 055 620)			(31 055 620)	(9 979 895)	-67.86%	
Net Cash from/(used) Investing Activities	(41 125 620)	10 400 000	(30 725 620)	-	-	(30 725 620)	(9 979 895)	-67.52%	
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	13 000 000	-	13 000 000			13 000 000	-	-100.00%	Due to new financed received from ABSA .
Increase/(Decrease) in Consumer Deposits	81 830	-	81 830			81 830	-	-100.00%	Due to the implementation of the FAQ 4,13
Payments									
Repayment of Borrowing	(888 967)	-	(888 967)			(888 967)	690 526	-177.68%	Due to new financed received from ABSA .
Net Cash from/(used) Financing Activities	12 192 862	-	12 192 862	-	-	12 192 862	690 526	(4)	
NET INCREASE/(DECREASE) IN CASH HELD	237 354	(200 000)	37 354	-	-	37 354	(2 310 235)	-6284.74%	Net of reasons listed above
Cash and Cash Equivalents at the year begin:	486 748	-	486 748			486 748	10 207 736	1997.13%	
Cash and Cash Equivalents at the year end:	724 102	(200 000)	524 102	-	-	524 102	7 897 501	1406.86%	

N1
N2
N3
N4
N5
N6
N7

The actual figure is cash received from customers as per the Cash flow Statement
The actual figures is grants as per the Cash flow Statement
The actual figure is Interest earned - outstanding debtors and Interest received investments as per the Cash flow Statement
The actual figure is Employee cost and Suppliers as per the Cash flow Statement
The actual figure is Finance cost as per the Cash flow Statement
The actual figure is Proceeds on Disposal of Fixed Assets as per the Cash flow Statement
The actual figure is Purchase of Property,Plant and Equipment as per the Cash flow Statement

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 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 2022

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.

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. For the financial year, no new standards became effective.

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 25	<p><u>Employee benefits</u> The objective of this Standard is to prescribe the accounting and disclosure for employee benefits.</p> <p>The municipality might need to revise the recognition and measurement of employee benefits.</p>	Unknown
GRAP 104	<p><u>Financial Instruments</u> The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	Unknown
iGRAP 7	<p><u>The limit on a defined benefit asset, minimum funding requirement and their interaction</u> This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits.</p> <p>No significant impact is expected as the Municipality does not hold any plan assets.</p>	Unknown
iGRAP 21	<p><u>The Effect of Past Decisions on Materiality</u> This interpretation explains the implications of adopting accounting policies for material items based on GRAP</p>	1 April 2023

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

REFERENCE	TOPIC	EFFECTIVE DATE
	standards as well as alternative accounting treatments for immaterial items. Therefore it is a guide on materiality. No significant impact expected as the Municipality's current treatment is already in line with the Interpretation.	
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 are 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

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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. 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.

Contingent rents shall be charged as expenses in the periods in which they are incurred.

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.

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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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. 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.

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Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances.

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.

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.

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.

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.

1.15. 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.

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The Municipality contributes to 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 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 (employees currently employed). Councils pays 70% as contribution and the remaining 30% are paid by the members (continuation 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

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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 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 resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Notional interest is charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Interest is capitalised against the liability.

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.

(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

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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.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1. 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.

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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 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.

1.16.2. 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.

1.16.3. 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	1-60
Water	5-75
Refuse (incl landfill sites)	1-65

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Sewerage	5-75
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Community

Recreation sites	1-60
Clinics/Care centers	1-60
Fire/Ambulance stations	1-60
Halls	1-60
Libraries	1-60
Taxi Ranks/Bus Terminals	1-60

Other

Buildings	1-100
Furniture and office equipment	1-20
Machinery and Equipment	1-20
Computer Equipment	1-20
Transport Assets	1-15

Finance lease assets

Office equipment	3-5
Vehicles	3-5

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.

1.16.4. 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

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difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5. 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.

1.16.6. 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:

- 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.

1.17. INTANGIBLE ASSETS

1.17.1. 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

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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.

Intangible assets are initially recognised at cost.

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

1.17.2. 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.

1.17.3. 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 annual amortisation rates are based on the following estimated useful lives:

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

The amortisation charge is recognised in the Statement of Financial Performance

Changes to the useful life of assets, residual value and amortisation method are reviewed each year to determine if there is an indication that a change may have occurred. 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.

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1.17.4. 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.

1.17.5. 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.

1.18. INVESTMENT PROPERTY

1.18.1. 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.

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At initial recognition, the Municipality measures investment property at cost including transaction cost. 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.

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.

For a transfer from investment property to inventory (view sale), the deemed cost for subsequent accounting is the fair value as at date of change.

For a transfer from owner occupied property becomes an investment property measured at fair value, the difference between the carrying value and fair value at the reporting date, shall be treated as a revaluation.

For a transfer from inventory to investment property (operating lease), the municipality shall apply accounting policy for operating leases.

1.18.2. Subsequent Measurement – Fair value model

Subsequent to initial recognition, items of investment property are measured at fair value, at 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. Management refers to Windeed to determine the latest fair value of properties.

1.18.3. 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.

1.18.4. 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.

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1.19. LIVING AND NON-LIVING RESOURCES

1.19.1. 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.

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.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1. 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

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- 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

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

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recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2. 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:

(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:

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- *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 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

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recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. INVENTORIES

1.21.1. 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 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.

1.21.2. Subsequent Measurement

Inventories 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.

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

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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

Management refers to Windeed to determine the latest fair value of properties (properties sold as inventory).

1.22. 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.

1.22.1. 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.

1.22.2. 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.

1.22.2.1. 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

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will enter bankruptcy or financial reorganisation and default or delinquency in payments. 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.

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.

1.22.2.2. 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.

1.22.2.3. 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.

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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.

1.22.2.4. Non-Current Investments

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

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.

1.22.3. De-recognition

1.22.3.1. 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

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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.

1.22.3.2. Financial Liabilities

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.

1.22.4. 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.

1.23. 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.

1.23.1. 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.

1.23.2. 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.

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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 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 adjustment shall not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised.

The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3. 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

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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.

1.23.4. 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 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.

1.24. REVENUE

1.24.1. 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 is initially measured at fair value.

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

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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 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

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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.

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.

1.24.2. 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;

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Revenue from the rendering of services is recognised when:

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

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.

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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.

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:

- 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.

1.25. RELATED PARTIES

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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- (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).
 - 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

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- (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, 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 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.

1.26. 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.

1.27. 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.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

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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.

1.29. 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 and assets.

1.30. 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:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- 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.

Provisions, Contingent Liabilities and Contingent Assets

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities and assets. 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,

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.

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.

1.31. TAXES – VALUE ADDED TAX

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

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.

1.32. CAPITAL COMMITMENTS

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.
- 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.

1.33. 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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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.

For possible indicators of impairment reference can be made to the policy on impairment.

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.

1.34. 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.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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.

1.35. 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.

1.36. BORROWING COST

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

1.37. 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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Council Draft

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

2.1 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2022

	Cost/Revaluation						Accumulated Impairment				Accumulated Depreciation					Carrying Value			
	Opening Balance	Correction of Error	Additions	Change in Estimate	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers		Disposals	Closing Balance	
Infrastructure																			
Electrical	212 109 853	-	2 787 152	-	3 176 250	-	218 073 255	61 711	-	-	61 711	146 020 171	-	5 252 017	-	-	151 272 188	66 739 355	
Roads	830 780 004	-	-	-	-	-	830 780 004	1 813 144	-	-	1 813 144	599 745 582	-	18 499 075	-	-	618 244 657	210 722 202	
Sanitation	142 019 102	-	-	-	-	-	142 019 102	-	-	-	40 893 595	-	2 354 633	-	-	-	43 248 228	98 770 874	
Solid Waste	49 399 426	-	(5 363 929)	-	-	-	44 035 496	3 038	-	-	17 153 049	-	-	-	-	-	19 962 238	24 070 221	
Storm Water	455 119 095	-	-	-	-	-	455 119 095	4 128 354	-	-	4 128 354	315 085 271	-	9 891 714	-	-	324 976 985	126 013 756	
Water Supply	309 566 456	-	249 240	-	553 569	-	310 369 265	-	-	-	126 179 220	-	5 448 983	-	-	-	131 628 203	178 741 062	
WIP	12 321 718	-	6 719 598	-	(3 729 819)	-	15 311 497	-	-	-	-	-	-	-	-	-	-	15 311 497	
	2 011 315 654	-	4 392 061	-	0	-	2 015 707 715	6 006 247	-	-	6 006 247	1 245 076 888	-	44 255 611	-	-	1 289 332 500	720 368 968	
Community Assets																			
Cemeteries/Crematoria	3 131 301	-	-	-	-	57 359	3 073 942	70 937	-	-	70 937	2 214 842	-	112 455	-	42 408	2 284 889	718 116	
Clinics/Care Centres	3 858 703	-	-	-	-	19 884	3 838 819	-	-	-	2 452 002	-	86 603	-	18 418	-	2 520 187	1 318 632	
Fire/Ambulance Stations	2 783 311	-	-	-	-	-	2 783 311	-	-	-	1 756 604	-	58 672	-	-	-	1 815 276	968 035	
Halls	48 194 867	-	-	-	-	381 667	47 813 200	-	-	-	27 478 761	-	1 063 313	-	249 889	28 292 185	19 521 015		
Libraries	7 544 273	-	-	-	-	4 622	7 539 651	595 194	-	-	595 194	3 959 190	-	145 395	-	3 137	4 101 449	2 843 008	
Sport and Recreation Facilities - Outdoor Facilities	90 196 836	-	1	-	-	19 222 220	70 974 617	1 239 511	-	382	1 239 129	48 724 269	-	3 432 500	-	14 500 927	37 655 842	32 079 646	
Taxi Ranks/Bus Terminals	2 480 199	-	-	-	-	-	2 480 199	622 111	-	-	622 111	838 731	-	63 517	-	-	902 248	955 840	
WIP - Community	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	158 189 491	-	1	-	-	19 685 753	138 503 739	2 527 753	-	382	2 527 371	87 424 399	-	4 962 455	-	14 814 778	77 572 077	58 404 291	
Land and Buildings																			
Land	76 853 474	-	10 696	-	-	11 290 935	65 573 235	1 738 615	-	157 123	1 581 492	37 832 435	-	1 481 960	-	8 764 706	30 549 689	33 442 054	
Buildings	18 367 863	-	9	-	-	18 367 872	-	-	-	-	-	-	-	-	-	-	-	18 367 872	
	58 485 611	-	10 687	-	-	11 290 935	47 205 363	1 738 615	-	157 123	1 581 492	37 832 435	-	1 481 960	-	8 764 706	30 549 689	15 074 182	
Other Assets																			
Computer Equipment	2 657 426	-	-	-	-	125 678	2 531 748	15	-	-	15	2 012 841	-	212 056	-	125 618	2 099 279	432 454	
Furniture And Office Equipment	8 933 811	-	65 475	-	-	126 321	8 872 964	1 842	-	6	1 836	6 837 183	-	748 870	-	125 909	7 460 145	1 410 984	
Machinery And Equipment	6 003 117	-	31 977	-	-	35 149	5 999 945	1 578	-	-	1 578	4 958 754	-	460 084	-	35 149	5 383 689	614 678	
Transport Assets	9 631 982	-	1 096 868	-	-	-	10 728 849	-	-	-	-	4 029 393	-	495 446	-	-	4 524 839	6 204 010	
	27 226 335	-	1 194 319	-	-	287 148	28 133 506	3 435	-	6	3 429	17 838 171	-	1 916 456	-	286 675	19 467 952	8 662 126	
Leases																			
Transport Assets (Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Office Equipment (Lease)	-	-	148 678	-	-	-	148 678	-	-	-	-	-	-	16 355	-	-	16 355	132 323	
	-	-	148 678	-	-	-	148 678	-	-	-	-	-	-	16 355	-	-	16 355	132 323	
Total	2 273 584 953	-	5 745 755	-	0	31 263 836	2 248 066 873	10 276 049	-	157 511	10 118 538	1 388 171 894	-	52 632 838	-	23 866 159	1 416 938 573	821 009 762	

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

2.2 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2021

	Cost/Revaluation						Accumulated Impairment			Accumulated Depreciation					Carrying Value		
	Opening Balance	Correction of Error	Additions	Change in Estimate	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Correction of Error	Depreciation		Transfers	Disposals
Infrastructure																	
Electrical	204 447 952	2 958 599	858 884	-	3 844 417	-	212 109 853	61 711	-	-	61 711	140 323 444	593 263	5 103 463	-	-	146 020 171
Roads	830 780 004	-	-	-	-	-	830 780 004	1 813 144	-	-	1 813 144	581 246 507	-	18 499 075	-	-	589 745 582
Sanitation	117 833 521	-	5 586 645	-	18 598 937	-	142 019 102	-	-	-	-	77 387 956	(39 090 903)	2 596 542	-	-	40 893 595
Solid Waste	39 462 241	-	9 937 185	-	-	-	49 399 426	3 038	-	-	3 038	15 190 399	-	1 962 650	-	-	17 153 049
Storm Water	455 119 095	-	-	-	-	-	455 119 095	4 128 354	-	-	4 128 354	305 124 272	-	9 960 999	-	-	315 085 271
Water Supply	312 446 987	(2 958 599)	78 068	-	-	-	309 566 456	-	-	-	256 210 535	(135 484 455)	-	5 453 140	-	-	126 179 220
WIP	28 881 821	(1 601 224)	7 484 475	-	(22 443 354)	-	12 321 718	-	-	-	-	-	-	-	-	-	12 321 718
	1 988 971 621	(1 601 224)	23 945 257	-	(0)	-	2 011 315 654	6 006 247	-	-	6 006 247	1 375 483 113	(173 982 095)	43 575 871	-	-	1 245 076 888
Community Assets																	
Cemeteries/Crematoria	3 131 301	-	-	-	-	-	3 131 301	70 937	-	-	70 937	2 100 480	-	114 362	-	-	2 214 842
Clinics/Care Centres	3 858 703	-	-	-	-	-	3 858 703	-	-	-	-	2 365 138	-	86 864	-	-	2 452 002
Fire/Ambulance Stations	2 783 311	-	-	-	-	-	2 783 311	-	-	-	-	1 697 931	-	58 672	-	-	1 756 604
Halls	48 193 392	1 475	-	-	-	-	48 194 867	-	-	-	-	26 415 009	-	1 063 752	-	-	27 478 761
Libraries	7 544 273	-	-	-	-	-	7 544 273	595 194	-	-	595 194	3 843 795	-	145 395	-	-	3 989 190
Sport and Recreation Facilities - Outdoor Facilities	71 381 564	4 928 012	3 567 013	-	10 320 248	-	90 196 836	1 239 511	-	-	1 239 511	45 363 132	-	3 361 137	-	-	48 724 269
Taxi Ranks/Bus Terminals	2 473 990	6 209	-	-	-	-	2 480 199	622 111	-	-	622 111	775 214	-	63 517	-	-	838 731
WIP - Community	10 320 248	-	-	-	(10 320 248)	-	-	-	-	-	-	-	-	-	-	-	-
	149 686 782	4 935 696	3 567 013	-	-	-	158 189 491	2 527 763	-	(382)	2 527 763	82 530 699	-	4 893 700	-	-	87 424 399
Other Assets	78 047 702	(1 194 228)	-	-	-	-	76 853 474	1 738 615	-	-	1 738 615	37 225 640	(895 343)	1 502 138	-	-	37 832 435
Land	18 367 816	47	-	-	-	-	18 367 863	-	-	-	-	-	-	-	-	-	18 367 863
Buildings	59 679 886	(1 194 275)	-	-	-	-	58 485 611	1 738 615	-	-	1 738 615	37 225 640	(895 343)	1 502 138	-	-	37 832 435
Computer Equipment	2 400 620	186 225	282 625	-	-	212 044	2 657 426	43	-	28	15	2 007 919	-	201 152	-	196 230	2 012 841
Furniture And Office Equipment	8 953 886	352 236	671 521	-	-	143 832	8 933 811	3 037	-	1 195	1 842	6 244 455	-	724 499	-	131 771	6 837 183
Machinery And Equipment	6 360 910	50 333	41 443	-	-	449 570	6 003 117	1 578	-	-	1 578	4 823 070	-	523 242	-	387 559	4 958 754
Transport Assets	8 422 890	-	1 913 906	-	-	704 814	9 631 982	-	-	-	-	3 855 232	-	539 019	-	364 888	4 029 393
	25 238 305	588 794	2 909 495	-	-	1 510 259	27 226 335	4 658	-	1 223	3 435	16 930 677	-	1 987 913	-	1 080 419	17 838 171
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	2 729 038	30 421 765	-	(0)	11 646 715	2 273 584 953	10 277 272	-	1 223	10 276 049	1 522 081 472	(174 877 438)	52 184 735	-	11 216 875	1 388 171 894
																	875 137 011

2.3 Property, Plant and Equipment which is in the process of being constructed or developed:	2022	2021	
	R	R	
Infrastructure Assets	15 311 497	12 321 719	
Roads	3 606 596	2 660 244	
Storm Water	2 195 460	3 644 308	
Electricity	6 361 585	6 017 168	
Water Supply	3 147 855	-	
Sanitation	-	-	
Solid Waste	-	-	
Information and Communication	-	-	
Community Assets	-	-	
Total Property, Plant and Equipment under construction	15 311 497	12 321 719	
2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:	2022	2021	
	R	R	
Contracted Services	2 202 865	816 307	
Total Repairs and Maintenance	2 202 865	816 307	
2.5 Assets pledged as security:	2022	2021	
	R	R	
There are no assets pledged as security for liabilities.			
2.6 Impairment losses of Property, Plant and Equipment	2022	2021	
	R	R	
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:			
Infrastructure	-	-	
Community Assets	-	-	
Other	-	-	
Total Impairment Losses	-	-	
2.7 Effect of changes in accounting estimates	2022	2023	2024
	R	R	R
Change in estimate	(1 209 965)	(1 209 965)	896 642
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:	2022	2021	
	R	R	
Approved and contracted for:	8 618 846	1 008 897	
Infrastructure	8 618 846	1 008 897	
Total	8 618 846	1 008 897	
3. INVESTMENT PROPERTY	2022	2021	
	R	R	
Fair value at 1 July	7 694 692	5 718 600	
Correction of Error - Note 42.6	-	1 976 092	
Additions	793	-	
Gains/(Losses) arising from changes in fair value	1 072 400	-	
Fair value at 30 June	8 767 885	7 694 692	
	2022	2021	
	R	R	
Rental income from Investment Property	454 619	-	
Rental income is received from the Weather Station and a Solar Farm.			
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 with reference to latest valuation roll. 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 require.			
4. INTANGIBLE ASSETS	2022	2021	
	R	R	
Computer System & Software			
4.1 Net Carrying amount at 1 July	25 508	49 711	
Cost	2 227 669	2 227 669	
Accumulated Amortisation	(2 202 161)	(2 177 958)	
Amortisation	(12 754)	(24 203)	
Net Carrying amount at 30 June	12 754	25 508	
Cost	2 227 669	2 227 669	
Accumulated Amortisation	(2 214 915)	(2 202 161)	

		2022 R	2021 R
4.2 Material Intangible Assets included in the carrying value:			
	Remaining Amortisation Period		
<u>Description</u>	<u>2022</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Computer software - Kaspersky	2	4 732	9 464
<p>No intangible asset were assessed 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 are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.</p>			
5. HERITAGE ASSETS		2022 R	2021 R
Net Carrying amount at 1 July		6 959 273	6 959 273
Cost		6 959 273	6 959 273
Net Carrying amount at 30 June		6 959 273	6 959 273
Cost		6 959 273	6 959 273
<p>There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal. There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements. There are no Heritage Assets pledged as security for liabilities. There are no Heritage Assets that are used by the municipality for more than one purpose. No expenditure were incurred to repair and maintain heritage assets.</p>			
6. INVESTMENTS		2022 R	2021 R
Listed			
Listed Shares		31 878	28 355
Total Investments		31 878	28 355
<p>Shares are held in Oos Vrystaat Kaap Bedryf Bpk. 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		2022 R	2021 R
7.1 The Municipality as Lessor			
Operating Lease Asset		-	-
Reconciliation		2022 R	2021 R
Balance at the beginning of the year			
Correction of Error - note			
Movement during the year			
Lease derecognised			
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			
1 to 5 Years			
More than 5 Years			
Total Operating Lease Arrangements		-	-
8. INVENTORY		2022 R	2021 R
Consumables - Stationary and material		2 403 100	1 323 439
Land		44 626 000	25 117 887
Water		16 596	20 859
Total Inventory		47 045 696	26 462 195
<p>The municipality recognised only purification costs in respect of non-purchased purified water inventory.</p>			

	2022 R	2021 R
8.1 Inventories recognise as an expense during the year:		
Consumables - Stationary and material	538 048	811 031
Materials and Supplies	1 556 146	2 669 368
Total	2 094 194	3 480 398
Balance previously reported		3 770 796
Correction of error - note 42.6		(290 398)
Restated balance		3 480 398

The cost of water production for the year amounted to R1.27 per kiloliter (2021: R1.26 per kiloliter)

	2022 R	2021 R
8.2 Inventories written down/reversal due to losses as identified during the annual stores counts:		
Consumables - Stationary and material	0	(756 235)
No inventories were pledged as security for liabilities.		

	2022 R	2021 R
8.3 Inventories written down due to Net realisable value (NRV)		
Land	19 508 113	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		

	2022 R	2021 R
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	47 755 463	35 362 728
Water	82 654 987	65 045 771
Property Rentals	2 929 787	2 208 398
Waste Management	22 904 771	19 682 657
Waste Water Management	25 435 233	38 305 357
Town Commonage	5 091 585	4 728 797
Total Service Receivables	204 771 825	165 334 708
Less: Provision for Debt Impairment	(147 241 760)	(125 968 234)
Net Service Receivables	57 530 066	39 366 474
Other Receivables	359 757	449 764
Total: Receivables from exchange transactions (before provision)	359 757	449 764
Less: Provision for Debt Impairment	(392 365)	(379 905)
Total: Receivables from exchange transactions (after provision)	(32 609)	69 858
Total Net Receivables from Exchange Transactions	57 497 456	39 436 332

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.

	2022 R	2021 R
(Electricity): Ageing		
Current (0 - 30 days)	6 905 703	4 197 430
31 - 60 Days	4 175 067	1 616 631
61 - 90 Days	2 908 927	1 510 663
+ 90 Days	33 765 866	28 034 065
Total	47 755 463	35 362 728

	2022 R	2021 R
(Water): Ageing		
Current (0 - 30 days)	4 356 247	2 020 824
31 - 60 Days	1 716 461	1 886 741
61 - 90 Days	1 592 616	1 835 600
+ 90 Days	74 989 661	59 302 606
Total	82 654 987	65 045 771

	2022 R	2021 R
(Property Rentals): Ageing		
Current (0 - 30 days)	257 451	64 076
31 - 60 Days	58 341	37 019
61 - 90 Days	31 469	32 805
+ 90 Days	2 582 525	2 074 498
Total	2 929 787	2 208 398

	2022 R	2021 R
(Waste Management): Ageing		
Current (0 - 30 days)	495 225	503 320
31 - 60 Days	419 348	413 164
61 - 90 Days	390 338	393 637
+ 90 Days	21 599 860	18 369 336
Total	22 904 771	19 682 657

	2022 R	2021 R	
(Waste Water Management): Aqeina			
Current (0 - 30 days)	1 086 607	976 412	
31 - 60 Days	823 187	828 355	
61 - 90 Days	770 114	794 441	
+ 90 Days	40 755 324	35 707 149	
Total	43 435 233	38 306 357	
Town Commonage: Aqeina			
Current (0 - 30 days)	33 854	33 854	
31 - 60 Days	33 616	51 235	
61 - 90 Days	33 616	33 616	
+ 90 Days	4 990 499	4 609 492	
Total	5 091 585	4 728 797	
(Other): Aqeina			
Current (0 - 30 days)	18 973	19 075	
31 - 60 Days	10 363	14 065	
61 - 90 Days	10 067	13 669	
+ 90 Days	320 353	402 955	
Total	359 757	449 764	
(Total): Aqeina			
Current (0 - 30 days)	13 154 060	7 814 991	
31 - 60 Days	7 236 384	4 849 809	
61 - 90 Days	5 737 050	4 619 670	
+ 90 Days	179 004 088	148 500 101	
Total	205 131 582	165 784 471	
Summary of Debtors by Customer Classification			
	Residential	Industrial/ Commercial	National and Provincial Government
30 JUNE 2022			
Current (0 - 30 days)	9 892 026	2 835 951	426 683
31 - 60 Days	5 503 528	1 483 529	249 327
61 - 90 Days	5 055 524	481 480	202 047
+ 90 Days	165 073 989	6 804 764	6 206 901
Sub-total	186 522 737	11 705 124	7 084 858
Less: Provision for Debt Impairment	(140 877 878)	(6 956 248)	-
Total debtors by customer classification	45 644 859	4 748 876	7 084 858
Summary of Debtors by Customer Classification			
	Residential	Industrial/ Commercial	National and Provincial Government
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	780 795	218 883
+ 90 Days	134 410 192	8 144 872	5 945 037
Sub-total	146 941 059	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	6 875 620
Reconciliation of Provision for Debt Impairment			
Balance at beginning of year	126 348 139	102 144 300	
Contribution to provision	15 765 101	21 300 709	
VAT on provision	5 520 885	2 903 130	
Balance at end of year	147 634 126	126 348 139	
The total amount of this provision consist of:			
Services	147 241 760	125 968 234	
Other Debtors	392 366	379 905	
Total Provision for Debt Impairment on Receivables from exchange transactions	147 634 126	126 348 139	

	2022 R	2021 R
Ageing of amounts past due but not impaired:		
1 month past due	249 327	241 315
2+ months past due	6 408 848	6 163 920
	6 658 175	6 405 235

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 R11 446 620 (2021: R9 468 857) 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.

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2022 R	2022 R	2022 R
	Gross balance	Provision for impairment	Net balance
Rates	85 553 897	(70 357 806)	15 196 091
Fines	116 550 361	(108 141 407)	7 508 954
Payments in advance	291 715	-	291 715
Sundry Deposits	1 906 700	-	1 906 700
Sundry Debtors	1 096 667	-	1 096 667
Total Receivables from non-exchange transactions	205 499 339	(179 499 213)	26 000 126
	2021 R	2021 R	2021 R
	Gross balance	Provision for impairment	Net balance
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	-	291 715
Sundry Deposits	1 419 218	-	1 419 218
Sundry Debtors	609 614	-	609 614
	190 102 933	(168 715 801)	21 387 131

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 (2021: R900 000) in respect of a deposit paid to Eskom. The remaining R69 813 (2021: 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.

	2022 R	2021 R
(Rates): Ageing		
Current (0 - 30 days)	1 332 643	1 380 067
31 - 60 Days	739 698	712 981
61 - 90 Days	645 202	655 398
+ 90 Days	82 936 354	69 104 147
Total	85 553 897	71 852 550

	2022 R	2021 R
(Payments in advance): Ageing		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	291 715	291 715
Total	291 715	291 715

	2022 R	2021 R
(Sundry deposits): Ageing		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	1 906 700	1 419 218
Total	1 906 700	1 419 218

	2022 R	2021 R
(Sundry Debtors): Ageing		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	1 096 667	609 614
Total	1 096 667	609 614

Summary of Rates Debtors by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
30 JUNE 2022			
Current (0 - 30 days)	1 123 485	54 968	154 190
31 - 60 Days	571 569	23 526	144 605
61 - 90 Days	490 720	21 605	132 878
+ 90 Days	76 636 766	1 735 221	4 464 365
Sub-total	78 822 540	1 835 318	4 896 038
Less: Provision for Debt Impairment	(68 875 166)	(1 481 640)	-
Total debtors by customer classification	9 946 375	353 678	4 896 038

Summary of Rates Debtors by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
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

Reconciliation of Provision for Debt Impairment

	2022 R	2021 R
Balance at beginning of year	160 715 801	159 014 321
Contribution to provision	10 783 411	9 701 460
Balance at end of year	179 499 212	168 715 801

Ageing of amounts past due but not impaired

	2022 R	2021 R
1 month past due	144 605	115 315
2+ months past due	4 597 243	4 494 388
	4 741 848	4 609 703

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.

	2022 R	2021 R
11. BANK ACCOUNTS		
11.1 Cash and Cash Equivalents		
Current Accounts	3 807 106	4 524 532
Current Investments	20 644 932	25 574 090
Cash On-hand	2 980	2 980
Total Cash and Cash Equivalents - Assets	24 455 018	30 101 602
11.2 Liabilities		
Current Accounts	(16 558 310)	(19 893 866)
Total Cash and Cash Equivalents - Liabilities	(16 558 310)	(19 893 866)
Balance previously reported		(19 766 637)
Correction of error - note 42.3		(127 229)
Restated balance		(19 893 866)

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.

	2022 R	2021 R
Deposits attributable to Unspent Conditional Grants	15 013 240	7 208 676
Bank overdraft facility of R3000 000 exist with ABSA bank		
On investment account 20-6219-8906 there is limited cessation of R6 160 000 as at 30 June 2022		

	2022 R	2021 R
The municipality has the following bank accounts:		
Account Number - (Primary Account):		
ABSA bank overdraft (primary account) - 185 0000 0081	(16 558 310)	(19 893 866)
ABSA bank - (current account) - 4061 685 162	3 088 112	3 070 009
ABSA bank - (current account) - 4061 437 012	881 948	1 439 878
Standard bank - (current account) - 2803 50007	37 046	14 645
	<u>(12 751 204)</u>	<u>(15 369 333)</u>
The municipality has investments with the following institutions:		
Current Investments		
FNB	312 503	301 068
ABSA	20 135 619	25 080 503
Standard Bank	29 629	29 374
Nedbank	167 182	163 145
	<u>20 644 932</u>	<u>25 574 090</u>
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.3% - 5.4%		
Fixed Deposits are investments with a maturity period of less than 12 months and earn interest at rate of 6.52% per month		
Details of the bank accounts are as follows:		
ABSA Bank Limited - De Aar Branch - 185 000 0081 (Primary Account):		
Cash book balance at beginning of year	(19 893 866)	(15 248 597)
Cash book balance at end of year	<u>(16 558 310)</u>	<u>(19 893 866)</u>
Bank statement balance at beginning of year	592 310	4 869 921
Bank statement balance at end of year account	<u>1 490 383</u>	<u>592 310</u>
Standard Bank SA Limited - De Aar Branch - 2803 500007		
Cash book balance at beginning of year	14 895	284 003
Cash book balance at end of year	<u>37 046</u>	<u>14 645</u>
Bank statement balance at beginning of year account	14 406	283 764
Bank statement balance at end of year account	<u>36 897</u>	<u>14 406</u>
ABSA Bank Limited - De Aar Branch - 4061 685 162		
Cash book balance at beginning of year	3 070 009	460 583
Cash book balance at end of year	<u>3 088 112</u>	<u>3 070 009</u>
Bank statement balance at beginning of year	9 166	460 583
Bank statement balance at end of year	<u>3 583</u>	<u>3 166</u>
ABSA Bank Limited - De Aar Branch - 4061 497 012		
Cash book balance at beginning of year	1 439 878	1 608 868
Cash book balance at end of year	<u>881 948</u>	<u>1 439 878</u>
Bank statement balance at beginning of year	1 092 646	1 608 868
Bank statement balance at end of year	<u>294 547</u>	<u>1 092 646</u>
The details of Investment accounts are as follows:		
ABSA Bank Limited - De Aar Branch - Fixed deposit - 2068 198 906		
Cash book balance at beginning of year	10 370 839	9 736 049
Cash book balance at end of year	<u>10 866 153</u>	<u>10 370 839</u>
Bank statement balance at beginning of year	10 370 839	9 736 049
Bank statement balance at end of year	<u>10 866 153</u>	<u>10 370 839</u>
ABSA Bank Limited - De Aar Branch - Fixed deposit - 2068 494 239		
Cash book balance at beginning of year	-	20 954
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	20 954
Bank statement balance at end of year	<u>-</u>	<u>-</u>
Nedbank Ltd - De Aar Branch - Call account - 03/7662022900/000001		
Cash book balance at beginning of year	163 145	157 897
Cash book balance at end of year	<u>171 181</u>	<u>163 145</u>
Bank statement balance at beginning of year	161 145	155 998
Bank statement balance at end of year	<u>167 182</u>	<u>161 145</u>
Standard Bank of SA Limited - De Aar Branch - Call account-388910356-002		
Cash book balance at beginning of year	29 374	29 210
Cash book balance at end of year	<u>29 629</u>	<u>29 374</u>
Bank statement balance at beginning of year	29 210	29 210
Bank statement balance at end of year	<u>29 629</u>	<u>29 374</u>

	2022 R	2021 R	
First National Bank - De Aar Branch - Call account - 62755965583			
Cash book balance at beginning of year	301 068	291 270	
Cash book balance at end of year	312 502	301 068	
Bank statement balance at beginning of year	301 068	291 270	
Bank statement balance at end of year	312 502	301 068	
Absa Bank Limited - De Aar Branch - Call deposit - 9325381089			
Cash book balance at beginning of year	948 555	2 757 127	
Cash book balance at end of year	974 059	948 555	
Bank statement balance at beginning of year	948 555	2 757 127	
Bank statement balance at end of year	974 059	948 555	
Absa Bank Limited - De Aar Branch - Call deposit - 9327761647			
Cash book balance at beginning of year	13 761 109	6 415 166	
Cash book balance at end of year	8 291 408	13 761 109	
Bank statement balance at beginning of year	13 761 109	6 415 166	
Bank statement balance at end of year	8 291 408	13 761 109	
12. LONG-TERM BORROWINGS			
Capitalised Lease Liability - At amortised cost	690 526	-	
Less: Current Portion transferred to Current Liabilities	(46 683)	-	
Capitalised Lease Liability - At amortised cost	(46 683)	-	
Total Long-term Borrowings	643 842	-	
Finance lease loans at amortised cost is calculated at 9.75% interest rate, with the last maturity date of January 2025. 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:			
	2022 R	2021 R	
Amounts payable under finance leases:		Minimum lease payments	
Payable within one year	57 360	-	
Payable within two to five years	80 820	-	
Payable after five years	560 000	-	
Less: Future finance obligations	(708 180)	-	
Present value of finance lease obligations	(17 654)	-	
The capitalised lease liability consist out of the following contracts:			
13. NON-CURRENT PROVISIONS			
Provision for Rehabilitation of Landfill-sites			
Total Non-current Provisions	68 643 371	67 337 731	
13.1 Landfill Sites			
Balance 1 July	67 337 731	51 656 158	
Increase due to re-measurement	(5 363 929)	9 937 185	
Increase/(Decrease) due to discounting	6 669 569	5 744 388	
Total provision 30 June	68 643 370	67 337 731	
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)	1 355 099	820 702	12 177 329
Site Clearance and Preparation (R2.95/m ²)	19 009	9 775	225 719
Storm Water Control Measures (Rand)	977 394	796 560	3 374 274
Capipino (Rand)	6 018 582	3 137 963	70 118 712
Leachate Management (Rand)	357 686	312 403	1 206 370
Fencing (Rand)	966 403	793 772	12 336

Discount Rate used	2022 %	2021 %
Britstown	11.319%	10.184%
Hanover	11.319%	10.184%
De Aar	10.886%	9.206%

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 licensing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R68 643 370 (2021: R67 337 730) 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 June 2021 to June 2022.

Other assumptions:

	Britstown	Hanover	De Aar
License 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)	931.25	1 183.48	627.62
Environmental Authorisation (Closure Licence) (Rand)	410 800	410 800	410 800
Technical ROD (Rand)	208 260	208 260	208 260
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment) (Rand)	275 008	275 529	-
Landscape Architects (Rand)	139 487	140 295	153 050
Water use licence (Rand)	35 000	35 000	35 000
Topographical Survey (Rand)	16 450	16 450	32 200
Contingencies (Rand)	959 417	587 117	8 711 474
Engineering: Professional Fees (Rand)	1 120 642	784 515	7 121 304
Site Supervision (Engineer's Representative) (Rand)	244 838	201 494	1 618 837
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	96 674	102 858	316 813

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	2022 R	2021 R
Britstown	2038/2039	13 210 748	11 935 215
Hanover	2038/2039	8 633 492	7 873 677
De Aar	2032/2033	836 128 875	94 289 752
		127 564 715	114 098 654

14. NON-CURRENT EMPLOYEE BENEFITS

	2022 R	2021 R
Post Retirement Benefits	18 817 001	20 549 001
Long Service Awards	4 871 000	4 512 000
Total Non-current Employee Benefits	23 688 001	25 061 001

	2022 R	2021 R
Post Retirement Health Care Benefits		
Balance 1 July	22 000 000	18 462 000
Contribution for the year	616 000	488 000
Increase due to discounting	2 042 000	1 717 000
Expenditure for the year	(1 451 000)	(1 324 000)
Actuarial Loss/(Gain)	(3 166 000)	2 657 000
Total provision 30 June	20 041 000	22 000 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(1 224 000)	(1 451 000)
Balance 30 June	18 817 000	20 549 000

	2022 R	2021 R
Long Service Awards		
Balance 1 July	5 087 000	4 871 000
Contribution for the year	519 000	497 000
Increase due to discounting	432 000	325 000
Expenditure for the year	(575 000)	(605 000)
Actuarial Loss/(Gain)	(61 000)	(1 000)
Total provision 30 June	5 402 000	5 087 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(531 000)	(575 000)
Balance 30 June	4 871 000	4 512 000

	2022 R	2021 R
TOTAL NON-CURRENT EMPLOYEE BENEFITS		
Balance 1 July	27 087 000	23 333 000
Contribution for the year	1 135 000	985 000
Increase due to discounting	2 474 000	2 042 000
Expenditure for the year	(2 026 000)	(1 929 000)
Actuarial Loss/(Gain)	(3 227 000)	2 656 000
Total employee benefits 30 June	25 443 000	27 087 000
Less: Transfer of Current Portion to Current Provisions - Note 16	(1 755 000)	(2 026 000)
Balance 30 June	23 688 000	25 061 000

	2022 R	2021 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	47	
In-service (employee) non-members	261	276	
Continuation members (e.g. Retirees, widows, orphans)	28	30	
Total Members	336	353	
The liability in respect of past service has been estimated to be as follows:			
In-service members	5 881 000	6 347 000	
In-service non-members	-	-	
Continuation members (e.g. Retirees, widows, orphans)	14 160 000	15 653 000	
Total Liability	20 041 000	22 000 000	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2020 R	2019 R	2018 R
In-service members	5 316 000	6 200 480	7 440 700
In-service non-members	-	-	-
Continuation members	13 146 000	14 704 269	14 464 661
Total Liability	18 462 000	20 904 749	21 905 361

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

Bonitas
 Key Health
 LA Health
 Samwumedi

Key actuarial assumptions used:

i) Rate of Interest

Discount rate
 Health Care Cost Inflation Rate
 Net Effective Discount Rate

	2022 %	2021 %
Discount rate	11.14%	9.59%
Health Care Cost Inflation Rate	7.78%	6.54%
Net Effective Discount Rate	3.12%	2.86%

ii) Mortality during employment

SABS-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 2022

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%

	2022 R	2021 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>
	2022 R	2021 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	22 000 000	18 462 000
Total expenses	1 207 000	881 000
Current service cost	616 000	488 000
Interest Cost	2 042 000	1 717 000
Benefits Paid	(1 461 000)	(1 324 000)
Actuarial (gains)/losses	(3 166 000)	2 657 000
Present value of fund obligation at the end of the year	<u>20 041 000</u>	<u>22 000 000</u>
Less: Transfer of Current Portion - Note 16	<u>(1 224 000)</u>	<u>(1 451 000)</u>
Balance 30 June	<u>18 817 000</u>	<u>20 549 000</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2022

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)		
Central Assumptions	5.881	14.160	20.041		
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%	7.045	15.533	22.578	13%
Health care inflation	-1%	4.951	12.974	17.925	-11%
Discount rate	1%	4.985	13.017	18.002	-10%
Discount rate	-1%	7.017	15.502	22.519	12%
Post-retirement mortality	1 year	5.724	13.672	19.396	-3%
Post-retirement mortality	-1 year	6.036	14.651	20.687	3%
Average retirement age	-1 year	6.437	14.160	20.597	3%
Continuation of membership at retirement	-10%	5.145	14.160	19.305	-4%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2023

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)		
Central Assumptions	493 000	2 166 000	2 659 000		
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%	597 000	2 449 000	3 046 000	15%
Health care inflation	-1%	409 000	1 931 000	2 340 000	-12%
Discount rate	1%	416 000	2 113 000	2 529 000	-6%
Discount rate	-1%	590 000	2 223 000	2 813 000	6%
Post-retirement mortality	1 year	479 000	2 094 000	2 573 000	-3%
Post-retirement mortality	-1 year	505 000	2 238 000	2 743 000	3%
Average retirement age	-1 year	448 000	2 228 000	2 676 000	1%
Continuation of membership at retirement	-10%	431 000	2 084 000	2 515 000	-5%

	2022 Rm	2021 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	-	-2.535
Assets: Gain / (loss)	-	-

	2020 Rm	2019 Rm	2018 Rm
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
Liabilities: (Gain) / loss	-0.564	(0.979)	(1.679)
Assets: Gain / (loss)	-	-	-

14.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end the following number of employees were eligible for Long Service Bonuses.

2022	2021
R	R
308	323

The Current-service Cost for the ensuing year is estimated to be R533 000 whereas the interest Cost for the next year is estimated to be R542 000.

Key actuarial assumptions used:

2022	2021
%	%

i) Rate of interest

Discount rate	10.54%	8.98%
General Salary Inflation (long-term)	7.04%	5.74%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.27%	3.07%

ii) Mortality during employment

SAB5-90 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 2022		
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:

	2022	2021
	R	R
Present value of fund obligations	5 402 000	5 087 000
Fair value of plan assets		
	5 402 000	5 087 000
Unrecognised past service cost	-	-
Unrecognised actuarial gains/losses	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	5 402 000	5 087 000

Reconciliation of present value of fund obligation:

	2022	2021
	R	R
Present value of fund obligation at the beginning of the year	5 087 000	4 871 000
Total expenses	378 000	217 000
Current service cost	519 000	497 000
Interest Cost	432 000	325 000
Benefits Paid	(575 000)	(605 000)
Actuarial (gains)/losses	(61 000)	(1 000)
Present value of fund obligation at the end of the year	5 402 000	5 087 000
Less: Transfer of Current Portion - Note 16	(531 000)	(575 000)
Balance 30 June	4 871 000	4 512 000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2020	2019	2018
	R	R	R
Present value of fund obligations	4 871 000	4 702 406	4 371 640
Total Liability			

Sensitivity Analysis on the Accrued Liability on 30 June 2022

Assumption	Change	Liability	% change
Central assumptions		5 402 000	
General earnings inflation	1%	5 696 000	5%
General earnings inflation	-1%	5 131 000	-5%
Discount rate	1%	5 123 000	-5%
Discount rate	-1%	5 710 000	6%
Average retirement age	2 yrs	5 975 000	11%
Average retirement age	(2 yrs)	4 722 000	-13%
Withdrawal rates	x2	4 485 000	-17%
Withdrawal rates	x0.5	6 000 000	11%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2023

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumptions		533 000	542 000	1 075 000	
General earnings inflation	1%	569 000	573 000	1 142 000	6%
General earnings inflation	-1%	500 000	514 000	1 014 000	-6%
Discount rate	1%	504 000	522 000	1 026 000	-1%
Discount rate	-1%	565 000	520 000	1 085 000	1%
Average retirement age	2 yrs	582 000	600 000	1 182 000	10%
Average retirement age	(2 yrs)	481 000	471 000	952 000	-11%
Withdrawal Rate	x2	413 000	446 000	859 000	-20%
Withdrawal Rate	x0.5	615 000	605 000	1 220 000	13%
				2022 Rm	2021 Rm
Experience adjustments were calculated as follows:					
Liabilities: (Gain) / loss				32 000	-21 000
Assets: Gain / (loss)				-	-
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:					
		2020 Rm	2019 Rm	2019 Rm	2021 Rm
Liabilities: (Gain) / loss		55 476	131 542	143 660	
Assets: Gain / (loss)		-	-	-	-
			2022 R	2021 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 payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2021 revealed that the fund has a funding level of 133% (30 June 2020 - 132.2%).

CAPE JOINT PENSION 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 2021 revealed that the fund is in a sound financial position with a funding level of 104.9% (30 June 2020 - 100%).

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

Council contribute to the Municipal Retirement Workers Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. The contribution rate paid by the members (9.0%) and Council (18.0%).

15. CONSUMER DEPOSITS

	2022 R	2021 R
Electricity	18 037	19 126
Water	2 800 720	2 659 759
Total Consumer Deposits	2 818 757	2 678 885

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

For guarantees held in lieu of electricity and water deposits refer to note 54

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.

	2022 R	2021 R
16. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	801 489	608 715
Staff Bonuses	2 794 159	2 849 436
Staff Leave	8 634 692	8 611 733
Current Portion of Non-Current Provisions	1 755 000	2 026 000
Current Portion of Post Retirement Benefits - Note 14	1 224 000	1 451 000
Current Portion of Long-Service Provisions - Note 14	531 000	575 000
Total current employee benefits	13 985 340	14 095 884

The movement in current employee benefits are reconciled as follows:

	2022	2021
16.1 Performance Bonuses		
Balance at beginning of year	608 715	678 118
Contribution to current portion	693 270	403 346
Expenditure incurred	(500 495)	(472 749)
Balance at end of year	801 489	608 715

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.

	2022 R	2021 R
16.2 Staff Bonuses		
Balance at beginning of year	2 849 436	2 727 852
Contribution to current portion	(55 277)	121 584
Balance at end of year	2 794 160	2 849 436

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.

	2022 R	2021 R
16.3 Staff Leave		
Balance at beginning of year	8 611 733	8 246 747
Contribution to current portion	22 959	364 986
Balance at end of year	8 634 692	8 611 733

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.

	2022 R	2021 R
17.1 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Salary control	89 223	20 758
Payments received in advance	7 293 606	6 663 652
Retentions	481 188	631 074
Sundry creditors	7 876 407	8 197 260
Sundry deposits	184 801	165 091
Trade Payables	124 433 922	99 545 634
Total Trade Payables	140 358 847	114 223 769
Balance previously reported		114 200 519
Reclassification		(0)
Correction of error - note 42.2		23 250
Restated balance		114 223 769

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.

The largest creditor is Eskom (Main account) R121 315 413 (2021:R95 735 811)

	2022 R	2021 R
17.2 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Payments received in advance	1 538 618	1 535 050
Other creditors	10 039 167	8 564 172
Total trade payables	11 577 786	10 119 222

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.

	2022 R	2021 R
18. UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	15 013 240	20 315 027
National Government Grants	13 753 425	19 082 927
Provincial Government Grants	1 259 816	1 232 100
Less: Unpaid Transfers and Subsidies	-	(740 000)
Provincial Government Grants	-	(740 000)
Total Unspent Transfers and Subsidies	15 013 240	19 575 027
Balance previously reported		20 315 030
Correction of error - note 42.4		(740 000)
Restated balance		19 575 030
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	20 644 932	25 574 090
Available Cash for Unspent Conditional Grants and Receipts	20 644 932	25 574 090

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.

	2022 R	2021 R
19. TAXES		
Net VAT (Payable)/Receivable	20 110 027	12 670 076
Balance previously reported		12 667 044
Correction of error - note 42.1		3 033
Restated balance		12 670 076
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.		

	2022 R	2021 R
20. NET ASSET RESERVES		
RESERVES		
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.		

	2022 R	2021 R
21. PROPERTY RATES		
Valuations - 1 JULY 2021		
Rateable Land and Buildings		
Business and Commercial Property	308 962 000	308 962 000
Farm Properties	2 544 961 000	2 544 961 000
Industrial Property	18 343 000	18 343 000
Municipal Properties	319 876 000	319 876 000
Public Benefit Organisations	11 575 000	11 575 000
Public Service Infrastructure Properties	42 231 000	42 231 000
Residential Properties	1 240 676 000	1 240 676 000
Small Holdings	41 127 400	41 127 400
State-owned Properties	328 321 000	328 321 000
Multiple Purposes	16 638 000	16 638 000
Other Categories	84 937 000	84 937 000
Total Property Rates	4 957 647 400	4 957 647 400

	2022 R	2021 R
Actual		
Rateable Land and Buildings		
Business and Commercial Property	43 302 524	42 579 233
Farm Properties	9 402 712	8 981 052
Industrial Property	8 510 544	8 178 735
Residential Properties	252 801	243 089
State-owned Properties	18 267 731	17 579 683
Other Categories - including open space	6 425 267	6 948 521
	443 469	648 152
Less: Revenue Forgone	(3 682 122)	(3 159 360)
Total Assessment Rates	39 620 402	39 419 873

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	0.0134	0.0129
Vacant land	0.0262	0.0384
Business and commercial	0.0195	0.0187
Agricultural	0.0034	0.0032
PSI	0.0195	0.0187
State-owned	0.0206	0.0223
Municipal Properties	0.0000	0.0000
Church	0.0134	0.0129
Industrial	0.0245	0.0236
Public benefit organisations	0.0034	0.0032

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.

	2022 R	2021 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	53 237 657	51 749 597
National Equitable Share	49 935 573	48 465 000
National: Financial Management Grant	1 700 000	1 700 000
National: Municipal Infrastructure Grant	429 800	1 134 597
Provincial Housing Accreditation	400 000	450 000
Provincial: Sport, Arts and Culture (Library Grant)	772 284	-
Government Grants and Subsidies - Capital	10 376 138	11 786 049
National: Integrated National Electrification Programme Grant	1 561 584	489 863
National: Municipal Infrastructure Grant	3 808 825	7 387 631
National: Energy Efficiency and Demand Management Grant	2 971 181	3 357 455
National: Expanded Public Works Programme Integrated Grant	1 001 854	470 900
National: Water services infrastructure grant	1 032 685	-
Total Government Grants and Subsidies	63 613 787	63 455 646

Included in above are the following grants and subsidies received:

	2022 R	2021 R
Unconditional	50 335 573	48 915 000
Equitable Share	49 935 573	48 465 000
Provincial Housing Accreditation	400 000	450 000
Conditional	21 825 000	27 647 000
National: Financial Management Grant	1 700 000	1 700 000
National: Municipal Infrastructure Grant	8 596 000	19 957 000
Provincial: Department of Education	-	-
National: Integrated National Electrification Programme Grant	1 600 000	1 010 000
National: Water services infrastructure grant	4 000 000	-
National: Expanded Public Works Programme Integrated Grant	1 389 000	1 389 000
National: Energy Efficiency and Demand Management Grant	3 000 000	3 600 000
Provincial: Sport, Arts and Culture (Library Grant)	1 540 000	-
Total Government Grants and Subsidies	72 160 573	76 562 000

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

	2022 R	2021 R
Equitable share	49 935 573	48 465 000
Executive and Council	-	-
Community and social services	772 284	-
Finance and administration	1 700 000	1 700 000
Road transport	5 240 480	8 993 327
Waste water management	1 032 685	-
Housing	400 000	450 000
Energy sources	4 532 764	3 847 317
Total Government Grants and Subsidies	63 613 787	63 455 644

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.

	2022 R	2021 R
22.1 National Grants		
Opening balance	19 082 929	5 976 573
Correction of Error	-	-
Grants received	57 112 000	76 112 000
Conditions met - Own Income	(1 278 233)	(1 643 731)
Conditions met - Operating	(52 065 373)	(51 315 797)
Conditions met - Capital	(9 097 897)	(10 046 116)
Conditions still to be met	13 753 426	19 082 929
22.2 Provincial Grants		
Opening balance	492 100	1 232 100
Correction of Error	-	(740 000)
Grants received	1 940 000	450 000
Conditions met - Own Income	(10 675)	-
Conditions met - Operating	(1 181 507)	(450 000)
Conditions still to be met	1 259 816	492 100
22.3 National: Equitable Share		
Grants received	49 935 573	48 465 000
Conditions met - Operating	(49 935 573)	(48 465 000)
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.

	2022 R	2021 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>		
	2022 R	2021 R
22.5 Provincial: Sports, Arts and Culture (Library Grant)		
Opening balance	(740 000)	-
Correction of Error	-	(740 000)
Grants received	1 540 000	-
Conditions met - Own Income	(10 678)	-
Conditions met - Operating	(781 607)	-
Conditions still to be met	27 716	(740 000)
<i>This grant was allocated for the upgrading of library operational expenditure</i>		
	2022 R	2021 R
22.6 Provincial: Housing Accreditation		
Grants received	400 000	450 000
Conditions met - Operating	(400 000)	(450 000)
Conditions still to be met	-	-
<i>The grant was utilised for COVID expenditure</i>		
	2022 R	2021 R
22.7 National: Expanded Public Works Programme		
Opening balance	1 560 726	651 626
Grants received	1 389 000	1 380 000
Transfer to equitable share	(909 000)	-
Conditions met - Own Income	(56 501)	(27 981)
Conditions met - Capital	(946 352)	(442 919)
Conditions still to be met	1 038 873	1 560 726
<i>This grant was used for the upgrading of Roads facilities.</i>		
	2022 R	2021 R
22.8 National: Integrated National Electrification Grant		
Opening balance	522 338	2 200
Grants received	1 600 000	1 010 000
Transfer to equitable share	(522 000)	-
Conditions met - Own Income	(203 685)	(63 895)
Conditions met - Operating	-	(16 200)
Conditions met - Capital	(1 357 899)	(409 757)
Conditions still to be met	38 754	522 338
<i>This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries.</i>		
	2022 R	2021 R
22.9 National: Municipal Infrastructure Grant		
Opening balance	16 757 320	5 322 747
Grants received	8 596 000	19 957 000
Transfer to equitable share	(11 434 573)	-
Conditions met - Own Income	(496 903)	(1 113 926)
Conditions met - Operating	(429 800)	(1 134 597)
Conditions met - Capital	(3 312 023)	(6 273 904)
Conditions still to be met	9 680 121	16 757 320
<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>		
	2022 R	2021 R
22.10 Provincial: Department of Education		
Opening balance	1 232 100	1 232 100
Conditions still to be met	1 232 100	1 232 100
<i>For the construction of athletics fields</i>		
	2022 R	2021 R
22.11 National: Water Services Infrastructure Grant		
Opening balance	-	-
Grants received	4 000 000	-
Conditions met - own income	(134 698)	-
Conditions met - Capital	(897 987)	-
Conditions still to be met	2 967 315	-
<i>The Water Services Infrastructure Grant was used for the development of boreholes</i>		

	2022 R	2021 R
22.12 National: Energy Efficiency and Demand Management Grant		
Opening balance	242 545	-
Grants received	3 000 000	3 600 000
Transfer to equitable share	(243 000)	(387 545)
Conditions met - own income	(387 545)	(437 929)
Conditions met - Capital	(2 583 635)	(2 919 526)
Conditions still to be met	<u>28 364</u>	<u>242 545</u>
<i>The grant was for utilised for streetlights.</i>		
	2022	2021
	R	R
22.15 Total Grants		
Opening balance	19 575 029	7 238 873
Correction of Error	-	(740 000)
Grants received	72 160 573	76 562 000
Transfers to equitable share	(13 108 573)	(1 643 731)
Conditions met - own income	(1 298 911)	(1 643 731)
Conditions met - Operating	(53 226 980)	(51 765 797)
Conditions met - Capital	(9 097 897)	(10 046 116)
Conditions still to be met (Grant expenditure to be recovered)	<u>15 013 240</u>	<u>19 575 029</u>
	2022	2021
	R	R
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	15 013 240	20 315 027
Unpaid Conditional Government Grants and Receipts	-	(740 000)
Total	<u>15 013 240</u>	<u>19 575 027</u>
	2022	2021
	R	R
23. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Contributed PPE	1 096 868	4 975 198
Total Contributed Property, Plant and Equipment	<u>1 096 868</u>	<u>4 975 198</u>
	2022	2021
	R	R
24. LICENCES AND PERMITS		
Road and Transport	918 264	969 538
Total Licences and Permits	<u>918 264</u>	<u>969 538</u>
	2022	2021
	R	R
25. SERVICE CHARGES		
Electricity	94 588 290	88 105 850
Service Charges	97 137 278	88 826 585
Less: Revenue Forgone	(2 548 988)	(720 735)
Water	33 890 990	31 917 471
Service Charges	38 009 522	36 133 944
Less: Revenue Forgone	(4 118 533)	(4 216 474)
Waste Management	7 677 571	6 875 784
Service Charges	12 497 573	11 753 106
Less: Revenue Forgone	(4 820 003)	(4 877 322)
Waste Water Management	15 331 485	13 803 269
Service Charges	22 554 424	21 008 230
Less: Revenue Forgone	(7 222 939)	(7 204 961)
Total Service Charges	<u>151 488 336</u>	<u>140 702 374</u>
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.		
	2022	2021
	R	R
26. OPERATIONAL REVENUE		
Building Plan Approval	90 945	91 171
Cemetery and Burial	566 026	612 465
Drainage Fees	12 806	16 070
Removal of Restrictions	270 448	37 057
Sale of Goods	44 257	59 915
Sundry income	869 376	1 587 121
Valuation Services	6 473	18 470
Total Sales of Goods and Rendering of Services	<u>1 860 329</u>	<u>2 422 269</u>

	2022 R	2021 R
27. RENTAL FROM FACILITIES AND EQUIPMENT		
Investment Property	454 619	
Property, Plant and Equipment	1 938 821	1 238 274
Total Rental from Fixed Assets	2 393 440	1 238 274
Balance previously reported		1 236 966
Reclassification		1 308
Correction of error - note 42.6		
Restated balance		1 238 274
	2022 R	2021 R
28. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	25 121	90 964
Investments	1 271 868	1 091 373
Total Interest Earned - External Investments	1 296 990	1 182 337
	2022 R	2021 R
29. INTEREST EARNED - OUTSTANDING DEBTORS		
Exchange transactions	2 861 061	748 913
Non-Exchange transactions	2 253 985	2 023 361
Total Interest Earned - Outstanding Receivables	5 114 457	2 772 274
	2022 R	2021 R
30. FINES		
Traffic fines	1 244 484	1 045 789
Penalties for Consumers	202 738	241 873
TOTAL FINES	1 447 222	1 287 663
	2022 R	2021 R
31. EMPLOYEE RELATED COSTS		
Acting Allowance	87 799	69 711
Basic Salaries and Wages	66 773 053	62 202 688
Bargaining council	39 026	38 127
Bonuses	5 199 756	5 175 465
Cell Phone Allowance	385 701	324 562
Group Insurance	45 868	47 198
Housing Allowances	249 802	571 429
Medical Aid Contributions	3 054 568	2 962 462
Motor Vehicle Allowance	1 945 168	1 895 366
Overtime	2 210 734	1 375 680
Payments in lieu of leave	1 627 840	1 107 025
Pension and UIF Contributions	11 966 547	11 270 910
Performance bonus	192 774	(69 403)
Standby Allowances	1 161 198	977 184
Post retirement obligations	(891 000)	(944 000)
Current Service Cost - Long Service Awards - Note 14.2	(56 000)	(108 000)
Current Service Cost - Medical - Note 14.1	(835 000)	(836 000)
Total Employee Related Costs	93 670 636	87 004 404
Balance previously reported		87 328 644
Correction of error - note 42.6		(324 240)
Restated balance		87 004 404
KEY MANAGEMENT PERSONNEL		
The Municipal Manager are appointed on a fixed five year contract. The Directors accountable to the municipal manager are permanently employed.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL	2022 R	2021 R
Remuneration of the Municipal Manager - I Visser		
Basic Salary	823 593	823 593
Bonus	68 633	68 633
Cell Phone Allowance	60 000	60 000
Pension and UIF contributions	150 372	150 060
Motor Vehicle Allowance	172 705	172 705
Other benefits and allowances	178 469	178 781
Performance Bonus	130 839	193 063
Total	1 584 611	1 648 835
	2022 R	2021 R
Remuneration of the Chief Financial Officer - MF Manuel		
Basic Salary	896 100	896 100
Bonus	74 675	74 675
Pension and UIF contributions	2 125	1 813
Motor Vehicle Allowance	204 696	204 696
Other benefits and allowances	1 144	1 456
Performance Bonus	160 899	-
Total	1 339 639	1 178 740

	2022 R	2021 R
Remuneration of Director: Corporate Services - TW Msengana		
Basic Salary	585 000	585 000
Bonus	48 750	48 750
Cell Phone Allowance	36 000	36 000
Motor Vehicle Allowance	150 000	150 000
Other benefits and allowances	97 545	98 138
Pension and UIF contributions	164 703	164 110
Performance Bonus	97 380	147 031
Total	1 179 377	1 229 029

	2022 R	2021 R
Remuneration of Director: Community and Development Services - M Joka		
Basic Salary	508 056	508 056
Bonus	42 338	42 338
Cell Phone Allowance	36 000	36 000
Pension and UIF contributions	136 531	146 018
Motor Vehicle Allowance	144 000	144 000
Other benefits and allowances	100 013	90 526
Payments in lieu of leave	60 967	-
Performance Bonus	37 024	130 655
Total	1 114 925	1 097 693

	2022 R	2021 R
Remuneration of Director: Infrastructure and Housing Services - MLV Owies		
Basic Salary	-	65 020
Bonus	-	27 092
Cell Phone Allowance	-	3 000
Pension and UIF contributions	-	149
Motor Vehicle Allowance	-	14 738
Other benefits and allowances	-	10 038
Payments in lieu of leave	-	28 089
Total	-	148 126

	2022 R	2021 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.

	2022 R	2021 R
Remuneration of Director: Infrastructure - L Thiso		
Basic Salary	516 000	129 000
Bonus	43 000	-
Cell Phone Allowance	36 000	9 000
Pension and UIF contributions	117 142	27 321
Motor Vehicle Allowance	117 500	29 400
Other benefits and allowances	98 816	26 668
Performance Bonus	24 353	-
Total	952 910	221 389

The director was appointed from 1 April 2021.

TOTAL KEY MANAGEMENT	2022 R	2021 R
Acting Allowance	-	4 018
Basic Salary	3 328 749	3 006 769
Bonus	277 395	261 458
Cell Phone Allowance	168 000	144 000
Pension and UIF contributions	570 873	489 470
Motor Vehicle Allowance	789 001	715 539
Other benefits and allowances	475 985	405 607
Payments in lieu of leave	60 967	28 089
Performance Bonus	500 495	472 749
Total	6 171 467	5 527 729

32. REMUNERATION OF COUNCILLORS

	2022 R	2021 R
Total Remuneration of Councillors		
Annual Remuneration	3 803 836	3 763 359
Telephone Allowance	667 009	662 300
Travelling	1 243 501	1 214 821
Pension and UIF Contributions	-	41 990
Total	5 714 447	5 682 471

	2022 R	2021 R
Remuneration of Councillor - ST Sthonga		
Annual Remuneration	215 256	604 550
Telephone Allowance	15 809	44 400
Travelling	71 752	201 517
Pension and UIF Contributions	-	5 566
Total	302 817	857 033

ST Sthonga was Mayor till November 2021

Remuneration of Councillor - MC Kivedo		
Annual Remuneration	473 674	483 640
Telephone Allowance	44 400	44 400
Travelling	157 891	161 213
Pension and UIF Contributions	-	5 290
Total	675 965	694 543
Remuneration of Councillor - CJ Louw		
Annual Remuneration	90 064	252 946
Telephone Allowance	15 809	44 400
Travelling	30 021	84 315
Pension and UIF Contributions	-	2 724
Total	135 894	384 385
CJ Louw was a councillor till November 2021		
Remuneration of Councillor - NP Mkontwana		
Annual Remuneration	90 064	252 946
Telephone Allowance	15 809	44 400
Travelling	30 021	84 315
Pension and UIF Contributions	-	2 724
Total	135 894	384 448
NP Mkontwana was a councillor till November 2021		
Remuneration of Councillor - RR Faul		
Annual Remuneration	68 121	191 318
Telephone Allowance	15 809	44 400
Travelling	22 707	63 773
Pension and UIF Contributions	-	2 150
Total	106 637	301 641
RR Faul was a councillor till November 2021		
Remuneration of Councillor - WJ du Plessis		
Annual Remuneration	68 121	191 318
Travelling	22 707	44 400
Tools of trade	15 809	63 773
Pension and UIF Contributions	-	1 774
Total	106 637	301 265
WJ du Plessis was a councillor till November 2021		
Remuneration of Councillor - PD van Wyk		
Annual Remuneration	68 121	191 318
Telephone Allowance	15 809	44 400
Travelling	22 707	62 917
Pension and UIF Contributions	-	2 161
Total	106 637	300 796
PD van Wyk was a councillor till November 2021		
Remuneration of Councillor - LE Andrews		
Annual Remuneration	228 902	191 318
Telephone Allowance	44 400	44 400
Travelling	76 301	62 917
Pension and UIF Contributions	-	2 232
Total	349 602	300 867
Remuneration of Councillor - SJ Hoffman		
Annual Remuneration	68 121	191 318
Telephone Allowance	15 809	44 400
Travelling	22 707	62 917
Pension and UIF Contributions	-	2 137
Total	106 637	300 772
SJ Hoffman was a councillor till November 2021		
Remuneration of Councillor - L Billie		
Annual Remuneration	87 422	245 525
Telephone Allowance	15 809	44 400
Travelling	29 141	81 842
Pension and UIF Contributions	-	2 778
Total	132 372	374 544
L Billie was a councillor till November 2021		
Remuneration of Councillor - MO Maramba		
Annual Remuneration	68 121	191 318
Telephone Allowance	15 809	44 400
Travelling	22 707	62 917
Pension and UIF Contributions	-	2 376
Total	106 637	301 011
MO Maramba was a councillor till November 2021		
Remuneration of Councillor - PP Mhualii		
Annual Remuneration	191 318	191 318
Telephone Allowance	41 709	44 400
Travelling	63 773	62 917
Pension and UIF Contributions	-	2 137
Total	296 800	300 772
Remuneration of Councillor - D Vanel		
Annual Remuneration	68 121	191 318
Telephone Allowance	15 809	44 400
Travelling	22 707	63 773
Pension and UIF Contributions	-	2 150
Total	106 637	301 641
D Vanel was a councillor till November 2021		
Remuneration of Councillor - SP Wales		
Annual Remuneration	68 121	47 830
Telephone Allowance	15 809	11 100
Travelling	22 707	15 943
Pension and UIF Contributions	-	1 369
Total	106 637	76 241
SP Wales was a councillor till November 2021		

Remuneration of Councillor - HJ Rust		
Annual Remuneration	19 258	154 061
Telephone Allowance	3 700	29 600
Travelling	2 000	16 000
Pension and UIF Contributions	-	971
Total	24 958	200 631
HJ Rust was a councillor till August 2021		
Remuneration of Councillor - PN Bushula		
Annual Remuneration	191 318	191 318
Telephone Allowance	44 400	44 400
Travelling	63 773	63 773
Pension and UIF Contributions	-	2 390
Total	299 491	301 880
Remuneration of Councillor - JM Fortuin		
Annual Remuneration	123 197	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	192 854	-
JM Fortuin was a councillor from November 2021		
Remuneration of Councillor - JT Brandt		
Annual Remuneration	123 197	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	192 854	-
JT Brandt was a councillor from November 2021		
Remuneration of Councillor - MN Mackay		
Annual Remuneration	156 284	-
Telephone Allowance	28 591	-
Travelling	52 095	-
Total	236 970	-
MN Mackay was a councillor from November 2021		
Remuneration of Councillor - FCS Swanepoel		
Annual Remuneration	123 197	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	192 854	-
FCS Swanepoel was a councillor from November 2021		
Remuneration of Councillor - RH Adams Beukes		
Annual Remuneration	123 197	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	192 854	-
RH Adams Beukes was a councillor from November 2021		
Remuneration of Councillor - SW Makhandula		
Annual Remuneration	123 197	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	192 854	-
SW Makhandula was a councillor from November 2021		
Remuneration of Councillor - BS Swanepoel		
Annual Remuneration	123 197	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	192 854	-
BS Swanepoel was a councillor from November 2021		
Remuneration of Councillor - RS Smith		
Annual Remuneration	162 882	-
Telephone Allowance	28 591	-
Travelling	54 291	-
Total	245 764	-
RS Smith was a councillor from November 2021		
Remuneration of Councillor - GL Nkumbi		
Annual Remuneration	375 206	-
Telephone Allowance	28 591	-
Travelling	125 069	-
Total	528 865	-
GL Nkumbi was mayor from November 2021		
Remuneration of Councillor - GK Engelbrecht		
Annual Remuneration	126 932	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	196 589	-
GK Engelbrecht was a councillor from November 2021		
Remuneration of Councillor - MST Booysen		
Annual Remuneration	123 197	-
Telephone Allowance	28 591	-
Travelling	41 066	-
Total	192 854	-
MST Booysen was a councillor from November 2021		

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. The Executive Mayor and Speaker, Chief Whip are full-time Councillors. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Councillors receive the use of tablets/Laptops upon commencing their term in order to perform their daily tasks. Upon completion of this term they are entitled to keep these assets at no cost.

	2022 R	2021 R
33. CONTRACTED SERVICES		
Consultants and Professional Services	7 633 544	3 891 255
Consultants and Professional Services: Business and Advisory: Accounting and Auditing	6 440 922	2 355 676
Consultants and Professional Services: Business and Advisory: Audit Committee	47 385	20 193
Consultants and Professional Services: Business and Advisory: Human Resources	195 969	-
Consultants and Professional Services: Business and Advisory: Medical Examinations	39 205	58 617
Consultants and Professional Services: Infrastructure and Planning: Engineering/Electrical	52 730	-
Consultants and Professional Services: Laboratory Services: Water	-	137 920
Consultants and Professional Services: Legal Cost: Legal Advice and Litigation	897 372	818 849
Contractors	3 919 917	2 889 972
Contractors: Catering Services	65 800	58 554
Contractors: Employee wellness	(110 346)	760 451
Contractors: Maintenance of Buildings and Facilities	9 883	58 962
Contractors: Maintenance of Equipment	648 845	628 779
Contractors: Maintenance of Unspecified Assets	1 544 140	128 565
Contractors: Repair Electricity Vendors	818 519	1 054 660
Contractors: Photographer	4 217	-
Contractors: Transportation	29 762	-
Outsourced Services	4 919 656	3 774 840
Outsourced Services: Business and Advisory: Valuer	1 713 501	-
Outsourced Services: Driver Licence Cards	262 156	243 421
Outsourced Services: Internal Auditors	227 391	227 493
Outsourced Services: Meter Management	4 700	-
Outsourced Services: Personnel and Labor	303 280	205 100
Outsourced Services: Security Services	2 103 172	3 098 826
Outsourced Services: Traffic Fines Management	305 456	-
Total Contracted Services	15 564 017	10 156 067
34. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	52 632 837	52 184 735
Intangible Assets	12 754	24 203
Total Depreciation and Amortisation	52 645 591	52 208 938
Balance previously reported		52 992 143
Reclassification note		-
Correction of error		(783 205)
Restated balance		52 208 938
35. FINANCE COSTS		
Finance leases	140 693	788 212
Non-current Provisions	6 669 569	5 744 388
Non-current Employee Benefits	2 474 000	2 042 000
Overdue creditors	4 584 752	3 249 079
Overdraft Facilities	94 636	26 780
Total Finance Costs	13 963 680	11 851 357
36. BULK PURCHASES		
Electricity	80 406 271	71 826 730
Water	4 273	1 063 612
Total Bulk Purchases	80 410 544	72 890 341
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 48.8 on material losses for loss on electricity and water		

	2022 R	2021 R
37. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	68 772	86 810
Audit Fees	2 051 986	3 463 230
Bank Charges, Facility and Card Fees	598 988	663 426
Cleaning Services	106 102	127 950
Diesels	11 381	283 416
Digging of graves	8 000	66 100
Drivers Licences and Permits	110 126	99 856
Electricity Compliance Certificate	22 405	-
Entertainment	2 304	3 660
Hire Charges	388 297	2 805 200
Insurance excess	1 807 942	1 781 383
Licences	629 913	164 028
Municipal Services	6 397 463	9 551 510
Printing, Publications and Books	520 745	589 228
Professional Bodies, Membership and Subscription	1 750 938	888 917
Skills Development Fund Levy	775 722	618 894
Storage of Files (Archiving)	129 000	213 500
Telephone Costs	1 448 797	1 721 246
Travel and Subsistence	722 345	364 347
Uniform and Protective Clothing	506 237	13 646
Ward Committee	186 000	269 000
Electricity	2 460 089	2 688 220
Wet Fuel	3 367 675	3 117 739
Total Operational Costs	24 251 227	29 595 807
Balance previously reported		29 575 586
Correction of error - note 42.6		20 220
Restated balance		29 595 807
	2022 R	2021 R
38. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 9	15 764 389	21 300 709
Receivables from Non-exchange Revenue - Note 10	10 784 124	9 506 800
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	26 548 513	30 807 509
	2022 R	2021 R
39. GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Property, Plant and Equipment	7 057 360	213 125
Total Gains/ (Loss) on Sale of Fixed Assets	7 057 360	213 125
	2022 R	2021 R
40. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Property, Plant and Equipment	-	-
	2022 R	2021 R

41. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Accumulated Surplus/(Deficit)	561 811 562	0	561 811 562
Non-current Provisions	67 337 731	-	67 337 731
Non-current Employee Benefits	25 061 001	-	25 061 001
Consumer Deposits	2 678 885	-	2 678 885
Current Employee Benefits	14 095 884	-	14 095 884
Trade and Other Payables from Exchange Transactions	114 200 519	(0)	114 200 519
Trade and Other Payables from Non-Exchange Transactions	10 119 222	-	10 119 222
Unspent Transfers and Subsidies	20 315 030	-	20 315 030
Cash and Cash Equivalents	19 766 637	-	19 766 637
Current Portion of Long-term Liabilities	-	-	(0)
Property, Plant and Equipment	694 853 225	-	694 853 225
Investment Property	5 718 600	-	5 718 600
Intangible Assets	25 508	-	25 508
Heritage Assets	6 959 273	-	6 959 273
Investments	28 355	-	28 355
Inventory	26 462 195	-	26 462 195
Receivables from exchange transactions	39 436 332	-	39 436 332
Receivables from non-exchange transactions	21 387 131	(0)	21 387 131
Taxes	12 667 044	-	12 667 044
Cash and Cash Equivalents	30 101 602	-	30 101 602
	(2 252 793)	0	0

Council Draft

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	39 419 873	-	39 419 873
Property Rates - Penalties imposed and collection charges	-	-	-
Government Grants and Subsidies - Capital	11 706 049	-	11 706 049
Government Grants and Subsidies - Operating	51 749 597	-	51 749 597
Contributed Property, Plant and Equipment	4 975 198	-	4 975 198
Actuarial Gains	-	-	-
Fines, Penalties and Forfeits	1 287 663	-	1 287 663
Service Charges	140 702 374	-	140 702 374
Sales of Goods and Rendering of Services	2 422 269	-	2 422 269
Rental from Fixed Assets	1 236 966	-	1 236 966
Interest Earned - External Investments	1 182 337	-	1 182 337
Interest Earned - Exchange Transactions	2 023 361	-	2 023 361
Licences and Permits	969 538	-	969 538
Operational Revenue	-	-	-
Employee related costs	87 328 644	-	87 328 644
Remuneration of Councillors	5 682 471	-	5 682 471
Bad Debts Written Off	-	-	-
Contracted Services	10 156 067	-	10 156 067
Depreciation and Amortisation	52 992 143	-	52 992 143
Actuarial Losses	-	-	-
Finance Costs	11 851 357	-	11 851 357
Bulk Purchases	72 890 341	-	72 890 341
Inventory Consumed	3 770 796	-	3 770 796
Operating Leases	-	-	-
Transfers and Subsidies	-	-	-
Operational Costs	29 575 586	-	29 575 586
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(27 230 237)	-	(27 230 237)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(30 807 509)	-	(30 807 509)
Gains/(Loss) on Sale of Fixed Assets	(506 009)	-	(506 009)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	-	-	-
Profit/(Loss) on Fair Value Adjustments	665	-	665
Net Surplus/(Deficit) for the year	(75 115 273)	-	(75 115 273)

	2022 R	2021 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:		
		2021 R
42.1 Taxes		
Balance previously reported		12 667 044
Correction as result of creditor incorrectly recorded		3 033
Restated Balance		12 670 076
		2021 R
42.2 Trade and Other Payables from Exchange Transactions		
Balance previously reported		114 200 519
Correction as result of creditor incorrectly recorded		23 250
Restated Balance		114 223 769
		2021 R
42.3 Cash and Cash Equivalents		
Balance previously reported		19 766 637
Correction as result bank reconciliation		127 229
Restated Balance		19 893 866
		2021 R
42.4 Unpaid Transfers and Subsidies		
Balance previously reported		-
Correction on library grant		740 000
Restated Balance		740 000

	2021
42.5 Accumulated Surplus/(Deficit) - 1 JULY 2020	R 561 811 562
Correction on employee related cost, based on bank reconciliation - note 42.3 and 42.6	(125 362)
Correction on employee related cost, library grant unpaid - note 42.4 and 42.6	449 602
Correction on inventory consumed, library grant unpaid - note 42.4 and 42.6	290 398
Correction on operational cost, based on bank reconciliation - note 42.3 and 42.6	(20 13)
Correction on operational cost, creditor incorrectly recorded - note 42.2 and 42.6	(20 217)
Correction on rental income, based on bank reconciliation - note 42.3 and 42.6	1 308
Correction on bank reconciliation items 2019/2020 - note 42.3	(3 172)
Total	562 404 116
42.6 Investment property	
Balance previously reported	5 718 600
Reclassifying buildings from PPE to Investment property	1 976 092
Total	7 694 692
46.8 Property, plant and equipment	R
Balance previously reported	
Correction of Property, Plant and equipment	694 853 225
	180 283 786
Total	875 137 011

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	39 419 873	-	39 419 873
Property Rates - Penalties imposed and collection charges	-	-	-
Government Grants and Subsidies - Capital	11 706 049	-	11 706 049
Government Grants and Subsidies - Operating	51 749 597	-	51 749 597
Contributed Property, Plant and Equipment	4 975 198	-	4 975 198
Actuarial Gains	-	-	-
Fines and Penalties	1 287 663	-	1 287 663
Service Charges	140 702 374	-	140 702 374
Operational Revenue	2 422 289	-	2 422 289
Rental of Facilities and Equipment	1 236 966	1 308	1 238 274
Interest Earned - External Investments	1 182 337	-	1 182 337
Interest Earned - Exchange Transactions	2 023 361	-	2 023 361
Licences and Permits from Exchange Transactions	969 538	-	969 538
Operational Revenue	-	-	-
Total	258 422 136	1 308	258 423 444
Expenditure			
Employee related costs	87 328 644	(324 240)	87 004 404
Remuneration of Councillors	5 682 471	-	5 682 471
Bad Debts Written Off	-	-	-
Contracted Services	10 156 067	-	10 156 067
Depreciation and Amortisation	52 992 143	(783 205)	52 208 938
Actuarial Losses	-	-	-
Finance Costs	11 851 357	-	11 851 357
Bulk Purchases	72 890 341	-	72 890 341
Inventory Consumed	3 770 796	(290 398)	3 480 398
Operating Leases	-	-	-
Transfers and Subsidies	-	20 220	20 220
Operational Costs	29 575 586	-	29 575 586
Total	274 247 405	(1 377 622)	272 869 783
Gains and Losses			
Actuarial gain/(loss)	(2 656 000)	-	(2 656 000)
Inventory: (Write-down)/Reversal of Write-down to Net Realizable Value	(27 230 237)	-	(27 230 237)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(30 807 509)	-	(30 807 509)
Gains/(Loss) on Sale of Fixed Assets	(506 009)	292 884	(213 125)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	-	-	-
Profit/(Loss) on Fair Value Adjustments	665	-	665
Total	(61 199 090)	292 884	(60 906 206)
Net Surplus/(Deficit) for the year	(77 024 369)	1 671 815	(75 352 545)

43. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2021	2021
	R	R
Surplus/(Deficit) for the year	(28 361 665)	(75 352 545)
Adjustments for:		
Depreciation	52 632 837	52 184 735
Amortisation	12 754	24 203
Loss/(Gain) on Sale of Fixed Assets	7 057 360	213 125
Fair value adjustment investments	(1 075 924)	(665)
Impairment Loss/(Reversal of Impairment Loss) - Receivables	26 548 513	30 807 509
Impairment Loss/(Reversal of Impairment Loss) - Fixed assets	-	-
Finance cost - non-current provision	-	-
Landfill site adjustments	-	-
Contributed Property, Plant and Equipment	(1 096 868)	(4 975 198)
Government Grants and Subsidies received	-	-
Government Grants and Subsidies recognised as revenue	-	-
Interest on debtors	-	-
Increase in discounting - non-current provisions	6 669 569	5 744 388
Change in Provision for Rehabilitation Cost	-	-
Contribution from/to provisions - Non-Current Employee Benefits - finance cost	2 474 000	2 042 000
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	-	2 656 000
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(3 227 000)	-
Contribution from/to Current Employee Benefits	660 952	(472 749)
Contribution to employee benefits - current - expenditure incurred	(500 435)	889 916
Contribution from/to employee benefits - non-current - expenditure incurred	1 136 000	985 000
Contribution from/to Non-Current Employee Benefits	(2 026 000)	(1 929 000)
Finance cost - non-current employee benefits	-	-
Contribution to provisions - Bad Debt	-	-
Impairment written off	-	-
Additional debt Impairment transactions	-	-
Reversal of Provision for Bad Debt	-	-
Bad Debts written off	-	-
Inventory written off/reversal	(19 508 113)	27 230 237
Operating Surplus/(Deficit) before changes in working capital	41 394 920	40 046 955
Changes in working capital	(34 415 786)	(25 720 297)
Increase/(Decrease) in Trade and Other Payables Exchange	26 284 964	(4 954 210)
Increase/(Decrease) in Trade and Other Payables Non-exchange	1 458 564	(32 496)
Increase/(Decrease) in Employee Benefits	-	-
Increase/(Decrease) in Taxes	(7 439 950)	(354 706)
Increase/(Decrease) in Short-term Loans	-	-
(Increase)/Decrease in Inventory	(1 075 389)	365 397
Increase/(Decrease) in Consumer Deposits	139 871	160 386
Increase/(Decrease) in Current portion of Long-term Receivables	-	-
(Increase)/Decrease in Receivables from Exchange Transactions	(33 825 513)	(22 959 367)
(Increase)/Decrease in Receivables from Non-Exchange Transactions	(15 397 118)	(10 311 655)
(Increase)/Decrease in Long-term receivables	-	-
(Increase)/Decrease Unpaid Transfers and Subsidies	740 000	(740 000)
(Increase)/Decrease Investments	-	-
Increase/(Decrease) in Unspent Transfers and Subsidies	(5 301 214)	13 106 354
Cash generated/(absorbed) by operations	6 979 134	14 326 659

	2022 R	2021 R		
44. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Current Accounts - Note 11	3 807 106	4 524 532		
Call Deposits and Investments - Note 11	20 644 932	25 574 090		
Cash Floats - Note 11	2 980	2 980		
Bank Overdraft - Note 11	(16 558 310)	(19 858 866)		
Total cash and cash equivalents	7 896 708	10 207 736		
	2022 R	2021 R		
45. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
Cash and Cash Equivalents - Note 11	7 896 708	10 207 736		
Less:	35 123 267	32 985 104		
Unspent Transfers and Subsidies - Note 18	15 013 240	20 315 027		
VAT - Note 19	20 110 027	12 670 076		
Net cash resources available for internal distribution	(27 226 559)	(22 777 367)		
Allocated to:				
Capital Replacement Reserve - Note 20	(2 252 793)	(2 252 793)		
Resources available for working capital requirements	(29 479 352)	(20 524 674)		
	2022 R	2021 R		
46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities - Note 12	690 526	-		
Used to finance property, plant and equipment - at cost	(690 526)	-		
Cash invested for repayment of long-term liabilities	-	-		
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
Finance lease loans at amortised cost is calculated at 9.75% interest rate, with the last maturity date of January 2025. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.				
	2022 R	2021 R		
47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED				
47.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance	204 296 847	116 423 528		
Unauthorised expenditure current year - operational	80 523 814	76 601 230		
Unauthorised expenditure current year - capital	194 858	11 272 089		
Written off by Council	(211 613 770)	-		
Unauthorised expenditure awaiting authorisation	73 401 748	204 296 847		
	2022 R	2021 R		
Unauthorised expenditure can be summarised as follow:				
Incident	Disciplinary steps/criminal proceedings			
Actual vs Budgeted spending	None			
	80 718 672	87 873 319		
	80 718 672	87 873 319		
The overspending of the Budget per municipal vote can be summarised as follows:				
	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - Office of the Mayor	76 670 922	13 194 981	63 475 941	63 475 941
Vote 2 - Municipal Manager	2 050 590	3 991 014	(1 900 434)	-
Vote 3 - Finance	42 386 565	25 338 292	17 048 273	17 048 273
Vote 4 - Corporate Services	7 238 325	14 943 665	(7 705 340)	-
Vote 5 - Community and Social Services	44 002 851	65 999 237	(21 996 386)	-
Vote 6 - Infrastructure	125 723 994	160 764 016	(35 040 022)	-
	298 112 836	284 231 205	13 881 631	80 523 814
	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - Office of the Mayor	10 000	-	10 000	10 000
Vote 2 - Municipal Manager	184 858	-	184 858	184 858
Vote 3 - Finance	-	660 000	(660 000)	-
Vote 4 - Corporate Services	32 579	199 620	(167 041)	-
Vote 5 - Community and Social Services	5 518 318	30 196 000	(24 677 682)	-
Vote 6 - Infrastructure	-	-	-	-
	5 745 755	31 055 620	(25 309 865)	194 858
	2022 R	2021 R		
47.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance	15 769 759	15 680 142		
Fruitless and wasteful expenditure current year	1 732 027	89 618		
Prior fruitless and wasteful expenditure discovered current year	-	-		
Written off by Council	(15 769 759)	-		
Fruitless and wasteful expenditure awaiting condonement	1 732 027	15 769 759		

	2022 R	2021 R
Frivolous and wasteful expenditure can be summarised as follows:		
Incident	Disciplinary steps/criminal proceedings	
Interest paid on creditors overdue accounts	None	-
SARS penalties and interest	None	89 618
	1 731 403	
	624	
	1 732 027	89 618
47.3 Irregular expenditure	2022 R	2021 R
Reconciliation of irregular expenditure:		
Opening balance	88 309 438	78 881 310
Irregular expenditure identified current year	2 819 302	9 628 128
Written off by Council	(65 155 380)	-
Irregular expenditure awaiting further action	25 773 359	88 309 438
	2022 R	2021 R
Irregular expenditure can be summarised as follows:		
Incident	Disciplinary steps/criminal proceedings	
2018/2019 - SCM process not followed	None	27 140 394
2019/2020 - Quotation process not followed	None	192 557
2019/2020 - Valid or no contracts in place for service providers	None	7 372 853
2019/2020 - Irregularities resulting from Bid Adjudication committee not being properly constituted	None	43 975 506
2020/2021 - Valid/no contracts in place for service providers & non-compliance SCM regulations	None	9 628 128
2021/2022 - Quotation process not followed	None	198 750
2021/2022 - Contracts/Suppliers identified in previous financial years as irregular	None	-
	2 420 552	-
	90 928 740	88 309 438
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	2022 R	2021 R
48.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)		
Opening balance	830 018	524 056
Council subscriptions	973 489	1 019 840
Amount paid - current year	(810 684)	(713 888)
Amount paid - previous year	(160 000)	-
Balance unpaid	832 823	830 018
	2022 R	2021 R
48.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	4 747 942	3 476 600
Current year audit fee	2 648 655	4 221 911
Amount paid - current year	(2 581 593)	(589 946)
Amount paid - previous year	(1 791 080)	(2 361 723)
Balance unpaid	3 023 925	4 747 942
	2022 R	2021 R
48.3 VAT - [MFMA 125 (1)(c)]		
VAT	20 110 027	12 670 076
Closing balance	20 110 027	12 670 076
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.		
	2022 R	2021 R
48.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	7	-
Current year payroll deductions	12 860 686	12 057 607
Amount paid - current year	(12 762 325)	(12 057 600)
Amount paid - previous year	(7)	-
Balance unpaid	98 365	7
	2022 R	2021 R
48.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	20 245 453	19 589 615
Amount paid - current year	(20 245 453)	(19 589 615)
Balance unpaid	-	-

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 2022:

	2022 R	2021 R
	Outstanding more than 90 days	Outstanding more than 90 days
FCS Swanspoel	8 039	-
MN Mackay	7 976	-
SW Makhandula	40 982	-
JT Brandt	9 648	-
GK Emselbrencht	1 477	-
LE Andrew	6 638	-
JM Fortuin	19 265	-
PP Mntshali	9 939	-
PN Bushula	73 156	-
R Smith	-	-
B Swanspoel	11 491	-
RH Adams-Beukes	23 290	-
MST Booysen	4 385	-
MC Kivedo	6 021	-
GL Ntumbi	0	-
D Vanel	-	4 829
NP Mkontwana	-	203
PP Mntshali	-	4 484
SP Wales	-	1
MO Maramba	-	10 022
Total Councillor Arrear Consumer Accounts	222 307	19 519

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 2022

	Amount	Single Supplier	Type of Deviation		Emergency
			Impossible	Impractical	
Jul-21	74 481	-	-	25 974	48 507
Aug-21	97 854	-	-	51 966	46 288
Sep-21	10 589	10 589	-	-	-
Oct-21	-	-	-	-	-
Nov-21	4 374	-	-	4 374,23	-
Dec-21	-	-	-	-	-
Jan-22	-	-	-	-	-
Feb-22	1 033 361	-	-	891 181	142 180
Mar-22	64 722	5 246	-	32 977	6 600
Apr-22	51 820	-	-	4 888	47 032
May-22	31 023	-	-	31 023	-
Jun-22	-	-	-	-	-
	1 368 324	15 834		1 061 885	290 605

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	128 825	-	27 399	18 464	80 962
Oct-20	38 657	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	-
	734 693	131 291	60 225	130 473	392 904

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	2021/22 Amounts
Deviations between 0 - 2000	-	-
Deviations between 2001 -10 000	11	63 383
Deviations between 10 001 - 200 000	13	429 941
Deviations greater than 200 001	1	875 000
	25	1 368 324

48.8 Material losses

Electricity distribution losses

	2022 R	2021 R
Units purchased (Kwh)	52 370 969	59 700 003
Units lost during distribution (Kwh)	6 393 978	7 636 295
Percentage lost during distribution	12.21%	12.79%
Distribution loss (Rand Value)	9 716 766	10 027 047

Inactive by Engineering to inspect meters to reduce the amount of meter tampering.

	2022	2021
	R	R
Water distribution losses		
Units purchased (ml)	3 086 793	3 113 807
Units lost during distribution (ml)	313 606	496 645
Percentage lost during distribution	10.16%	15.95%
Distribution loss (Rand Value)	395 144	625 773
<i>Faulty meters and leakages are replaced/repaired as soon as they are reported.</i>		
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 Other non-compliance	2022	2021
	R	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		
49. FINANCIAL RISK MANAGEMENT	2022	2021
	R	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 interest rates.		
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.		
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follows:		
	2022	2021
	R	R
0.5% (2022: 0.5%) Increase in interest rates	(164 805)	(137 445)
0.5% (2022: 0.5%) Decrease in interest rates	164 805	137 445
(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 and trade and other receivable		
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 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.		

	2022 %	2022 R	2021 %	2021 R
Non-exchange Receivables				
Other (sundry debtors)	100.00%	1 096 667	100.00%	609 614
	100.00%	1 096 667	100.00%	609 614
Exchange Receivables				
Electricity	23.28%	47 755 463	21.33%	35 362 728
Water	40.29%	82 654 987	39.24%	65 045 771
Property Rentals	1.43%	2 925 767	1.33%	2 205 988
Waste Management (refuse)	11.17%	22 904 771	11.87%	19 682 657
Waste Water Management (Sewerage)	21.17%	43 435 233	23.11%	38 306 357
Town Commonage	2.48%	5 091 585	2.85%	4 728 797
Other	0.18%	359 757	0.27%	449 764
	100.00%	205 131 582	100.00%	165 784 471

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.

Rates and fines are regarded as Statutory receivables and therefore does not form part of financial risk disclosure.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2022 %	2022 R	2021 %	2021 R
Non-exchange Receivables				
Other	0.00%	-	0.00%	-
	100.00%	109 141 407	0.00%	-
Exchange Receivables				
Electricity	17.75%	26 202 826	21.54%	27 214 440
Water	43.33%	63 956 247	38.81%	49 040 164
Waste Management (refuse)	11.78%	17 387 891	12.12%	15 319 367
Waste Water Management (Sewerage)	21.56%	31 823 823	21.84%	27 589 294
Property Rentals	1.87%	2 755 848	1.68%	2 100 617
Town Commonage	3.46%	5 105 325	3.82%	4 704 351
Other	0.27%	392 366	0.80%	379 905
	100.00%	147 634 126	100.00%	126 348 139

The provision for bad debts could be allocated between the different categories of receivables (excl. fines and rates) as follow:

	2022 %	2022 R	2021 %	2021 R
National and Provincial Government	0.00%	-	0.06%	(74 917)
Industrial and Business	4.71%	(6 956 248)	7.50%	(9 475 683)
Residential	95.29%	(140 677 878)	92.44%	(116 797 539)
	100.00%	(147 634 126)	100.00%	(126 348 139)

No bad debt were written off during the year

Ageing of amounts past due but not impaired are as follow:

	Exchange Receivables	Non-exchange Receivables
2022		
1 month past due	249 327	-
2+ months past due	6 408 848	-
	6 658 175	-
2021		
1 month past due	241 315	-
2+ months past due	6 163 920	-
	6 405 235	-

In previous financial years, the ageing for non-exchange receivables were disclosed. However as rates are a statutory receivable and not financial instrument, the disclosure were updated to exclude the ageing (outside scope of GRAP 104)

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 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.

	2022 R	2021 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	205 131 582	165 784 471
Receivables from Non-Exchange Transactions	3 003 366	2 028 832
Cash and Cash Equivalents	24 452 038	30 098 622
	232 586 987	197 911 925

(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.

2022	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
Long-term Liabilities	46 683	83 842	-	-
Trade and Other Payables	140 358 847	-	-	-
	140 405 531	83 842	-	-
2021	Less than 1 year	Between 1 and 5 years	Between 5 and 30 years	More than 10 years
Trade and Other Payables	114 223 769	-	-	-
	114 223 769	-	-	-

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

2022
R

31 878

28 355

Receivables from Exchange Transactions

Electricity
 Water management
 Property Rentals
 Waste Management
 Waste Water Management
 Town commage
 Other receivables from exchange transactions

Financial Instruments at amortised cost
 Financial Instruments at amortised cost

2022
R

47 755 463
 82 654 987
 2 929 787
 22 904 771
 43 435 233
 5 091 585
 359 757

35 362 728
 65 045 771
 2 208 398
 19 682 657
 38 306 357
 4 728 797
 449 764

Receivables from Non-Exchange Transactions

Sundry debtors

Financial Instruments at amortised cost

1 096 667

609 614

Sundry deposits

Financial Instruments at amortised cost

1 906 700

1 419 218

Cash and Cash Equivalents

Bank Balances

Financial Instruments at amortised cost

3 807 106

4 524 532

Call Deposits

Financial Instruments at amortised cost

20 644 932

25 574 090

Total Financial Assets

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Receivables from Exchange Transactions
 Receivables from Non-Exchange Transactions
 Receivables from Non-Exchange Transactions
 Cash and Cash Equivalents
 Cash and Cash Equivalents

Electricity
 Water management
 Property Rentals
 Waste Management
 Waste Water Management
 Town commage
 Other receivables from exchange transactions
 Sundry debtors
 Sundry deposits
 Bank Balances
 Call Deposits

2022
R

47 755 463
 82 654 987
 2 929 787
 22 904 771
 43 435 233
 5 091 585
 359 757
 1 096 667
 1 906 700
 3 807 106
 20 644 932

2021
R

35 362 728
 65 045 771
 2 208 398
 19 682 657
 38 306 357
 4 728 797
 449 764
 609 614
 1 419 218
 4 524 532
 25 574 090

232 586 987

197 911 925

Financial Instruments at fair value:

Investments

Listed Investments

2022
R

31 878

2021
R

28 355

Total Financial Assets

31 878

28 355

232 586 987

197 911 925

50.2 Financial Liabilities

Classification

Long-term Liabilities

Capitalised Lease Liability

Financial Instruments at amortised cost

643 842

-

		2022 R	2021 R
Trade and Other Payables			
Retentions	Financial Instruments at amortised cost	481 188	631 074
Sundry creditors	Financial Instruments at amortised cost	7 876 407	8 197 260
Sundry deposits	Financial Instruments at amortised cost	184 801	165 091
Trade payables	Financial Instruments at amortised cost	124 433 622	98 545 634
		2022	2021
		R	R
Current Portion of Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	46 683	-
		2022	2021
		R	R
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	16 558 310	19 893 866
		2022	2021
		R	R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Instruments at amortised cost:		2022	2021
Long-term Liabilities	Capitalised Lease Liability	643 842	-
Current portion of Long-term liabilities	Capitalised Lease Liability	46 683	-
Trade and Other Payables	Retentions	481 188	631 074
Trade and Other Payables	Sundry creditors	7 876 407	8 197 260
Trade and Other Payables	Sundry deposits	184 801	165 091
Trade and Other Payables	Trade payables	124 433 622	98 545 634
Cash and Cash Equivalents	Bank Overdraft	16 558 310	19 893 866
		160 224 854	127 432 924

51. STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

		2022 R	2021 R
Taxes			
VAT Receivable		20 110 027	12 670 076
Receivables from Non-Exchange Transactions		202 204 256	187 782 386
Rates		85 553 897	71 852 550
Fines		116 650 359	115 929 836
Total Statutory Receivables (before provision)		222 314 285	200 452 463
Less: Provision for Debt Impairment		(179 499 213)	(168 715 801)
Total Statutory Receivables (after provision)		42 815 072	31 736 661
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.

(Rates): Ageing		2022 R	2021 R
Current (0 - 30 days)		1 332 643	1 380 067
31 - 60 Days		739 698	712 981
61 - 90 Days		645 202	655 396
+ 90 Days		82 036 354	69 104 147
Total		85 553 897	71 852 550
		2022	2021
		R	R
Reconciliation of Provision for Debt Impairment			
Balance at beginning of year		168 715 801	159 014 321
Contribution to provision		10 783 411	9 701 480
Balance at end of year		179 499 212	168 715 801

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.

		2022 R	2021 R
Ageing of amounts past due and impaired:			
1 month past due		391 056	401 772
2+ months past due		69 519 576	59 604 088
		69 910 631	60 005 860

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.

	2022 R	2021 R			
Ageing of amounts past due but not impaired:					
1 month past due	144 605	115 315			
2+ months past due	4 597 243	4 494 388			
	4 741 848	4 609 703			
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					
Interest Received from Statutory Receivables					
Rates	2 253 395	746 913			
Interest is levied at a rate determined by the council on outstanding rates amounts.	2 253 395	746 913			
52. IN-KIND DONATIONS AND ASSISTANCE					
The municipality did not receive any in-kind donations or assistance during the year under review.	-	-			
53. PRIVATE PUBLIC PARTNERSHIPS					
Council has not entered into any private public partnerships during the financial year.	-	-			
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 2022 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 2022 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 2022 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 2022.	206 352	206 352			
55. RELATED PARTIES					
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.					
55.1 Related Party Transactions					
	Rates - Levied 1 July 2021- 30 June 2022	Service charges - Levied 1 July 2021- 30 June 2022	Other - Levied 1 July 2021- 30 June 2022	Outstanding Balance - 30 June 2022	Provision for impairment - 30 June 2022
Year ended 30 JUNE 2022					
Councillors					
FCS Swanepoel	309	1 872	-	8 039	8 036
MN Mackay	188	6 889	-	7 976	5 571
SW Makhandula	1 088	4 860	-	40 982	28 605
JT Brandt	40	5 319	-	9 648	3 858
GK Engelbrecht	10 140	7 071	-	1 477	-
LE Andrews	94	5 079	-	6 638	2 655
JM Fortuin	2 538	3 504	-	19 265	9 632
PP Mhauili	74	12 651	(1 657)	9 939	-
PN Bushula	161	6 661	2 715	73 158	29 263
R Smith	-	-	-	-	-
B Swanepoel	175	3 986	-	11 491	11 491
RH Adams-Beukes	389	28 256	-	58 225	23 290
MST Booysen	2 458	5 001	-	8632,45	4 385
MC Kivedo	2 189	13 253	1 949	9 935	6 021
GL Nkumbi	1 048	8 229	-	0	0
	20 891	112 429	3 006	265 405	132 806
Year ended 30 JUNE 2022					
Municipal Manager and Section 57 Employees					
J Visser Municipal Manager	11 362	7 893	-	1 607	-
MF Manuel Director: Financial services	12 544	8 522	-	1 733	-
TW Msengana Director: Corporate services	1 206	1 414	1	7 151	3 575
HM Joka Director: Community services	2 874	10 896	11 570	65 209	26 084
L Thiso Director: Infrastructure and Technical Services	-	-	-	-	-
	27 986	28 726	11 571	75 699	29 659

	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					
D Vanel	142	6 759	-	4 902	237
NP Mkontwana	1 838	5 682	12 930	3 210	642
PD Van Wyk	959	7 902	-	1 365	241
WJ Du Plessis	10 449	13 799	6 788	600	-
L Billie	-	5 485	13 114	-	-
PP Mhlauli	-	4 768	5 813	6 482	-
ST Stronga	3 126	5 737	13 464	-	-
SJ Hoffman	465	5 894	-	5	5
SP Wales	-	3 695	16	0	-
CJ Louw	258	3 695	1	0	-
MO Maramba	5 916	7 365	-	1 395	-
PN Bushule	-	2 443	508	10 465	10 465
HJ Rust	7 524	5 191	7 919	0.01	0.01
	30 686	75 433	60 553	28 424	11 590
Year ended 30 JUNE 2021					
Municipal Manager and Section 57 Employees					
I Visser - Municipal Manager	11 017	7 366	4 510	918	-
MF Manuel - Director Financial Services	14 350	13 256	1 566	340	136
TW Masangana - Director Corporate Services	1 766	1 308	334	-	-
HM Joka - Director Community Services	2 617	18 364	9 995	4 749	1 900
L Thiso - Director Infrastructure and Technical Services	-	-	-	-	-
W Lubbe - Director Infrastructure and Technical Services	12 671	20 096	49	-	-
	42 421	60 390	16 455	6 007	2 036

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.

55.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

55.3 Compensation of related parties

The compensation of related parties is set out in note 31 and 32 to the Annual Financial Statements. Councillors and management comprises of persons responsible for planning, directing and controlling the activities of the Municipality

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.

30 JUNE 2022

Company Name	Amount	Interest
Noedus Bakery Primary Co-Operative	-	PP Mhlauli (councillor) is a director
Jupiter Construction and Enterprise	-	J.Fortuin (councillor) is a director
Zyiska Security and Training Company	-	J.Fortuin (councillor) is a director
Pinky Sime Rose 2 Men	-	PH Adams-Beukes (councillor) is a director
Khazimia Sound Equipment	-	SW Makandula (councillor) is a director
Primary Co-operative Limited	-	SW Makandula (councillor) is a director
Ingomoso Youth General Trading	-	SW Makandula (councillor) is a director
Emthanjeni Business Council	-	SW Makandula (councillor) is a director
De Aar Community Forum	-	SW Makandula (councillor) is a director
SNS Empowerment	-	SW Makandula (councillor) is a director
Rehoboth Joan Wertheim Centre	-	SW Makandula (councillor) is a director
Van Zyl Booysen Institution	-	R.Smith (councillor) is a director
Chartered Institute of Government Finance Audit and Risk Officers	-	M Booysen (councillor) is a director
Dirathata	-	F Manuel (CFO) is a director
The Rise of the Umpire	-	L Thiso (Director-Infrastructure) is a director
		H.Joka (Director:Community Services) is a director

30 JUNE 2021

Company Name	Amount	Interest
Noedus Bakery Primary Co-Operative	-	PP Mhlauli is a director
Rehoboth Joan Wertheim Centre	-	W Wales is a director
The Rise of Umpire	-	H.Joka is a director
Dirathata	-	L Thiso is a director

56. FINANCIAL SUSTAINABILITY

Management is of the opinion that will municipality will continue to operate as a going concern and perform its 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 0.87 from 0.72 in the prior year.

The municipality have budgeted for a surplus of R31 055 620 for the 2021/2022 financial year. The municipality is also budgeting for positive cash flows during 2021/2022 and 2022/2023 amounting to R31 055 620 and R58 730 168 respectively.

The municipality had an actual deficit R28 361 664 for the current year.

The average debtors' payment days increased to 754 days from 380 days.

The average creditors payment period is 381 days (2021: 334 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 R25 251 215 (2021: R50 529 319).

A bank overdraft facility is utilised amounting to R16 558 309

The municipality is in had a positive bank balance with ABSA to an amount of R1 490 383 (2021 - R592 310 in arrears) as per bank statement.

The bank balance as per the cash book (primary account) for the current year is (R16 558 309) and (R19 893 866) (2021).

There was a decrease of R2 311 028 in cash and cash equivalents for the current year and increase R3 692 228 for the prior year, as per cashflow statement.

The municipality has call investment deposits for the current year of R20 644 931 and R25 574 090 (2021)

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 R	2020 R
Compensation received for agency activities		
Commission	538 344	606 676
Total Compensation received	<u>538 344</u>	<u>606 676</u>

Council Draft

EMTHANJENI LOCAL MUNICIPALITY

REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

60 REPORTABLE SEGMENTS REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

Mscoc 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 2022

	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	-	-	-	-	-	(94 588 290)	(94 588 290)
Service Charges - Water Revenue	-	-	-	-	-	(33 890 990)	(33 890 990)
Service Charges - Sanitation Revenue	-	-	-	-	-	(15 331 485)	(15 331 485)
Service Charges - Refuse Revenue	-	-	-	-	(7 677 571)	-	(7 677 571)
Rental of Facilities and Equipment	(1 901 754)	-	(15 869)	-	(475 817)	-	(2 393 440)
Interest Earned - External Investments	-	-	(1 292 645)	-	(4 345)	-	(1 296 990)
Interest Earned - Outstanding Debtors	-	-	(2 253 395)	-	(304 421)	(2 556 640)	(5 114 457)
Licences and Permits	-	-	-	-	(379 920)	(538 344)	(918 264)
Other Revenue	(1 148 012)	-	(97 417)	-	(575 387)	(39 513)	(1 860 329)
Gains	2 754 436	-	-	-	-	-	2 754 436
External revenue from non-exchange transactions							
Fines	-	-	-	-	(1 244 484)	(202 738)	(1 447 222)
Property rates	-	-	(39 620 403)	-	-	-	(39 620 403)
Agency Services	-	-	-	-	-	-	-
Transfers Recognised - Operational	(2 275 184)	(13 461 999)	(14 999 516)	-	(6 876 816)	(15 623 570)	(53 237 084)
Total Segment Revenue (excluding capital transfers and contributions)	(2 570 513)	(13 461 999)	(58 279 244)	-	(17 538 762)	(162 771 569)	(254 622 088)
SEGMENT EXPENDITURE							
Employee Related Costs	3 374 449	1 980 386	15 492 322	6 386 405	32 895 798	33 541 277	93 670 636
Remuneration of Councillors	5 714 447	-	-	-	-	-	5 714 447
Debt Impairment	-	-	9 914 463	-	3 528 007	13 106 042	26 548 513
Depreciation and Asset Impairment	49 854 806	-	-	12 754	2 778 032	-	52 645 591
Finance Charges	9 152 423	-	4 706 176	-	15 094	89 988	13 963 680
Bulk Purchases	-	-	-	-	-	80 410 544	80 410 544
Other Materials	21 078	-	2 203	11 954	825 941	1 233 018	2 094 194
Contracted Services	2 924 728	-	9 392 407	(23 117)	676 550	2 593 450	15 564 017
Other Expenditure	2 874 155	110 195	2 878 995	850 329	3 283 430	14 254 124	24 251 227
Losses	-	-	-	-	-	(19 508 113)	(19 508 113)
Total Segment Expenditure	73 916 086	2 090 580	42 386 565	7 238 325	44 002 851	125 720 330	295 354 737
Surplus/(Deficit)							
Transfers Recognised - Capital	-	-	-	-	-	(11 274 117)	(11 274 117)
Contributions Recognised - Capital	-	-	-	-	-	(1 096 868)	(1 096 868)
Contributed Assets	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	71 345 572	(11 371 419)	(15 892 679)	7 238 325	26 464 089	(49 422 223)	28 361 665
Capital expenditure per segment		10 000	184 858	-	32 579	5 518 318	5 745 755

EMTHANJENI LOCAL MUNICIPALITY
SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

	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	R	R	
SEGMENT REVENUE										
External revenue from exchange transactions	(1 404 712)	-	(95 628 302)	(34 853 628)	(15 898 281)	(7 977 968)	-	(7 308 924)	-	(160 317 379)
Service Charges - Electricity Revenue	-	-	(94 588 290)	-	-	-	-	-	-	(94 588 290)
Service Charges - Water Revenue	-	-	(3 736)	(33 887 253)	-	-	-	-	-	(33 890 990)
Service Charges - Sanitation Revenue	-	-	-	-	(15 331 485)	-	-	-	-	(15 331 485)
Service Charges - Refuse Revenue	-	-	-	-	-	(7 677 571)	-	-	-	(7 677 571)
Rental of Facilities and Equipment	(445 059)	-	-	-	-	-	(1 948 381)	-	-	(2 393 440)
Interest Earned - External Investments	(4 345)	-	-	-	-	-	(1 292 645)	-	-	(1 296 990)
Interest Earned - Outstanding Debtors	-	-	(1 036 276)	(966 374)	(553 990)	(300 397)	-	(2 257 419)	-	(5 114 457)
Licences and Permits	(379 920)	-	-	-	-	-	-	(538 344)	-	(918 264)
Other Revenue	(575 387)	-	-	-	(12 806)	-	-	(1 272 136)	-	(1 860 329)
Gains	-	-	-	-	-	-	-	2 754 436	-	2 754 436
External revenue from non-exchange transactions	(2 016 768)	-	(2 449 306)	(4 919 460)	(8 457 542)	(5 704 531)	-	(70 757 101)	-	(94 304 709)
Fines	(1 244 484)	-	(202 738)	-	-	-	-	-	-	(1 447 222)
Property rates	-	-	-	-	-	-	-	(39 620 403)	-	(39 620 403)
Licences and Permits	-	-	-	-	-	-	-	-	-	-
Agency Services	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Operational	(772 284)	-	(2 246 568)	(4 919 460)	(8 457 542)	(5 704 531)	-	(31 136 699)	-	(53 237 084)
Other Revenue	-	-	-	-	-	-	-	-	-	-
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	-
Total Segment Revenue (excluding capital transfers and contributions)	(3 421 480)	-	(98 077 608)	(39 773 088)	(24 355 823)	(13 682 499)	-	(78 066 025)	-	(254 622 088)
SEGMENT EXPENDITURE										
Employee Related Costs	20 928 017	8 049 440	7 424 082	3 372 590	5 550 209	9 518 692	-	38 827 606	-	93 670 636
Remuneration of Councillors	-	-	-	-	-	-	-	5 714 447	-	5 714 447
Debt Impairment	869 660	-	(1 540 274)	11 203 597	3 442 720	1 723 999	-	10 848 811	-	26 548 513
Depreciation and Asset Impairment	-	-	-	-	-	2 778 032	-	49 867 560	-	52 645 591
Finance Charges	-	-	48 972	10 285	10 119	15 094	-	13 879 210	-	13 963 680
Bulk Purchases	-	-	80 406 271	4 273	-	-	-	-	-	80 410 544
Other Materials	568 407	5 493	447 289	398 859	46 167	257 533	-	370 445	-	2 094 194
Contracted Services	676 550	-	1 071 494	1 059 585	276 523	-	-	12 479 866	-	15 564 017
Other Expenditure	1 962 306	1 376 900	(14 247 626)	3 497 099	2 819 929	1 170 302	-	8 164 205	-	4 743 114
Losses	-	-	-	-	-	-	-	-	-	-
Total Segment Expenditure	25 004 941	9 431 833	73 610 208	19 546 288	12 145 666	15 463 651	-	140 152 149	-	295 354 737
Surplus/(Deficit)										
Transfers Recognised - Capital	-	(3 973 034)	(1 561 584)	(1 930 673)	-	-	-	(3 808 826)	-	(11 274 117)
Contributions Recognised - Capital	-	-	(1 096 868)	-	-	-	-	-	-	(1 096 868)
Contributed Assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	21 583 461	5 458 798	(26 028 983)	(22 157 473)	(12 210 157)	1 781 152	-	58 277 298	-	28 361 665

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	(2 444 650)	-	(2 040 787)	-	(8 558 730)	(136 241 562)	(149 285 729)
Service Charges - Electricity Revenue	-	-	-	-	-	(88 105 850)	(88 105 850)
Service Charges - Water Revenue	-	-	-	-	-	(31 917 471)	(31 917 471)
Service Charges - Sanitation Revenue	-	-	-	-	-	(13 803 269)	(13 803 269)
Service Charges - Refuse Revenue	-	-	-	-	(6 875 784)	-	(6 875 784)
Rental of Facilities and Equipment	(794 496)	-	(6 433)	-	(437 345)	-	(1 238 274)
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	(665)	-	-	-	-	-	(665)
External revenue from non-exchange transactions	(3 446 467)	(615 290)	(58 388 274)	-	(9 479 220)	(20 527 881)	(92 457 132)
Fines	-	-	-	-	(1 045 789)	(241 873)	(1 287 663)
Property Rates	-	-	(39 419 873)	-	-	-	(39 419 873)
Licences and Permits	-	-	-	-	-	-	-
Agency Services	-	-	-	-	-	-	-
Transfers Recognised - Operational	(3 446 467)	(615 290)	(18 968 401)	-	(8 433 431)	(20 286 008)	(51 749 597)
Other Revenue	-	-	-	-	-	-	-
Gains on Disposal of PPE	-	-	-	-	-	-	-
Total Segment Revenue (excluding capital transfers and contributions)	(5 891 117)	(615 290)	(60 429 062)	-	(18 037 950)	(156 769 443)	(241 742 861)
SEGMENT EXPENDITURE							
Employee Related Costs	2 234 015	1 907 915	12 910 322	6 612 976	31 364 045	31 975 132	87 004 404
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	(565 717)	-	6 310 720	72 344	2 201 817	44 189 775	52 208 938
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	503 554	2 494 168	3 480 398
Contracted Services	945 121	-	6 484 763	966 262	229 813	1 530 107	10 156 067
Other Expenditure	2 124 334	109 701	2 775 705	516 738	3 489 098	20 580 230	29 595 807
Losses	2 869 125	-	-	-	-	27 230 237	30 099 362
Internal charges	-	-	-	-	-	-	-
Total Segment Expenditure	21 612 024	2 031 967	38 061 222	8 187 938	42 649 775	221 233 729	333 776 654
Surplus/(Deficit)	15 720 907	1 416 677	(22 367 840)	8 187 938	24 611 825	64 464 286	92 033 792
Transfers Recognised - Capital	-	-	-	-	-	(11 706 049)	(11 706 049)
Contributions Recognised - Capital	-	-	-	-	-	(4 975 198)	(4 975 198)
Contributed Assets	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	15 720 907	1 416 677	(22 367 840)	8 187 938	24 611 825	47 783 038	75 352 545
Capital expenditure per segment	29 464	-	4 480 708	-	44 830	24 265 540	28 820 542

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	
SEGMENT REVENUE										
External revenue from exchange transactions	(1 389 992)	-	(88 776 190)	(32 570 162)	(14 266 024)	(7 125 761)	-	(5 157 599)	-	(149 285 729)
Service Charges - Electricity Revenue	-	-	(88 105 850)	-	-	-	-	-	-	(88 105 850)
Service Charges - Water Revenue	-	-	-	(31 917 471)	-	-	-	-	-	(31 917 471)
Service Charges - Sanitation Revenue	-	-	-	-	(13 803 269)	-	-	-	-	(13 803 269)
Service Charges - Refuse Revenue	-	-	-	-	-	(6 875 784)	-	-	-	(6 875 784)
Rental of Facilities and Equipment	(398 035)	-	-	-	-	-	(840 239)	-	-	(1 238 274)
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	-	-	-	-	-	-	-	(665)	-	(665)
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)
Licences and Permits	-	-	-	-	-	-	-	-	-	-
Agency Services	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Operational	-	-	(2 916 996)	(6 387 542)	(10 981 470)	(7 983 431)	-	(23 480 158)	-	(51 749 597)
Other Revenue	-	-	-	-	-	-	-	-	-	-
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	-
Total Segment Revenue (excluding capital transfers and contributions)	(2 435 782)	-	(91 935 060)	(38 957 704)	(25 247 494)	(15 109 192)	-	(68 057 629)	-	(241 742 861)
SEGMENT EXPENDITURE										
Employee Related Costs	19 556 690	7 887 166	7 329 127	2 980 148	5 110 355	9 567 226	-	34 573 693	-	87 004 404
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	-	15 818 285	-	52 208 938
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	328 354	8 763	1 422 170	308 002	218 313	175 200	-	1 019 597	-	3 480 398
Contracted Services	229 813	13 119	1 148 591	265 667	-	-	-	8 498 876	-	10 156 067
Other Expenditure	2 028 701	889 871	8 412 202	4 331 348	4 649 849	1 347 501	-	7 936 334	-	29 595 807
Loss on Disposal of PPE	-	-	27 230 237	-	-	-	-	2 869 125	-	30 099 362
Internal charges	-	-	-	-	-	-	-	-	-	-
Total Segment Expenditure	25 806 541	9 175 564	145 812 194	28 772 892	15 887 103	13 774 477	-	94 547 883	-	333 776 654
Surplus/(Deficit)	23 370 760	9 175 564	53 877 134	(10 184 812)	(9 360 392)	(1 334 715)	-	26 490 254	-	92 033 792
Transfers Recognised - Capital	-	(3 828 356)	(489 863)	-	-	-	-	(7 387 831)	-	(11 706 049)
Contributions Recognised - Capital	-	-	(4 975 198)	-	-	-	-	-	-	(4 975 198)
Contributed Assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	23 370 760	5 347 208	48 412 073	(10 184 812)	(9 360 392)	(1 334 715)	-	19 102 423	-	75 352 545

**APPENDIX A
EMTHANJENI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022**

EXTERNAL LOANS	Rate	Supplier	Maturity date	Balance at 30 JUNE 2021	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2022
LEASE LIABILITY							
1 x PIDNEY BOWES D1425 DEMO MACHINE	9.75%	ITEC Freestate	2025/01/01	-	690 526	-	690 526
Total Lease Liabilities				-	690 526	-	690 526
TOTAL EXTERNAL LOANS				-	690 526	-	690 526

APPENDIX B
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R		2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus/ (Deficit) R
			Governance and Administration			
6 505 742	22 333 062	(15 827 320)	Executive and council	18 786 949	77 518 586	(58 731 637)
60 429 062	46 249 159	14 179 902	Finance and administration	58 279 244	49 624 890	8 654 354
			Community and Public Safety			
1 006 212	13 977 560	(12 971 348)	Community and social services	1 765 149	12 759 741	(10 994 591)
6 861	5 353 063	(5 346 202)	Sport and recreation	21 219	5 247 521	(5 226 302)
1 422 709	6 388 652	(4 965 943)	Public safety	1 635 112	6 786 327	(5 151 215)
492 976	3 068 757	(2 575 781)	Housing	434 782	3 534 259	(3 099 477)
824	25 397	(24 573)	Health	974	31 262	(30 288)
			Economic and Environmental Services			
3 828 356	9 175 564	(5 347 208)	Planning and development	3 973 034	9 431 833	(5 458 798)
8 016 191	21 560 579	(13 544 388)	Road transport	4 372 903	10 955 073	(6 582 170)
			Trading Services			
97 400 121	145 812 194	(48 412 073)	Energy sources	100 739 723	73 613 872	27 125 851
38 957 704	28 772 892	10 184 812	Water management	41 703 760	19 546 288	22 157 473
25 247 494	15 887 103	9 360 392	Waste water management	24 355 823	12 145 666	12 210 157
15 109 192	13 861 743	1 247 449	Waste management	13 682 499	15 675 003	(1 992 504)
-	1 310 264	(1 310 264)	Other	-	1 242 516	(1 242 516)
258 423 444	333 775 989	(75 352 545)		269 751 172	298 112 836	(28 361 665)

APPENDIX C
EMTHANJENI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022
MUNICIPAL VOTES CLASSIFICATIONS

2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R		2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus/ (Deficit) R
5 890 452	21 611 359	(15 720 907)	Office of the Mayor	5 324 949	76 670 522	(71 345 572)
615 290	2 031 967	(1 416 677)	Municipal Manager	13 461 999	2 090 580	11 371 419
60 429 062	38 061 222	22 367 840	Finance	58 279 244	42 386 565	15 892 679
-	8 187 938	(8 187 938)	Corporate Services	-	7 238 325	(7 238 325)
18 037 950	42 649 775	(24 611 825)	Community & Social Services	17 538 762	44 002 851	(26 464 089)
173 450 691	221 233 729	(47 783 038)	Infrastructure	175 146 217	125 723 994	49 422 223
258 423 444	333 775 989	(75 352 545)	Sub Total	269 751 172	298 112 836	(28 361 665)
			Less Inter-Departmental Charges			
258 423 444	333 775 989	(75 352 545)	Total	269 751 172	298 112 836	(28 361 665)

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 2022
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation							Accumulated Impairment					Accumulated Depreciation					Carrying Value	
	Opening Balance	Correction of Error	Revaluation	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Correction of Error	Additions	Disposals	Reversal	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals		Closing Balance
Executive & Council	16 124 356		1 072 400.00	10 793		11 291	17 196 259	-			-		-	1 100 447		62 520	11 291	1 151 676	16 044 583
Finance & Admin	242 166 935			184 858		31 096 446	211 255 346	4 268 021			157 504.76		4 110 517	130 579 954		6 886 603	23 698 782	113 767 775	93 377 054
Planning & Development	4 981 615			-		6 360	4 975 255	7			-		7	2 530 391		496 106	6 360	3 020 137	1 955 111
Health	43 338			-		-	43 338	-			-		-	8 326		5 786	-	14 112	29 227
Community & Social Services	2 548 117			31 681		24 481	2 555 316	1 540			6.05		1 534	2 018 925		145 768	24 475	2 140 218	413 564
Housing	1 391 018			-		1 938	1 389 080	215			-		215	787 515		15 806	1 938	801 383	587 482
Public Safety	746 266			898		-	747 164	-			-		-	585 497		19 729	-	605 226	141 938
Sport & Recreation	433 595			-		103 107	330 488	-			-		-	384 871		24 292	103 107	306 056	24 432
Waste Management	50 415 688			(5 363 929)		-	45 051 758	3 038			-		3 038	17 635 895		2 810 645	-	20 446 540	24 602 181
Waste Water Management	142 857 294			3 147 855		-	146 005 149	-			-		-	41 301 741		2 386 586	-	43 688 327	102 316 823
Road Transport	435 967 166			2 069 133		-	438 036 299	3 474 448			-		3 474 448	301 202 266		9 905 940	-	311 108 206	123 453 645
Water	344 723 449			1 147 227		117	345 870 559	2 023 683			-		2 023 683	132 486 700		6 405 463	117	138 892 046	204 954 831
Electricity	1 048 012 597			4 518 032		20 095	1 052 510 534	505 096			-		505 096	759 700 509		23 478 527	20 088	783 158 948	268 846 491
Other	55 574			-		-	55 574	-			-		-	51 018		1 823	-	52 841	2 733
	2 290 467 008	0		5 746 548	-	31 263 836	2 266 022 120	10 276 049	-		157 511	-	10 118 538	1 390 374 055	-	52 645 592	23 866 159	1 419 153 488	836 750 094

Council Draft

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 2021	Correction of Error	Restated Balance 1 July 2021	Contributions during the year	Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Transferred to Revenue	Balance 31 June 2022
National Government Grants									
National Equitable Share	-	-	-	36 827 000	13 108 573	(49 935 573)			-
National: Financial Management Grant	-	-	-	1 700 000		(1 700 000)			-
National: Municipal Infrastructure Grant	16 757 320	-	16 757 320	8 596 000	(11 434 573)	(429 800)	(3 312 023)	(496 803)	9 680 120
National: Integrated National Electrification Programme Grant	522 337	-	522 337	1 600 000	(522 000)	-	(1 357 899)	(203 685)	38 754
National: Energy Efficiency and Demand Management Grant	242 545	-	242 545	3 000 000	(243 000)	-	(2 583 635)	(387 545)	28 364
National: Expanded Public Works Programme Integrated Grant	1 560 725	-	1 560 725	1 389 000	(909 000)	-	(946 352)	(55 501)	1 038 872
National: Water services infrastructure grant	-	-	-	4 000 000		-	(897 987)	(134 698)	2 967 315
Total National Government Grants	19 082 927	-	19 082 927	57 112 000	-	(52 065 373)	(9 097 897)	(1 278 233)	13 753 425
Provincial Government Grants									
Provincial Housing Accreditation	-	-	-	400 000		(400 000)			-
Provincial: Sport, Arts and Culture (Library Grant)	0	(740 000)	(740 000)	1 540 000		(761 607)		(10 678)	27 716
Provincial: Department of Education	1 232 100	-	1 232 100	-		-			1 232 100
Total Provincial Government Grants	1 232 100	(740 000)	492 100	1 940 000	-	(1 161 607)	-	(10 678)	1 259 816
Total Grants	20 315 027	(740 000)	19 575 027	59 052 000	-	(53 226 980)	(9 097 897)	(1 288 911)	15 013 240

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Description	2021/2022								2020/2021			
	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	39 820	–	39 820	39 620	–	(200)	-0.5%	-0.5%				39 420
Service charges	154 708	(6 000)	148 708	151 488	–	2 780	1.9%	-2.1%				140 702
Investment revenue	425	–	425	6 411	–	5 987	1410.1%	1410.1%				3 953
Transfers recognised - operational	54 274	–	54 274	53 237	–	(1 037)	-1.9%	-1.9%				51 750
Other own revenue	56 863	(2 000)	54 863	3 865	–	(50 999)	-93.0%	-93.2%				5 918
Total Revenue (excluding capital transfers and contributions)	306 091	(8 000)	298 091	254 622	–	(43 469)	14.6%	-16.8%				241 743
Employee costs	93 351	1 200	94 551	93 671	–	(880)	-0.9%	0.3%	–	–	–	87 004
Remuneration of councillors	6 715	–	6 715	5 714	–	(1 001)	-14.9%	-14.9%	–	–	–	5 682
Depreciation & asset impairment	9 891	–	9 891	52 646	42 755	42 755	432.3%	432.3%	–	–	–	52 209
Finance charges	3 342	(600)	2 742	13 964	11 222	11 222	409.3%	317.9%	–	–	–	11 851
Materials and bulk purchases	98 066	–	98 066	82 505	82 505	(15 561)	-15.9%	-15.9%	–	–	–	76 371
Other expenditure	80 868	(8 600)	72 268	66 364	–	(5 904)	-8.2%	-17.9%	–	–	–	100 659
Total Expenditure	292 232	(8 000)	284 232	314 863	34 899	30 631	10.8%	7.7%	–	–	–	333 777
Surplus/(Deficit)	13 859	–	13 859	(60 241)	–	(74 099)	-534.7%	-534.7%				(92 034)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	27 596	(10 400)	17 196	11 274	–	(5 922)	-34.4%	-59.1%				11 706
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	–	–	1 097	–	–	0.0%	0.0%				4 975
Surplus/(Deficit) after capital transfers & contributions	41 455	(10 400)	31 055	(47 870)	–	(80 021)	(0)	(0)				(75 353)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–				–
Surplus/(Deficit) for the year	41 455	(10 400)	31 055	(47 870)	–	(80 021)	-254.1%	-215.5%				(75 353)
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	27 596	(10 400)	17 196	11 274	–	(5 922)	-34.4%	-59.1%				22 344
Public contributions & donations	–	–	–	1 097	–	1 097	0.0%	0.0%				3 567
Borrowing	13 000	–	13 000	–	–	(13 000)	0.0%	0.0%				–
Internally generated funds	860	–	860	–	–	(860)	-100.0%	-100.0%				2 909
Total sources of capital funds	41 456	(10 400)	31 056	–	–	(18 685)	(0)	(0)				28 821
Cash flows												
Net cash from (used) operating	29 170	(10 600)	18 570	6 979	–	(11 591)	-62.4%	-76.1%				14 327
Net cash from (used) investing	(41 126)	10 400	(30 726)	(9 981)	–	20 745	-67.5%	-75.7%				(10 390)
Net cash from (used) financing	12 193	–	12 193	691	–	(11 502)	-94.3%	-94.3%				(241)
Cash/cash equivalents at the year end	237	(200)	37	7 897	–	7 859	21040.3%	3227.0%				10 208

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2021/2022								2020/2021			
	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 - Standard												
Government and administration	65 270	-	65 270	77 066		11 797	18.07%	18.07%				66 935
Executive and council	4 879	-	4 879	18 787		13 908	285.02%	285.02%				6 506
Finance and administration	60 390	-	60 390	58 279		(2 111)	-3.50%	-3.50%				60 429
Internal audit	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Community and public safety	4 592	-	4 592	3 857		(735)	-16.00%	-16.00%				2 929
Community and social services	1 716	-	1 716	1 765		49	2.84%	2.84%				1 006
Sport and recreation	31	-	31	21		(9)	-30.87%	-30.87%				7
Public safety	2 340	-	2 340	1 635		(705)	-30.14%	-30.14%				1 423
Housing	505	-	505	435		(70)	-13.82%	-13.82%				493
Health	-	-	-	1		1	#DIV/0!	0.00%				-
Economic and environmental services	14 434	(4 000)	10 434	8 346		(2 088)	-20.01%	-14.47%				11 845
Planning and development	13 985	(4 000)	9 985	3 973		(6 012)	-60.21%	-42.99%				3 828
Road transport	449	-	449	4 373		3 924	874.21%	874.21%				8 016
Trading services	249 391	(14 400)	234 991	180 482		(54 510)	-23.20%	-21.86%				176 715
Energy sources	139 162	(8 400)	130 762	100 740		(30 022)	-22.96%	-21.57%				97 400
Water management	53 820	(6 000)	47 820	41 704		(6 116)	-12.79%	-11.36%				38 958
Waste water management	35 831	-	35 831	24 356		(11 475)	-32.03%	-32.03%				25 247
Waste management	20 579	-	20 579	13 682		(6 896)	-33.51%	-33.51%				15 109
Other	-	-	-	-		-	0.00%	0.00%				-
Total Revenue - Standard	333 687	(18 400)	315 287	269 751		(45 536)	-14.44%	-13.65%				258 423
Expenditure - Standard												
Government and administration	57 710	(230)	57 480	127 143	-	69 663	121.2%	120.7%	-	-	-	68 582
Executive and council	17 042	152	17 193	77 519	-	60 325	350.9%	354.0%	-	-	-	22 333
Finance and administration	40 668	(381)	40 287	49 625	-	9 338	23.2%	23.0%	-	-	-	46 249
Internal audit	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Community and public safety	31 865	659	32 524	28 359	-	(4 165)	-12.8%	-13.1%	-	-	-	28 813
Community and social services	14 467	227	14 694	12 760	-	(1 935)	-13.2%	-13.4%	-	-	-	13 978
Sport and recreation	5 325	94	5 419	5 248	-	(171)	-3.2%	-3.2%	-	-	-	5 353
Public safety	9 109	(125)	8 984	6 786	-	(2 197)	-24.5%	-24.1%	-	-	-	6 389
Housing	2 797	464	3 261	3 534	-	273	8.4%	9.8%	-	-	-	3 069
Health	166	-	166	31	-	(135)	-81.2%	-81.2%	-	-	-	25
Economic and environmental services	30 661	(451)	30 210	20 387	-	(9 823)	-32.5%	-32.0%	-	-	-	30 736
Planning and development	12 579	(572)	12 007	9 432	-	(2 575)	-21.4%	-20.5%	-	-	-	9 176
Road transport	18 082	121	18 203	10 955	-	(7 248)	-39.8%	-40.1%	-	-	-	21 561
Trading services	170 655	(7 980)	162 674	120 981	-	(41 693)	-25.6%	-24.4%	-	-	-	204 334
Energy sources	107 983	(1 881)	106 102	73 614	-	(32 488)	-30.6%	-30.1%	-	-	-	145 812
Water management	19 998	(98)	19 900	19 546	-	(353)	-1.8%	-1.8%	-	-	-	28 773
Waste water management	22 778	(3 723)	19 055	12 146	-	(6 909)	-36.3%	-30.3%	-	-	-	15 887
Waste management	19 896	(2 278)	17 618	15 675	-	(1 943)	-11.0%	-9.8%	-	-	-	13 862
Other	1 342	1	1 342	1 243	-	-	0.0%	0.0%	-	-	-	1 310
Total Expenditure - Standard	292 232	(8 001)	284 231	298 113		13 882	4.9%	4.8%				333 776
Surplus/(Deficit) for the year	41 455	(10 399)	31 056	(28 362)		(59 417)	-191.3%	-143.3%				(75 353)

**APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Vote Description	2021/2022								2020/2021			
	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	4 399	–	4 399	5 325		–	0.0%	0.0%				5 890
Vote 2 - Municipal Manager	480	–	480	13 462		–	0.0%	0.0%				615
Vote 3 - Finance	60 262	–	60 262	58 279		–	0.0%	0.0%				60 429
Vote 4 - Corporate Services	128	–	128	–		–	0.0%	0.0%				–
Vote 5 - Community & Social Services	61 102	–	61 102	17 539		–	–	–				18 038
Vote 6 - Infrastructure	207 316	(18 400)	188 916	175 146		–	–	–				173 451
Total Revenue by Vote	333 687	(18 400)	315 287	269 751		–	0.0%	0.0%				258 423
Expenditure by Vote to be appropriated												
Vote 1 - Office of the Mayor	13 037	158	13 195	76 671	63 476	–	0.0%	0.0%	–	–	–	21 611
Vote 2 - Municipal Manager	4 005	(14)	3 991	2 091	–	–	0.0%	0.0%	–	–	–	2 032
Vote 3 - Finance	25 269	69	25 338	42 387	17 048	–	0.0%	0.0%	–	–	–	38 061
Vote 4 - Corporate Services	15 399	(455)	14 944	7 238	–	–	0.0%	0.0%	–	–	–	8 188
Vote 5 - Community & Social Services	68 952	(2 953)	65 999	44 003	–	–	0.0%	0.0%	–	–	–	42 650
Vote 6 - Infrastructure	165 570	(4 806)	160 764	125 724	–	–	0.0%	0.0%	–	–	–	221 234
Total Expenditure by Vote	292 232	(8 001)	284 231	298 113	80 524	–	0.0%	0.0%	–	–	–	333 776
Surplus/(Deficit) for the year	41 455	(10 399)	31 056	(28 362)		–	0.0%	0.0%				(75 353)

**APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)**

Description	2021/2022						2020/2021					
	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	39 820	-	39 820	39 620		(200)	-0.5%	-0.5%				39 420
Service charges - electricity revenue	79 333	(4 000)	75 333	94 588		19 256	25.6%	24.3%				88 106
Service charges - water revenue	38 396	(2 000)	36 396	33 891		(2 505)	-6.9%	-6.5%				31 917
Service charges - sanitation revenue	23 925	-	23 925	15 331		(8 593)	-35.9%	-35.9%				13 803
Service charges - refuse revenue	13 055	-	13 055	7 678		(5 378)	-41.2%	-41.2%				6 876
Rental of facilities and equipment	877	-	877	2 393		1 516	172.8%	172.8%				1 238
Interest earned - external investments	425	-	425	1 297		872	205.5%	205.5%				1 182
Interest earned - outstanding debtors	1 746	-	1 746	5 114		3 369	193.0%	193.0%				2 770
Fines, penalties and forfeits	1 160	-	1 160	1 447		287	24.7%	24.7%				1 288
Licences and permits	1 945	-	1 945	918		(242)	-20.8%	-12.4%				970
Transfers and subsidies	54 274	-	54 274	53 237		53 237	#DIV/0!	98.1%				51 750
Other revenue	50 805	(2 000)	48 805	1 860		(52 414)	-96.6%	-103.2%				2 423
Gains	330	-	330	(2 754)		(51 559)	-105.6%	-15624.0%				-
Total Revenue (excluding capital transfers and contributions)	306 091	(8 000)	298 091	254 622		(44 299)	-17.4%	-14.5%				241 743
Expenditure By Type												
Employee related costs	93 351	1 200	94 551	93 671		(880)	-0.9%	-0.9%				87 004
Remuneration of councillors	6 715	-	6 715	5 714		(1 001)	-14.9%	-14.9%				5 682
Debt impairment	7 214	-	7 214	26 549	19 335	19 335	268.0%	268.0%				30 808
Depreciation & asset impairment	9 891	-	9 891	52 646	42 755	42 755	432.3%	432.3%				52 209
Finance charges	3 342	(600)	2 742	13 964	11 222	11 222	409.3%	335.8%				11 851
Bulk purchases - electricity	85 055	-	85 055	80 411		(4 644)	-5.5%	-5.5%				72 890
Inventory consumed	13 011	-	13 011	2 094		(10 917)	-83.9%	-83.9%				3 480
Contracted services	10 762	-	10 762	15 564	4 802	4 802	44.6%	44.6%				10 156
Other expenditure	62 892	(8 601)	54 291	4 743		(49 548)	-91.3%	-78.8%				29 596
Losses	-	-	-	-		-	#DIV/0!	#DIV/0!				30 099
Total Expenditure	292 232	(8 001)	284 231	295 355	78 114	11 124	3.9%	3.8%				333 777
Surplus/(Deficit)	13 859	1	13 860	(40 733)		(54 592)	-393.9%	-393.9%				(92 034)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	27 596	(10 400)	17 196	11 274		(5 922)	-34.4%	-21.5%				11 706
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	1 097		1 097	#DIV/0!	#DIV/0!				4 975
Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) after capital transfers & contributions	41 455	(10 399)	31 056	(28 362)		(59 417)	-191.3%	-143.3%				(75 353)
Taxation	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) after taxation	41 455	(10 399)	31 056	(28 362)		(59 417)	-191.3%	-143.3%				(75 353)
Attributable to minorities	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) attributable to municipality	41 455	(10 399)	31 056	(28 362)		(59 417)	-191.3%	-143.3%				(75 353)
Share of surplus/ (deficit) of associate	-	-	-	-		-	#DIV/0!	#DIV/0!				-
Surplus/(Deficit) for the year	41 455	(10 399)	31 056	(28 362)		(59 417)	-191.3%	-143.3%				(75 353)

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Vote Description	2021/2022								2020/2021			
	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		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	29
Vote 2 - Municipal Manager		-	-	10	10	10	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - Finance		-	-	185	185	185	#DIV/0!	#DIV/0!	-	-	-	4 481
Vote 4 - Corporate Services	660	-	660	-	-	(660)	-100%	-100%	-	-	-	-
Vote 5 - Community & Social Services	200	-	200	33	-	(167)	-84%	-82%	-	-	-	45
Vote 6 - Infrastructure	40 596	(10 400)	30 196	5 518	-	(24 678)	-82%	-61%	-	-	-	24 266
Capital single-year expenditure	41 456	(10 400)	31 056	5 746	195	(25 310)	-81%	-61%	-	-	-	28 821
Total Capital Expenditure - Vote	41 456	(10 400)	31 056	5 746	195	(25 310)	-81%	-61%	-	-	-	28 821
Capital Expenditure - Standard												
Governance and administration	660	-	660	-	-	(660)	-100%	-100%	-	-	-	4 483
Executive and council		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	3
Finance and administration	660	-	660	-	-	(660)	-100%	-100%	-	-	-	4 481
Community and public safety	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	75
Community and social services		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	45
Sport and recreation		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Public safety		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Housing		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Health		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	30
Economic and environmental services	12 596	8 596	-	-	-	-	#DIV/0!	0%	-	-	-	2 495
Planning and development		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	1 914
Road transport	12 596	8 596	-	-	-	-	#DIV/0!	0%	-	-	-	582
Trading services	28 200	(6 400)	21 800	-	-	(21 800)	-100%	-77%	-	-	-	21 767
Energy sources	20 000	(2 400)	17 600	-	-	(17 600)	-100%	-88%	-	-	-	4 188
Water management	8 000	(4 000)	4 000	-	-	(4 000)	-100%	-50%	-	-	-	2 055
Waste water management		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	5 587
Waste management	200	-	200	-	-	(200)	-100%	-100%	-	-	-	9 937
Other	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Total Capital Expenditure - Standard	41 456	6 196	22 460	-	-	(22 460)	-100%	-54%	-	-	-	28 821
Funded by:												
National Government	27 596	(10 400)	17 196	-	-	(17 196)	-100%	-62%	-	-	-	22 344
Provincial Government		-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Transfers recognised - capital	27 596	(10 400)	17 196	-	-	(17 196)	-100%	-62%	-	-	-	22 344
Public contributions & donations	-	-	0	-	-	0	-	-	-	-	-	3 567
Borrowing	13 000	-	13 000	-	-	(13 000)	-	-	-	-	-	-
Internally generated funds	860	-	860	1 194	-	335	39%	39%	-	-	-	2 909
Total Capital Funding	41 456	(10 400)	31 056	1 194	-	(29 861)	-96%	-72%	-	-	-	28 821

APPENDIX F - Unaudited
EMTHANJENI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022
CASH FLOWS

Description	2021/2022							2020/2021
	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	33 838	–	33 838	24 223	(9 615)	-28.4%	-28.4%	151 245
Service charges	128 937	(6 000)	122 937	118 412	(4 525)	-3.7%	-8.2%	
Other revenue	33 526	(2 000)	31 526	6 619	(24 906)	-79.0%	-80.3%	
Transfers and Subsidies - Operational	55 274	–	55 274	53 237	(2 037)	-3.7%	-3.7%	75 822
Transfers and Subsidies - Capital	27 596	(10 400)	17 196	5 973	(11 223)	-65.3%	-78.4%	
Interest	1 845	–	1 845	6 411	4 567	247.6%	247.6%	3 953
Taxes				(7 440)				
Payments								
Suppliers and employees	(248 504)	(241 304)		(196 518)	(196 518)	#DIV/0!	-20.9%	(213 417)
Finance charges	(3 342)	(2 742)		(4 679)	(4 679)	#DIV/0!	40.0%	(3 277)
Transfers and Grants		–		–	–	#DIV/0!	#DIV/0!	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	29 170	(262 446)	262 616	6 239	–	-97.6%	-78.6%	14 327
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	330	–	330	–	(330)	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	(41 456)	10 400	(31 056)	(9 981)	21 075	-67.9%	-75.9%	(10 390)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(41 126)	10 400	(30 726)	(9 981)	–	-67.5%	-75.7%	(10 390)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	13 000	–	13 000	–	(13 000)	0.0%	0.0%	–
Increase (decrease) in consumer deposits	82	–	82	–	(82)	0.0%	0.0%	–
Payments								
Repayment of borrowing	(889)	–	(889)	691	1 579	-177.7%	-177.7%	(241)
NET CASH FROM/(USED) FINANCING ACTIVITIES	12 193	–	12 193	691	–	-94.3%	0.0%	(241)
NET INCREASE/ (DECREASE) IN CASH HELD	237	–	37	(2 311)				3 695
Cash/cash equivalents at the year begin:	487	–	487	10 208				6 512
Cash/cash equivalents at the year end:	724	(200)	524	7 897	7 373	1406.7%	990.6%	10 208

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2022

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
Mayor						
GL Nkumbi	9 276	375 206		153 659		528 865
Speaker						
Kivedo MC	17 391	473 674	-	202 291	-	675 965
Councillors						
Sthonga ST	-	215 256	-	87 561	-	302 817
HJ Rust	-	19 258	-	5 700	-	24 958
WJ Du Plessis	-	68 121	-	38 516	-	106 637
PD Van Wyk	-	68 121	-	38 516	-	106 637
LE Andrews	5 173	228 902	-	120 701	-	349 602
SJ Hoffman	-	68 121	-	38 516	-	106 637
L Billie	-	87 422	-	44 950	-	132 372
RR Faul	-	68 121	-	38 516	-	106 637
MO Maramba	-	68 121	-	38 516	-	106 637
PP Mhlauti	11 068	191 318	-	105 482	-	296 800
D Vanel	-	68 121	-	38 516	-	106 637
CJ Louw	-	90 064	-	45 830	-	135 894
PN Bushula	9 537	191 318	-	108 173	-	299 491
NP Mkontwana	-	90 064	-	45 830	-	135 894
SP Wales	-	68 121	-	38 516	-	106 637
JM Fortuin	6 042	123 197	-	69 657	-	192 854
JT Brandt	5 359	123 197	-	69 657	-	192 854
MN Mackay	6 877	156 284	-	80 686	-	236 970
FCS Swanepoel	2 180	123 197	-	69 657	-	192 854
RH Adams Beukes	28 645	123 197	-	69 657	-	192 854
SW Makhandula	5 948	123 197	-	69 657	-	192 854
BS Swanepoel	4 161	123 197	-	69 657	-	192 854
RS Smith	-	162 882	-	82 882	-	245 764
GK Engelbrecht	17 210	126 932	-	69 657	-	196 589
MST Booysen	7 459	123 197	-	69 657	-	192 854
Total for Councillors	136 327	3 747 807	-	1 910 610	-	5 658 418
Municipal Manager						
Visser I	19 255	823 593	199 472	411 174	150 372	1 584 611
Chief Financial Officer						
Manuel MF	21 066	896 100	235 574	205 840	2 125	1 339 639
Director: Community Services						
Joka HM	25 341	508 056	129 362	340 980	136 531	1 114 929
Director: Corporate Services						
Msengana TW	2 621	585 000	146 130	283 545	164 703	1 179 377
Director: Infrastructure and Technical Services						
L Thiso	-	516 000	67 353	252 416	117 142	952 910
Total for Senior Managers	68 282	3 328 749	777 891	1 493 954	570 873	6 171 467
Total for Management	204 609	7 076 556	777 891	3 404 564	570 873	11 829 885

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 Mhlaui	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	119 265	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

Annexure B: Report of the Auditor-General

Council Draft

Report of the auditor-general to 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 2022, 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 the auditor's report, the financial statements present fairly, in all material respects, the financial position of the Emthanjeni Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Cash and cash equivalents (Current liability)

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 cash and cash equivalent (current liability) stated at R16 558 310 (2021: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 and adjustments were necessary.

Receivables from non-exchange transactions (Fines)

4. During 2021, I was unable to obtain sufficient appropriate audit evidence that receivables from non-exchange transactions (fines) 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 (fines) 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.

5. In addition, trade and other receivables (fines) were not accurate resulting in trade and other receivables transactions (fines) being understated by R1 034 746 and interest was not charged resulting in receivables from non-exchange transactions being understated by R1 295 837. Consequently, I was unable to determine whether any further adjustments were necessary to trade and other receivables from non-exchange from transactions(fines) stated at R116 650 361.

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 R24 455 018 (2021: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.

Other creditors

7. I was unable to obtain sufficient appropriate audit evidence that Other creditors for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the Other creditors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Other creditors transactions at R10 039 167 in note 17.2 to the financial statements. Since the cash and cash equivalents balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether cash flows from operating activities were accurate and complete.

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 expenditure incurred in contravention of the supply chain management requirements, which resulted in irregular expenditure of R6 863 327 (2021: R10 890 627).

Contracted services

9. The municipality did not sign invoices as proof that services were received as required by GRAP 1, Presentation of Financial Statements. As the municipality did not implement internal controls for services received. Consequently, Contracted services was overstated and Trade payables was overstated by an undeterminable amount. I was unable to determine the full extent of the overstatement of contracted services as it was impracticable to do so.

Service Charges

10. During 2021, 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.

11. The municipality did not have adequate systems to maintain records for interest charged. This resulted in service charges and receivables from exchange transactions being understated by R1 415 286. In addition I was unable to obtain sufficient appropriate audit evidence that service charges (revenue foregone) for the amounts disclosed as service charges. I could not confirm service charges by other means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R145 929 228 in note 25 of the financial statements. Since the service charges 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.

Context for the opinion

12. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
13. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
14. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to financial sustainability

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.
16. 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

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

Restatement of corresponding figures

18. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2022.

Material impairment – trade debtors

19. As disclosed in note 9 and 10 to the financial statements, material impairments of R327 133 339 were incurred as a result of provision for impairment of receivables from exchange and non-exchange transactions.

Material underspending on conditional grants

20. As disclosed in the Grants and subsidies disclosure, the municipality materially underspent the conditional grants by R15 013 816.

Material losses - electricity

21. As disclosed in note 48.8 to the financial statements, material electricity losses of R52 370 969 (2021: R59 700 003) was incurred, which represents 12.21% (2021: 12.79%) of total electricity purchased.

Other matters

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

Unaudited disclosure notes (MFMA 125)

23. 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

24. The supplementary information set out on Appendix A to G does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting for the financial statements

25. 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.

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

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

27. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
28. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

29. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected Objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
30. 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.
31. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2022:

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

32. 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.

33. 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 for rendered to residents within the available resources

Various indicators

34. Measures taken to improve performance have not been disclosed appropriately in the Annual Performance Report

Indicator number	Indicator description	Planned target	Reported achievement
TL17	TL17 60% of the maintenance budget of waste management spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100	60%	35.69%
TL36	TL36 60% of the water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	60%	32.6%
TL38	TL38 Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	90%	47.27%
TL39	60% of the waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved TL39 budget)x100)	60%	30.90%
TL40	TL40 60% of the roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	60%	33.20%

TL43	TL43 60% of the electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	60%	49.81%
TL46	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}	70%	25.82%
TL47	TL47 50% 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}	50%	39.54%

Indicators with limitation on the Denominator

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

No	Indicator number	Indicator Description	Reported achievement
1	TL17	TL17 60% of the maintenance budget of waste management spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	35.69%
2	TL36	TL36 60% of the water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	32.6%
3	TL39	TL39 60% of the waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	30.90%
4	TL40	TL40 60% of the roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	33.2%
5	TL43	TL43 60% of the electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	49.81%

Various indicators

36. The achievements reported in the annual performance report materially different from the supporting evidence provided

Indicator number	Indicator description	Reported value	Recalculated value	Difference
TL22	TL22 Number of formal 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	7048	4626	2422
TL41	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]	12.25%	20.25%	7.95%

Various Indicators

37. Material differences were identified in the numerator of the indicators listed below:

Indicator number	Indicator description	Reported value	Recalculated value	Difference
TL17	TL17 60% of the maintenance budget of waste management spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100	R 360 944.80	R 409 722.19	R 48 777
TL36	TL36 60% of the water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	R 607 490.57	R 744 556.13	R 137 066
TL39	TL39 60% of the waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	R321 206.77	R392 727.34	R71 521
TL40	TL40 60% of the roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	R569 457.66	R617 876.79	R48 419
TL43	TL43: 60% of the electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	R1 735 652.34	R1 643 503.2	R92 149

Other matter

38. I draw attention to the matters below.

Achievement of planned targets

39. 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 reliability of the reported performance information in paragraph(s) x to x of this report.

Adjustment of material misstatements

40. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information objective of Provision of access to all basic services to residents within available resources. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

41. 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.
42. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance reports and annual reports

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

Expenditure management

44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
45. Reasonable steps were not taken to prevent irregular expenditure amounting to R3 310 165 as disclosed in note 47.3 to the annual financial statements, in contravention of 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.

46. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 639 871 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.
47. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R80 718 672, 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 by overspending on votes.

Revenue management

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

Strategic planning and performance management

49. 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 regulation 7(1).

Asset management

50. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) of the MFMA.

Procurement and contract management

51. 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). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year.] Similar non-compliance was also reported in the prior year.
52. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(1)(b).
53. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

54. 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). Similar non-compliance was also reported in the prior year.
55. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year.
56. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.
57. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44.
58. 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

59. 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.
60. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Human resource management

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

Other information

62. 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.
63. 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.
64. 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.

65. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

66. 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.
67. Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored
68. 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.
69. Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.
70. Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities
71. 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.
72. 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
73. Management did not establish and implement an IT governance framework that supports and enables the business, delivers value and improves performance.
74. 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.
75. Management did not implement controls over daily and monthly processing and reconciling of transactions.

76. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
77. Management did not review and monitor compliance with applicable legislation.

Material irregularities

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

Material irregularities in progress

79. 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, I had not yet completed the process of evaluating the response from the accounting officer. This material irregularity will be included in the next year's auditor's report.

Suspected material irregularities identified during the audit

Bank account details of suppliers were changed

80. In 2020, fraudulent payments were flagged by the bank relating to payment details that did not agree to the creditor. A former employee changed the banking details of suppliers to his own bank account. The municipality's processes were overridden and did not identify that fraudulent payments of R 1 501 024.18 were made to an incorrect bank account. The payments that were made related to contributions of compensation for injury on duty. An investigation by the internal audit unit on 23 September 2019 concluded that this was as a result of supplier details being changed to the municipality's former employee's banking details.
81. The accounting officer was notified of the suspected material irregularity that resulted in a likely financial loss on 24 November 2021 and invited to make a written submission on the actions taken and to be taken to address the matter. The following actions have been taken by the accounting officer to address the material irregularity:
- The accounting officer reported the matter to SAPS for criminal investigation on 12 February 2021 and possible recovery of the losses. The Hawks are in the process of investigating the matter.
 - The Financial Disciplinary Board held a meeting on 25 August 2022 with the purpose of investigating the matter, however delays were caused by insufficient information being available at the time of the meeting. Some board members resigning subsequently and at the time of this report the appointment of new members was not yet concluded.
 - Subsequent to the notification being issued, internal controls were designed and implemented in expenditure management. The controls include the verification of supplier banking details before payments are made.

82. I will follow up on the progress of the material irregularity during my next audit.

Status of previously reported material irregularities

Eskom accounts not paid within 30 days

83. 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.
84. 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.
85. On 2 September 2022 I followed up on the progress of the material irregularity. The municipality adhered to the payment arrangement entered into with Eskom in October 2020 and reduced the interest payable on the Eskom account. The municipality has made some progress in terms of paying the Eskom account. Total payments for interest for the current year amounted to R3 912 790 which is slightly lower than the previous year's interest incurred.
86. The following actions are planned by the accounting officer to further address the material irregularity:
- Continue to adhere to the payment terms as agreed to with Eskom and to ensure ensure that current debt is settled timeously to prevent further losses from incurred.
87. I will follow up on the progress of the planned actions during my next audit.

88. 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.
89. 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.

Kimberley

Auditor General

30 November 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Council Draft

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 Emthanenji 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.

Council Draft