



# **ANNUAL REPORT**

**2018/19**

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# Metsimaholo Local Municipality

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## **Acronyms**

CoGTA	Cooperative Governance and Traditional Affairs
CWP	Community Works Programme
DCoG	Department of Cooperative Governance
ICIP	Integrated Comprehensive Infrastructure Plan
IDP	Integrated Development Planning
IEP	Integrated Energy Plan
KPI	Key Performance Indicators
LEDP	Local Economic Development Plan
LED	Local Economic Development
mSCOA	Municipal Standard Chart of Account
MSA	Municipal System Act
MFMA	Municipal Finance Management Act
MDGs	Millennium Development Goals
NDP	National Development Plan
PMS	Performance Management System
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SMART	Specific, Measurable, Attainable, Realistic and Timely

## ***Municipal Manager's Accountability Statement***

Honourable Executive Mayor, Councillor L Tshongwe, it is with pleasure that I present the Annual Report of Metsimaholo Local Municipality for the financial year ended on 30 June 2019.

In presenting this Annual Report, it is important to highlight that, section 121(3) of the Municipal Finance Management Act 56 of 2003 and section 46 of the Municipal Systems Act 32 of 2000, both prescribes the core contents of an Annual Report for a municipality. In preparation of this annual report, I have therefore considered these and other legislative requirements and National Treasury Guidelines regarding the preparation of a municipality's Annual Report.

Moreover, I have also considered the importance of reliability, usefulness and relevance of the annual financial statements and performance information contained herein as submitted to the Auditor-General on 30 August 2019 for auditing purposes.

This Annual Report therefore, serves as an authoritative record of the activities of the Metsimaholo Local Municipality for the period 1 July 2018 to 30 June 2019 in a manner that seeks to promote accountability to the community

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Mr S.O Mashiane

**Acting Municipal Manager**

\*As at 30 June 2019 Mr S.O Mashiane was the Acting Municipal Manager.

However, at the time of tabling of the AR (January 2020), Mr Mashiane had resigned from being MLM employee

### 1.1 Executive Mayor's Foreword

It gives me great pleasure and a privilege as the Executive Mayor to present this Annual Report of Metsimaholo Local Municipality for the 2018/19 financial year in compliance with Section 127 of the MFMA Act no 56 of 2003 and as an expression of our commitment to public participation, service delivery and clean accountable government.

The 2018/2019 Annual Report is a continuation of the work started by the first coalition government to ensure that our people are involved in the governance of their municipalities. This document seeks to portray a picture of the efforts our municipality made to address the needs of its more than 220 000 inhabitants spread through our municipal area namely, Sasolburg, Zamdela, Deneysville, Viljoensdrift, Oranjeville and Metsimaholo.

This 2018/2019 Annual Report of Metsimaholo Local Municipality, which in many ways reflect our service delivery and developmental achievements and challenges, is presented in recognition of our legislative obligation to be an accountable and transparent organisation. It is one of the highly reputable tools of government to assess the effectiveness and impact the Municipality is making in the lives of its community/residents. It also gives an opportunity to diagnose the state of financial affairs, as well as the administrative and governance maturity levels of the institution.

Furthermore, this report outlines our achievements for the past financial year, reflecting concrete steps taken to realise our vision and plans for our community's future. This report also provides an easily readable and summarised statement of Metsimaholo municipality's progress towards the targets set in its Integrated Development Plan (IDP).

We will be focusing our energy and delivering on sustainability through a range of initiatives such as water and sewer networks, allocation of sites, building of houses, water and sewer, roads and electricity. We will continue with the established partnership agreements with the business community and private sector, such as SASOL and Rand Water Foundation.

Despite this daunting challenges, the Municipality has managed to adequately meet the demand for basic services to all residents and has performed well with the acceleration of its infrastructure development programmes, such as paved roads, sewer house connections and bulk electricity supply.

We have done a lot, but we still acknowledge that much more needs to be done. If we continue to work together, and learn from our past experiences we can move even faster to realize the goal of a better life for all.

I am confident that we are capable of addressing the existing challenges by creating a strong, supportive, planned and sustainable future for the people of our municipal area. This report shows our commitment in action and we look forward to continuing to work with our strong and diverse communities to ensure that the residents of our area have every opportunity to grow and develop to their highest potential.

I would like to thank all the members of the council, officials and members of the public for their unwavering support during this financial year and I am really looking forward to work with you all to achieve a better life for all.

---

**Cllr Lindiwe Tshongwe**  
**Executive Mayor**  
**(Signed)**

### 1.2 Municipal Manager's Executive Summary

The municipality's current 5 year IDP, which forms the basis of this annual report, outlines concrete interventions that the municipality will implement to attain its strategic objectives. The developmental priorities and objectives as espoused in the IDP, are directly linked to a specific developmental needs and objectives which must be measured in terms of the organizational PMS, and give effect to annual SDBIP indicators and targets. To this effect, our key strategic focus for the period under review was in relation to the attainment of the following key strategic objectives as outlined in the IDP:

- promotion of democratic and accountable municipality for local communities;
- the provision of services to communities in a sustainable manner;
- promotion of social and economic development;
- promotion of a safe and healthy environment; and
- encouraging the involvement of communities and community organisations in the affairs of the municipality.

Notwithstanding some considerable administrative and political challenges, the Municipality continues to provide efficient basic services to its communities. In the year under review (2018/19) the administrative arm has operated under tremendous capacity constraints as result to delay of finalizing the appointments of Senior Managers. Nevertheless, our communities continued to receive the day to day basic services due to them and I will like to appreciate the Municipal staff members who ensure that our obligations have never been compromised in this regard. Moreover, the Municipality has projected and successfully implemented IDP Infrastructure Projects which have contributed immensely towards our local sustainable development. To mention but few paved roads in Ward 8,9 & 11; construction 6,5 km electricity bulk line supply in Leitrim, upgrade of waste water treatment works, Gortin sanitation phase 4 construction of sewer yard connections are at 40% towards completion.

In the forthcoming financial year of 2019/20, one of our key goals will be to seek to refine our business model so as to sufficiently embrace and conform to the recent mSCOA reform. Our key focus will therefore primarily focus on improvement measures on areas including corporate governance, budgeting, financial and management accounting (including revenue collection), and general compliance with MFMA and associated regulations.

In conclusion, I would like to thank the Council, the Executive Mayor, and the Mayoral Committee and the Speaker for their invaluable support and political leadership to the administration of the municipality.



I would further like to convey my sincerest appreciation to the entire municipal administration for their support and cooperation, and to the community of Metsimaholo Local Municipality for their meaningful and constructive contribution in shaping this municipality.

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**Mr S.O Mashiane**

**Acting Municipal Manager**

\*As at 30 June 2019 Mr S.O Mashiane was the Acting Municipal Manager.

However, at the time of tabling of the AR (January 2020), Mr Mashiane had resigned from being MLM employee.

## 1.3 Municipal Overview

Metsimaholo is a category B municipality as envisaged in section 155(1) (h) of the Constitution, and thus has specific legislative powers and performs such duties and functions which are attributable to a local municipality by the constitution. The municipality is located within Fezile Dabi District Municipality and covers an estimated area of 1 739 square kilometers. The major towns within the Metsimaholo areas of jurisdiction include Sasolburg, Zamdela, Deneysville, Oranjeville Viljoensdrif and Coalbrook.

### 1.3.1 Overview of Sasolburg / Zamdela

The town owes its existence to the petro-chemical industry. Its refinery is one of the only two viable coal-derived oil refineries in the world (the other is at Secunda in Mpumalanga). The town was established in the early 1950s in order to provide housing and facilities for SASOL (South African Coal, Oil & Gas) employees.

The town has won the prize for the most attractive town entrance several years in a row and is a leader in environmental awareness as statistics show there are more trees and shrubs in the town. (Source: [www.freestatetourism.org](http://www.freestatetourism.org))

### 1.3.2 Deneysville / Refengkgotso

Named after Deneys Reitz, son of a former Free State president, Deneysville is a small rural village established on the banks of the Vaal Dam in 1939. The town is also known as the Highveld's inland sea and the yachting mecca for its landlocked neighbours. The biggest inland regatta in South Africa, 'Round the Island Race', is held on the dam annually, during February. With six yacht clubs, marinas, boat chandlers, boat builders and repair yards, Deneysville is the home of yachting enthusiasts. (Source: [www.freestatetourism.org](http://www.freestatetourism.org))

### 1.3.3 Oranjeville / Metsimaholo

This town, situated on the banks of the Wilge River, was established during 1919 as a halfway stop for ox wagons between Heilbron, Frankfort and Vereeniging. The town was named after the Prins van Orange of Holland. (Source: [www.freestatetourism.org](http://www.freestatetourism.org))

## Metsimaholo Local Municipality

Table 1.1 - Quick Statistical Facts about Metsimaholo Local Municipality

Details	2016 Community Survey	% Change 2011 - 2016	2011 Census	% Change 2001 - 2011	2001 Census
Total population	163 564	10%	149 108	29%	115 955
Young (0-14)	23.74%	-10%	26.30%	-5%	27.70%
Working Age (15-64)	70.99%	2%	69.30%	0%	69.30%
Elderly (65+)	5.25%	19%	4.40%	19%	3.70%
Dependency ratio	51	15%	44.3	-3%	45.7
Sex ratio	109.6	1%	108.6	4%	104.4
Growth rate	2.10%	-16%	2.51%	55%	1.62%
Population density	95 persons/km2	9%	87 persons/km2	30%	67 persons/km2
Unemployment rate	n/a	n/a	32.10%	-13%	37%
Youth unemployment rate	n/a	n/a	41.60%	-13%	47.70%
No schooling aged 20+	9.30%	63%	5.70%	-47%	10.70%
Higher education aged 20+	9.80%	-21%	12.40%	49%	8.30%
Matric aged 20+	33.20%	11%	29.80%	34%	22.20%
Number of households	59 113	29%	45 757	42%	32 260
Average household size	2.80%	-10%	3.10%	-6%	3.30%
Female headed households	33.60%	3%	32.50%	2%	32.00%
Formal dwellings	87.50%	4%	83.90%	32%	63.60%
Housing owned/paying off	73.60%	28%	57.30%	33%	43.20%
Flush toilet connected to sewerage	74.10%	-3%	76.00%	10%	69.00%
Weekly refuse removal	78.30%	-1%	78.90%	29%	61.10%
Piped water inside dwelling	95.50%	33%	71.70%	66%	43.20%
Electricity for lighting	85.50%	-1%	86.40%	11%	77.70%

Source: Stats SA: CS 2016

## CHAPTER 2: GOVERNANCE

### Component A – Governance Structures

#### 1. Political Governance Structure

The political structure of the municipality is made up of the entire municipal Council, the Executive Mayor, the Speaker and the Mayoral Committee. The Council has executive and legislative authority over the affairs of the municipality. The Council is thus has the ultimate decision making powers over the affairs of the municipality. The Executive Mayor is the link between the Council and Administration and is accountable for ongoing monitoring and for tabling of reports to the Council.

#### 1.1 Municipal Council

For the reporting period under review, the Council comprised of forty two (42) councillors from eight (8) political parties. The Executive Mayor and the Speaker also form part of this council and are both full time political office-bearers. As at the end of the reporting period under review, the structure of composition of the Council was as follows:

Table 2.1 - Political governance structure

Composition of the Municipal Council	
Name of Political Party	Number of Councillors / Seats
African National Congress (ANC)	16
Democratic Alliance (DA)	11
Economic Freedom Fighters (EFF)	8
Metsimaholo Community Association (MCA)	1
Freedom Front Plus (FF+)	1
Forum for Service Delivery (4FSD)	1
African Independent Congress (AIC)	1
South African Communist Party (SACP)	3
<b>Total</b>	<b>42</b>

## 1.2 Political Office Bearers and Mayoral Committee

For the reporting period under review, the Political Officer Bearers and the Mayoral Committee were as follows below:

Table 2.2 - Structure of Political Officer Bearers and Mayoral Committee

Political Office Bearers	
<b>Executive Mayor</b>	Ms S L Tshongwe
<b>Speaker</b>	Mr K T Mabasa
<b>Chief Whip</b>	Mr V L Mashia
Mayoral Committee	
<b>Name</b>	<b>Portfolio Responsible for</b>
<b>Councillor M S Poho</b>	Municipal Infrastructure and Technical and Services
<b>Councillor D J Nyaku (Ms)</b>	Corporate Services
<b>Councillor L S Semonyo</b>	Spatial Planning, Rural Development and Human Settlement
<b>Councillor F Mosokweni</b>	Community Services
<b>Councillor L Fisher</b>	Finance, IDP and Performance Management
<b>Councillor N P Mokoena (Ms)</b>	SMME's and Economic Development
<b>Councillor N M Mtshali (Ms)</b>	Special Programme
<b>Councillor M J Malindi</b>	Public Safety and Transport
<b>Councillor L Makhefu</b>	Ethics Committee
<b>Councillor M Molawa</b>	Municipal Public Accounts Committee (MPAC)
<b>Councillor S S Kobo</b>	Public Places and Street Naming Committee

## 1.3 Decision-Making

In terms of the Constitution of the Republic of South Africa, the legislative and executive authority of a municipality vests in its municipal council. The table hereunder provides a summary of key resolutions that were taken by Council during the period under review in exercise of its Constitutional authority.

Table 2.3 - Key council resolutions taken.

Type of Council Meeting	Date of Meeting	Matter(s) tabled	Resolution Number	Status as at 30 June 2019
Special council	26 February 2019	Adjustment Budget for 2019/2020 financial year	4	Was approved by council
Special council	29 May 2019	Tabling of the Budget	4	Was approved by council
Special Council	29 May 2019	Medium term Revenue and Expenditure framework	5	Was approved by Council
Special Council	29 May 2019	Reviewed Integrated Development Plan (IDP)	6	Was approved by Council
Special Council	29 May 2019	2019/2020 Draft Service Delivery and Budget Implementation Plan(SDBIP)	7	Was approved by Council

## 2. Administrative Governance Structure

As legislatively prescribed, the administrative structure of the municipality is headed by the Municipal Manager. As at the end of the reporting period under review, the administrative structure of the municipality consisted of the following administrative departments:

- The Office of the Municipal Manager
- Finance Department
- Technical Services
- Social Services
- Corporate Services
- Economic Development & Planning

As the Accounting Officer, the Municipal Manager accounts to the Council for all the administrative issues of the municipality, including implementation of Council resolutions. In execution of his duties, the Municipal Manager was assisted by his senior managers, who serve as departmental heads and all together, constitutes the senior management team of the municipality.

The table below outlines the macro-administrative assembly of the municipality as at the end of the reporting period under review.

Table 2.4 - Administrative Governance Structure

Position	Incumbent	Full time / Acting
Municipal Manager	Mr. S M Molala	Full Time
Chief Financial Officer	Vacant	Acting
Director: Technical Services	Vacant	Acting
Director: Corporate Service	Vacant	Acting
Director: Social Services	Vacant	Acting
Director: Economic Development and Planning	Vacant	Acting

## Component B: Intergovernmental Relations (IGR)

Intergovernmental relations in the municipality were mostly facilitated by the three interrelated structures during the period under review, viz – The District Coordinating Forum, The Speakers Forum, and Technical Intergovernmental Relations Forum.

The responsibilities and activities of these forums were as follows during the reporting period under review:

Table 2.5 - IGR Structures

Name of the IGR Structure	Conveners	Core Responsibilities
The District Coordinating Forum	Executive Mayors within the district	Promotion and facilitation of intergovernmental relations within the district.
The Speakers Forum	Speakers within the district	Sharing ideas and integration of municipal programs.
The Technical Intergovernmental Relations Forum	Municipal Managers within the district	Promotion of Intergovernmental Relations within the district and other sector

Name of the IGR Structure	Conveners	Core Responsibilities
		departments at the higher spheres of government.

The table below shows a summary of information for intergovernmental meetings that were attended during the reporting period under review through the above IGR structures.

Table 2.6 - Details of IGR Structures meetings held

The District Coordinating Forum			
Meeting	Date	Venue	Attended? (Yes / No)
No meetings took place / attended during the reporting period under review			
The Speakers' Forum			
Meeting	Date	Venue	Attended? (Yes / No)
No meetings took place / attended during the reporting period under review			
Technical Intergovernmental Relations Forum			
Meeting	Date	Venue	Attended? (Yes / No)
No meetings took place / attended during the reporting period under review			

## Component C: Public Accountability & Participation

### 1. Public Meetings

During the period under review, the municipality's public meetings were coordinated through Ward Committees in different wards. A table below provides in detail meetings held during this reporting period.



## 2. IDP Alignment and Participation

During the reporting period under review, the municipality held public participation in all key planning and reporting procedures. The municipality relied on public contributions through conferences to inform critical decisions involving the Integrated Development Plans, Budgets, Service Delivery and Budget Implementation Plan (SDBIP).

The Public Participation Meetings were planned and held as follows:

Table 2.7 - IDP Public Participation Meetings held

Ward	Date	Time	Venue	Ward Councillor	Progress
Ward 1 (Phase 3 & 4)	17/09/2018	17h00	Open Space: Zakwe's House & Clinic	Cllr M P Mokoena	Not Held
Ward 3	17/09/2018	17h00	Refengkgotso Community Hall	Cllr M M Telane	Not Held
Ward 4				Cllr G B Mnune	Not Held
Ward 1: Amelia	18/09/2018	17h00	Amelia-Pastor Morota's Church	Cllr M P Mokoena	Not Held
Ward 5	18/09/2018	17h00	Metsimaholo Community Hall	Cllr S S Kobo	Not Held
Ward 1 (Phase 4 & 5)	19/09/2018	17h00	Kopanelang Thuto Primary School	Cllr M P Mokoena	Not Held
Ward 2	19/09/2018	17h00	Lehutso Primary School	Cllr M Molawa	Held 19/09/2018
Ward 6	20/09/2018	17h00	Credo Primary School	Cllr M Nkheloane	Held 20/09/2018
Ward 5	20/09/2018	18h00	Oranjeville Primary School	Cllr S S J Kobo	Not Held
Ward 7	25/09/2018	17h00	Sports Ground next to Tomato Shop	Cllr P Mahlaela	Held 25/09/2018
Ward 8	25/09/2018	17h00	Zamdela Arts & Culture Centre	Cllr S J Nteso	Not Held
Ward 9	26/09/2018	17h00	Lerato Hall	Cllr N N Dywili	Not Held
Ward 10	26/09/2018	17h00	IketsetsengSeco ndary School	Cllr: N M Mtshali	Held 26/09/2018

## Metsimaholo Local Municipality

Ward	Date	Time	Venue	Ward Councillor	Progress
Ward 11	27/09/2018	17h00	Zamdela Hall	Cllr T K Mabasa	Held 27/09/2018
Ward 12	27/09/2018	17h00	Boiketlong Hall	Cllr L A Makhefu	Held 27/09/2018
Ward 13	01/10/2018	17h00	Sakubusha Secondary School	Cllr F D Mosokweni	Not Held
Ward 14	01/10/2018	18h00	Vaal Park Primary School	Cllr F J Van der Merwe	Not Held
Ward 18				Cllr R Meyer	Not Held
Ward 19	02/10/2018	17h00	Amelia-Ark of Church	Cllr K A Mare	Not Held
Ward 15	02/10/2018	18h00	Council Foyer 2 <sup>nd</sup> Floor Finance Building	Cllr J J Grobbelaar	Held 02/10/2018
Ward 20 (T Khubheka)	03/10/2018	17h00	Themba Khubheka Sports Ground	Cllr L Fisher	Not Held
Ward 16	03/10/2018	18h00	Council Foyer 2 <sup>nd</sup> Floor Finance Building	Cllr JJ Barnard	Held 04/10/2018
Ward 17	04/10/2018	18h00	Council Foyer 2 <sup>nd</sup> Floor Finance Building	Cllr G Burger	Held 04/10/2018
Ward 20 (Denyesville)	04/10/2018	18h00	Nomsa Secondary School	Cllr L Fisher	Not Held
Ward 21	08/10/2018	17h00	Sports Ground next to Roman Catholic Church	Cllr N P Mokoena	Not Held
Stakeholders(Public & Private Business / CBOs / Farmers)	08/10/2018	09h00	Harry Gwala Multi-Purpose Centre	All Councillors / Senior Management / Officials	Not Held

## Component D: Corporate Governance

### 1. Risk Management

According to section 62 Municipal Finance Management Act (MFMA), the municipality must maintain effective, efficient and transparent system of financial and risk management. This therefore means that risk management is an integral part of the internal processes of a municipality.

From the municipality's point of view, risk management is a logical and systematic process of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables the municipality to minimise losses and maximise opportunities.

During the period under review, the following risk management related activities were performed:

Table 2.8 - Risk Management Activities Performed during 2018/19

Activity / Function	Date Completed
Review of Risk Management Committee (RMC) Charter	Annually (July)
Review of Risk Management (RM) Policy and Strategy	Last adoption and approval was in September 2017 Recommended Annually
Quarterly Risk Assessment reports	Qtr. 1 (July – Sept), Qtr. 2 (Oct Dec), Qtr. 3 (Jan – Mar), Qtr. 4 Apr - Jun)
Risk Management Implementation Plan report	Internal working schedule done Annually (July)

Having an understanding of risks to the strategy, allows the municipality to measure and position its strengths in optimising opportunities and take the appropriate actions in reducing its losses. Over the period under review, risk management trends and components within the municipality were indicating an overlap with those of internal auditing, performance management, project management, financial management, organisational development & change management, customer care, communication, and therefore require incremental inclusion in current and future planning of the entire organisation.

The following were the identified top risks that the municipality faced during 2018/19.

Table 2.9 - Top risks in 2018/19

Top Risks in 2018/19 financial year	
No	Risk Description
1	Lack of Fleet Management/ Lack of Fleet management structure
2	Payments of creditors not done within 30 days.
3	Vandalism of Infrastructure
4	Ageing of Electricity networks
5	Cable theft
6	Deterioration of Roads infrastructure
7	Failure to recruit skilled and adequate staff (performance) and retain competent staff and placement/redeployment of skill
8	Inability to collect rental income from hostels
9	Inadequate control over Irregular expenditure
10	Fruitless and wasteful expenditure

## 2. Anti-Fraud and Corruption

During the period under review, the municipality continued to monitor the implementation of anti-fraud strategies to combat fraud and corruption. The Council has approved the use of the National Anti-Corruption Hotline number **0800 701 701** to report all cases of fraud and corruption which relates to the Metsimaholo Local Municipality.

The table below listed anti-fraud and anti-corruption plans / strategies that were adopted by Council which serves as guiding principles to deal with any fraud or corruption related activities.

Table 2.10 - Fraud Prevention Plan

Name of plan / strategy	Date Approved by Council
Fraud Prevention Plan	26 September 2017

## 3. Supply Chain Management

Although not sufficiently staffed in line with the approved organisational structure, the Supply Chain Management unit has appropriately skilled personnel. The unit is headed by a senior official who assume the duties of a senior supply chain practitioner. The table below provides an overview of the staffing capacity within the unit.

Table 2.11 - Supply Chain Management Staff Compliment

Designation	Number of available positions	Number of positions filled	Number of vacancies
Manager	1	0	1
Secretary	1	1	0
Supply Chain Practitioner	2	2	0
Supply Chain Clerk (Buyer)	1	1	0
Supply Chain Administration Clerk	1	1	0
Stock Clerk	1	1	0
<b>Total</b>	<b>7</b>	<b>6</b>	<b>1</b>

The composition of the bid committees was also in accordance with the provisions of the Supply Chain Management Regulations, 2005.

The Supply Chain Management function is a supportive strategy and the objective is to manage procurement and provisioning processes in order to eliminate non-value added cost, infrastructure, time and activities to improve service delivery.

The table below provides an overview of the number of procurements within specified thresholds for the period under review:

Table 2.12 - Tenders / Bids Awarded (Excluding as and when required tenders) in 2018/19

Procurement Range: >R 200 000 & long-term contract		
Period	Number of Tenders Awarded	Total Awarded Amount
First Quarter	4	R12 514 017.11
Second Quarter	13	R24 264 789.13
Third Quarter	3	R13 464 253.57
Fourth Quarter	9	R16 358 814.06
<b>Sub-Total</b>	<b>29</b>	<b>R 66 601 873 .87</b>
Procurement Range: R 30 001 - R 200 000		
Period	Number of Tenders Awarded	Total Awarded Amount
1 <sup>st</sup> Quarter	6	R 463 961.65
2 <sup>nd</sup> Quarter	9	R 821 750.37
3 <sup>rd</sup> Quarter	5	R 844 419.94
4 <sup>th</sup> Quarter	18	1 190 008.28

<b>Sub-Total</b>	<b>38</b>	<b>R 3 320 140.24</b>
<b>Procurement Range: R 1 - R 30 000</b>		
<b>Period</b>	<b>Number of Tenders Awarded</b>	<b>Total Awarded Amount</b>
1 <sup>st</sup> Quarter	133	R1 368 280.321
2 <sup>nd</sup> Quarter	98	R 1 045 158.45
3 <sup>rd</sup> Quarter	138	R 1 257 815.221
4 <sup>th</sup> Quarter	153	R 1 514 629.19
<b>Sub-Total</b>	<b>522</b>	<b>R 5 185 883.18</b>

Supply Chain Management Activities were conducted within the framework of the approved supply chain management policy which is in line with the MFMA, Supply Chain Management Regulation and Preferential Procurement Policy Framework Regulations of 2011. The policy has been reviewed and will be tabled in the next Council meeting which is in July 2019.

Table 2.13 – Supply Chain Management Policy

<b>Name of Policy</b>	<b>Date Approved by Council</b>
Supply Chain Management Policy	30 June 2017

The municipality has also entered in contracts for the supply of goods and / or services on an “as-and-when required” basis during the period under review. This means that these contracts have no precise price and because a service requirement for such goods and / or service is determined as and when a need arises from the municipality and subsequently procurement occurs based on the scale of the evaluated requirement.

The details of such contracts as follows:

Table 2.14 - Contracts procured on an “As-and-When Required” basis

<b>Commodities</b>	
<b>Period</b>	<b>Number of Tenders Awarded</b>
1 <sup>st</sup> Quarter	0
2 <sup>nd</sup> Quarter	1
3 <sup>rd</sup> Quarter	6
4 <sup>th</sup> Quarter	4
<b>Sub-Total</b>	
<b>Professional Services</b>	
<b>Period</b>	<b>Number of Tenders Awarded</b>

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1 <sup>st</sup> Quarter	3
2 <sup>nd</sup> Quarter	1
3 <sup>rd</sup> Quarter	4
4 <sup>th</sup> Quarter	3
<b>Sub-Total</b>	
<b>Equipment Rental/Lease Services</b>	
<b>Period</b>	<b>Number of Tenders Awarded</b>
1 <sup>st</sup> Quarter	0
2 <sup>nd</sup> Quarter	0
3 <sup>rd</sup> Quarter	0
4 <sup>th</sup> Quarter	1
<b>Sub-Total</b>	<b>1</b>
<b>Other Services</b>	
<b>Period</b>	<b>Number of Tenders Awarded</b>
1 <sup>st</sup> Quarter	2
2 <sup>nd</sup> Quarter	1
3 <sup>rd</sup> Quarter	3
4 <sup>th</sup> Quarter	2
<b>Sub-Total</b>	

#### 4. By-Laws

No new by-laws were promulgated or reviewed for 2018/19 financial year.

#### 5. Publication of Information on the Municipality's Websites

Section 21A of Municipal Systems Act requires that all documents that must be made public by a municipality in terms of a requirement of this Act, the Municipal Finance Management Act or other applicable legislation, must be conveyed to the local community: -

- by displaying the documents at the municipality's head and satellite offices and libraries;
- by displaying the documents on the municipality's official website, if the municipality has a website as envisaged by section 21B; and
- by notifying the local community, in accordance with section 21, of the place, including the website address, where detailed particulars concerning the documents can be obtained.

On the other hand, section 21B(3) states that the Municipal Manager must maintain and regularly update the municipality's official website, if in existence, or provide the relevant information as required by subsection (2).

Pursuant to the foregoing legislative provisions, the municipality's website was functional and accessible throughout the period under review and the table below provides details of important information that was publicised on the website.

Table 2.15 - Publication of information on municipal website

Documents to be published on the municipality's website	Published / Not published
<b>Budget</b>	
Draft Budget 2018/2019	Published
Approved Annual Budget 2018/2019 and quality certificate	Published
Adjustment budget 2018/2019 and quality certificate	Published
<b>Annual Reports</b>	
Annual Report 2017/2018	Published
Oversight report 2017/2018	Published
<b>Quarterly Reports</b>	
SCM Quarterly reports 2018/2019	Published
Financial Reports 2018/2019	Published
<b>Budget Related Policies</b>	
Asset Management Policy	Published
Bad Debts Write Off Policy	Published
Borrowings Policy	Published
Budget Policy	Published
Cash Management Policy	Published
Credit Control Debt Collection and Customer Care Policy	Published
Indigent Policy	Published
Property Rates Policy	Published
Rates Policy	Published
<b>Financial Statements</b>	
Documents to be published on the municipality's website	Published / Not published



AFS 2017/18	Published
<b>Mid-Year budget and performance assessment Reports</b>	
Mid-Year Budget & Performance Assessment Report 2018/2019	Published
<b>Bid Register</b>	
Bid Register 2017/18	Published

## 6. Public Satisfaction on Municipal Services

No public satisfaction survey was conducted during the period under review.

## 7. Municipal Oversight Committees

Municipal Public Accounts Committee (MPAC) and the Audit and Performance Committee are the two committees responsible for the exercise of oversight over the executive functionaries of council; ensure good governance in the municipality. These committees are also responsible advising the council, the political office-bearers, the accounting officer and the management staff of the municipality on various matters dealt with under their responsibilities.

During the period under review, the respective committees have discharged their responsibilities as follows in accordance with their terms of reference:

Table 2.16 - Activities performed by the MPAC

<b>Municipal Public Accounts Committee (MPAC)</b>	
<b>Matters considered in 2018/19</b>	<b>Date</b>
The Annual Work Programme for 2018/19 Financial Year was prepared and presented to council for approval	03 April 2019
An Oversight Report on the 2017/18 Annual Report was prepared and tabled before Council on the 29 <sup>th</sup> of March 2019, however the meeting could not proceed and it was subsequently tabled on the 03 <sup>rd</sup> of April 2019	03 April 2019
The investigations are being delayed by management due to late or non-submission of reports on irregular expenditure for respective years. The current investigations started only in June 2019, and is for the 2016/17 financial year and very few for 2017/18 and 2018/19 financial year.	June 2019

Due to all these delays remedial measures, recommendations will only be implemented or made during 2019/20 financial year

Table 2.17 - Activities performed by the Audit & Performance Committee

Audit & Performance Committee	
Matters considered in 2018/19	Date
Reviewed draft Annual Financial Statements for the Financial Year 2017/2018	31 August 2018
AG Audit Strategy – 2017/18	10 October 2018
Internal Audit reports – Cash, Revenue Management and Billing & Supply Chain Management	10 October 2018
Third Quarter Performance Audit Report – 2017/18	10 October 2018
Draft Auditor General Report – 2017/18	28 November 2018
Review of Draft IDP and Budget – 2019/20	28 March 2019
Review of Annual Report – 2017/18	28 March 2019
Performance Information: First Quarter, Second Quarter and Midyear audit reports	12 March 2019
Schedule C - January 2019	12 March 2019
Audit reports: Human Resource management, Records Management, Information and Communication Technology and Traffic, Fire and Disaster Management	12 March 2019
Schedule C – August 2018	10 October 2018
Schedule C – April 2019	05 June 2019
Internal Audit reports – Compliance and follow up LED	05 June 2019
INTERNAL AUDIT PLAN (One Year Operational Plan For FY 2019/2020 & Three Year Strategic Plan For FY 2019/2020 – 2021/2022)	05 June 2019
INTERNAL AUDIT CHARTER & AUDIT AND PERFORMANCE COMMITTEE CHARTER	05 June 2019

### Chapter 3: Service Delivery Performance (Performance Report Part I)

## Component A: Introduction to Performance Report

This chapter focuses on reporting on service delivery on a service-by-service in line with the approved IDP and SDBIP of the municipality for the 2018/19 financial year. This chapter therefore aims at demonstrating what has been achieved and what remains outstanding as initially planned in terms of the municipality's IDP.

## Component B: Overview of the relevant progress achieved on the relevant outcomes for Local Government as required by National and Provincial Spheres

### 1. Water Services

Table 3.1 – Water Service Delivery Levels per Household

Description	2018/19 Actual No.	2017/18 Actual No.	% Variance
<b>Water: (above min level)</b>			
Piped water inside dwelling	34 189	34 189	-
Piped water inside yard (but not in dwelling)	10 645	10 645	-
Using public tap (within 200m from dwelling)	-	-	-
Other water supply (within 200m)	40	40	-
Minimum Service Level and Above sub-total	44 874	44 874	-
Minimum Service Level and Above Percentage	76.19%	76.19%	-
<b>Water: (below min level)</b>			
Using public tap (more than 200m from dwelling)	-	-	-
Other water supply (more than 200m from dwelling)	2 600	2 600	-
No water supply	-	-	-
Below Minimum Service Level sub-total	2 600	2 600	-
Below Minimum Service Level Percentage	0%	0%	-
<b>Total number of households</b>	<b>47 474</b>	<b>47 474</b>	<b>-</b>

Table 3.2 – Total Use by Sector

Total Use of Water by Sector (Kilolitres)	2018/19	2017/18	% Variance
Agriculture	0	0	-
Forestry	0	0	-
Industrial	8 534 248	7 374 895	15.72
Domestic	11 312 840	9 776 023	15.72
Unaccounted Water	16.32%	11.41%	43.03

Table 3.3 – Water Services Capital Expenditure

Capital Expenditure 2017/18: Water Services R' 000				
Capital Projects	2018/19			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustmen t budget
Water pump replacement	1 500	1 500	0	0
Oranjeville water treatment plant upgrade and tower construction (DWS Grant)	15 000	15 000	8 696	58%
Vehicles (Donations)	0	0	0	0
Plant and equipment	0	0	0	0
<b>Total All</b>	<b>16 500</b>	<b>16 500</b>	<b>8 696</b>	<b>52.7%</b>

Table 3.4 – Water Services Financial Performance

Financial Performance – Water Services Financial Performance 2018/19: Water Services			
R'000			
Details	2018/19 Actual	2017/18 Actual	% Variance
Total Operational Revenue	405 468	349 158	116.1%
<b>Expenditure</b>			
Employees	(16 021)	(14 611)	109.7%
Repairs and Maintenance	(3 297)	(2 740)	120.3%
Other	(343 767)	(240 954)	142.7%
<b>Total Operational Expenditure</b>	<b>(363 085)</b>	<b>(258 305)</b>	<b>140.6%</b>
<b>Net Operational Expenditure</b>	<b>(42 383)</b>	<b>(90 853)</b>	<b>46.7%</b>

## 2. Sanitation Services

Table 3.5 – Sanitation Service Delivery Levels per Household

Description	2018/19 Actual No.	2017/18 Actual No.	% Variance
<b>Sanitation/sewerage: (above minimum level)</b>			
Flush toilet (connected to sewerage)	34 391	33 391	2.99
Flush toilet (with septic tank)	3 617	3 617	-
Pit toilet (ventilated)	-	-	-
<b>Other toilet provisions (above minimum service level)</b>			
Minimum Service Level and Above sub-total	38 008	37 008	2.7
Minimum Service Level and Above Percentage	80%	78%	2.56
<b>Sanitation/sewerage: (below minimum level)</b>			
Bucket toilet	2 610	2 610	-
<b>Other toilet provisions (below minimum service level)</b>			

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Description	2018/19 Actual No.	2017/18 Actual No.	% Variance
No toilet provisions	6 856	7 856	12.73
Below Minimum Service Level sub-total	9 466	10 466	9.55
Below Minimum Service Level Percentage	20%	22%	9.09
<b>Total households</b>	<b>47 474</b>	<b>47 474</b>	<b>-</b>

Table 3.6 - Sanitation Services Financial Performance

Financial Performance 2018/19: Sanitation Services R'000			
Details	2018/19 Actual	2017/18 Actual	% Variance
Total Operational Revenue	97 014	80 732	120.2%
<b>Expenditure:</b>			
Employees	(10 555)	(10 045)	105.1%
Repairs and Maintenance	(22 051)	(22 987)	95.9%
Other	(13 145)	(9 680)	135.8%
<b>Total Operational Expenditure</b>	<b>(45 751)</b>	<b>(42 712)</b>	<b>107.1%</b>
<b>Net Operational Expenditure</b>	<b>51 263</b>	<b>38 020</b>	<b>134.8%</b>

Table 3.7 - Sanitation Services Capital Expenditure

Capital Expenditure 2018/19: Sanitation Services R'000				
Capital Projects	2018/19			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Somerpost Erf 9014 Subdivided - 49 stands	R800	R778	-	
Gortin: Sanitation Phase 4(MIG)	R7 519	R6 519	R5 254	80.6%
Gortin Phase 4: 4000 sewer yard connections(MIG)	R6 955	R6 955	R5 802	83.4%
Gortin 2400 sewer yard connections(MIG)	R3 280	R11 706	R9 336	79.8%
Refengkgotso rehabilitation of Waste Water Treatment Works	R40 000	R40 000	R34 756	82.6%
Emergency sewerage pumpstation upgrading	R2 000	R2 000	-	-

1 x Toyota Hino	-	-	R173	-
1 x Toyota Hilux	-	-	R231	-
Chemical Tank	-	R22	R22	100%
<b>Total All</b>	<b>R60 554</b>	<b>67 980</b>	<b>55 574</b>	<b>(81.8%)</b>

### 3. Electricity Services

Table 3.8 - Electricity Service Delivery Levels per Household

Description	2018/19 Actual No.	2017/18 Actual No.	% Variance
<b><u>Energy: (above minimum level)</u></b>			
Electricity (at least minimum service level)	51 927	51 927	-
Electricity - prepaid (minimum service level)			
Minimum Service Level and Above sub-total			
Minimum Service Level and Above Percentage			
<b><u>Energy: (below minimum level)</u></b>			
Electricity (<minimum service level)	2 537	2 537	-
<b>Total number of households</b>	<b>54 469</b>	<b>54 469</b>	<b>-</b>

Table 3.9 - Electricity Services Financial Performance

Financial Performance 2018/2019: Electricity Services R'000			
Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	308 332	279 483	110.3%
<b>Expenditure:</b>			
Employees	(16 976)	(15 546)	109.2%
Repairs and Maintenance	(6 755)	(9 158)	73.8%
Other	(255 482)	(224 438)	113.8%
<b>Total Operational Expenditure</b>	<b>(297 096)</b>	<b>(249 142)</b>	<b>119.2%</b>
<b>Net Operational Expenditure</b>	<b>11 236</b>	<b>30 341</b>	<b>37.0 %</b>

Table 3.10 - Electricity Service Capital Expenditure

Capital Expenditure 2018/19: Electricity Services				R'000
Capital Projects	2018/19			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Electrical Infrastructure	1 050	1 050	110	10.5%
Upgrading substations	500	500	-	
Themba Kubheka household connection	11 650	11 650	2 907	25%
Gortin phase 3 network	500	500	-	-
Zamdela households connection	1 000	1 000	-	-
Electrical equipment	2 070	2 020	26	1.3%
Electrical transportation assets	200	200	-	-
Street lighting network	150	200	-	-
Street lighting(o/v)	150	150	-	
Bulk MV Supply Sasolburg Boulevard Mall	-	375	7 461	1989.6%
Naledi industrial park phase 2;1	-	4 445	-	-
88kv overhead line Heron Banks	-	-	10 649	-
<b>Total All</b>	<b>17 270</b>	<b>22 090</b>	<b>21 153</b>	<b>95.8%</b>

#### 4. Roads

Table 3.11 - Gravel Road Infrastructure in Kilometers

Gravel Road Infrastructure in Kilometers	2018/19	2017/18	% Variance
Total gravel roads	322	322	-
New gravel roads constructed	-	-	-
Gravel roads upgraded to tar	6	6	-
Gravel roads graded/maintained	114	67	70.15



Table 3.12 - Tarred Road Infrastructure in Kilometers

Tarred Road Infrastructure in Kilometers	2018/19	2017/18	% Variance
Total tarred roads	354	354	-
New tar roads	6	6	-
Existing tar roads re-tarred	-	7	-100
Existing tar roads re-sheeted	-	-	-

Table 3.13 - Roads Infrastructure Capital Expenditure

Capital Expenditure 2018/19 : Roads Services R'000				
Capital Projects	2018/19			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Roads transportation assets	3 560	3 560	3 182	89.4%
Ward 10,11,12	854	2 281	1 816	79.6%
Paved roads	13 189	19 199	18 285	95.2%
<b>Total All</b>	<b>17 603</b>	<b>25 040</b>	<b>23 283</b>	<b>(93.0%)</b>

Table 3.14 - Cost of Road Construction/Maintenance

Cost of Construction/Maintenance	2018/19	2017/18	% Variance
<b>Gravel (R' 000)</b>			
New	0	0	-
Gravel – Tar	33 500	38 000	-11.84
Maintained	3 000	3 000	-
<b>Tar (R' 000)</b>			
New	33 500	38 000	-11.84
Re-worked	0	0	-
Maintained	1 800	2 775	-35.14

## 5. Storm-water Infrastructure

Table 3.15 – Storm Water Infrastructure in Kilometers

Storm water Infrastructure in Kilometres	2018/19	2017/18	% Variance
Total Storm water measures	219	219	-
New storm water measures	0	0	-
Storm water measures upgraded	0	0	-
Storm water measures maintained	5	2	150

Table 3.16 - Cost of Storm-water Infrastructure Construction/Maintenance

Storm water measures	2018/19	2017/18	% Variance
New (R'000)			-
Upgraded (R'000)	0	0	-
Maintained (R'000)	100	50	100

## 6. Waste Management

Table 3.17 - Waste Management Services Financial Performance

Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	45 851	42 008	109.1%
<b>Expenditure:</b>			
Employees	(30 885)	(28 521)	108.3%
Repairs and Maintenance	(5 221)	(3 047)	171.3%
Other	(9 821)	(19 645)	50%
<b>Total Operational Expenditure</b>	(60 284)	(51 213)	117.7%
<b>Net Operational Expenditure</b>	(711)	(9 205)	7.7%

Table 3.18 - Waste Management Services Capital Expenditure

Capital Expenditure 2018/19: : Waste Management Services R'000				
Capital Projects	2018/19			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Building	300	300	-	-
Compactor Truck	2 000	2 169	2 169	100%
Vehicles	3 850	350	-	-
Skip bins	-	2 157	2 157	100%
Waste Management Equipment	65	65	19	29.2%
2 x Toyota Hino	-	-	696	-
<b>Total All</b>	<b>6 215</b>	<b>5 041</b>	<b>5 041</b>	<b>100%)</b>

## 7. Libraries & Theatre

Table 3.19 - Libraries &amp; Theatre Financial Performance

	Actual 2018/19 R 000	Actual 2017/18 R 000	% Variance
<b>Total Operational Revenue</b>	-	-	-
<b>Expenditure</b>			
Employees	-	-	-
Repairs and Maintenance	-	-	-
Other	(4)	(107)	3.7
<b>Total Operational Expenditure</b>	<b>(4)</b>	<b>(107)</b>	<b>3.7%</b>
<b>Net Operational Expenditure</b>	<b>(4)</b>	<b>(107)</b>	<b>3.7%</b>

## 8. Cemeteries

Table 3.20 - Number of People Buried

Area	Actual 2018/19 R 000	Actual 2017/18 R 000	% Variance
	Number of People Buried		
Sasolburg	104	65	3.9%
Zamdela	691	461	23.0%
Refengkgotso/Deneysville	209	195	1.4%
Oranjeville/Metsimaholo	29	79	-5.0%
<b>Total</b>	<b>1069</b>	<b>800</b>	

Table 3.21 - Cemeteries Financial Performance

Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	428	409	104.6%
<b>Expenditure:</b>			
Employees	(1 046)	(583)	179.4%
Repairs and Maintenance	-	-	
Other	(86)	(75)	114.7%
<b>Total Operational Expenditure</b>	<b>(1 132)</b>	<b>(658)</b>	<b>172.0%</b>
<b>Net Operational Expenditure</b>	<b>(704)</b>	<b>(249)</b>	<b>282.7%</b>

Table 3.22 - Cemeteries Capital Expenditure

Capital Expenditure 2018/19 : Cemeteries R'000				
Capital Projects	2018/19			
	Budget	Adjustment Budget	Actual Expend	% Variance from adjustment
Plant and equipment	R996	R968	-	-
Zamdela Upgrade of cemetery(MIG)	R1 500	-	-	-
<b>Total All</b>	<b>R2 496</b>	<b>R968</b>	<b>-</b>	<b>-</b>

## 9. Traffic Police Services

Table 3.23 - Traffic Police Service Performance Data

Details	2018/19 Actual No	2017/18 Actual No	% Variance
Number of road traffic accidents reported	741	937	79.0%
Number of by-law infringements attended	117	134	87.3%
Average number of police officers in the field on a day	16	18	88%
Average number of police officers on duty on a day	14	16	87%

Table 3.24 - Traffic Police Service Financial Performance

Financial Performance 2018/19 : Traffic Police R'000			
Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	4 252	9 545	44.5%
<b>Expenditure:</b>			
Employees	(13 518)	(12 793)	105.7%
Repairs and Maintenance	(1 101)	(2 343)	47.0%
Other	(5 604)	(10 906)	51.4%
<b>Total Operational Expenditure</b>	(20 223)	(26 042)	77.7%
<b>Net Operational Expenditure</b>	(15 971)	(16 497)	96.8%

Table 3.25 - Traffic Police Service Capital Expenditure

Capital Expenditure 2018/19 : Traffic Police R'000				
Capital Projects	2018/19			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from
Plant and equipment	R155	R5	-	-
Traffic measures	R217	R217	-	-
1 x Nissan Hardbody/3 x Chevrolet/2xnp200	-	-	R200	-
<b>Total All</b>	<b>R372</b>	<b>R222</b>	<b>R200</b>	<b>90.1%</b>

## 10. Fire Services

Table 3.26 - Fire Services Financial Performance

Financial Performance 2018/19: : Fire Services R'000			
Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	510	2 591	19.7%
<b>Expenditure:</b>			
Employees	(18 487)	(14 903)	123.7%
Repairs and Maintenance	(564)	(375)	150.4%
Other	(1 257)	(541)	232.2%
<b>Total Operational Expenditure</b>	(20 263)	(15 819)	128.1%
<b>Net Operational Expenditure</b>	(19 753)	(13 228)	149.3%

Table 3.27 - Fire Services Capital Expenditure

Capital Expenditure 2018/19: : Fire Services R'000				
Capital Projects	2018/19			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Fire rescue equipment	R445	R445	-	-
Fire rescue vehicle	R317	R317	-	-
Compactor	-	R1 610	-	-
Truck water tanker	-	-	1 412	-
Fire engine - finance lease	-	R6 000	-	-
<b>Total All</b>	<b>R762</b>	<b>R8 372</b>	<b>1 412</b>	<b>-</b>

## 11. Disaster Management

Table 3.28 - Disaster Management Financial Performance

Financial Performance 2018/19: Disaster Management R'000			
Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	-	-	-
<b>Expenditure:</b>			
Employees	(800)	(696)	114.9%
Repairs and Maintenance	(47)	(43)	109.3%
Other	(60)	(64)	93.8%
<b>Total Operational Expenditure</b>	(907)	(803)	113.0%
<b>Net Operational Expenditure</b>	(907)	(803)	113.0%

Table 3.29 - Disaster Management Capital Expenditure

Capital Expenditure 2018/19: : Disaster Management R'000				
Capital Projects	2018/19			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Plant and equipment	R55	R55	R2	3.6%

## 12. Sports & Recreation

Table 3.30 - Sports &amp; Recreation Financial Performance

Financial Performance 2018/19: Sports & Recreation R'000			
Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	717	12 667	5.7%
<b>Expenditure:</b>			
Employees	(51)	(47)	108.5%
Repairs and Maintenance	-	-	-
Other	(193)	(156)	123.7%
<b>Total Operational Expenditure</b>	(244)	(203)	120.2%
<b>Net Operational Expenditure</b>	99	12 464	0.79%

Table 3.31 - Sports &amp; Recreation Capital Expenditure

Capital Expenditure 2018/19: Sports & Recreation R'000				
Capital Projects	2018/19			
	Budget	Adjusted Budget	Actual Expenditure	% Variance from
Construction of new sports facility Refengkgotso(MIG)	R1 400	R 1400	R613	43.8%
Construction of new sports facility Metsimaholo(MIG)	R962	R962	-	-
<b>Total All</b>	<b>R2 362</b>	<b>R2 362</b>	<b>R613</b>	<b>43.8%</b>

### 13. Planning & Development

Table 3.32 - Applications for Land Use Development

Area	Actual 2018/19 R 000	Actual 2017/18 R 000	Variance
	Number of Applications Received		
Sasolburg	15	27	-12
Zamdela	1	1	0
Refengkgotso	0	0	0
Oranjeville	0	0	0
Vaalpark	6	2	4
Other areas	5	13	-8
<b>Total</b>	<b>26</b>	<b>43</b>	<b>-17</b>



Table 3.33 - Planning Services Financial Performance

Financial Performance 2018/19: Planning Services R'000			
Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	690	638	108.1%
Employees	(5 339)	(4 439)	120.3%
Repairs and Maintenance	(125)	(117)	106.8%
Other	(187)	(470)	39.8%
<b>Total Operational Expenditure</b>	(5 651)	(5 026)	112.4%
<b>Net Operational Expenditure</b>	(4 961)	(4 388)	113.1%

Table 3.34 - Planning Services Capital Expenditure

Capital Expenditure 2018/19: : Planning Services R'000				
Capital Projects	2018/19			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Buildings (housing and property)	-	-	-	-
Vehicles	-	-	-	-
Plant and equipment	R10	R10	-	-

#### 14. Local Economic Development

Table 3.35 - Local Economic Development Services Financial Performance

Financial Performance 2018/19: Local Economic Development R'000			
Details	2018/19	2017/18	%
	Actual	Actual	Variance
<b>Total Operational Revenue</b>	-	-	-
<b>Expenditure</b>			
Employees	(1 211)	(628)	192.8%
Repairs and Maintenance	(9)	(15)	60%
Other	(35)	(19)	184.2%
<b>Total Operational Expenditure</b>	(1 255)	(662)	189.6%
<b>Net Operational Expenditure</b>	(1 255)	(662)	189.6%

Table 3.36 - Local Economic Development Services Capital Expenditure

Capital Expenditure 2018/19: : Local Economic Development R'000				
Capital Projects	2018/19			
	Budget	Adjusted Budget	Actual Expenditure	% Variance from adjusted
Informal business trading area	R2 500	R2 500	-	-
Tourism information and communication signs	R250	R260	R60	-
<b>Total all</b>	<b>R2 750</b>	<b>R2 760</b>	<b>R60</b>	<b>2.2%</b>

## 15. Free Basic Services & Indigent Support

Table 3.37 - Free Basic Services Structure

Description	2018/19	2017/18	% Variance
Property Rates (per month per household) indigent	R50	R50	100%
Sanitation/sewerage additional (per month per household) Indigent	Free	Free	
Sanitation/sewerage (per month per household)	No free services provided for non-indigents	No free services provided for non-indigents	
Water (per month per household)	No free services provided for non-indigents	No free services provided for non-indigents	
Water (per month per household) Indigent	6kl	6kl	
Electricity (per month per household)	No free services provided for non-indigents	No free services provided for non-indigents	
Electricity (per month per household) indigent	50kwh	50kwh	
Refuse Removal (per month per household) Indigent	Free	Free	

### Performance Analysis:

Free basic services are provided to indigent households according to the municipality's indigent policy. This includes 6kl of water, 50kWh electricity, R50 subsidy on assessment rates, free sanitation and refuse removal per household per month.

A total of 9445 households were recorded in the indigent register at the end of the 2018/2019 financial year.

**Component C: Annual Performance Report against Pre-Determined Objectives**

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**KPA 1: Basic Service Delivery & Infrastructure Development**

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## Metsimaholo Local Municipality

KEY PERFORMANCE AREA (KPA 1): SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To ensure that the municipality broadly delivers service according to the strategic orientation based on key sector plans.	1.1.1 WSDP and Roads and Storm and Water Plan developed and approved by Council	0	WSDP and roads and storm water plan developed and submitted to Council for approval by June 2019	Approved sector plans and Council resolution	Target not achieved - only Draft WSDP was achieved	Insufficient budget	Roads master-plan budgeted for in 2019/20; Sasol assisting with the stormwater masterplan
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.1 Number of kms of internal roads repaired and maintained	0	5 kms of internal roads repaired and maintained by June 2019	Quarterly Reports from Technical services	Target not achieved - Only pothole patching done - 2236 m2	No budget	Budgeted for in 2019/20
	1.2.1.1 Number of km of roads identified for paving and storm water construction.	0	Construction of 6 km's paved roads and storm-water in wards 8,9 and 11 by June 2019	Progress Report, site minutes and completion certificate	Target achieved Construction has been completed	n/a	n/a
	1.2.1.2 Number of kms of roads graded	0	20 kms of roads graded by June 2019	Report from Technical Services	Target achieved - 26.8 Km of road graded	n/a	n/a

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	1.2.2 New electricity connections installed in all newly established formal settlement areas by June 2019	Not achieved	Completion of Themba Kubeka Phase 1 of bulk supply by June 2019	Quarterly Progress reports and close up report for Phase 1 Bulk supply	Target not achieved. Project is still under procurement for a contractor.	The submitted bids are higher than the budgeted amounts. The project has gone out on Re-advertisement three times due to high bids being received.	Possible re-advert to be done and for the scope to be reduced
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.2.1 Construction of 6.5 km bulk supply line to Leitrim sub station	Not achieved	6.5 km bulk supply line constructed by June 2019	Progress Report And Completion Certificate	Target achieved 6.5 km line is completed, however we are awaiting Eskom Energisation.	Eskom is constantly shifting the goal posts	Consultant to expedite the process of energisation
	1.2.2.2 Electricity Maintenance Plan developed and approved by council	0	Electricity Maintenance Plan developed and approved by Council by June 2019	Approved maintenance plan and Council resolution	Target not achieved (Draft Electricity Maintenance Plan developed)	Delay in the development of draft	The plan will be submitted to Council in the 1st quarter of 2019/20 Financial year (by end of September 2019)

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	1.2.2.3 % of electricity distribution losses minimized	0	Electricity distribution losses minimised to 20%	Report	Target achieved 20% has been achieved	n/a	n/a
	1.2.3 Conventional water meters replaced with prepaid meters in all the identified areas	0	1000 targeted meter installations and replacement of meters by prepaid meters completed by June 2019	Report from Technical Services	Target not achieved. Only a sample was done at 31 Matroosberg Street	Insufficient budget	Present the result of the sample meter to council and attain approval
	1.2.4 Obsolete / Old asbestos water pipes replaced.	0	5 kms obsolete/old asbestos water pipes replaced by June 2019	Report from Technical Services	Target not achieved: Replacement is done as and when the pipe has burst (emergency).	No budget:	Budgeted for in 2019/20
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.4.1 % minimization of water distribution losses	0	Water distribution losses minimised to 10%	Report from Finance	Target not achieved. 22,9% of water loss was achieved	Incorrect billing due to stucked/faulty meters and delays in replacement of meters	Meter readings to be taken regularly and meters to be replaced in time to avoid estimates on consumptions

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.4.2 % compliance with the blue drop water quality accreditation system	0	>99 % compliance with the blue drop water quality accreditation system	Report from the BDS	<p>Target not achieved.</p> <p>Sasolburg System:</p> <p>Microbiological determinants &gt; 99.90%, no failures reported in the last quarter</p> <p>: Chemical determinants &gt; 99.90%</p> <p>: Operational &gt;99.9%</p> <p>Deneysville DWQ Compliance</p> <ul style="list-style-type: none"> <li>• Microbiological compliance were compliant at &gt; 99.0%, no failures were reported for the quarter.</li> <li>• Chemical compliance were &gt;99.92%:</li> </ul> <p>Operational &lt; 67.82%</p>	There was an issue with turbidity at Oranjeville water treatment works due to the reaction of the chemical. The Deneysville WWTP is still been upgraded	Tests were conducted and adjustments were made on the chemical dosing. The project to upgrade the water treatment works is underway



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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
					<p>were non-compliant due to high turbidity and ageing infrastructure.</p> <p>Oranjeville DWQ Compliance</p> <ul style="list-style-type: none"> <li>• Microbiological compliance were compliant at &gt; 99.0%, no failures were Target not achieved reported for the quarter.</li> <li>• Operational and Chemical compliance were &gt; 81.63% and &gt;99% respectively</li> <li>• Non-compliance due to insufficient chemicals utilized in water treatment and insufficient lab consumables for analysis</li> </ul>		

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities					of all determinants and challenges of aging infrastructure (network).		
	1.2.5 Upgrade the WWTW	28% achieved	40% of the Construction works completed by June 2019 to upgrade the WWTW in Refengkgotso	Construction progress report and completion certificate	Target achieved (40% has been achieved	n/a	n/a
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.5.1 Water and Sanitation Maintenance Plan developed and submitted to Council for approval	0	Water and Sanitation Maintenance Plan developed and submitted to council for approval by June 2019	Construction progress report and completion certificate	Target not achieved	No budget: no capacity to do in-house	To request the Service provider compiling Sanitation masterplan for Sasol to assist

## Metsimaholo Local Municipality

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.5.2 % compliance with the green drop quality accreditation system	0	>99 % compliance with the green drop water quality accreditation system	Report from the BDS	Target not achieved	No budget: no capacity to do in-house	To request the Service provider compiling Sanitation masterplan for Sasol to assist
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.5.3 Number of new projects for which funding is sourced (MIG, DOE, DWS)	New KPI	Sourcing of funding for 3 new capital projects by June 2019.	Proof of submission of business plans, minute, register and approval from sector departments	Target achieved. Plans submitted to MIG, DOE and DWS	n/a	n/a
	1.2.5.4 % spending on grants as per DORA requirements per quarter	New KPI	100% compliance on spending on grants as per DORA requirements quarterly	Progress report with regard to spending on grants and proof of payment	Target not achieved Only MIG and DWS is achieved. DOE is not achieved	Procurement delays for appointing a contractor	To speed up appointment of contractor
	1.2.5.5 Number of progress reports submitted to Management and Council on monitoring of all capital projects	New KPI	4 progress reports on monitoring of all capital projects submitted to Management and Council on a quarterly basis	Site meetings and progress reports, completion certificates	Target achieved reports are compiled and submitted	n/a	n/a

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
	1.2.6 Refuse removal service extended to all new formal settlements as per township register within Metsimaholo LM.	49000 hhs	100% collection of refuse once a week	Waste management report signed by HOD on refuse collection	Target achieved 100% Refuse is collected on all formal and informal household, businesses and industries on a 5 and 6 days basis.	n/a	n/a
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.6.1 Implementation Plan for IWMP developed and implemented	0	100% of Implementation Plan for IWMP implemented by June 2019	Schedule of the implementation of IWMP	Target not achieved	In adequate funds	The plan is due for review this year. The recommended is expected to be implemented in June 2020. The Plan needs financial an expertise support
	1.2.6.2 New landfill site established	0	New landfill site established and operational by June 2019	Approval to close old landfill site by department of environmental affairs	Target not achieved	Non-availability of land	The process to find a farm is still going on. Seriti has offered for options to look it. A plan of action by Consultants

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
							will be tabled in Portfolio Committee
	1.2.6.3 Illegal dumping sites removed	Achieved	12 illegal dumping sites removed by June 2019	Report supported with photos on illegal dumping sites removed	Target achieved (12 illegal dumping sites were removed)	n/a	n/a
	1.2.6.4 Waste management awareness programmes implemented	Achieved	4 Waste management awareness programmes implemented by June 2019	Attendance register and photos	Target achieved	n/a	n/a
	1.2.6.5 Cemeteries, parks, community halls and sports, arts and culture services and facilities maintained and upgraded	Achieved	100% maintenance and upgrades to community facilities implemented quarterly	Maintenance report and photos	Target achieved 100%	n/a	n/a

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.6.6 Number of parks developed	Achieved	1 Recreational park developed by June 2019	Report and photos for recreational park	Target achieved (Family Park developed in Ward 3 in April 2019)	n/a	n/a
	1.2.6.7 Number of arts and culture activities organised	Achieved	2 Arts and Culture activities organized by June 2019	Report, attendance register and photos of culture activities organised.	Target achieved	n/a	n/a
	1.2.7. Number of traffic road blocks mounted	Achieved	12 Traffic road blocks mounted by June 2019	Quarterly reports	Target achieved	n/a	n/a
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.7.1 Number of security cluster programmes attended	Achieved	8 security cluster programmes attended by June 2019	Attendance registers	Target achieved attendance is as per the invitation from Zamdela SAPS Cluster Office	n/a	n/a
	1.2.8 % of fire and disaster incidents within the municipality attended.	Achieved	100% of fire and disaster incidents within the municipality attended to as and when they occur.	Incidents register and reports	Target achieved	n/a	n/a

## Metsimaholo Local Municipality

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.8.1 Number of disaster management awareness provided	Achieved	2 Disaster management awareness programmes or campaigns implemented by June 2019	Attendance registers and Photos	Target achieved	n/a	n/a
	1.2.8.2 Number of disaster management training provided to volunteers	Achieved	Train 20 volunteers on disaster management by March 2019	Attendance registers and photos	Target achieved	n/a	n/a
	1.2.8.3 Establish Municipal Disaster Management Advisor Forum(MDMAF) by Sept. 2018 and ensure the functionality of the forum	0	4 MDMAF Meetings held Annually by June 2019	Attendance registers and minutes of the meetings	Target not achieved	Due to non-attendance of scheduled forums by officials	A decision was taken that the Disaster Coordinator should attend the District Disaster Management Advisory Forum.
	1.2.8.4 Review Disaster Management Plan Annually	0	Review DMP Annually and submit to Council for approval by June 2019	Approved DMP and Council resolution	Target not achieved	Due to capacity issues (shortages of staff to do the work the target could not be achieved.	The plan will be finalised and send to council for approval in the first quarter of the

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
							new financial year 2019/20
Ensure universal access to reliable and quality basic municipal services by all communities	1.2.8.5 Number of fire services management awareness provided	Achieved	2 Fire service management awareness programmes or campaign conducted by June 2019	Attendance register and Photos.	Target achieved	n/a	n/a



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## KPA 2: Local Economic Development

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## Metsimaholo Local Municipality

### KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

#### ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Create conducive environment for improving local economic development.	2.1.1 Annually reviewed LED strategy and submitted for council approval	Outdated strategy in place	LED strategy reviewed and submitted to Council for approval by June 2019	Approved LED Strategy and Council resolution	Target not achieved	A tender for review was advertised and there was no response with regard to the specifications	A draft reviewed document will be developed and sent to CoGTA to provide assistance
	2.1.2 Annually reviewed Spatial Development Framework (SDF) submitted to council for approval	0	Review the SDF and submit it for council approval by June 2019	Approved SDF and Council resolution	Target not achieved (The formal development enquiries have been finalised)	Due to the delays in terms of the responses with regard to formal development enquiries	Turn-around time will be set for all the developers and the Draft will be submitted in the Council by the end of 2019/20 1st quarter
	2.1.3 Developed annual SPLUMA implementation plan submitted to council for approval together with a report on monitoring of tribunals	0	Develop SPLUMA implementation plan and submit to Council for approval together with a report on monitoring of tribunals.	Report on the implementation of SPLUMA, Council resolution and functionality of tribunals	Target achieved (The MPT is sitting as and when there are applications)	n/a	n/a

## Metsimaholo Local Municipality

### KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

#### ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Create conducive environment for improving local economic development.	2.1.3.1 Identified informal settlements formalised	0	Planning for formalization of identified informal settlements 100% finalised by June 2019	Human settlement Report	Target not achieved (Tender process is at the adjudication stage)	It was re-advertised and currently still in progress	To finalise the SCM Processes
	2.1.3.2 Rezoning and subdivisions applications approved within 30 days of receipt of applications	0	100% of rezoning and subdivisions applications processed and approved within 30 days of receipt of applications quarterly	Register	Target not achieved Not all applications could be processed within 30 days throughout the quarters. The 100% target was not achieved in Quarter 3	Other applications were awaiting external comments and publication	The applications were eventually processed and finalised
	2.1.3.3 building plans approved within a specified period of time: 30 days ≤ 500m2 and 60 days ≥ 500m2 )	Achieved	100% of building plans approved within a specified period of time: 30 days ≤ 500m2 and 60 days ≥ 500m2 ) quarterly	Register and a report	Target achieved 100%	n/a	n/a

## Metsimaholo Local Municipality

### KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Create conducive environment for improving local economic development.	2.1.4 Review of Human Settlement Plan and submitted to council for approval	0	Review of the Human Settlement Plan and submission to Council for approval by June 2019	Approved HSP and Council resolution	Target not achieved	The Department of Human Settlement has not yet provided the municipality with the plan	A Follow up with the Department will be done
	2.1.5 LED stakeholder forum established and ensuring functionality of the forum	0	Establishment of LED stakeholder forum and 3 quarterly meetings by June 2019	Report on the established LED Forum and the attendance registers for the LED forum meetings	Target not achieved (Only one stakeholder forum was held, on the 10th of April 2019)	The stakeholder forum became functional later on during the financial year	The stakeholder forum was held in the last quarter (April) and will be held quarterly in the next financial year
	2.1.6 Number of jobs created through EPWP initiatives	New KPI	100 EPWP jobs created by June 2019	Appointment letters/ employment contracts	Target achieved	n/a	n/a
	2.1.7 Number of jobs created through CWP initiatives	New KPI	1221 CWP jobs created by June 2019	Appointment letters and employment contracts	Target not achieved Only 1023 is achieved	Due to a drop out of some participants	A follow up with the Department of CoGTA will be made to approve recruitment of participants timeously

## Metsimaholo Local Municipality

### KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT

#### ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Advance economic empowerment of SMMEs and Cooperatives.	2.2.1 Number of trainings provided to SMMEs as part of ongoing support	Achieved	2 Trainings provided to SMMEs by June 2019 as part of ongoing support	Attendance registers	Target not achieved Only 1 training was conducted in June 2019	Training has been negotiated through collaborations with SEDA in the first quarter, however, could not be successful.	The LED Unit to serve as a catalyst to grow the economy of MLM and trainings will be prioritised in the next financial year
	2.2.2 % of Increase in local procurement spent towards SMME and cooperatives.	0	80% of procurement directed to SMMEs and cooperatives by June 2019	Report	Target not achieved	Due to lack of adequate capacity among the SMMEs and Cooperatives	Constant training of the SMMEs and Cooperatives will be prioritised
	2.2.3 Number of LED Capital projects implemented	0	2 LED Capital Projects implemented by June 2019	Reports	Target not achieved.	Budget constraints	SLP's principles / policies communicated with DMRE (Mineral and Energy)
Maximize on the tourism potential of the municipality.	2.3.1 Directional signs installed for tourism facilities throughout Metsimaholo	0	100% installation of directional signs local tourism facilities	Developed business and tourism brochures	Target not achieved	Tender was advertised and a suitable service	It will be re-advertised in 2019/20 financial year

## Metsimaholo Local Municipality

KEY PERFORMANCE AREA (KPA 2): LOCAL ECONOMIC DEVELOPMENT							
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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
			throughout Metsimaholo by June 2019			provider could not be found	
Maximize on the tourism potential of the municipality.	2.3.2 Number of Tourism promotional events organised	0	2 Tourism promotional events organised and staged by March 2019	Attendance register, Report	Target not achieved (One Tourism indaba was attended on the 02-04 May 2019)	Budget constraints	Budget adequately for tourism promotional events in the next financial year

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**KPA 3: Financial Management & Viability**

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## Metsimaholo Local Municipality

### KEY PERFORMANCE AREA (KPA 3): FINANCIAL MANAGEMENT AND VIABILITY

#### ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.1 Revenue enhancement strategy reviewed and submitted for Council approval	0	Review Revenue Enhancement Strategy and submit it for Council approval by September 2018.	Approved strategy and Council resolution Minutes of the workshop and resolutions taken	Target not achieved	Strategic session with Councillors was not held	Strategic session with Councillors to be held in 2019-2020
	3.1.1.1 % of Revenue Enhancement Strategy plans implemented	0	100% of Revenue Enhancement Strategy plans implemented by June 2019	Report on the implementation of the strategy.	Target not achieved Revenue Enhancement Strategy was not approved by Council.	No Strategic session held in order to discuss with Councillors	Strategic session with Councillors to be held. Document was also sent to NT but they did not respond. Report then to council for approval
	3.1.1.2 Draft Budget compiled and final budget finalized in time in accordance with applicable legislation	Achieved	Draft Budget compiled and tabled by no later than 31 March and final budget tabled before end of May 2019	Approved budget and Council resolution	Target Achieved Approval of the Budget was on 29 May 2019	n/a	n/a



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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.1.3 % of Revenue targets in the budget met (Including Grant income)	0	100% of Revenue targets in the budget met	Schedule C Budget comparison to Actuals	Correct targets will be given once the Ledger has been closed	Final figures only available after AFS completed. Some transactions still to be recorded	Completion of AFS
	3.1.2 Review revenue enhancement Strategy (addresses issues of indigents) and update indigent register.	0	Review revenue enhancement strategy and submit it for council approval by September 2018 and quarterly update indigent register.	Approved Revenue Enhancement Strategy and updated indigent register.	Target not achieved (Only the updating of the indigent register is achieved)	Strategic session with Councillors was not held	Strategic session with Councillors to be held in 2019-2020
	3.1.3 % in Improved annual consumer debtors' revenue collection rate.	0	Improve consumer debtors' collection rate to 85% by June 2019	Debt collection report and Schedule C	Target not achieved (68,81% was achieved)	Operation Patala approved by Council only at 13 June 2019	Road show in July 2019 with all wards to inform residents of policies as well as Operation Patala

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.4 Revenue targets in the budget met (Excluding Grant income)	0	100% of Revenue targets in the budget met	Schedule C Budget comparison to Actuals	Correct targets will be given once the Ledger has been closed. Currently not achieved =91%	Final figures only available after AFS completed. Some transactions still to be recorded	Completion of AFS
	3.1.5 % of Creditors paid within 30 days of receipt of invoice	75%	80% of creditors paid within 30 days of receipt of invoice	Expenditure Report	Target achieved Q1 : 97% (Achieved) Q2 : 99% (Achieved) Q3 : 97% (Achieved) Q4 : 98% (Achieved)	n/a	n/a
	3.1.5.1 %Reduction in fruitless and wasteful, unauthorized and irregular expenditure	0	40%Reduction in fruitless and wasteful, unauthorized and irregular expenditure	Expenditure Report	Target not achieved	Final figures only available after AFS completed. Some transactions still to be recorded. SCM in process to compile Irregular register	Final figures only available after AFS completed. Some transactions still to be recorded. SCM in process to compile Irregular register

## Metsimaholo Local Municipality

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#### ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.5.2 Insurance claims submitted in time	0	Claims submitted within 5 working day of receipt	Expenditure Report	Target not achieved (only 98% is achieved)		
	3.1.5.3 FMG allocation spent	0	FMG allocation spent 100% as per plans	Expenditure Report	Target achieved 100%	n/a	n/a
	3.1.6 100% of debt older than 12 months cleaned up	0	100% of debt older than 12 months cleaned up by June 2019	Debt management report	Target not achieved (0%)	Debt Collection process stopped till Roadshow is completed	Operation Patala approved and implemented from 1st July 2019

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.7 Financial reports including AFS compiled and submitted to appropriate authorities	Achieved	Financial reports (Monthly, Quarterly) including AFS compiled and submitted to appropriate authorities within set timeframes (AFS 31st August and monthly reports within 10 days)	Monthly and quarterly Schedules  Annual Financial Statements  Schedule C reports	Target Achieved for April and May reports. Ledger has not been finally closed for June reporting. AFS preparation documents was submitted to user departments (with time frames) in order to submit AFS on time for 1st Quarter	Late appointment of Asset Management Consultants	Consultants are on site doing full verification of assets and ensuring that asset register be updated with correct assets information by end of August 2019
	3.1.7.1 Fixed Asset Register (FAR) compiled and updated annually in line with GRAP requirements	0	Fixed Asset Register (FAR) compiled and updated quarterly in line with GRAP requirements	Update Fixed Assets Register	Target not Achieved - In progress	Late appointment of Asset Management Consultants. Appointment of consultant appointed in July 2018 did not address all queries raised by AG.	Consultants are on site doing full verification of assets and ensuring that asset register be updated with correct assets information by end of August 2019

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.8 % of instances of fraud and corruption formally reported to the SAPS for investigation and Council, Executive Mayor and Speaker for noting as and when they occur	Achieved	100% instances of fraud and corruption formally reported to the SAPS for investigation and Council, Executive Mayor and Speaker for noting as and when they occur	Incidents register and reports	Target achieved	n/a	n/a
	3.1.9 Number of Internally Audited financial management controls conducted.	Achieved	4 quarterly reviews and updating of financial management related internal controls based on the quarterly Internal Audit reports issued	Report on the reviews and the updates conducted	Target achieved	n/a	n/a

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure financial management practices that enhance financial viability & compliance with the requirements of MFMA & other relevant legislation and the applicable accounting standards	3.1.10 % of Post Audit Action Plan matters relating to financial matters fully addressed		100% of Post Audit Action Plan matters relating to financial matters addressed	Report on the implementation of the action plan	Target not achieved Not all the issues were solved.	Lack of co-operation from Departments. Late appointment of Asset Management Consultants	Part of the scope of work of the assets is resolving of Audit issues which is now underway and will be completed end of August 2019. Consultants do PEMA, LSAS and Landfill sites. Will be corrected with 2019/2020 AFS. In discussion with AG on cash flow - await their feedback

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**KPA 4: Municipal Transformation & Institutional Development**

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## Metsimaholo Local Municipality

KEY PERFORMANCE AREA (KPA 4): MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT							
ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019							
PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To capacitate and empower workforce.	4.1.1 Organisational Structure reviewed and submitted to Council for approval	2012 approved Organisational structure in place	Organisational Structure reviewed and approved by Council by March 2019	Reviewed organisational structure. Council resolution	Target not achieved	Payment dispute with service provider	Negotiations with the service provider are taking place
	4.1.1.1 Human Resource Strategy developed and done with the organizational structure	0	Development of HR strategy and submission to Council for approval by June 2019	Specification submitted to SCM and the advert	Target not achieved	KPI depended on the completion of Organogram	Negotiations with the service provider are taking place
	4.1.1.2 Number of funded posts filled within 90 days	0	100% filling of funded posts as per requests from the departments filled within 90 days	Date of request submitted by the departments against the filling of those posts	Target not achieved	Some adverts were put on hold and could not be finalised timeously	Council to finalise report on critical vacancies
	4.1.1.3 % of the Organizational Development Plan developed and implemented	0	100% development and implementation of OD	OD Plan and the minutes of Senior Management; proposal of the intervention, attendance register	Target not achieved	KPI depended on the completion of Organogram	Negotiations with the service provider are taking place regarding the dispute



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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To capacitate and empower workforce.	4.1.2 Workplace Skills Plan and Annual Training Report reviewed, implemented and submitted to LGSETA	Achieved	Workplace skills plan (WSP) and ATR compiled, implemented 100% and submitted to the LGSETA by June 2019	Compiled WSP & ATR; Proof of submission to LGSETA; Copy of approved training schedule by the training committee	Target achieved	n/a	n/a
	4.1.3 Increased internal funding towards Human Resource development.	Achieved	Ensure that all identified skills development / training needs in the WPSP are sufficiently budgeted for and fully funded.	WSP and Training report	Target achieved	n/a	n/a
	4.1.4 Enhance Change Management efforts in the municipality	0	Develop, Implement and report on the organisational Change management by June 2019	Organisational Change management plan and implementation reports	Target not achieved	KPI depended on the completion of Organogram	Negotiations with the service provider are taking place

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To ensure sound labour relations so as to minimise labour disputes and disruptions	4.2.1 Number of reported cases of misconduct attended to within 90 days of reporting	Achieved	100% attended to within 90 days	Case Management Register from SLRO	Target achieved	n/a	n/a
	4.2.1.1 Number of LLF meetings held annually	0	A minimum of 10 LLF meetings held by June 2019	Notice of a meeting, agenda and attendance registers.	Target not achieved targets could not be achieved in quarter 1 and 3	There was an issue of the matters discussed at LLF are not being powers and function of the LLF and this in past meetings had serious impacted negatively to relations between employer & labour.	That an urgent training of LLF delegates of only Metsimaholo LM be conducted in order to ensure the smooth running of the LLF.

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.1 Occupational Health and Safety function in the municipality strengthened	Achieved	100% strengthening of Occupational Health and Safety function	Attendance register of meetings	Target achieved	n/a	n/a
	4.3.1.1 OHS Reps committee trained	Achieved	OHS Reps and committee trained once by 31 March 2019	Proof of training attended from SDF (Attendance register)	Target achieved	n/a	n/a
	4.3.1.2 Employment Equity Plan reviewed and submitted to DoL by 15 January	Achieved	Employment Equity (EE) Plan, reviewed, 100% of targets met and EE report compiled and submitted report to DoL in time	Draft plan, final EE plan and proof of submission on time	Target achieved	n/a	n/a

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.2 Establish and maintain disaster Recovery facility (offsite)	0	Establish and maintain disaster Recovery facility (offsite) by the 31st of December	Report on the established disaster recovery facility	Target Achieved	n/a	n/a
	4.3.2.1 Review of ICT policy and submission to Council	New KPI	Review of ICT policy and submission to Council by June 2019	Approved ICT policy and Council resolution	Target not achieved	Due to changes to be made to the environment to accommodate DR practices. Input needed before application of the policy	Fast tracking the DR inputs into the security policy.
	4.3.2.2 Number of ICT Steering committee meetings held by June 2019	New KPI	4 ICT Steering committee meetings held by June 2019	Attendance registers and minutes	Target Achieved	n/a	n/a

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.2.3 % Wide Area Network uptime to be over 95% as per the system (to be generated by the system)	New KPI	% Wide Area Network uptime to be over 95% as per the system (to be generated by the system)	System reports	Target Achieved	n/a	n/a
	4.3.3 % in monitoring of compliance with Code of Conduct for employees and councillors	achieved	100% of monitoring of compliance with Code of Conduct for employees and councillors	Reports on compliance with Code of conduct	Target achieved	n/a	n/a
	4.3.4 Senior Managers entered into performance agreement and their performance assessed on a quarterly basis.	Achieved	Senior Managers entered into performance agreement and their performance reviewed on a quarterly basis.	Report on quarterly reviews conducted	Target Achieved	n/a	n/a

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.5 Number of Internally Audited performance of all Senior Manager's and the Municipal Manager's as part of monitoring of their performance agreements.	Achieved	4 internal audit reports on audit of Performance of all Senior Manager's as part of monitoring of their performance agreements.	Quarterly Internal Audit Reports	Target achieved	n/a	n/a
	4.3.5.1 Quarterly, mid- term and annual performance reports compiled and approved	Achieved	Quarterly, mid- term and annual performance reports compiled and approved	Approved reports; Council resolutions	Target achieved	n/a	n/a
	4.3.6 Number of Internally Audited performance reports and draft annual reports submitted to the Audit Committee	Achieved	4 Internally Audited quarterly performance reports and a draft annual report submitted to the Audit Committee	Audit Committee agenda and minutes of the meetings	Target achieved	n/a	n/a

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.7 Number of Senior Management meetings convened for inclusive and continuous strategic alignment of organisational goals and performance.	Achieved	12 monthly Senior Management meetings convened quarterly for inclusive and continuous strategic alignment of organisational goals and performance	Attendance registers of the meetings convened	Target achieved	n/a	n/a
	4.3.7.1 Development of a Compliance Policy and submission to Council for approval	0	Compliance policy developed and submitted to Council for approval by June 2019	Approved Compliance policy and Council resolution	Target not achieved	Vacant position	Filling of the vacant posts be prioritised
	4.3.7.2 Development of a Regulatory Universe and submission to Council for approval	0	Regulatory Universe developed and submitted to Council for approval by June 2019	Approved Regulatory Universe and Council resolution	Target not achieved	Vacant position	Filling of the vacant posts be prioritised

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.	4.3.7.3 Monitoring of Compliance on applicable laws quarterly	0	Monitoring of Compliance on applicable laws conducted on a quarterly basis and report submitted to Management	Progress reports	Target not achieved	Vacant position	Filling of the vacant posts be prioritised
	4.3.7.4 Security plan developed and submitted to Council for approval	New KPI	Security management plan developed and submitted to Council for approval by June 2019	Approved security management plan and Council resolution	Target not achieved	Lack of capacity	Benchmarking with other municipalities in 2019/20 FY
	4.3.8 Tenders / bids evaluated and Adjudicated within the set time frames from the date of advertisement / re-advertisement.	0	Evaluate and Adjudicate all tenders / bids as follows from the date of advertisement / re-advertisement: <ul style="list-style-type: none"> <li>15 days for tenders / bids up to R 30 000</li> </ul>	Reports on tenders awarded	Target not achieved Only tenders were achieved 100% and 7 days not achieved (41%)	The turnaround time is short considering that there is no permanent CFO and also in SCM there is a shortage of staff and it takes time to prepare and review all	SCM unit must be capacitated and the Acting CFO must prioritise the RFQ. The end user will be given time frames to submit their technical report to ensure that they



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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To improve the administrative capability of the municipality.			(VAT incl.)• 25 days for tenders / bids from R 30 001 up to R 200 000 (VAT incl).60 days for tenders / bids from R 200 001 and above (VAT incl).			reports. On some of the RFQ we had to wait for the end-user to prepare the technical report which takes more time. On tender we need to review the turnaround time 60 days is not sufficient it should be 90 days after the closing of the tender.	submit on time. On the tenders 60 days after advert is a short period of time it should be 90 days after the closing of the bid, I recommend that this must be amended as such. The award of tenders also depends on availability of committee members so we need to allocate sufficient time in this regard and in terms of tenders the validity period is 90 days.

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To improve the administrative capability of the municipality.	4.3.9 Appointment letters for adjudicated bids / tenders issued within the set time frames from the date of date of adjudication report.	Achieved	Issue appointment letters to successful bidders for all categories of tenders / bids within 10 days after receiving the report of the Adjudication Committee / Report of the SCM Manager.	Report on successful bidders	Target not achieved	Acting MM was still consulting on certain appointments. Example: The tender for Cleansings as MAYCO indicated that there must be report for insourcing. Night soil -the price very low.	SCM follow up with acting MM on outstanding letters that were not signed.
	4.3.10 Number of prescribed minimum business processes implemented within the systems and integrated transaction processing environment of the municipality	0	Fully implement 3 prescribed minimum business processes within the systems and integrated transaction processing environment of the municipality by March 2019	Implementation reports	Target not achieved	Financial resources	Implementation will be done in the next financial year

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To build a risk conscious culture within the organisation.	4.4.1 Review of risk management policy and submission to Council for approval	0	Review of Risk Management Policy and submission to Council for approval by March 2019	Minutes of Senior Management, Risk Management Committee, Approved risk management policy and Council resolution	Target not achieved (RMC & AC recommended for adoption of the council in their meetings)	Delay in the submission for the adoption of the council.	Submission of the reviewed RM Policy, as per the recommendation of the RMC and AC, for the adoption of the council
	4.4.1.1 Review of risk management strategy and submission to Council for approval	0	Review of Risk Management strategy and submission to Council for approval by June 2019	Minutes of Senior Management, Risk Management Committee, Approved risk management strategy and Council resolution	Target not achieved (RMC & AC recommended for adoption of the council in their meetings)	Delay in the submission for the adoption of the council.	Submission of the reviewed RM Strategy, as per the recommendation of the RMC and AC, for the adoption of the council
	4.4.1.2 Compilation and updating of the risk register and assessments conducted quarterly	Achieved	Quarterly compilation and updating of the risk register and quarterly assessments conducted	Updated risk register	Target achieved	n/a	n/a

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To build a risk conscious culture within the organisation.	4.4.1.3 Number of risk management committee meetings held by June 2019	0	4 Risk management committee meetings by June 2019	Minutes of Risk Management Committee, and attendance registers	Target not achieved (two meetings of RMC in 2018/19 FY)	Instability in acting roles/directors (members of RMC)	Adhering to the administration advised sitting schedule. RMC Charter Advised 4X on annual basis.
To ensure development of legally compliant and credible IDP	4.5.1 Improved assessment ratings of the municipality's IDP year on year expressed as a % of number of areas rated and compliance achieved over the total number of rated areas.	0	100% improvement in annual assessment ratings of the IDP by CoGTA	Assessment Report	Target achieved	n/a	n/a
	4.5.1.1 Legally compliant and credible IDP developed	Achieved	Legally compliant and credible IDP reviewed and approved by the 31 <sup>st</sup> of May 2019	Approved IDP; Council resolution	Target achieved (The 2019/20 IDP was approved on the 29th of May 2019)	n/a	n/a

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**KPA 5: Good Governance & Public Participation**

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## Metsimaholo Local Municipality

### KEY PERFORMANCE AREA (KPA 5): GOOD GOVERNANCE & PUBLIC PARTICIPATION

#### ANNUAL PERFORMANCE REPORT AGAINST THE PRE-DETERMINED OBJECTIVES FOR THE PERIOD 1 JULY 2018 – 30 JUNE 2019

PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure transparency, accountability and regular engagements with communities and stakeholders.	5.1.1 Number of report back meetings to communities and stakeholders held by the Executive Mayor and/or Mayoral/Committee to communicate policies, plans and progress of council	Achieved	4 Quarterly report back meetings to communities and stakeholders by the Executive Mayor and/or Mayoral/Committee held to communicate policies, plans and progress of council	Attendance registers of the meetings held	Target achieved Quarterly report back meetings were held	n/a	n/a
	5.1.1.1 Structures including Ward Committees and IDP Representative Forum established and involved in IDP and Budget processes	Achieved	Structures including Ward Committees and IDP Representative Forum established and involved in IDP and Budget processes	Attendance registers of the meetings of the structures	Target achieved (Ward committees were involved during IDP and Budget Public Participation in September/October 2018 and March/April 2019)	n/a	n/a

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure transparency, accountability and regular engagements with communities and stakeholders	5.1.1.2. Communities invited and attending Council proceedings	Achieved	Communities invited and attending Council proceedings quarterly	Notices inviting community to Council proceedings	Target achieved Notices and loud hailing and local newspaper are used to invite the community	n/a	n/a
	5.1.2 Number of awareness campaigns and special programmes dedicated towards community upliftment held	Achieved	4 awareness campaigns and special programmes dedicated towards community upliftment held	Attendance registers	Target achieved (4 Programmes were held)	n/a	n/a
	5.1.3 Number of visits to hotspots / areas where there are breakdowns in community services and what was subsequently done	Achieved	Visits all hotspots / areas where there are breakdowns in community services and subsequently submit a report to Council on what done in each such instances.	Report	Target achieved areas of breakdowns where visited as and when they occurred	n/a	n/a

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure transparency, accountability and regular engagements with communities and stakeholders	5.1.4 Number of reports on monitoring and oversight over Councillors' fulfilment of their duties and obligations towards communities on a continuous basis.	Achieved	4 Quarterly consolidated reports of Councillors on fulfilment of their duties and obligations towards communities on a continuous basis compiled.	Quarterly reports	Target achieved Quarterly reports are compiled	n/a	n/a
	5.2.1 Ward development plans developed and approved by council.	0	Develop and approve ward-based plans for 21 wards within the municipality and ensure that Ward Committees are assessed quarterly against their approved plans.	Approved ward based plans and reports on quarterly assessment	Target not achieved Ward Committee members were trained on the Ward Development plan by COGTA. However, the Council never approved the Ward Development plan		Ward Development plan will be approved by Council in the next financial year



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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure that ordinary council meetings are held regularly to consider and endorse reports.	5.3.1 Number of Ordinary Council meetings held to consider and endorse reports.	Achieved	4 Ordinary Council meetings held by June 2018	Attendance registers and minutes	Target achieved (Ordinary Council meetings are held on a quarterly basis including Special Council meetings)	n/a	n/a
	5.3.1.1 Monitoring of the implementation of Council resolution	0	100% Monitoring of the implementation of Council resolution	Reports on the implementation of Council resolutions	Target not achieved (the target is partly achieved) only 50% is achieved	Directors and Managers do not respond to the request sent to them. Only Finance responded	Constant reminder sent to Directors

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure that ordinary council meetings are held regularly to consider and endorse reports.	5.3.1.2 Number of Whippy meetings held to deal with municipal matters	New KPI	12 Whippy meetings held by June 2019	Attendance registers of Whippy meetings held	Target not achieved Only 9 meetings were held	The dismissal of the Council Whip affected the target	To stick to the developed schedule
Ensure that all council committees (s 79 committees) sit regularly and process items for council decisions.	5.4.1 Council Committees meetings convened monthly to consider reports	0	12 Council Committees meetings convened annually to consider reports	Minutes and attendance register of Council committee meeting	Target not Achieved	Shortage of staff	Waiting for the finalisation of the organisational structure
Ensure a functional governance structures.	5.5.1 % of annual internal audit plan approved by audit committee before end of June	Achieved	100% of annual internal audit plan approved by audit committee before end of June 2018	Approved annual internal audit plan and Audit Committee minutes of approval	Target Achieved (Approved by AC on the 05 June 2019)	n/a	n/a

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PLANNED PERFORMANCE OBJECTIVES AND INDICATORS					ACTUAL PERFORMANCE AGAINST INDICATORS & TARGETS		
Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure a functional governance structures	5.5.1.1 % Execution of annual internal audit plan	Achieved	100% Execution of annual internal audit plan annually by June 2019	Reports on the execution of the plan	Target achieved	n/a	n/a
	5.5.2 % review of audit charters and completed annually.	Achieved	100% review of audit charters completed and approved annually by June 2019	Reviewed and approved audit charters	Target Achieved (Charter approved by AC (approved on 5 June)	n/a	n/a
	5.5.2.1 Number of Audit Committee meetings convened annually	Achieved	Audit Committee meetings convened at least 4 times a year	Minutes and attendance register of AC meeting	Target Achieved (Audit Committee meetings were held quarterly)	n/a	n/a
To promote Intergovernmental Relations among stakeholders	5.6.1 IGR meetings attended and agreements and decisions implemented	0	100% of planned IGR meetings attended and agreements and decisions implemented	Attendance registers and reports	Target not achieved	No invitations were received	Meetings will be attended as and when invitations are received

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
Ensure that Councillors fulfil their duties and obligations towards communities on a continuous basis.	5.7.1 Number of public meetings held by Councillors and reports on the meetings generated and received from	Achieved	12 public meetings held by Councillors annually and reports on the meetings generated and received from Councillors to the Speaker	Attendance registers, minutes/report on the meetings held	Target Achieved	n/a	n/a
To ensure that there is a coherent approach in the municipality in dealing with HIV/AIDS and TB	5.8.1 HIV/AIDS day commemorated and dedicated public awareness programs on HIV/AIDS, TB, and Cancer, held together with the community.	0	One HIV/AIDS day commemoration held in December and 2 dedicated public awareness programs on HIV/AIDS, TB, Cancer, etc held together with the community.	Attendance registers and the report of the awareness held.	Target achieved	n/a	n/a

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Strategic Objectives	Key Performance Indicator	2017/18 Baseline	Annual Targets	Means of verification	Annual actual performance	Reasons for deviations	Corrective measures taken/to be taken
To implement special programmes aimed at the needs of vulnerable groups and youth within the community.	5.9.1 Public and special outreach programmes aimed empowering vulnerable groups within the community conducted.	0	12 Public and special outreach programmes aimed empowering vulnerable groups within the community conducted by June 2019	Attendance registers and reports on the outreach programmes conducted.	Target achieved	n/a	n/a

## **Chapter 4: Organisational Development Performance (Performance Report Part II)**

### **1. Introduction to Organisational Development**

The focus of chapter is on details pertaining to the implementation of an efficient and effective organisational performance management system, organisational development and performance of a municipality in line with performance management regulations. This information in this chapter is therefore vital in identifying skills gaps and plans for the purpose of sourcing and / or development of such skills.

Below are the key organisational development areas that are reported on in order to measure the outcome of effective organisational development against the municipality's strategic plans:

- Municipal Human Resource;
- Capacitating the municipal workforce;
- Managing the municipal workforce expenditure;
- Organisational structure enhancement;
- Increased accountability;
- Increased participation in problem solving, goal setting and new ideas; and
- Identifying and development of skills needed to perform.

### **Component A: Introduction to the Municipal Workforce**

#### **1. Workforce Profile**

The chapter addresses information pertaining to the implementation of an effective performance management system, organisational development and performance of municipality. The information that follows in this chapter is important in identifying skills gaps and plans for the development of such skills.

During the period under review, the Municipality had 1148 approved posts on its Organisational Structure. As at the Financial Year under review, the vacancy rate stood at 35% and the turnover rate at 4.24%. The table below summarizes the total workforce of the municipality per race group for the period under review.

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Table 4.1 - Workforce profile of the municipality

	Females				Males				
Occupations	A	C	I	W	A	C	I	W	Total
Legislators	12	00	00	01	23	00	00	06	42
Managers	03	01	00	01	25	01	01	00	32
Professionals	12	00	00	02	18	01	01	01	35
Technicians And Trade Workers	05	00	00	02	41	00	00	07	55
Community and Personal Service	22	00	00	02	35	00	00	05	64
Clerical and Administrative Workers	66	00	00	05	49	00	00	00	120
Machinery Operators And Drivers	04	00	00	00	66	00	00	00	70
Elementary Occupations	86	00	00	00	222	00	00	00	308
<b>Total</b>	<b>210</b>	<b>01</b>	<b>00</b>	<b>13</b>	<b>479</b>	<b>02</b>	<b>02</b>	<b>19</b>	<b>726</b>

### 2. Employment Equity Profile

The municipality's employment equity profile as presented on the below provides an overview of the municipality's employment equity achievements. The overall objectives of the Employment Equity is to enable the municipality, as an employer to achieve reasonable progress towards employment equity, to assist in eliminating unfair discrimination in the workplace, and to achieve equitable representation of employees from designated groups by means of affirmative action measures

Table 4.2 - Employment Equity Profile

Category	2018/19		2017/18	
	Total	% of total Employees	Total	% of total Employees
Black* employees	694	95%	761	94%
Women employees	224	30%	223	27%
Employees with Disabilities	03	0.4%	03	0.3%
Employees over age 51	82	11%	112	13%
Employees between 31 & 50	472	65%	479	59%
Employees under age 30	172	23%	211	26%

\* African, Coloured, Indian

### 3. Staff Turnover

The staff turnover of the municipality over the period under review is presented in the table below under the different termination categories:

Table 4.3 - Staff turnover rate

Category	Numerical Data					
	2018/19			2017/18		
	Male	Female	Total	Male	Female	Total
New appointments	01	0	01	33	8	41
Resignations	(4)	(2)	(6)	(7)	(3)	(10)
Pensioned	(3)	(3)	(6)	(5)	(3)	(8)
Dismissed	(3)	0	(3)	(2)	(0)	(2)
End of Contract	0	0	0	(2)	(4)	(6)
Deceased	(5)	(5)	(10)	(3)	(1)	(4)
Medical Board	(1)	(1)	(2)	(2)	(0)	(2)
Net Movement	-15	-11	-26	(12)	-3	9
Turnover Rate			3.59%			4.24%



## Component B: Managing the Municipal Workforce Levels

### 1. Vacancy Rate by Occupational Category

The table below provides an overview of vacancy rate for the period under review per occupational category in line with the municipality's current organisational structure.

Table 4.4 - Vacancy Rate by Occupational Category

Designations	Total approved post No.	Vacancies (Total time that vacancies exist using fulltime equivalents) No.	Vacancies (as proportion of total posts in each category) %
Municipal Manager	1	0	0
CFO	1	1	100%
Other S57 Managers	4	4	100%
Traffic Officials	61	35	57%
Fire Officials	55	27	49%
Officials : level 13-15 (Excl. Finance Posts)	125	65	52%
Officials: level 13-15 (Finance posts)	29	11	38%
Officials: levels 9-12 (Excl. Finance Posts)	149	93	62%
Officials: levels 9-12 (Finance posts)	37	16	43%
Other Officials: level 1-3	56	17	30%
Officials: level 4-6	150	65	43%
Officials: level 7-8	141	64	45%
<b>Average Vacancy Rate</b>	<b>1147</b>	<b>398</b>	<b>35%</b>

## 2. Sick Leave

During the period under review, employees took sick leave which made up 14.37% of the total sick leave days' provision. A total number of sick leave days taken is 7482.56 at an estimated cost of R5 920 759.03 Full details are set on the table below:

Table 4.5 - Number of Days and Cost of Sick Leave

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	* Average sick leave per Employee	Estimated Cost
	Days	Days	No.	No.	%	R' 000
Lower skilled (Levels 12-18)	5046	1020	370	273	2.90	R2 595 006.30
Skilled (Levels 9-11)	252	81	18	238	2.73	R192 291.50
Highly skilled production (Levels 7-8)	1183.56	231	100	103	3.08	R1 381 405.30
Highly skilled supervision (Levels 4-6)	788	190	64	72	2.79	R1 282 640.83
Middle management (Levels 1-3)	213	46	23	39	2.87	R469 415.10 415.10
MM and S56	0	0	0	1	0	0
<b>Total /Average</b>	<b>7482.56</b>	<b>1568</b>	<b>575</b>	<b>726</b>	<b>14.37</b>	<b>R5 920 759.03</b>

## Component C: Capacitating Municipal Workforce

During the period under review, a number of skills programmes were in place to support the employees and all programmes were aimed at building capacity for acceleration of knowledge and skills within workplace.

The following table provides a comprehensive summary of a number of employees who participated in different skills development programmes and also provides details of associated expenditure.

Table 4.6 - Skills Development Expenditure

Original Budget and Actual Expenditure on skills development 2018/19										
Details	Gender	Employees as at the beginning of the financial year	Learner ships		Skills programmes & other short courses		Other forms of training		Total	
Budget Details			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Occupational level		No.	R'000							
MM and S57	Female	0	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	0	0	0
Legislators, senior officials and managers	Female	18	0	0	0	0	20	0	20	0
	Male	55	0	0	0	0	30	0	30	0
Professionals	Female	14	100	0	0	10	30	0	130	10
	Male	21	100	0	0	4	50	121	150	125
Technicians and associate professionals	Female	7	60	0	0	0	40	0	100	0
	Male	48	180	0	80	0	60	0	320	0
Clerks	Female	71	140	0	11	5	40	46	191	51

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	Male	49	160	0	0	0	60	0	220	0
Service and sales workers	Female	24	0	0	0	0	30	15	30	15
	Male	40	0	0	0	52	40	10	40	62
Plant and machine operators and assemblers	Female	4	40	0	0	0	5	0	45	0
	Male	66	160	0	0	0	35	0	195	0
Elementary occupations	Female	86	140	0	90	0	40	30	270	30
	Male	222	320	0	120	0	70	59	510	59
<b>Sub total</b>	Female	224	480	0	101	15	205	91	786	106
	Male	502	920	0	200	56	345	190	1465	246
<b>Total</b>		<b>726</b>	<b>1400★</b>	<b>0</b>	<b>301</b>	<b>71</b>	<b>550</b>	<b>281</b>	<b>2251</b>	<b>352</b>

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Original Budget and Actual Expenditure on skills development 2018/19										
Details	Gender	Employees as at the beginning of the financial	Learner ships		Skills programmes & other short courses		Other forms of training		Total	
Budget Details			Original Budaet	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Occupational level		No.	R'000							
MM and S57	Female	0	0	0	0	0	0	0	0	0
	Male	2	0	0	50	0	0	0	50	0
Legislators, senior officials and managers	Female	16	0	0	50	0	0	0	50	0
	Male	57	20	10	70	0	0	0	90	10
Professionals	Female	15	0	0	40	36	0	0	40	36
	Male	18	0	0	50	19	0	0	50	19
Technicians and associate professionals	Female	9	90	0	40	0	0	0	130	0
	Male	60	54	0	60	140	0	0	114	140
Clerks	Female	58	18	71	40	20	0	0	58	91
	Male	37	54	0	56	0	0	0	110	0
Service and sales workers	Female	23	90	0	50	13	0	0	140	13
	Male	34	106	0	80	46	0	0	186	46
Plant and machine operators and assemblers	Female	4	0	0	20	0	0	0	20	0
	Male	70	0	0	45	0	0	0	45	0

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Elementary occupations	Female	79	36	0	110	0	0	0	146	0
	Male	271	126	70	145	0	0	0	271	70
Sub total	Female	204	234	71	350	69	0	0	584	140
	Male	549	360	80	556	205	0	0	916	285
<b>Total</b>		<b>753</b>	<b>594</b>	<b>151</b>	<b>906</b>	<b>274</b>	<b>0</b>	<b>0</b>	<b>1 500</b>	<b>425</b>

★Learnership budgets are based on approval of discretionary grants projects that the municipality submitted as declaration of intent to Local Government Sector Education and Training Authority.

## Component D: Managing Municipal Workforce Expenditure

The table hereunder provides an overview of the total workforce expenditure for the period under review.

Table 4.7 - Workforce Expenditure

Details	2018/19 R	2017/18 R	Year on Year Movement (%)
Original Budget	(307 178 430)	(280 823 070)	8,6%
Budget Adjustment	(13 993 500)	(2 921 410)	79,1%
Final Budget	(321 171 930)	(283 744 480)	11,6%
Actual Outcome	(288 617 758)	(262 460 492)	9,1%
Unauthorised Expenditure	-	-	-
Variance	32 554 172	21 283 988	34,6%
Actual Outcome as % of Final Budget	90%	93%	(3,3%)
Actual Outcome as % of Original Budget	94%	94%	-

## Other Matters: Competency Levels

### Competency Levels

Table 4.8 - Senior Managers (Sec 57)

No of Sec 57 Managers employed	Total no of Sec 57 Managers' competency assessments completed	Total no of Sec 57 Managers	Total no of Sec 57 Managers that meet the prescribed competency levels
01	01	06 (05 are vacant)	01

Table 4.9 - Finance staff

No of financial officials employed	Total no of finance officials' competency assessments completed	Total no of SCM officials employed	Total no of SCM officials competency assessments completed	Total no of SCM &finance officials that meet the prescribed competency levels
95	22	08	05	27

## Chapter 5: Financial Performance

### 1. Introduction

The municipality's Finance Department / Directorate is responsible for administration and management of the financial affairs of the municipality. The department is therefore ultimately responsible accountability on municipal income, expenditure, assets and liabilities and provides reports to various stakeholders on the utilization of municipal funds.

The municipality carries its activities, duties and functions within the framework of Municipal Finance Management Act (MFMA) Act No 56 of 2003 and the Annual Division of Revenue Act (DoRA), other applicable pieces of legislation and approved budget related policies of the municipality.

### 2. Implementation of mSCOA

mSCOA, being the municipal Standard Chart of Accounts, is part of the broader local government reform process initiated and driven by the National Treasury.

mSCOA is a regulated reform and its regulations came into effect on 1 July 2017. The municipality has in line with the National Treasury guidelines developed an activity plan that will guide the processes towards seamless implementation of the reform. Below are the mSCOA activities/meetings that took place during the period under review:

Table 5.1: mSCOA implementation activities/meetings took place

Details of Activities/Meetings	Date
mSCOA Training for employees	11 April 2019



## Component A: Statement of Financial Performance

	Note(s)	2019	2018
			*Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	698,481,721	638,641,088
Licences and permits	23	105,569	115,270
Operational revenue	24	3,471,562	8,810,350
Income legal costs		2,755,174	4,412,269
Interest received - investment	25	3,408,691	3,535,284
Dividends received	25	115,088	106,973
Interest received - consumers		37,326,833	32,954,552
Sale of stands		396,849	800,994
Adjustments to assets		1,513,879	1,362,245
Fair value adjustments on other financial assets		374,946	246,904
Rental of facilities and equipment		5,852,302	6,156,372
<b>Total revenue from exchange transactions</b>		<b>753,802,614</b>	<b>697,142,301</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	143,648,432	134,499,406
Transfer revenue	27		
Government grants and subsidies	28	269,173,065	244,552,336
Public contributions and donations	29	25,690,347	15,883,454
Fines, penalties and forfeits		4,055,117	9,851,422
<b>Total revenue from non-exchange transactions</b>		<b>442,566,961</b>	<b>404,786,618</b>
<b>Total revenue</b>		<b>1,196,369,575</b>	<b>1,101,928,919</b>
<b>Expenditure</b>			
Employee related costs	30	-288,617,758	-268,480,401
Remuneration of councillors	31	-17,554,110	-9,996,810
Depreciation and amortisation	32	-72,118,140	-74,248,368
Finance costs	33	-8,063,255	-8,273,084
Lease rentals on operating lease	34	-7,671,201	-10,510,395
Debt impairment	35	-234,585,991	-225,543,986
Bulk purchases	36	-397,279,610	-338,343,506
Contracted services	37	-80,843,545	-75,339,099
Transfers and subsidies	38	-296,533	-9,000
Inventories losses/write-downs		-193,720	-543,063
Operating expenditure	39	-60,447,392	-51,720,174
<b>Total expenditure</b>		<b>-1,167,671,255</b>	<b>-1,063,007,886</b>
<b>Surplus for the year</b>		<b>28,698,320</b>	<b>38,921,032</b>

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## Component B: Spending Against Capital Budget

Vote Description	Budget Year 2018/19		
	Original Budget	Adjusted Budget	YearTD actual
<b>R thousands</b>			
<b><u>Multi-Year expenditure appropriation</u></b>			
Vote 01 - Executive & Council	–	–	–
Vote 02 - Municipal Manager	–	2 400	526
Vote 03 - Corporate Services	–	1 217	–
Vote 04 - Social Services	778	1 979	168
Vote 05 - Technical Services	87 018	105 567	79 753
Vote 06 - Financial Services	–	–	–
Vote 07 - Local Economic Development And Planning	641 500	2 650	–
<b>Total Capital Multi-year expenditure</b>	<b>729 296</b>	<b>113 813</b>	<b>80 447</b>
<b><u>Single Year expenditure appropriation</u></b>			
Vote 01 - Executive & Council	–	–	–
Vote 02 - Municipal Manager	2 950	1 400	28
Vote 03 - Corporate Services	1 260	43	104
Vote 04 - Social Services	14 189	16 376	7 324
Vote 05 - Technical Services	29 203	25 936	29 219
Vote 06 - Financial Services	560	560	156
Vote 07 - Local Economic Development And Planning	410	260	60
<b>Total Capital single-year expenditure</b>	<b>48 572</b>	<b>44 575</b>	<b>36 892</b>
<b>Total Capital Expenditure</b>	<b>777 868</b>	<b>158 388</b>	<b>117 339</b>
<b><u>Capital Expenditure - Functional Classification</u></b>			
<b><i>Governance and administration</i></b>	<b>644 277</b>	<b>6 127</b>	<b>908</b>
Executive and council	–	–	–
Finance and administration	644 277	6 127	908
Internal audit			
<b><i>Community and public safety</i></b>	<b>8 752</b>	<b>13 314</b>	<b>2 451</b>
Community and social services	3 389	1 841	6
Sport and recreation	4 229	2 879	832
Public safety	1 134	8 594	1 613
Housing			
<b><i>Economic and environmental services</i></b>	<b>20 363</b>	<b>27 336</b>	<b>23 450</b>
Planning and development	2 760	2 760	60
Road transport	17 603	24 576	23 390
<b><i>Trading services</i></b>	<b>104 476</b>	<b>111 612</b>	<b>90 530</b>
Energy sources	17 270	22 090	21 218
Water management	16 500	16 500	8 696
Waste water management	64 491	67 981	55 575
Waste management	6 215	5 041	5 041
<b>Total Capital Expenditure - Functional Classification</b>	<b>777 868</b>	<b>158 388</b>	<b>117 339</b>
<b><u>Funded by:</u></b>			
National Government	108 247	114 247	87 466

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Provincial Government	-	-	-
District Municipality			
Other transfers and grants	2 500	15 256	25 690
<b>Transfers recognised - capital</b>	<b>110 747</b>	<b>129 503</b>	<b>113 156</b>
<b>Borrowing</b>	<b>-</b>	<b>6 000</b>	<b>-</b>
<b>Internally generated funds</b>	<b>-</b>	<b>22 885</b>	<b>4 183</b>
<b>Total Capital Funding</b>	<b>110 747</b>	<b>158 388</b>	<b>117 339</b>

### Component C: Cash flow Management and Investment

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		636,679,638	580,430,758
Grants		276,645,694	238,640,976
Interest income		3,408,691	3,535,284
Dividends received		115,088	106,973
Other receipts		16,636,573	30,146,677
		933,485,684	852,860,668
<b>Payments</b>			
Employee costs		-298,550,163	-267,749,035
Suppliers		-557,692,897	-486,633,921
Finance costs		-1,464,469	-2,217,991
		-857,707,529	-756,600,947
<b>Net cash flows from operating activities</b>	<b>40</b>	<b>75,778,155</b>	<b>96,259,721</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	-91,408,636	-83,751,555
Proceeds from sale of property, plant and equipment	11	13,210,937	-781,149
Purchase of investment property	10	-2,380	-
Purchase of other intangible assets	12	15,872	-
<b>Net cash flows from investing activities</b>		<b>-78,184,207</b>	<b>-84,532,704</b>
<b>Cash flows from financing activities</b>			
Movement in long term portion - long term loan		-1,501,886	-1,379,692
Finance lease payments		-3,257,763	-1,932,026
<b>Net cash flows from financing activities</b>		<b>-4,759,649</b>	<b>-3,311,718</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-7,165,701</b>	<b>8,415,299</b>
Cash and cash equivalents at the beginning of the year		21,042,894	12,627,595
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>13,877,193</b>	<b>21,042,894</b>

## Component D: Other Financial Matters

### 1. Expression on the Auditor General Report

We believe that the opinion expressed by the Auditor-General on the audit of the affairs of the municipality for the reporting period under review is a fair reflection of the state of affairs of the municipality's financial and non-financial performance for the period ended 30 June 2019.

### 2. Plans to enhance financial viability

- Ensure consistent application of accounting policies applicable to the financial statements so as to eliminate possibilities of errors and re-statement of financial information during audits.
- Strengthening of controls relating to daily financial activities and ensuring correct recording of financial transactions.
- Ensure compliance with applicable laws and regulations regarding financial management and other related matters.
- Improve the effectiveness and monitoring of financial reporting and related internal controls.

### 3. Financial Ratios based on Key Performance Indicators

#### 3.1 Revenue Management

##### 3.1.1 Level of Reliance on Government Grants

**Purpose:** The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

	2018/19 R'000			2017/18
Formula	Government Grants	Total Revenue	%	%
Grants & Subsidies/Total Revenue	R269 173	R1 196 370	22.5%	22.2%

**Analysis and Interpretation:** The ratio above indicates that the municipality is less reliant on grant revenue, which constitutes about 22% of the total revenue. This ratio has been consistent over at least the past 3 financial years.

##### 3.1.2 Actual Revenue versus Budgeted Revenue

**Purpose:** The purpose of this ratio seeks to determine deviations between actual and budgeted revenue and to ascertain reasons for the deviations.

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Formula	Actual Revenue 2018/19	Budgeted Revenue 2018/19	Variance	Variance	
Formula	R'000			2018/19 %	2017/18 %
Variance/Actual Revenue	R1 196 370	1 241 958	R45 588	(3.7%)	3.6%

**Analysis and Interpretation:** The acceptable standard is that the actual revenue for a financial year must equal or exceed the approved budget for the financial year. The municipality's actual revenue is less than the budget by 3.7%. In the previous financial year, actual revenue was more than budgeted revenue by 3.6%. Fluctuations are mainly as a result of fluctuation in consumption of water and electricity, as well as public donations for capital assets

### 3.2 Expenditure Management

#### 3.2.1 Employee Related Costs to Total Operating Expenditure

**Purpose:** The purpose of this ratio is to indicate Personnel Cost as a percentage of Total Expenditure.

	2018/19			2017/18
Formula	Employee Cost	Total Operating Expenditure	%	%
Actual Salaries, Wages and Allowances/Total Expenditure	R288 618	R1 167 671	24.7%	25.3%

#### 3.2.2 Remuneration of Councillors

**Purpose:** The purpose of this ratio is to indicate Remuneration of Councillors as a percentage of Total Expenditure.

	2018/19			2017/18
Formula	Remuneration of Councillors	Total Expenditure	%	%
Actual Remuneration of Councillors/ Total Expenditure	R17 554	R1 167 671	1.5%	0.9%

**Analysis and Interpretation:** From the above computations, it is evident that employee related cost remained constant at average of 25% for both 2018/19 and 2017/18 and on the other hand, remuneration of councillors as a percentage

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of total operating expenditure showed almost a 0.6 % increase year on year to total expenditure, and this is partially attributable to gaps due in the term of the council due to changes in Council in Metsimaholo Local Municipality in 2017/2018.

### 3.2.3 Repairs and Maintenance to Total Expenditure

**Purpose:** The purpose of this ratio is to indicate Repairs and Maintenance as a percentage of Total Expenditure.

	2018/19			2017/18
Formula	Repairs & Maintenance	Total Expenditure	%	%
Actual Repairs & Maintenance/ Total Expenditure	R21 776	R1 167 671	1.9	2.4

**Analysis and Interpretation:** The National Treasury's norm for this ratio is that it should equal at least 10% of Total Operating Expenditure. In this case the expenditure is below 10% for both periods, as the expenditure figure does not include the salaries of the employees responsible for the work performed on repair and maintenance of assets

### 3.3 Liability Management

#### 3.3.1 Acid Test Ratio

**Purpose:** To test the extent to which the municipality's current assets can cover the short term obligations.

	2018/19			2017/18
Formula	Current Assets less Inventory	Current Liabilities	Ratio	Ratio
Current Assets less Inventory/Current Liabilities.	R257 352 – R1 467	R269 850	0.95: 1	0.93: 1

**Analysis and Interpretation:** The norm for this ratio is 1.5:1, in other words, current assets less inventor must be able to cover the current liabilities 1.5 times.

From the above analysis, the municipality's current is 0.95 for the current period and although still slightly below the norm, it is however an improvement from 2017/18.

## ***Chapter 6: Auditor-General's Findings***

### **Component A: Background**

In terms of section 20 of the Public Audit Act, 25 of 2004 (PAA), the Auditor-General must in respect of each audit performed in respect of the auditee, in this case Metsimaholo Local Municipality, prepare a report on the audit.

With the above background in mind, this chapter outlines the final Auditor-General's Report in respect of the audit of the financial year under review (i.e 2018/19 financial year).

This chapter further provides an overview of the Auditor-General Report of the previous financial year (2017/18) with specific focus on the following:

- a) Matters raised during the previous financial year's audit; and
- b) Remedial action taken to address those issues and preventative measures taken.

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

### Report on the audit of the financial statements

#### Qualified opinion

1. I have audited the financial statements of the Metsimaholo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Metsimaholo Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

#### Basis for qualified opinion

##### Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not maintain an adequate asset register and could not provide me with supporting records for disposals. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 390 096 253 (2018: R1 359 565 341) in note 11 to the financial statements. In addition, the municipality did not correctly classify various items of property, plant and equipment between the classes of assets as reflected in note 11, in accordance with GRAP 17, *Property, plant and equipment*. I was unable to determine the full extent of the misclassifications as it was impracticable to do so.
4. The municipality also did not disclose property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Infrastructure projects which have been finalised as at 30 June 2019 were incorrectly included in the closing balance of work-in-progress as reflected in the reconciliation of work-in-progress in note 11 to the financial statements. Consequently, work-in-progress was overstated by R123 353 761.

##### Investment property



5. I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain an adequate asset register and could not provide lease agreements. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R295 200 836 (2018: R295 221 476) in note 10 to the financial statements. In addition, the municipality incorrectly classified properties that do not meet the definition of investment properties as outlined in GRAP 16, *Investment property*. Consequently, investment property is overstated by R58 004 887. There was also a resultant impact on the surplus for the period and on the accumulated surplus.

### Irregular expenditure

6. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements and made overtime payments not in line with the municipality's overtime policy, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure stated at R58 040 885 in note 51 to the financial statements as it was impracticable to do so.

### Service charges

7. I was unable to obtain sufficient appropriate audit evidence that all service charges had been properly accounted for, due to the status of the accounting records. I could not confirm that consumer debtors registered as indigent, did qualify for indigent status in terms of the municipality's indigent policy. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R698 481 721 in note 22 to the financial statements.

### Property rates

8. I was unable to obtain sufficient appropriate audit evidence that all property rates had been properly accounted for, due to the status of the accounting records. I could not confirm that consumer debtors registered as indigent, did qualify for indigent status in terms of the municipality's indigent policy. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R143 648 432 in note 26 to the financial statements.

### Depreciation and amortisation

9. The municipality did not correctly provide for depreciation on items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. The depreciation was calculated using the incorrect useful lives. Consequently, depreciation and amortisation included in note 32 to the financial statements is understated by R13 727 130 and property, plant and equipment included in note 11 to the financial statements is overstated by R13 727 130.

## Public contributions and donations

10. I was unable to obtain sufficient appropriate audit evidence that all public contributions and donations received have been accounted for in accordance with GRAP 23, *Revenue from non-exchange transactions*. Donations reflected on third party confirmations could not be traced to the accounting records of the municipality and I could not confirm if the municipality actually received the donated assets or services. I was unable to confirm public contributions and donations by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to public contributions and donations stated at R25 690 347 in note 28 to the financial statements.

## Context for the opinion

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
12. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes), as well as the 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 codes.
13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Emphasis of matters

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

## Unauthorised expenditure

15. As disclosed in note 49 to the financial statements, unauthorised expenditure of R77 564 428 was incurred, due to overspending of a vote in the approved budget.

## Fruitless and wasteful expenditure

16. As disclosed in note 50 to the financial statements, fruitless and wasteful expenditure of R22 372 735 (2018: R2 255 167) was incurred, mainly due to interest on arrear payments to creditors and the payment for work not performed.

## Restatement of corresponding figures

17. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

### Material uncertainty relating to claims against the municipality

18. With reference to note 43 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

### Material losses

19. As disclosed in note 36 to the financial statements, material water losses of R30 300 137 (2018: R16 307 842) and electricity losses of R10 352 646 (2018: R15 686 341) were incurred by the municipality mainly due to internal use, illegal connections and supply to informal areas.

### Material impairment

20. As disclosed in note 7 to the financial statements, consumers and other receivables were impaired by R1 290 138 259 (2018: R1 091 545 789).

### Other matter

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

### Unaudited disclosure notes

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

### Unaudited supplementary schedules

23. The supplementary information set out on pages xx to xx 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 thereon.

### Responsibilities of the accounting officer for the financial statements

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

25. In preparing the financial statements, the accounting officer is responsible for assessing the Metsimaholo Local 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

26. 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.
27. 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

28. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
29. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2019:

KPA	Pages in the annual performance report
KPA 1 – service delivery and infrastructure development	x – x

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

## KPA 1 – Service delivery and infrastructure development

### Various indicators

31. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator description	Reported achievement
Number of kms of internal roads repaired and maintained	Target not achieved - only pothole patching done – 2 236 m2
Number of km of roads identified for paving and storm water construction	Target achieved - construction has been completed
Number of kms of roads graded	Target achieved - 26.8 km of road graded
% compliance with the blue drop water quality accreditation system	Target not achieved
% compliance with the green drop quality accreditation system	Target not achieved
Refuse removal service extended to all new formal settlements as per township register within Metsimaholo LM.	Target achieved - 100% refuse is collected on all formal and informal household, businesses and industries on a 5 and 6 days basis.
Illegal dumping sites removed	Target achieved - 12 illegal dumping sites were removed
% of fire and disaster incidents within the municipality attended	Target achieved

### Upgrade the Waste Water Treatment Works (WWTW)

32. The achievement for the target to upgrade the WWTW reported in the annual performance report was 40%. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 54%.

### Various objectives

33. The following strategic objectives approved in the service delivery and budget implementation plan (SDBIP) were not consistent with the strategic objective reported in the annual performance report.

Strategic objective (SDBIP)	Strategic objective per annual performance report
Ensure the development and annual review of the municipality's comprehensive infrastructure plan (CIP)	To ensure that the municipality broadly delivers service according to the strategic orientation based on key sector plans.
To ensure development of legally compliant and credible IDP (included under KPA 1)	To ensure development of legally compliant and credible IDP (included under KPA 4)

### Percentage compliance with the green drop water quality accreditation system

34. The target approved in the SDBIP was >99%. However, the target reported in the annual performance report was target not achieved.

### Other matter

35. I draw attention to the matter below.

### Achievement of planned targets

36. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 31 to 34 of this report.

## Report on the audit of compliance with legislation

### Introduction and scope

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

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

### Annual financial statements

39. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, expenditure and disclosure items identified by the auditors in the submitted financial statements were

subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

40. The 2017-18 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

### **Expenditure management**

41. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph.
42. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R22 372 735, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Fruitless and wasteful expenditure amounting to R21 647 454 was incurred on the Oranjeville sports complex.
43. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R77 564 428, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of votes in the approved budget.
44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

### **Revenue management**

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

### **Asset management**

46. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
47. All investments were not made in accordance with the requirements of the investment policy as cash flow projections and regular credit checks were not performed, as required by municipal investment regulation 3(3).

### **Strategic planning and performance management**

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

### Procurement and contract management

49. 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(a) and (c). Similar non-compliance was also reported in the prior year.
50. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
51. Sufficient appropriate audit evidence could not be obtained that a construction contract was awarded to contractors that was registered with the Construction Industry Development Board (CIDB) in accordance with section 18(1) of the CIDB Act, 2000 (Act No. 38 of 2000).
52. 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).
53. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.
54. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
55. The preference point system was not applied on some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).
56. 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).
57. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
58. Bid specifications for some of the tenders were drafted in a biased manner and did not allow all potential suppliers to offer their goods or services, in contravention of SCM regulation 27(2)(a).

### Human resource management

59. 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 Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
60. An approved staff establishment was not in place, as required by section 66(1)(a) of the MSA.



### Consequence management

- 61. 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.
- 62. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 63. 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.

### Conditional grants

- 64. Performance in respect of programmes funded by the regional bulk infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

### Other information

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

### Internal control deficiencies

- 69. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, findings on the annual performance report and the findings on compliance with legislation included in this report.

70. Inadequate governance by the council to address and conclude on the suspension of the municipal manager, which was suspended for the entire financial year under review as well as during the current audit. All the positions of the managers reporting directly to the municipal manager were also vacant for the mentioned periods. This resulted in various officials acting in these vacant positions, contributing to the instability in the leadership of the municipality. At the time of finalising this report, none of these vacancies was filled and the municipal manager was still on suspension.
71. Leadership did not monitor and enforce the implementation of the corrective measures included in the audit action plan to address the weaknesses relating to the finance and SCM directorates with regard to asset management, procurement and contract management, as well as the prevention of irregular, fruitless and wasteful expenditure.
72. A lack of commitment of key officials and staff supporting them regarding the implementation and monitoring of internal controls over daily and monthly processing of transactions resulted in material audit findings included in this report.
73. Inadequate oversight and accountability resulted in officials not being held accountable for transgressions with laws and regulations and an increase in the number of non-compliance findings raised during the year under review.
74. Ineffective monitoring and supervision over financial and performance reporting resulted in internal control deficiencies that were not identified, communicated and corrected in a timely manner.
75. There was a lack of commitment to prioritise and implement standard operating procedures to manage processes for performance reporting, including the safeguarding of information and effective monitoring and evaluation of reported performance information.

*Auditor-General*

Bloemfontein

29 November 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

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

### **Financial statements**

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

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## Component B (i): Matters Raised during the Previous Financial Year's Audit

The table below provides an overview of matters raised by the Auditor-General during the audit of the 2017/18 financial year. These matters formed part of management action plan under the reporting period under review with an objective to resolve in line with the recommendations / remedial actions recommended by the Auditor-General.

Table 6.1: Matters raised by the Auditor-General during 2017/18 audit

Issues raised	Remedial Action
<p><b>Property, plant and equipment</b></p> <p>I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to inadequate information included in the asset register and insufficient evidence to confirm that work has actually been delivered for assets included in work-in-progress.</p> <p>I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R 1 238 419 688 in note 10 to the financial statements.</p> <p>In addition the municipality did not recognise its landfill site in accordance with GRAP 17, <i>Property, plant and equipment</i></p> <p><b>Provisions</b></p> <p>The municipality did not recognise the provision for the rehabilitation of their landfill sites in accordance with GRAP 19, <i>Provisions, Contingent Liabilities and Contingent Assets</i>.</p> <p>I was unable to determine the full extent of the overstatement of provisions stated at R 33 431 342 (2017: R 31 850 938) in note 21 to the financial statements as it was impracticable to do so.</p> <p><b>Employee benefit obligation</b></p> <p>The municipality did not recognise the employee benefit obligation in accordance with GRAP 25, <i>Employee Benefits</i>.</p> <p>The municipality did not provide for all employees who qualified for post-retirement medical and contributions in their actuarial valuation.</p> <p>I was unable to determine the full extent of the understatement of employee benefit obligation for medical stated at R 29 288 630</p>	<p>The asset register will be updated with additional information such as GPS coordinates, erf numbers, location address and length of roads</p> <p>Control measures will be put in place to verify all work in progress as well as the work is done before sign off for payment.</p> <p>Work-in-progress will be revisited and adjustments made will be provided if required. Completion certificates and bill of quantities will be obtained to validate the WIP.</p> <p>Landfill sites will be re-valued and the AFS will be updated accordingly.</p> <p>Provision for rehabilitation of land fill sites will be recalculated and the annual financial statements will be updated accordingly.</p>

<p>(2017: R 27 293 577) in note 20 to the financial statement as was impracticable to do so.</p> <p><b>Irregular expenditure</b> The municipality did not disclose all instances of irregular expenditure incurred in the note to the financial statements.</p> <p>I was unable to determine the full extent of the understatement of irregular expenditure stated at R 13 386 293 in note 49 to the financial statements as it was impracticable to do so.</p> <p><b>Cash flows from operating activities</b></p> <p>The municipality did not present the cash flow statement in accordance with GRAP 2, <i>Cash flow statements</i>.</p> <p>The cash flows from operating activities was misstated due to inclusion of non-cash items. I was unable to determine the full extent of the misstatement as it was impracticable to do so.</p>	<p>The information for employee benefits will be updated and corrected. The actuarial valuation for 30 June 2018 will be revisited and the annual financial statements will be updated accordingly.</p> <p>The whole population of payments (2017/18) will be revisited to correct the completion and accuracy of the register, thereafter the annual financial statements will be corrected.</p> <p>Measures will be put in place to reduce the extent of Irregular expenditure</p> <p>Internal control measures will be put in place to rectify the matter and it will be updated to identify actual cash versus levy of services as well as interest from consumers</p> <p>The annual financial statements will be updated accordingly.</p>
<p><b>EMPHASIS OF MATTERS</b></p>	
<p><b>Restatement of corresponding figures</b></p> <p>As disclosed in note 41 and note 43 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018.</p>	<p>Restatement of 30 June 2017 figures was as a result of invoices received late, corrections made on billing and re-classifying with the implementation of mSCOA</p>

	Process regarding year end cut-off procedures will be improved
<p><b>Fruitless and wasteful expenditure</b></p> <p>As discussed in note 48 to the financial statements, fruitless and wasteful expenditure of R 2 255 167 (2017: R 898 188) was incurred in the current year due to the interest charges paid on overdue accounts.</p>	<p>Most of fruitless expenditure is interest on late payments to creditors</p> <p>Revenue enhancement strategy will be implemented once it's approved to improve the cash flow position.</p> <p>Measures will be put in place to reduce the extent of fruitless expenditure.</p>
<p><b>Material Losses</b></p> <p>As disclosed in note 33 to the financial statements, The municipality incurred water distribution losses of R 16 307 842 (2017: R 36 578 138) and electricity distribution losses of R 15 686 341 (2017: R 6 741 619) mainly due internal consumption that is not metered, illegal connections, theft and the unmetered supply to informal settlements where meters have not yet being installed</p>	<p>Distribution losses are reported on a monthly basis to management. The distribution losses are within the norms of National Treasury</p> <p>It will also be addressed in the proposed Revenue enhancement strategy</p>
<p><b>Material Impairments</b></p> <p>As disclosed in note 5 to the financial statements, consumers and other receivables from exchange transactions were impaired by R 752 778 059 (2017: R 641 816 861). In addition as disclose in note 7 to the financial statement receivables from non-exchange transactions were impaired by R174 279 761 (2017: R 138 121 583).</p>	<p>The cumulative provision for impairment is significant. The provision will continue to be augmented for as long as payment levels are below 100%.</p> <p>We need to also improve our cash collection levels per area</p> <p>Revenue Enhancement Strategy will be implemented</p>
<p><b>Other matters</b></p> <p><i>Service delivery matters-capital projects in progress</i></p> <p>The Oranjeville sport complex project was budgeted for at a cost of R 21 863 685. As at 30 June 2018, the municipality made payments of R 21 647 455 relating to this project, which constitute 99.1% of the budgeted amount. Supporting evidence could not be</p>	<p>This matter is still under investigation, necessary corrections will be made once the matter is finalised.</p>

<p>provided to confirm that payments were only made for actual work performed.</p> <p>The Refenggotso waste water treatment works project was initially budgeted for at a cost of R 6 000 000 with the appointment of a consulting engineer in December 2014. The scope of the work of the consulting engineer, which was based on the initial appointment was expanded several times. During May 2017, the municipality issued a new appointment letter to the same consulting engineers for a budgeted cost of R15 859 894 to oversee the revised project.</p> <p>A contractor was also appointed at a budgeted cost of R 148 640 051 with original planned completion at November 2018. As at 30 June 2018 payments were made by the municipality of R 47 770 207 relating to this project. It could not be confirmed that the services were actually delivered for all the amounts paid on the project</p>	<p>This matter is still under investigation, necessary corrections will be made once the matter is finalised.</p>
<p>Auditor General's report on Annual Performance</p> <p>Auditor General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, Auditor General raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for disclaimer of opinion paragraphs.</p>	<p>Measures will be put in place to rectify the matters raised by AG</p>
<p><b>Other Matters</b></p>	
Human Resource Management	<p>Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report</p>
Procurement and contract management	
Expenditure management	
Conditional grants	
Asset Management	
Consequence Management	
Other Information	
Internal control deficiencies	

## Component B (ii): Action plan to address issues raised by the Auditor General during the year under review (2018/2019):

### Status of Audit Report: Qualified

Table 6.2: Matters raised by the Auditor-General during 2018/19 audit

Issues Raised	Remedial Action Taken/To be taken
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## Metsimaholo Local Municipality

Property, plant and equipment	
<p>I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the municipality did not maintain an adequate asset register and could not provide me with supporting records for disposals. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 390 096 253 (2018: R1 359 565 341) in note 11 to the financial statements. In addition, the municipality did not correctly classify various items of property, plant and equipment between the classes of assets as reflected in note 11, in accordance with GRAP 17, <i>Property, plant and equipment</i>. I was unable to determine the full extent of the misclassifications as it was impracticable to do so.</p> <p>The municipality also did not disclose property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. Infrastructure projects which have been finalised as at 30 June 2019 were incorrectly included in the closing balance of work-in-progress as reflected in the reconciliation of work-in-progress in note 11 to the financial statements. Consequently, work-in-progress was overstated by R123 353 761.</p>	<p>All assets on the asset register will be verified for existence and classification. The asset register will be updated with additional information such as GPS coordinates, erf numbers, location address and length of roads.</p> <p>Classification of all assets will be revised and correct to be in line with GRAP and mSCOA</p> <p>Control measures will be put in place to verify all work in progress as well as the work is done before sign off for payment by PMU</p> <p>Work-in-progress will be revisited and adjustments made will be provided if required. Completion certificates and bill of quantities will be obtained to validate the WIP.</p> <p>The disclosure of Work-in-progress completed and transfer to assets that depreciated will be clearly disclosed in note to AFS to avoid any uncertainty as well as to avoid problems with cash flow.</p> <p>All departments as per Asset champion will take responsibility of assets in their section. Assistance from engineers will be implemented.</p> <p>Provision in adjustment budget and 2020/2021 budget to be made for revised FAR and to determine completeness of assets.</p>
Investment property	
<p>I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain an adequate asset register and could not provide lease agreements. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R295 200 836 (2018: R295 221 476) in note 10 to the</p>	<p>A land audit will be done. Property will be classified as per GRAP requirements.</p> <p>Housing and Property section will also provide all the lease agreements.</p>



financial statements. In addition, the municipality incorrectly classified properties that do not meet the definition of investment properties as outlined in GRAP 16, <i>Investment property</i> . Consequently, investment property is overstated by R58 004 887. There was also a resultant impact on the surplus for the period and on the accumulated surplus.	
<b>Irregular expenditure</b>	
The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements and made overtime payments not in line with the municipality's overtime policy, which were not disclosed. I was unable to determine the full extent of the understatement of irregular expenditure stated at R58 040 885 in note 51 to the financial statements as it was impracticable to do so.	<p>The whole population of payments (2017/18 and 2018/2019) will be revisited to correct the completion and accuracy of the register, thereafter the annual financial statements will be corrected.</p> <p>Measures will be put in place to reduce the extent of Irregular expenditure</p> <p>More workshops will be held for all stakeholders.</p> <p>System be implemented to assist SCM.</p> <p>SCM activities be centralised to minimize irregular expenditure</p>
<b>Service charges</b>	
I was unable to obtain sufficient appropriate audit evidence that all service charges had been properly accounted for, due to the status of the accounting records. I could not confirm that consumer debtors registered as indigent, did qualify for indigent status in terms of the municipality's indigent policy. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R698 481 721 in note 22 to the financial statements	<p>The whole population will be checked. We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p> <p>With the assist of Provincial Treasury we will check other system to assist us with Indigent verification</p>
<b>Property rates</b>	
I was unable to obtain sufficient appropriate audit evidence that all property rates had been properly accounted for, due to the status of the	<p>The whole population will be checked.</p> <p>We will seek links to Department of Home Affairs to also check on Indigents that has deceased.</p>

<p>accounting records. I could not confirm that consumer debtors registered as indigent, did qualify for indigent status in terms of the municipality's indigent policy. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R143 648 432 in note 26 to the financial statements.</p>	<p>With the assist of Provincial Treasury we will check other system to assist us with Indigent verification</p>
<p><b>Depreciation and amortisation</b></p>	
<p>The municipality did not correctly provide for depreciation on items of property, plant and equipment in accordance with GRAP 17, <i>Property, plant and equipment</i>. The depreciation was calculated using the incorrect useful lives. Consequently, depreciation and amortisation included in note 32 to the financial statements is understated by R13 727 130 and property, plant and equipment included in note 11 to the financial statements is overstated by R13 727 130</p>	<p>The lifespan of assets was not adjusted on the asset register but adjustments were made to increase the lifespan of the assets as it reflected less than a year on FAR. Recalculations were done that the Auditor General not took into account.</p> <p>It will be also be re-checked again.</p>
<p><b>Public contributions and donations</b></p>	
<p>I was unable to obtain sufficient appropriate audit evidence that all public contributions and donations received have been accounted for in accordance with GRAP 23, <i>Revenue from non-exchange transactions</i>. Donations reflected on third party confirmations could not be traced to the accounting records of the municipality and I could not confirm if the municipality actually received the donated assets or services. I was unable to confirm public contributions and donations by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to public contributions and donations stated at R25 690 347 in note 28 to the financial statements.</p>	<p>Internal controls must be in place that Departments report all donations, capital and operating, to be included in the financial system.</p> <p>The letter from SASOL will be distribute again to all departments in order to verify. Corrections will be done if the municipality did received the services and assets, as indicated in the letter.</p>

## Metsimaholo Local Municipality

<b>Emphasis of matters</b>	
<b>Unauthorised expenditure</b>	
As disclosed in note 49 to the financial statements, unauthorised expenditure of R77 564 428 was incurred, due to overspending of a vote in the approved budget	The unauthorised expenditure is non-cash items –provision for bad debts(impairment). The collection for services charges to consumers (payment rate) must increase. The provision of bad debts as per the budget must increase that will result in reduce other budget expenditure to have a balanced budget.
<b>Fruitless and wasteful expenditure</b>	
As disclosed in note 50 to the financial statements, fruitless and wasteful expenditure of R22 372 735 (2018: R2 255 167) was incurred, mainly due to interest on arrear payments to creditors and the payment for work not performed	<p>An amount of R21million is the expenditure on the Oranjeville Sport stadium that is currently under investigation.</p> <p>Most other of fruitless expenditure is interest on late payments to creditors</p> <p>Revenue enhancement strategy will be implemented once it's approved to improve the cash flow position.</p> <p>Measures will be put in place to reduce the extent of fruitless expenditure.</p>
<b>Restatement of corresponding figures</b>	
As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.	<p>Restatement of 30 June 2018 figures was as a result of invoices received late, corrections made on billing and re-classifying with the implementation of mSCOA</p> <p>Process regarding year end cut-off procedures will be improved</p> <p>Co-operation of all departments to adhere to the financial procedures for any expenses.</p>
<b>Material uncertainty relating to claims against the municipality</b>	
With reference to note 43 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.	
<b>Material losses</b>	

As disclosed in note 36 to the financial statements, material water losses of R30 300 137 (2018: R16 307 842) and electricity losses of R10 352 646 (2018: R15 686 341) were incurred by the municipality mainly due to internal use, illegal connections and supply to informal areas.	<p>Distribution losses are reported on a monthly basis to management. The distribution losses are within the norms of National Treasury</p> <p>It will also be addressed in the proposed Revenue enhancement strategy.</p> <p>Water meters need to be installed in areas where water is used but no control over.</p>
<b>Material impairment</b>	
As disclosed in note 7 to the financial statements, consumers and other receivables were impaired by R1 290 138 259 (2018: R1 091 545 789).	<p>The cumulative provision for impairment is significant. The provision will continue to be augmented for as long as payment levels are below 100%.</p> <p>We need to also improve our cash collection levels per area.</p> <p>Operation Patala was implemented in 2019/2020</p> <p>Revenue Enhancement Strategy will be implemented</p>
<b>Report on the audit of the annual performance report</b>	
Auditor General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, Auditor General raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for disclaimer of opinion paragraphs.	<p>Engagement with the directorates will be held on a quarterly basis to address performance information and the portfolio of evidence.</p> <p>The PMS Policy will also be submitted to Council for adoption and subsequently implementation.</p>

## Metsimaholo Local Municipality

<b>Expenditure management</b>	Irregular, fruitless and unauthorised expenditure are addressed above. Non-payment within 30 days are linked to the cash flow and not submitting of invoices in time. Internal controls be put in place as well as workshops held to empower all departments
<b>Revenue management</b>	Revenue Enhancement Strategy to be approved by Council.
<b>Asset management</b>	The asset champions of each department must improve their control. Internal controls will be compiled as distribute together with the Asset policy. Awareness be done that assets is not only responsibility of Finance. Refer to Workshop by Provincial Treasury. Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Strategic planning and performance management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Procurement and contract management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Human resource management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Consequence management</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Conditional grants</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report
<b>Internal control deficiencies</b>	Internal control measures will be put in place to rectify other matters raised in the Audit report including detailed Action plan to address above issues and matters in the management report

## Appendices

### Appendix A: Councillors; Committee Allocation and Council Attendance

Table A1: List of Councillors and record of Council Meetings Attendance

Number of Council Meetings held for the year						
Total number of meetings held for the year						
			Ordinary	Special	Total	
Details			Record of Council Meetings Attended			
Full Names & Surname	Political	Ward	Ordinary	Special	Total	Number of
Ms Patricia Malitaba Mokoena	ANC	1	6	8	14	1
Mr Morena Molawa	ANC	2	6	9	15	0
Ms Mathithi Merriam Telane	ANC	3	5	8	13	2
Ms Gabaikitsi Beauty Nnune	ANC	4	6	8	14	1
Mr Sky Simon Kobo	ANC	5	6	9	15	0
Ms Mahadi Nkheloane	ANC	6	3	8	11	4
Ms Portia Mahlaela	ANC	7	5	8	13	2
Mr Jack Nteso	ANC	8	5	7	12	3
Mr Nelson Nhato Dywili	ANC	9	5	8	13	2
Ms Nokuthula Mirriam Mtshali	ANC	10	4	7	11	4
Mr Thabo Kenneth Mabasa	ANC	11	6	8	14	1
Mr Lebohang Makhefu	ANC	12	6	8	14	1
Mr Fikile Mosokweni	ANC	13	6	9	15	0
Mr Francois Jacobus van der Merwe	DA	14	5	9	14	1
Mr Jacobus Johannes Grobbelaar	DA	15	6	9	15	0
Mr Jan Jacobus Barnard	DA	16	5	9	14	1
Mr George Burger	DA	17	6	8	14	1
Ms Ruanda Meyer	DA	18	6	9	15	0
Mr Khomoliileng Alexis Mare	ANC	19	5	8	13	2
Mr Lucas Fisher	ANC	20	6	7	13	2
Ms Ntombizodwa Prudence Mokoena	ANC	21	5	9	14	1
Mr April Tibisi Motaung	EFF	PR 1	5	7	12	3
Ms Selloane Motjeane	EFF	PR2	3	7	10	5

## Metsimaholo Local Municipality

Ms Modiehi Granny Leotlela	EFF	PR3	3	6	9	6
Mr Teleki Taats	EFF	PR4	4	7	11	4
Mr Lefa Nhlapo	EFF	PR5	5	7	12	3
Mr Moeketsi Maseko	EFF	PR6	5	7	12	3
Ms Leetoane Tsotetsi	EFF	PR7	5	7	12	3
Mr Tshepo MacDonald Motlounq	EFF	PR8	5	7	12	3
Mr Thabiso Mofokeng	DA	PR9	6	6	12	3
Mr Zisindo Jafta Zwane	Da	PR10	6	9	15	0
Mr Phineas Mohapi	DA	PR11	6	8	14	1
Mr Simpson Morena Matwa	DA	PR12	5	9	14	0
Mr Michael Thulani Mbana (He joined on December 2018)	DA	PR13	4	6	10	0
Mr Lois J van Heerden (He joined on 7 January )	DA	PR14	4	6	10	0
Ms Anoldi du Plooy (She passed on 21 Nov 2018)	DA	PR14	2	2	4	0
Ms Lindiwe Tshongwe	SACP	PR15	4	7	11	4
Mr Lebohang Samuel Semonyo	SACP	PR16	6	8	14	1
Mr Mosiuoa Poho	SACP	PR17	6	8	14	1
Mr Theo du Toit	FF	PR18	5	7	12	3
Mr Vuyo Lenny Mashia (He joined on 29 May 2019)	MCA	PR19	1	0	1	0
Mr Buti Victor Nyembe (He resigned on 29 May 2019)	MCA	PR19	4	8	12	1
Mr Mthakathi Jack Malindi	AIC	PR20	6	9	15	0
Ms Dineo Joyce Nyaku	F4SD	PR21	5	8	13	1
Mr Khodu Bular Mofokeng (He joined on 28 June 2019)	F4SD	PR21	0	1	1	0

## Appendix B: Committees & their respective purposes

Table A2: Name & Purpose of the Committee

Name of Committee	Purpose of the Committee
Portfolio Committee: Corporate Services (s80)	Oversight over Corporate Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Finance and Audit (s80)	Oversight over Finance departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Portfolio Committee: Technical Services (s80)	Oversight over Technical Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Public Safety (s80)	Oversight over Public Safety sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Portfolio Committee: Cleansing, Parks and Cemeteries (s80)	Oversight over Social Services sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Urban Planning and Human Settlements (s80)	Oversight over Urban Planning & Human Settlement departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: LED, Tourism and Agriculture (s80)	Oversight over LED & Tourism departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Portfolio Committee: Sports, Arts and Culture (s80)	Oversight over Sports, Arts & Culture sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral
Audit and Performance Audit Committee (s79)	Roles and responsibilities as outlined in section 166 of the MFMA and the approved charter
Oversight Committee (s79)	Roles and responsibilities as outlined in section 129 of the MFMA and the National Treasury guidelines issued in MFMA Circular 32 (18



## Metsimaholo Local Municipality

Table A3: Members of Corporate Services Committee and Attendance Records of Committee Meetings

Corporate Services (s80)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
Nyaku D.J (Ms)	F4SD	4	0
Kobo S.S moved out replaced by Mare K A	ANC	2 1	1
Dywili N.N	ANC	4	0
Tsotetsi L (Ms)	EFF	3	0
Du Plooy A (Ms) passed on replaced by L van Heerden	DA	1 1	1 0

Table A4: Members of Finance & IDP Committee and Attendance Records of Committee Meetings

Finance and IDP (s80)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
L Fisher replaces L Makhefu moved out	ANC		
N N Dwili	ANC		
M P Mokoena (Ms)	ANC		
J Barnard	DA		
A Motaung	EFF		

Councillor L Makhefu was the Portfolio Head: Finance & Audit Committee for the period of July 2018 to September 2018. There is no indication of the Portfolio meeting called during this period. He was then reshuffled during October/November 2018.

Councillor M S Poho became the Acting Portfolio Head: Finance & Audit Committee for the period of 27 November 2018 to 2 April 2019. He called the meeting on the 19<sup>th</sup> February 2019, but the meeting did not quorate and the attendance register was not signed.

Councillor L Fisher became the Portfolio Head: Finance & Audit Committee for the period of 3 April 2019 to date. He then called the meeting on the 16<sup>th</sup> April 2019, but the meeting did not quorate and the attendance register was not signed.

In light of the above information, it is difficult for Administration to indicate as to how many apologies were tendered or not received.

## Metsimaholo Local Municipality

Table A5: Members of Technical Services Committee and Attendance Records of Committee Meetings

Technical Services (s80)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
M S Poho	SACP	5	0
S J Nteso	ANC	5	0
N M Mtshali (Ms) moved out replaced by	ANC	4	0
G B Nnune		1	0
J J Grobbelaar	DA	5	0
T Du Toit	FF	2	2
S Motjeane	EFF	1	0

Table A6: Members of Public Safety Committee and Attendance Records of Committee Meetings

Public Safety (s80)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
M J Malindi	AIC	3	0
P Mahlaela	ANC	2	1
Van der Merwe	DA	3	0
S J Nteso	ANC	1	2
T Taats	EFF	2	1
		2	1

Table A7: Members of Cleansing, Parks & Cemeteries Committee and Attendance Records of Committee Meetings

Cleansing, Parks and Cemeteries (s80)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
S Mosokweni	ANC	4	0
M M Telane (Ms)	ANC		0
S S Kobo replaced by M Nkeloane	ANC	1	0
M Maseko	EFF	3	0
P Mohapi	DA	4	4

## Metsimaholo Local Municipality

Table A8: Members of Urban Planning & Human Settlements Committee and Attendance Records of Committee Meetings

Urban Planning and Human Settlements (s80)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
L S Semonyo	SACP	4	4
R Meyer (Ms)	DA	2	2
K A Mare	ANC	4	0
G B Nnune	ANC	3	1
T M Motloun	EFF	2	0

Table A9: Members of LED, Tourism & Agriculture Committee and Attendance Records of Committee Meetings  
LED, Tourism and Agriculture (s80)

Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
N P Mokoena (Ms) replaced L Fisher (No quorum)	ANC	1	1
M M Telane	ANC	0	0
L Nhlapo	EFF	0	0
M P Mahlaela (Ms)	ANC	0	0
T Mofokeng	DA	0	0

Table A10: Members of Sports, Arts & Culture Committee and Attendance Records of Committee Meetings

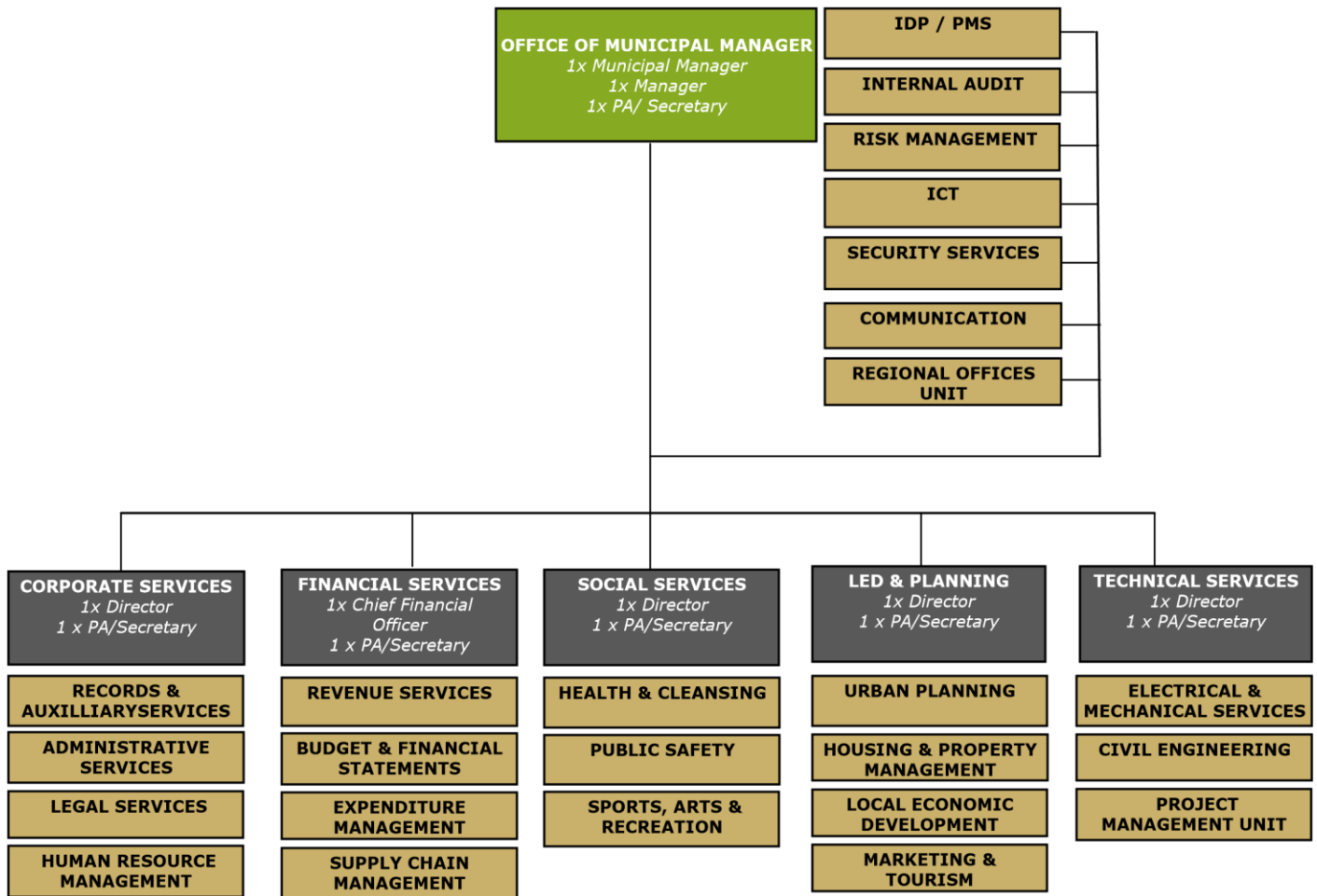
Sports, Arts and Culture (s80)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
N M Mtshali replaced N P Mokoena (Ms)	ANC	2	0
M M Telane	ANC	1	0
G Burger	DA	3	0
M Leotlela (Ms)	EFF	2	0

Table A11: Members of Audit and Performance Audit Committee and Attendance Records of Committee Meetings  
Audit and Performance Audit Committee (s79)

Initials & Surname	No. of Meetings Attended by the Member	No. of Apologies
Mr SP Simelane (Chairperson)	5	1
Ms SFS Makhathini	5	1
Mr M Noge	5	1

## Appendix C: Third Tier Administrative Structure

Figure A1 - Third Tier Administrative Structure



## Appendix D: Functions of the Municipality

Table A12: Powers and Functions of the Municipality

Powers & Functions	Reference	Performed (Yes/No)
<b>Schedule 4 Part B and Schedule 5 Part B Powers and Functions:</b>		
Air pollution	Schedule 4 Part B	No
Building regulations	Schedule 4 Part B	Yes
Child care facilities	Schedule 4 Part B	No
Electricity and gas reticulation	Schedule 4 Part B	Yes
Firefighting services	Schedule 4 Part B	Yes
Local tourism	Schedule 4 Part B	No
Municipal airports	Schedule 4 Part B	No
Municipal planning	Schedule 4 Part B	Yes
Municipal health services	Schedule 4 Part B	No
Municipal public transport	Schedule 4 Part B	No
Municipal public works	Schedule 4 Part B	No
Pontoons, ferries, jetties, piers and harbours.	Schedule 4 Part B	No
Stormwater management systems in built-up areas	Schedule 4 Part B	No
Trading regulations	Schedule 4 Part B	Yes
Water and sanitation services	Schedule 4 Part B	Yes
Beaches and amusement facilities	Schedule 5 Part B	No
Billboards and the display of advertisements in public places	Schedule 5 Part B	Yes
Cemeteries, funeral parlours and crematoria	Schedule 5 Part B	Yes
Cleansing	Schedule 5 Part B	Yes
Control of public nuisances	Schedule 5 Part B	Yes
Control of undertakings that sell liquor to the public	Schedule 5 Part B	No
Facilities for the accommodation, care and burial of animals	Schedule 5 Part B	No
Fencing and fences	Schedule 5 Part B	Yes
Licensing of dogs	Schedule 5 Part B	No
Licensing and control of undertakings that sell food to the public	Schedule 5 Part B	No
Local amenities	Schedule 5 Part B	Yes
Local sport facilities	Schedule 5 Part B	Yes
Markets	Schedule 5 Part B	No
Municipal abattoirs	Schedule 5 Part B	No
Municipal parks and recreation	Schedule 5 Part B	Yes

## Metsimaholo Local Municipality

Powers & Functions	Reference	Performed (Yes/No)
<b>Schedule 4 Part B and Schedule 5 Part B Powers and Functions:</b>		
Municipal roads	Schedule 5 Part B	Yes
Noise pollution	Schedule 5 Part B	No
Pounds	Schedule 5 Part B	No
Public places	Schedule 5 Part B	Yes
Refuse removal, refuse dumps and solid waste disposal	Schedule 5 Part B	Yes
Street trading	Schedule 5 Part B	Yes
Street lighting	Schedule 5 Part B	Yes
Traffic and parking	Schedule 5 Part B	Yes
<b>Fiscal Powers and Functions in terms of Section 229 of the Constitution:</b>		
Levying of rates on property and surcharges on fees for services provided by or on behalf of the		Yes
<b>Other powers and function not specified by the Constitution</b>		
Disaster management (*)		Yes
Integrated development planning		Yes
Libraries and museums (other than national libraries and museums)		No
Nature conservation Tourism promotion (at local level only)		Yes

## Appendix E: Ward Reporting

Table A13: Functionality of ward committees

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Malitaba Patricia Mokoena	YES	2	3	2
2	Morena Molawa	YES	3	3	3
3	Mathithi Miriam Telane	YES	1	1	3
4	Gabaikitsi Beauty Nnune	YES	0	0	1
5	Sky Simon Kobo	YES	0	0	1
6	Mahadi Nkheloane	YES	2	11	9
7	Portia Mahlaela	YES	0	3	3
8	Seattle Jack Nteso	YES	4	1	4
9	Nelson Nhatu Dywili	YES	6	9	3
10	Nokuthula Mirriam Mtshali	YES	13	17	4
11	Thabo Kenneth Mabasa	YES	1	6	5
12	Lebohang Andries Makhefu	YES	0	2	2
13	Fikile Daniel Mosokweni	YES	4	6	2
14	Francois Jacobus Van der Merwe	NO	0	1	1
15	Jacobus Johannes Grobbelaar	YES	4	6	2
16	Jan Jacobus Barnard	YES	4	5	1
17	George Burger	YES	2	3	1
18	Ruanda Meyer	NO	0	1	1
19	Khomolileng Alexis Mare	YES	12	17	5
20	Lucas Fisher	YES	0	1	1
21	Ntombizodwa Prudence Mokoena	YES	2	5	3



## Appendix F: Ward Information

Table A14: Ward Information

First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
Activities	Wards	Activities	Ward	Activities	Wards	Activities	Wards
IDP Meeting	All	Jabu Mnguni	All	Seriti Public meeting	All	Draft Budget & IDP	All
Save Water Campaign	3, 4, 5, 20	Road Safety Awareness	All	Public Participation Policies	All	SMS Project	All
Arbor Day	All	Consumer Education	All	Save Water Campaign	11 & 12	Road & Transport Public meeting	1, 5, 6, 13, 19, 21
Nelson Mandela Day	All	Cleaning Campaign	All	Africa Public Day	All	Human Settlement Public meeting	20
				Early School Coming	All		
				Heritage Day	All		
				ID Campaign	All		

## Appendix G: Recommendations of the Audit Committee

Table A15: Recommendations of the Audit Committee

Municipal Audit Committee Recommendations		
Date of Meeting	Committee recommendations during 2017/18	Recommendations
In all AC meeting	Recommends approval of all the outstanding policies which need to be implemented urgently for the effective day to day functioning of the municipality.	In progress
10 October 2018	Irregular, fruitless and wasteful expenditure remains one of the key factors preventing the municipality from moving towards a clean audit. Therefore, we recommend council to ensure; <ul style="list-style-type: none"> <li>MPAC to fulfil all its responsibilities as required by section 32 of the MFMA as well as other oversight issues.</li> </ul>	In progress

## Metsimaholo Local Municipality

All meetings	That a performance management policy be developed and implemented with immediate effect as the municipality is functioning without having an approved PMS policy.	In progress
12 March 2019	Organizational structure to be finalized as a matter of urgency.	In progress
10 October 2018	Irregular and deviation register are compiled and updated	In progress
12 March 2019	That all outstanding traffic fines captured manually be transferred to a system.	In progress
12 March 2019	That all income received from traffic be submitted to finance and fast track the appointment of service provider	In progress

### Appendix H: Long-term contracts and Public Private Partnerships

Table A16: Long-term contracts and private partnership

CONTRACT REGISTER 2015-2018 FINANCIAL YEAR				
Name of Municipality: Metsimaholo Local Municipality				
Service Provider	Contract Description	Original Contract Date	Contract Expiry Date	Contract Value
Kgotoba projects and construction cc	Nightsoil removal (bucket system) in Denesville and Oranjeville	17/08/2015	31/08/2018	R 52 294.00 per month
KKCG - investment (Pty) Ltd / (Layer 3 Telecoms)	Appointment for a service provider - wireless network links repairs maintenance for a period of three years	17/08/2015	31/08/2018	Rates
1. Inkhokheli Business Enterprise 2. Rantoa Service Providers cc 3. Aqua Transport and Plant Hire (Pty) Ltd 4. Mmazwi Civil & Construction Services	Appointment of a service provider for leasing of compactor trucks, front end loader and tipper trucks for waste collection in Metsimaholo for a period of three years as and when required.	01/11/2015	31/10/2018	Rates

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Ensemble Trading 2053 CC	Supply and Delivery of firearms for Metsimaholo Local Municipality on as and when required for a period of three years	20/07/2016	30/06/2019	Rates
1. Werksmans Incorporated 2. Rasegoete and Associates INC 3. Moroka Attorneys 4. Boitumelo Maubane Attorneys 5. Raphela Attorneys 6. Majavu INC 7. Leepile and Mbewe Incorporated 8. Ndobela and Malebogo Maeyane Attorneys J/V 9. Lebea Associates Attorneys 10. Ponoane Attorneys (Pty) Ltd 11. Nkaiseng Incorporated 12. Ntsoane Attorneys 13. Molenaar Griffiths Melato INC	Request for proposal – Procurement of legal entities to provide supportive legal related services on as and when required for a period of three years	26/10/2015	30/09/2018	Rates
Jameson Consultant CC	Appointment of a professional service provider for extensive organisational review, re-engineering of the municipality and development of new organisational structure	01/11/2015	n/a	R 2,450,150.00
Bataung Women Development CC	Appointment of service provider to provide cleaning services for a period of three years	14/12/2015	31/12/2018	R 7,455,780.00

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1. Vumba Trading CC 2. Kiyose NM Supplies (Pty)	Appointment of a service provider for supply and delivery of oil on as and when required for a period of three years	01/11/2015	31/10/2018	Rates
1. Tabane Projects CC 2. Shembu services CC 3. Lekoa construction and transport services CC 4. Inokheli Business Enterprise CC 5. Green Eden Nursery CC 6. Tembiscap (Pty) Ltd 7. Mothepu General Services CC	Appointment of a service provider for grass cutting and tree pruning for a period of three years on as and when required	01/12/2015	30/11/2018	Rates
Chamadah (Pty) Ltd	Supply and Delivery of Mild steels section for road signs, welding rods, bolt and nuts for a period of three years on as and when required	01/12/2015	01/12/2018	Rates
Makola Media A Division of Makola Holdings Pty Ltd	Appointment of a service provider to provide onsite printing services for a period of three years	01/12/2015	30/11/2018	Rates
1. Modern Steel Design CC 2. Mag and Age Trading Enterprise CC 3. Tibi Transport and Projects CC	Supply and delivery of plumbing materials for a period of three years on as and when required	01/12/2015	30/11/2018	Rates
Standard Bank	Request for proposal: provision for finance lease facilities	01/07/2016	30/06/2021	10.2% Fixed Interest Rate

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1. Hapcal trading CC 2. Faithrich Trading and Projects CC 3. Tabane Projects CC 4. Verbitrax (Pty) Ltd	Supply and delivery of luminaires and lamps for a three year period as and when requires basis	09/02/2016	31/01/2019	Rates
1. PH Marketing (Pty) Ltd 2. Tumishi Electrical and Building Construction 3. CBI Electric African Cables 4. Lekoa projects (Pty) Ltd	Supply and delivery of electrical cables for a three years period on as when required basis	09/02/2016	31/01/2019	Rates
1. Hapcal Trading CC 2. Reliance Industries (Pty) Ltd 3. CBI Electric African cables (Pty) Ltd 4. Tumishi Electrical and Building construction	Supply and delivery of 88kv electrical cables for a three year period on as and when required basis	09/02/2016	31/01/2019	Rates
1. Motlatsi Holdings and investments (Pty) Ltd 2. Noval Idea Trading 182 cc t/a Naledi Industrial Hardware 3. Rera Projects (Pty) Ltd 4. Mosadi otiileng and Vikela Road Demarcation & safety 5. Inkokheli Business Enterprise 6. Mphepheto & Mfiso Construction & plant hire (Pty) Ltd 7. Mag and age Trading Enterprise 8. Mothepu General Services	Supply and delivery of road marking paints and consumables for a period of three years as and when required	01/06/2016	31/05/2019	Rates
Mthombeni & Associates CC/ Dalas business Enterprise CC (JV)	Turnkey solution for the construction of 2.9km interlocking paved internal roads with storm water channels in Zamdela ward 11 using EPWP	01/05/2016	30/04/2019	Rates
Mmazwi civil and Construction Services	Turnkey solution for the construction of 2.6km interlocking paved internal roads with storm water channels in Zamdela ward 11 using EPWP	21/06/2016	31/05/2019	Rates

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1. Lekoa Projects (Pty) Ltd 2. Palipa trading enterprise CC	Appointment of a service provider for supply and delivery of materials for roads, storm water, manhole covers and building materials for roads, storm water, manhole covers and building materials for a period of three years	01/06/2016	31/05/2019	Rates
Tharollo Development Group (Pty) Ltd	Request for proposal from professional services providers for compilation of Metsimaholo Local Municipality 15 years service delivery report	01/05/2016	30/04/2019	R 1,105,800.00
No Limits Development Enterprise CC	Construction of Oranjeville Sports complex	11/05/2016	30/04/2019	R 13,603,600.00
Fire Raiders Pty Ltd	Procurement of fire vehicles: a. 4x4 Medium pumper fire engine b. 6x4 Heavy duty water tanker/pumper	22/07/2016	n/a	R 5,566,685.03
Aon South Africa Pty Ltd	Request for bids from insurance brokers for short term insurance requirements of Metsimaholo Local Municipality for a period three years	25/07/2016	30/06/2019	R 132,235.00
1. Imfuyo Distributors Pty Ltd 2. Macbolann Computer Stores CC 3. Sage Computer Technologies Pty Ltd 4. Lerula Construction and Projects CC 5. BK 's IT Solutions CC 6. Zimema Trading Pty Ltd 7. Mobile Comp Tech CC	Supply and delivery of desktops, laptops and projectors for a period of three years as and when required	01/04/2017	31/03/2020	Rates

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1. Itec Tiyende (Pty) Ltd 2. Nashua Vaal 3. Konica Minolta Vaal 4. Alenti 220 (Pty) Ltd	Appointment of a service provider for Outright purchase of high speed copiers or specialised printing equipment for a period of three years as and when required	01/03/2017	29/02/2020	Rates
C-Sonke Trading CC	Appointment of service provider for strategic planning, development printing of a 5 year reviewed intergrated development plan (IDP) for Metsimaholo Local Municipality for a 3 year period	23/02/2017	31/01/2020	Rates
Phenomenal Archit-tacts CC	Appointment of a service provider to design, manage the project, supervise the works and the handling of a sports complex in Metsimaholo	13/01/2014	On Going	R 3,300,414.00
Tecroveer Projects Pty Ltd	Refengkgotso waste water treatment; appointment of a professional service provider for the assessment, monitor the construction and commission the upgrading of the refeng kgotso wastewater wastewater treatment works an outfall discharge pipeline	05/01/2015	On Going	Rates
Mobile Telephone Networks Pty Ltd	Provision and Maintenance of internet services for a period of three years	01/10/2014	30/09/2017	Rates
Standard Bank	Rendering of Banking service for Metsimaholo Local Municipality for a period of 60 months in terms of the Banking Act, 1990	01/05/2017	30/04/2022	Rates
SAFCRETE CONSORTIUM	Construction of 6ML / Day WWTW for Refengkgotso	11/05/2017	On Going	R 148,640,051.29
CMJ Agency cc	Supply and delivery of uniform for traffic, fire and bi-law department for Metsimaholo Local Municipality on as and when required basis for a period of three years	21/07/2016	30/06/2019	Rates

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Utility System Integration Services	Provision of online and third party Prepaid Vending System for a period of three years	01/03/2012	28/02/2015	5.48% Commission
1.Tshete Asphalt (Pty) Ltd 2.Star Traders cc t/a Jotell Eng 3.Down Low Construction & Projects 127 cc	Supply, Delivery & Off-Loading of Cold Asphalt premix (25kg bags) on as when needed for a period of three years	18/01/2018	31/01/2021	Rates
Mthombeni & Associates CC	Appointment of a professional service provider for the assessment, monitoring and commissioning of sewer yard connection on behalf of the municipality	01/02/2018	On Going	R 995,773.00
Muteo Consulting	Appointment of a professional service provider for the upgrading of Leitrim pump station	01/12/2017	On Going	R 1,358,195.00
1. Millennium Pumps 2. Wanga Power Projects CC	Appointment of mechanical support services company for mechanical, electrical and instrumentation work required in maintaining pumpstations in the area of Metsimaholo Local Municipality on as and when needed for a period of three years	01/08/2017	31/07/2020	Rates
1. Tshepang Construction and Trading CC 2. Aqua Transport & Plant Hire (Pty) Ltd 3. Inkokheli Business Enterprise CC	Appointment of a service provider for leasing of construction machine/plant over a period of three years on as and when required basis	01/08/2017	31/07/2020	Rates
Camjet (Pty) Ltd	Appointment of a service provider to assist with CCTV Inspection of Pipe Networks such as sewer, water and storm water as and when required basis for a period of three years. PART B	01/06/2017	31/05/2020	Rates



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Rocket Industrial Services	Appointment of a service provider to provide services to uphold the sewer and storm water networks as and when required basis for a period of three years. PART A	01/06/2017	31/05/2020	Rates
1. Tyre & Tube Sasolburg 2. Ramatheola Tyres (Pty) Ltd	Appointment of a service provider to supply and delivery of new tyres, wheels services and batteries on as and when required basis for a period of three years	01/07/2017	30/06/2020	Rates
OHS Care CC	Appointment of a medical doctor to provide occupational health and wellness services within Metsimaholo Local Municipality for a period of three years on as and when required basis	01/02/2018	31/01/2021	Rates
Zim Electrical CC	Appointment of a service provider for the construction of Zamdela-Leitrim 88kV double circuit (only one circuit dressed & strung) & 12 core optical ground wire (OPWG) approximately 6.5KM	01/02/2018	On Going	R 9,382,657.14
Hlanganani Consulting Engineers & Project Managers	Appointment of a professional service provider to design, manage and supervise the project and commission the construction of 2.0km of paved roads and storm water channels in Zamdela Ward 11 Phase 2	06/02/2018	On Going	R 850,440.00
Hlanganani Consulting Engineers & Project Managers	Appointment of a professional service provider to design, manage and supervise the project and commission the construction of 2.0km of paved roads and storm water channels in Zamdela Ward 9	06/02/2018	On Going	R 850,440.00
Hlanganani Consulting Engineers & Project Managers	Appointment of a professional service provider to design, manage and supervise the project and commission the construction of 2.0km of paved roads and storm water channels in Zamdela Ward 8	06/02/2018	On Going	R 850,440.00
Careways Wellness (Pty) Ltd	Appointment of a professional Psychologist on behalf of the municipality for the period of three years on as and when required basis	01/02/2018	31/01/2021	Rates

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Ndovhu Construction cc	Construction of Roads and Storms Water in Zamdela Ward 8	19/05/2018	On Going	R 11,402,561.66
Dalas Business Enterprises cc	Construction of Roads and Storms Water in Zamdela Ward 9	19/05/2018	On Going	R 14,779,343.73
Ndovhu Construction cc	Construction of Roads and Storms Water in Zamdela Ward 11 Phase 2	19/05/2018	On Going	R 16,106,172.20
Millennium Pumps cc	Upgrading of Leitrim Pump Station and the rising main Bulk Line	19/05/2018	On Going	R 13,734,259.08
ILIFA Africa Engineering (Pty) Ltd	Request for proposal from the professional service provider for the compilation of a water services	30/05/2018	On Going	R 1,212,885.00
Ducharme Consulting-Central (Pty) Ltd	Request for proposals from professional services provider for review of assets management information to ensure compliance with GRAP for 2017/2018; 2018/2019 and 2019/2020 financial years for Metsimaholo Local Municipality	17/07/2018	30/06/2020	R 1,539,216.00
KEP Consulting (Pty) Ltd	Request for proposal from professional service provider to assist the Municipality with preparation for Audit.	31/07/2018	n/a	R 327,862.50
Prucurex Advisory (Pty) Ltd	Law Enforcement support system and lease of camera law enforcement equipment for a period of three years	29/06/2018	30/06/2021	Rates
Aurecon South Africa	Request for proposal from professional service provider to conduct a Feasibility Study for Human Settlement purposes in Zamdela within the Metsimaholo Local Municipality Jurisdiction	09/10/2018	30/09/2021	R 563,172.25
NDK Valuers Pty Ltd	Appointment of a service provider for a compilation of General and Supplementary Valuation Roll	18/09/2018	30/06/2023	R 2 690 000.00 valuation roll & Bi-annually supplementary valuation roll
Mothepe General Services	Construction of Gortin Phase 4 Sewer Yard connections for PART A	25/09/2018	31/03/2019	R 3,988,753.73

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Flying Eagle's / Mogobeng JV	Construction of Gortin Phase 4 Sewer Yard connections for PART B	25/09/2018	31/3/2019	R 3,968,184.88
PART A (1. MetsiChem International, 2. Majava Water Solutions AND 3. Ndulamiso Aqua Solutions) PART B (Majava Water Solutions)	Supply and Delivery of water and wastewater treatment chemicals for the period of three years: PART A (SODIUM HYPOCHLORITE, LIME, SODA ASH & CHLORINE HTH) PART B (FLOCCULLANTS)	05/10/2018	31/10/2021	Rates
LQ Technologies (Pty) Ltd	Appointment of a service provider for provision on disaster recovery and business continuity solution for Metsimaholo Local Municipality	20/11/2018	31/10/2021	R 3,438,799.92
Layers 3 Telecom (Pty) Ltd	Appointment of service provider for provision of internet services and bulk sms services for Metsimaholo Local Municipality	28/11/2018	30/11/2021	R43 222.29 per month
1. Ramp Inclination Solutions 2. Baphethesi Construction 3. Projects AND Star Traders (Pty) Ltd	Supply and Delivery of Cleaning Material for the period of three years	29/11/2018	30/11/2021	Rates
Techi Engineers (Pty) Ltd	Appointment of a professional service provider for consulting services for Upgrading of Oranjeville Waste Water Treatment Plant	19/12/2018	31/12/2021	R 5,450,102.43
Luvhengo Consulting Engineers	Appointment of a professional service provider for consulting services for Remedial Work Gortin Phase 3	20/12/2018	31/12/2021	R 1,790,980.00
Servinet Consulting Engineers	Appointment of a professional service provider for consulting services for Upgrading of Oranjeville Water Treatment Plant and Construction of Pressure Tower	19/12/2018	31/12/2021	R 1,854,544.05
Lyon and Partners (Pty) Ltd	Appointment of a professional service provider for consulting services for Themba Kubheka: Bulk Rectification	07/02/2019	On Going	R 1,111,465.32

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1. Chamadah (Pty) Ltd 2. Thompo Trading 3. Setlatlari Business Enterprise (Pty) Ltd 4. Mosadi Engineering 5. YKTPS Projects & Services (Pty) Ltd 6. Incebo Projects & Trading	Appointment of a Panel for Supply and delivery of Road Marking Paints and Consumables for a period of three years on an as required basis	13/12/2018	31/12/2021	Rates
1. Imvelaphi Trading 2. Wes Ozzie (Pty) Ltd 3. Kadongo 4. Selebalo Painting & Projects	Appointment of a Panel for Grass Cutting and Tree Pruning for a period of three years on an as required basis	13/12/2018	31/12/2021	Rates
1. Tibi Transport and Projects 2. YKTPS Projects & Services (Pty) Ltd	Supply and Delivery of Plumbing Material for period of three years on an as required basis	20/12/2018	31/12/2021	Rates
Ndovho Construction cc	Appointment of a Service Provider for the Construction of sewer networks, pump station and reticulation remedial works in Gortin Phase 3	19/12/2018	31/12/2020	R 10,826,559.43
Forex Logistics & Petroleum	PART B (Supply and Delivery of Oil and Lubricants) for a period of three years on an as required basis	08/01/2019	31/01/2022	Rates
Within Africa Protection cc	Construction for upgrading of Oranjeville Water Treatment Plant and Construction of Pressure Tower	29/03/2019	31/12/2019	R 12,352,788.25
Kura Uone Group	Appointment of a Service Provider for Supply and Delivery of Motor Grader	07/05/2019	31/08/2019	R 3,603,122.54
True Motives 1262 cc	Construction of Gortin Phase 3 Sewer Yard Connections Part C	05/06/2019	30/06/2020	R 3,919,373.30
Flying Eagle's / Mogobeng JV	Construction of Gortin Phase 3 Sewer Yard Connections Part E	14/06/2019	30/06/2020	R 3,982,398.22
Luvhengo Consulting Engineers	Appointment of a professional service provider for consulting services of paved roads and stormwater in Refengkgotso Ward 3	12/06/2019	30/06/2022	R 2 381.420.00

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Servinet Consulting Engineers	Appointment of a professional service provider for consulting services of Refengkgotso Sports Complex	12/06/2019	30/06/2022	R 1,841,150.00
Techi Engineers (Pty) Ltd	Appointment of a professional service provider for consulting services of High Mast Lights in Amelia	12/06/2019	30/06/2022	R 631,350.00
Layers 3 Telecom (Pty) Ltd	Appointment of a Service Provider for Wireless links Repairs and Maintenance for a period of three years on as and when required basis	03/06/2019	30/06/2022	Rates
1. XCO Group (Pty) Ltd 2. Asibonge Majula Projects (Pty) Ltd	Appointment of a Service Provider for Supply and Delivery of Protective Clothing for a period of three years on as and when required basis	23/05/2019	31/05/2022	Rates
Aqua Transport & Plant Hire (Pty) Ltd	Appointment of a Panel of contractors for hiring of Plant and Equipment for Metsimaholo Local Municipality for a period of three years on as and when required basis.	29/05/2019	31/05/2022	Rates
RE MO Cleaning Services (Pty) Ltd	PART B: Installation and maintenance of Dispensers and Supply of Hygiene Services for three years	03/06/2019	30/06/2022	Rates
Maximum Profit Recovery (Pty) Ltd	Appointment of service provider for Vat review, recovery and Compliance for period of three years	n/a	31/01/2019	n/a
Electro Cuts	Appointment of service provider for rendering of meter reading and credit control services for period of three years	n/a	30/09/2018	n/a

## Metsimaholo Local Municipality

C-Sonke Trading cc	Appointment for annual report compilation & development for Metsimaholo for three years on as and when required basis	n/a	31/07/2019	n/a
Afrirent (Pty) Ltd	Appointment for Supply, Installation and Configuration of an intergrated fleet management, fuel management and vehicle tracking systems for 3 years	n/a	31/01/2019	n/a
Altimax Training Academy	Appointment of a service provider to provide support for year end and Preparation of Annual Financial Statement to MLM for a period of 3 years	n/a	31/03/2020	n/a
Promptique Trading 7cc t/a Leopard Security	Provision of security services for a period of one year renewable	n/a	31/08/2019	n/a

### Appendix I: Municipal Entity/Service Provider Performance Schedule

Table A17: Municipal Entity/Service Provider Performance Schedule

CONTRACT REGISTER 2015-2018 FINANCIAL YEAR							
Name of Municipality: Metsimaholo Local Municipality							
Service Provider	Contract Description	Original Contract Date	Contract Expiry Date	Contract Value	Service level agreement signed (yes/No)	Status as at 30 June 2019 (in progress/Complete)	Performance Measurement as at 30 June 2019 (Good/Fair/Poor)
Kgotoba projects and construction cc	Nightsoil removal (bucket system) in Denesville and Oranjeville	17/08/2015	31/08/2018	R 52 294.00 per month	No.	Contract has lapsed	Fair
KKCG - investment (Pty) Ltd / (Layer 3 Telecoms)	Appointment for a service provider - wireless network links repairs maintenance for a period of three years	17/08/2015	31/08/2018	Rates	No	Complete	Good
Jameson Consultant CC	Appointment of a professional service provider for extensive organisational review, re-engineering of the municipality and development of new organisational structure	01/11/2015	n/a	R 2,450,150.00	No	Disagreement in terms of contractual obligations and payment	Poor

## Metsimaholo Local Municipality

1. Tabane Projects CC 2. Shembu services CC 3. Lekoa construction and transport services CC 4. Inokheli Business Enterprise CC 5. Green Eden Nursery CC 6. Tembiscaple (Pty) Ltd 7. Mothepu General Services CC	Appointment of a service provider for grass cutting and tree pruning for a period of three years on as and when required	01/12/2015	30/11/2018	Rates	Yes          Yes	Complete          Complete	Good          Good
Makola Media A Division of Makola Holdings Pty Ltd	Appointment of a service provider to provide onsite printing services for a period of three years	01/12/2015	30/11/2018	Rates	Not applicable because Contract expired on 30/11/2018  Specification was submitted to Supply Chain , but was stopped in order to conduct a feasibility study for insourcing	Nothing has been done in terms of re-advertising to avoid further irregular expenditure	Performance is fluctuating on monthly basis
1. Modern Steel Design CC 2. Mag and Age Trading Enterprise CC 3. Tibi Transport and Projects CC	Supply and delivery of plumbing materials for a period of three years on as and when required	01/12/2015	30/11/2018	Rates	1. No. 2. No. 3. No.	1. Contract has elapsed 2. Contract has elapsed 3. Contract has elapsed	1. Did not provide a service to the municipality in 2018/19 2. Did not provide a service to the municipality 3. Excellent
Standard Bank	Request for proposal: provision for finance lease facilities	01/07/2016	30/06/2021	10.2% Fixed Interest Rate	Yes	Ongoing	Good

## Metsimaholo Local Municipality

1. Lekoa Projects (Pty) Ltd 2. Palipa trading enterprise CC	Appointment of a service provider for supply and delivery of materials for roads, storm water, manhole covers and building materials for roads , storm water, manhole covers and building materials for a period of three years	01/06/2016	31/05/2019	Rates	1. No.  2. No.	1. Contract has elapsed  2. Contract has elapsed	1. Good  2. Average
Tharollo Development Group (Pty) Ltd	Request for proposal from professional services providers for compilation of Metsimaholo Local Municipality 15 years service delivery report	01/05/2016	30/04/2019	R 1,105,800.00	No	Complete	Good
Aon South Africa Pty Ltd	Request for bids from insurance brokers for short term insurance requirements of Metsimaholo Local Municipality for a period three years	25/07/2016	30/06/2019	R 132,235.00	Yes	Complete	Good
1. Imfuyo Distributors Pty Ltd 2. Macbolann Computer Stores CC 3. Sage Computer Technologies Pty Ltd 4. Lerula Construction and Projects CC 5. BK 's IT Solutions CC 6. Zimema Trading Pty Ltd 7. Mobile Comp Tech CC	Supply and delivery of desktops, laptops and projectors for a period of three years as and when required	01/04/2017	31/03/2020	Rates	No	In progress	Good



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1. Itec Tiyende (Pty) Ltd 2. Nashua Vaal 3. Konica Minolta Vaal 4. Alenti 220 (Pty) Ltd	Appointment of a service provider for Outright purchase of high speed copiers or specialised printing equipment for a period of three years as and when required	01/03/201 7	29/02/2020	Rates	No	In progress	Good
C-Sonke Trading CC	Appointment of service provider for strategic planning, development printing of a 5 year reviewed intergrated development plan (IDP) for Metsimaholo Local Municipality for a 3 year period	23/02/201 7	31/01/2020	Rates	No	Complete	Good
Mobile Telephone Networks Pty Ltd	Provision and Maintenance of internet services for a period of three years	01/10/201 4	30/09/2017	Rates	Yes	Complete	Good
1.Tshete Asphalt (Pty) Ltd 2.Star Traders cc t/a Jotell Eng 3.Down Low Construction & Projects 127 cc	Supply, Delivery & Off-Loading of Cold Asphalt premix (25kg bags) on as when needed for a period of three years	18/01/201 8	31/01/2021	Rates	1. No. 2. No. 3. No. .	1. In progress 2. In progress 3. In progress	1. Fair 2. Poor 3. Good
1. Millennium Pumps 2. Wanga Power Projects CC	Appointment of mechanical support services company for mechanical, electrical and instrumentation work required in maintaining pumpstations in the area of Metsimaholo Local Municipality on as and when needed for a period of three years	01/08/201 7	31/07/2020	Rates	1. No.  2. No.	1. In progress  2. In progress	1. Did not provide a service in 2018/19 due to non-payment from previous FY's 2. Good
1. Tshepan Construction and Trading CC 2. Aqua Transport & Plant Hire (Pty) Ltd 3. Inkokheli	Appointment of a service provider for leasing of construction machine/plant over a period of three years on as and when required basis	01/08/201 7	31/07/2020	Rates	1. Yes  2. Yes  3. Yes	1. In progress 2. In progress 3. In progress	1. Good  2. Did not provide a service in 2018/19 due to non-payment from previous FY's Good

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Business Enterprise CC							
Camjet (Pty) Ltd	Appointment of a service provider to assist with CCTV Inspection of Pipe Networks such as sewer, water and storm water as and when required basis for a period of three years. PART B	01/06/2017	31/05/2020	Rates	No.	In progress	Did not provide a service in 2018/19 due to the fact that the municipality has since bought the CCTV cameras
Rocket Industrial Services	Appointment of a service provider to provide services to uphold the sewer and storm water networks as and when required basis for a period of three years. PART A	01/06/2017	31/05/2020	Rates	No.	In progress	Fair
OHS Care CC	Appointment of a medical doctor to provide occupational health and wellness services within Metsimaholo Local Municipality for a period of three years on as and when required basis	01/02/2018	31/01/2021	Rates	No	Ongoing	Good
Careways Wellness (Pty) Ltd	Appointment of a professional Psychologist on behalf of the municipality for the period of three years on as and when required basis	01/02/2018	31/01/2021	Rates	No	Ongoing	Good
ILIFA Africa Engineering (Pty) Ltd	Request for proposal from the professional service provider for the compilation of a water services	30/05/2018	On Going	R 1,212,885.00	No.	Complete	Good

## Metsimaholo Local Municipality

Ducharme Consulting-Central (Pty) Ltd	Request for proposals from professional services provider for review of assets management information to ensure compliance with GRAP for 2017/2018; 2018/2019 and 2019/2020 financial years for Metsimaholo Local Municipality	17/07/2018	30/06/2020	R 1,539,216.00	Yes	Ongoing	Average
Aurecon South Africa	Request for proposal from professional service provider to conduct a Feasibility Study for Human Settlement purposes in Zamdela within the Metsimaholo Local Municipality Jurisdiction	09/10/2018	30/09/2021	R 563,172.25	Yes	In progress	Good
PART A (1. MetsiChem International, 2. Majava Water Solutions AND 3. Ndulamiso Aqua Solutions) PART B (Majava Water Solutions)	Supply and Delivery of water and wastewater treatment chemicals for the period of three years: PART A (SODIUM HYPOCHLORITE, LIME, SODA ASH & CHLORINE HTH) PART B (FLOCCULLANTS)	05/10/2018	31/10/2021	Rates	PART A 1. No 2. No 3. No  PART B 1. No	PART A 1. Ongoing 2. Ongoing 3. Ongoing  PART B 1. Contract terminated: service provider withdrew from the contract	1. MetsiChem – Average 2. Majava – Average 3. Ndulamiso – Average  PART B 1. Majava – Poor: Contract terminated: service provider withdrew from the contract
LQ Technologies (Pty) Ltd	Appointment of a service provider for provision on disaster recovery and business continuity solution for Metsimaholo Local Municipality	20/11/2018	31/10/2021	R 3,438,799.92	No	In progress	Good
Layers 3 Telecom (Pty) Ltd	Appointment of service provider for provision of internet services and bulk sms services for Metsimaholo Local Municipality	28/11/2018	30/11/2021	R43 222.29 per month	Yes	In progress	Good

## Metsimaholo Local Municipality

1. Tibi Transport and Projects 2. YKTPS Projects & Services (Pty) Ltd	Supply and Delivery of Plumbing Material for period of three years on an as required basis	20/12/2018	31/12/2021	Rates	1. No. 2. No.	1. Ongoing 2. Ongoing	1. Excellent 2. Average
Kura Uone Group	Appointment of a Service Provider for Supply and Delivery of Motor Grader	07/05/2019	31/08/2019	R 3,603,122.54	Once-off supply	Complete	Excellent
Layers 3 Telecom (Pty) Ltd	Appointment of a Service Provider for Wireless links Repairs and Maintenance for a period of three years on as and when required basis	03/06/2019	30/06/2022	Rates	No	In progress	Good
C-Sonke Trading cc	Appointment for annual report compilation & development for Metsimaholo for three years on as and when required basis	n/a	31/07/2019	n/a	No	Complete	Good
Altimax Training Academy	Appointment of a service provider to provide support for year end and Preparation of Annual Financial Statement to MLM for a period of 3 years	n/a	31/03/2020	n/a	Yes	Complete	Good
Promptique Trading 7cc t/a Leopard Security	Provision of security services for a period of one year renewable	n/a	31/08/2019	n/a	Yes	Ongoing	Good

## Appendix J: Disclosure of Financial Interest

Table A18: Disclosure of Financial Interest

Register of Declaration of Financial Interests as at 30 June 2018				
Surname	Names	Name of Business & Registration Number	Address of Business	Association with the Business
		<b>COUNCILORS</b>		
Van Heerdem	L J	-	-	-
Grobler	JJ	In His Footprints	-	Director
Van Der Merwe	FJ	-	-	-
Mashia	VL	-	-	-
Mokoena	MP	-	-	-
Dywili	NN	—	-	-
Matwa	SM	Private Company-Life Ya	-	
Zwane	ZJ	-	-	
Mohapi	P	-	-	-
Mbana	MT	Batho Keng Pty (Ltd)	-	-
Nkheloane	M	-	-	-
Telane	MM	-	-	-
Malindi	NJ	-	-	-
Makhefu	LA	-	-	-
Fisher	L	-	-	-
Mosokweni	FD	-	-	-
Nyaku	DJ	-	-	-
Mare	Ak	-	-	-
Mtshali	NM	-	-	-
Mokoena	NP	-	-	-
Mabasa	KT	-	-	-
Kobo	SS	-	-	-
Nnune	GB	-	-	-
Molawa	JM	-	-	-
Barnard	JJ	Jacobos Barnard	-	MD
Semonyo	LS	Matla Dynamics Ltd		Partnership
Tshongwe	SL	Omqusi –Amantimande	-	-

## Metsimaholo Local Municipality

Nteso	SJ	-	-	-
Burger	GS	ASPEN		JSE
		<b>SNR MANAGERS</b>		
Steenkamp	GP	-	-	-
Thile	LP	-	-	-
Ndaba	MD	MTN	-	-
Vorster	A	-	-	-
Ramotso	MA	-	-	-
Theko	M	-	-	-
Scheepers	C	-	-	-
Mkhefa	JM	-	-	-
Sediane	ME	MTN	216 Fourteenth	Ordinary shares
Sediane	ME	THC	3 Daly Street, Port	Preferent shares

### Appendix K: Revenue Collection Performance

#### APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Table A19: Revenue collection performance by vote

Revenue Collection Performance by Vote						
R' 000						
Vote Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %
Council Speaker Council	-	-	-	-	-	-
Municipal Manager	2 553	2 789	2 789	1 228	44.0%	44.0%
Organisational development and Corporate Services	606	1 867	1 860	796	42.6%	42.8%
Social services	69 928	71 390	74 252	48 592	68.1%	65.4%
Technical and Infrastructure Services	745 172	856 299	880 424	761 471	88.9%	86.5%
Financial Services	278 556	273 645	274 970	295 609	108.0%	107.5%
Local development and Urban Planning	7 026	7 663	7663	6 533	85.3%	85.3%
<b>Total Revenue by Vote</b>	<b>1 103 842</b>	<b>1 213 653</b>	<b>1 241 958</b>	<b>1 114 230</b>	<b>91.8%</b>	<b>89.7%</b>

**APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE**

Table A20: Revenue collection performance by source

Revenue Collection Performance by Source						
R '000						
Description	2017/18	2018/19			2018/19 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget %	Adjustments Budget %
Property rates	134 499	140 001	140 867	143 648	102.6%	102.0%
Service Charges - electricity revenue	261 352	290 603	291 673	260 611	89.7%	89.4%
Service Charges - water revenue	321 222	382 236	392 436	365 020	95.5%	93.0%
Service Charges - sanitation revenue	26 461	26 802	25 997	27 518	102.7%	105.9%
Service Charges - refuse revenue	30 150	27 985	30 075	32 024	114.4%	106.5%
Service Charges – other	-	-	-	-	-	-
Rentals of facilities and equipment	6 156	6 086	6 086	5 846	96.1%	96.1%
Interest earned - external investments	3 778	1 300	1 500	3 711	285.5%	247.4%
Interest earned - outstanding debtors	32 955	31 509	36 989	37 327	118.5%	100.9%
Dividends received	107	-	-	115	-	-
Fines	9 851	16 920	12 920	1 131	6.7%	8.8%
Licenses and permits	115	211	211	106	50.2%	50.2%
Agency services	-	-	-	-	-	-
Transfers recognised - operational	150 217	168 255	168 255	167 118	99.3%	99.3%
Other revenue	17 092	13 497	12 946	9 162	67.9%	70.8%
Gains on disposal of PPE	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	993 957	1 105 406	1 120 955	1 053 338	95.3%	94.0%

## Appendix L: Conditional Grants Received (Excluding MIG)

Table A21 - Conditional Grants Received (Excluding MIG)

Conditional Grants: excluding MIG						
						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget %	Adjustments Budget %	
Department of Energy	R11 650	R11 650	R3 289			
Department of Water Affairs	R15 000	R 10 000	R10 000	100%	100%	
Financial Management Grant	R1 770	R1 770	R1 770	100%	100%	
Equitable Share	R163 296	R159 838	R159 838	100%	100%	
<b>Total</b>						

# R5 000 000 from DWA was withheld

# R3 458 000 from Equitable share was withheld

FS204 Metsimaholo - Supporting Table SC13a Monthly Budget Statement - capital expenditure on new assets by asset class - M12 June										
Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
<b>R thousands</b>	1								%	
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		<b>46 681</b>	<b>108 835</b>	<b>111 247</b>	<b>4 880</b>	<b>77 706</b>	<b>111 247</b>	33 540	30.1%	111 247
Roads Infrastructure		22 571	14 443	21 416	86	20 101	21 416	1 314	6.1%	21 416
Roads		20 582	14 043	21 016	86	20 101	21 016	914	4.4%	21 016
Road Structures		1 989	-	-	-	-	-	-	-	-
Road Furniture		-	400	400	-	-	400	400	100.0%	400
Capital Spares								-		
Storm water Infrastructure		-	-	-	-	-	-	-		-
Drainage Collection								-		
Storm water Conveyance								-		
Attenuation								-		
Electrical Infrastructure		21 409	14 450	14 450	380	4 125	14 450	10 325	71.5%	14 450
Power Plants								-		
HV Substations		1 988	500	500	-	-	500	500	100.0%	500
HV Switching Station								-		
HV Transmission Conductors								-		
MV Substations		-	-	-	-	-	-	-		-
MV Switching Stations		-	-	-	-	-	-	-		-
MV Networks		10 721	1 050	1 050	-	1 192	1 050	(142)	-13.5%	1 050
LV Networks		8 700	11 650	11 650	380	2 907	11 650	8 743	75.0%	11 650



# Metsimaholo Local Municipality

Capital Spares		–	1 250	1 250	–	26	1 250	1 224	97.9%	1 250
Water Supply Infrastructure		–	15 000	15 000	3 024	8 177	15 000	6 823	45.5%	15 000
Dams and Weirs								–		
Boreholes								–		
Reservoirs								–		
Pump Stations								–		
Water Treatment Works		–	15 000	15 000	3 024	8 177	15 000	6 823	45.5%	15 000
Bulk Mains								–		
Distribution		–	–	–	–	–	–	–		–
Distribution Points								–		
PRV Stations								–		
Capital Spares								–		
Sanitation Infrastructure		2 701	64 691	60 181	1 389	45 304	60 181	14 878	24.7%	60 181
Pump Station								–		
Reticulation		2 701	15 850	13 475	1 389	11 057	13 475	2 418	17.9%	13 475
Waste Water Treatment Works		–	40 000	40 000	–	28 573	40 000	11 427	28.6%	40 000
Outfall Sewers								–		
Toilet Facilities		–	8 842	6 706	–	5 674	6 706	1 033	15.4%	6 706
Capital Spares								–		
Solid Waste Infrastructure		–	–	–	–	–	–	–		–
Landfill Sites		–	–	–	–	–	–	–		–
Waste Transfer Stations								–		
Waste Processing Facilities								–		
Waste Drop-off Points								–		
Waste Separation Facilities		–	–	–	–	–	–	–		–
Electricity Generation Facilities								–		
Capital Spares								–		
Rail Infrastructure		–	–	–	–	–	–	–		–
Rail Lines								–		
Rail Structures								–		
Rail Furniture								–		
Drainage Collection								–		
Storm water Conveyance								–		
Attenuation								–		
MV Substations								–		
LV Networks								–		
Capital Spares								–		
Coastal Infrastructure		–	–	–	–	–	–	–		–
Sand Pumps								–		
Piers								–		
Revetments								–		
Promenades								–		
Capital Spares								–		
Information and Communication Infrastructure		–	250	200	–	–	200	200	100.0%	200
Data Centres								–		
Core Layers								–		
Distribution Layers		–	250	200	–	–	200	200	100.0%	200
Capital Spares								–		

# Metsimaholo Local Municipality

<b>Community Assets</b>		<b>11 144</b>	<b>4 097</b>	<b>2 899</b>	<b>331</b>	<b>343</b>	<b>2 899</b>	<b>2 556</b>	<b>88.2%</b>	<b>2 899</b>
Community Facilities		11 139	3 925	2 747	331	339	2 747	2 408	87.7%	2 747
Halls		–	–	–	–	–	–	–		–
Centres								–		
Crèches								–		
Clinics/Care Centres								–		
Fire/Ambulance Stations		45	250	250	–	–	250	250	100.0%	250
Testing Stations								–		
Museums								–		
Galleries								–		
Theatres								–		
Libraries								–		
Cemeteries/Crematoria		–	996	968	–	–	968	968	100.0%	968
Police								–		
Purfs		–	–	–	–	–	–	–		–
Public Open Space		11 094	2 679	1 529	331	339	1 529	1 190	77.8%	1 529
Nature Reserves								–		
Public Ablution Facilities								–		
Markets								–		
Stalls		–	–	–	–	–	–	–		–
Abattoirs								–		
Airports								–		
Taxi Ranks/Bus Terminals								–		
Capital Spares								–		
Sport and Recreation Facilities		5	172	152	–	4	152	148	97.3%	152
Indoor Facilities								–		
Outdoor Facilities		5	172	152	–	4	152	148	97.3%	152
Capital Spares								–		
<b>Heritage assets</b>		–	–	–	–	–	–	–		–
Monuments								–		
Historic Buildings								–		
Works of Art								–		
Conservation Areas								–		
Other Heritage								–		
								–		
<b>Investment properties</b>		–	–	–	–	–	–	–		–
Revenue Generating		–	–	–	–	–	–	–		–
Improved Property								–		
Unimproved Property								–		
Non-revenue Generating		–	–	–	–	–	–	–		–
Improved Property								–		
Unimproved Property								–		
<b>Other assets</b>		–	517	487	–	–	487	487	100.0%	487
Operational Buildings		–	517	487	–	–	487	487	100.0%	487
Municipal Offices		–	517	487	–	–	487	487	100.0%	487
Pay/Enquiry Points								–		
Building Plan Offices								–		
Workshops								–		

# Metsimaholo Local Municipality

Yards								-		
Stores								-		
Laboratories								-		
Training Centres								-		
Manufacturing Plant								-		
Depots								-		
Capital Spares		-	-	-	-	-	-	-		-
Housing		-	-	-	-	-	-	-		-
Staff Housing								-		
Social Housing								-		
Capital Spares								-		
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-		-
Biological or Cultivated Assets								-		
<b>Intangible Assets</b>		-	1 000	1 000	-	-	1 000	1 000	100.0%	1 000
Servitudes								-		
Licences and Rights		-	1 000	1 000	-	-	1 000	1 000	100.0%	1 000
Water Rights								-		
Effluent Licenses								-		
Solid Waste Licenses								-		
Computer Software and Applications		-	1 000	1 000	-	-	1 000	1 000	100.0%	1 000
Load Settlement Software Applications								-		
Unspecified								-		
<b>Computer Equipment</b>		304	850	850	122	274	850	576	67.7%	850
Computer Equipment		304	850	850	122	274	850	576	67.7%	850
<b>Furniture and Office Equipment</b>		460	1 296	1 346	133	146	1 346	1 200	89.2%	1 346
Furniture and Office Equipment		460	1 296	1 346	133	146	1 346	1 200	89.2%	1 346
<b>Machinery and Equipment</b>		1 382	1 142	5 128	-	2 353	5 128	2 775	54.1%	5 128
Machinery and Equipment		1 382	1 142	5 128	-	2 353	5 128	2 775	54.1%	5 128
<b>Transport Assets</b>		1 826	6 710	14 189	3 133	5 352	14 189	8 838	62.3%	14 189
Transport Assets		1 826	6 710	14 189	3 133	5 352	14 189	8 838	62.3%	14 189
<b>Land</b>		-	-	-	-	-	-	-		-
Land								-		
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-		-
Zoo's, Marine and Non-biological Animals								-		
<b>Total Capital Expenditure on new assets</b>	1	61 797	124 446	137 146	8 598	86 174	137 146	50 972	37.2%	137 146

# Metsimaholo Local Municipality

## APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

### FS204 Metsimaholo - Supporting Table SC13b Monthly Budget Statement - capital expenditure on renewal of existing assets by asset class - M12 June

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		39 215	2 300	7 120	–	–	7 120	7 120	100.0%	7 120
Roads Infrastructure		–	–	–	–	–	–	–		–
Roads		–	–	–	–	–	–	–		–
Road Structures								–		
Road Furniture								–		
Capital Spares								–		
Storm water Infrastructure		–	–	–	–	–	–	–		–
Drainage Collection								–		
Storm water Conveyance								–		
Attenuation								–		
Electrical Infrastructure		–	–	4 820	–	–	4 820	4 820	100.0%	4 820
Power Plants								–		
HV Substations								–		
HV Switching Station								–		
HV Transmission Conductors								–		
MV Substations								–		
MV Switching Stations								–		
MV Networks		–	–	4 820	–	–	4 820	4 820	100.0%	4 820
LV Networks								–		
Capital Spares		–	–	–	–	–	–	–		–
Water Supply Infrastructure		23	1 500	1 500	–	–	1 500	1 500	100.0%	1 500
Dams and Weirs								–		
Boreholes								–		
Reservoirs		–	–	–	–	–	–	–		–
Pump Stations								–		
Water Treatment Works		–	–	–	–	–	–	–		–
Bulk Mains								–		
Distribution								–		
Distribution Points								–		
PRV Stations								–		
Capital Spares		23	1 500	1 500	–	–	1 500	1 500	100.0%	1 500
Sanitation Infrastructure		39 193	800	800	–	–	800	800	100.0%	800
Pump Station		–	–	–	–	–	–	–		–
Reticulation								–		
Waste Water Treatment Works		39 030	–	–	–	–	–	–		–
Outfall Sewers								–		
Toilet Facilities								–		

# Metsimaholo Local Municipality

Capital Spares		162	800	800	–	–	800	800	100.0%	800
Solid Waste Infrastructure		–	–	–	–	–	–	–		–
Landfill Sites								–		
Waste Transfer Stations								–		
Waste Processing Facilities								–		
Waste Drop-off Points								–		
Waste Separation Facilities								–		
Electricity Generation Facilities								–		
Capital Spares								–		
Rail Infrastructure		–	–	–	–	–	–	–		–
Rail Lines								–		
Rail Structures								–		
Rail Furniture								–		
Drainage Collection								–		
Storm water Conveyance								–		
Attenuation								–		
MV Substations								–		
LV Networks								–		
Capital Spares								–		
Coastal Infrastructure		–	–	–	–	–	–	–		–
Sand Pumps								–		
Piers								–		
Revetments								–		
Promenades								–		
Capital Spares								–		
Information and Communication Infrastructure		–	–	–	–	–	–	–		–
Data Centres								–		
Core Layers								–		
Distribution Layers								–		
Capital Spares								–		
<b>Community Assets</b>		–	643 695	3 295	–	–	3 295	3 295	100.0%	3 295
Community Facilities		–	643 695	3 295	–	–	3 295	3 295	100.0%	3 295
Halls								–		
Centres								–		
Crèches								–		
Clinics/Care Centres								–		
Fire/Ambulance Stations		–	195	195	–	–	195	195	100.0%	195
Testing Stations								–		
Museums								–		
Galleries								–		
Theatres								–		
Libraries								–		
Cemeteries/Crematoria		–	1 500	–	–	–	–	–		–
Police								–		
Parks								–		
Public Open Space		–	642 000	3 100	–	–	3 100	3 100	100.0%	3 100
Nature Reserves								–		

# Metsimaholo Local Municipality

Public Ablution Facilities		-	-	-	-	-	-	-		-
Markets								-		
Stalls								-		
Abattoirs								-		
Airports								-		
Taxi Ranks/Bus Terminals								-		
Capital Spares								-		
Sport and Recreation Facilities		-	-	-	-	-	-	-		-
Indoor Facilities								-		
Outdoor Facilities								-		
Capital Spares								-		
<b>Heritage assets</b>		-	-	-	-	-	-	-		-
Monuments								-		
Historic Buildings								-		
Works of Art								-		
Conservation Areas								-		
Other Heritage								-		
								-		
<b>Investment properties</b>		-	-	-	-	-	-	-		-
Revenue Generating		-	-	-	-	-	-	-		-
Improved Property								-		
Unimproved Property								-		
Non-revenue Generating		-	-	-	-	-	-	-		-
Improved Property								-		
Unimproved Property								-		
<b>Other assets</b>		-	650	650	-	-	650	650	100.0%	650
Operational Buildings		-	650	650	-	-	650	650	100.0%	650
Municipal Offices		-	650	650	-	-	650	650	100.0%	650
Pay/Enquiry Points								-		
Building Plan Offices								-		
Workshops								-		
Yards								-		
Stores								-		
Laboratories								-		
Training Centres								-		
Manufacturing Plant								-		
Depots								-		
Capital Spares								-		
Housing		-	-	-	-	-	-	-		-
Staff Housing								-		
Social Housing								-		
Capital Spares								-		
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-		-
Biological or Cultivated Assets								-		
<b>Intangible Assets</b>		-	-	1 200	-	-	1 200	1 200	100.0%	1 200
Servitudes								-		
Licences and Rights		-	-	1 200	-	-	1 200	1 200	100.0%	1 200

# Metsimaholo Local Municipality

Water Rights								-		
Effluent Licenses								-		
Solid Waste Licenses								-		
Computer Software and Applications		-	-	1 200	-	-	1 200	1 200	100.0%	1 200
Load Settlement Software Applications								-		
Unspecified								-		
<b>Computer Equipment</b>		<b>296</b>	<b>250</b>	<b>100</b>	<b>-</b>	<b>85</b>	<b>100</b>	<b>15</b>	<b>14.6%</b>	<b>100</b>
Computer Equipment		296	250	100	-	85	100	15	14.6%	100
<b>Furniture and Office Equipment</b>		<b>174</b>	<b>110</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>110</b>	<b>100.0%</b>	<b>110</b>
Furniture and Office Equipment		174	110	110	-	-	110	110	100.0%	110
<b>Machinery and Equipment</b>		<b>461</b>	<b>550</b>	<b>550</b>	<b>-</b>	<b>-</b>	<b>550</b>	<b>550</b>	<b>100.0%</b>	<b>550</b>
Machinery and Equipment		461	550	550	-	-	550	550	100.0%	550
<b>Transport Assets</b>		<b>596</b>	<b>4 117</b>	<b>617</b>	<b>-</b>	<b>-</b>	<b>617</b>	<b>617</b>	<b>100.0%</b>	<b>617</b>
Transport Assets		596	4 117	617	-	-	617	617	100.0%	617
<b>Land</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
Land								-		
<b>Zoo's, Marine and Non-biological Animals</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
Zoo's, Marine and Non-biological Animals								-		
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>1</b>	<b>40 743</b>	<b>651 672</b>	<b>13 641</b>	<b>-</b>	<b>85</b>	<b>13 641</b>	<b>13 556</b>	<b>99.4%</b>	<b>13 641</b>

## FS204 Metsimaholo - Supporting Table SC13e Monthly Budget Statement - capital expenditure on upgrading of existing assets by asset class - M12 June

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
<b>Capital expenditure on upgrading of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		-	700	700	-	-	700	700	100.0%	700
Roads Infrastructure		-	200	200	-	-	200	200	100.0%	200
Roads								-		
Road Structures								-		
Road Furniture		-	200	200	-	-	200	200	100.0%	200
Capital Spares								-		
Storm water Infrastructure		-	-	-	-	-	-	-		-
Drainage Collection								-		
Storm water Conveyance								-		
Attenuation								-		
Electrical Infrastructure		-	500	500	-	-	500	500	100.0%	500
Power Plants								-		
HV Substations		-	500	500	-	-	500	500	100.0%	500

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<i>HV Switching Station</i>								-		
<i>HV Transmission Conductors</i>								-		
<i>MV Substations</i>								-		
<i>MV Switching Stations</i>								-		
<i>MV Networks</i>								-		
<i>LV Networks</i>								-		
<i>Capital Spares</i>								-		
Water Supply Infrastructure		-	-	-	-	-	-	-		-
<i>Dams and Weirs</i>								-		
<i>Boreholes</i>								-		
<i>Reservoirs</i>								-		
<i>Pump Stations</i>								-		
<i>Water Treatment Works</i>								-		
<i>Bulk Mains</i>								-		
<i>Distribution</i>								-		
<i>Distribution Points</i>								-		
<i>PRV Stations</i>								-		
<i>Capital Spares</i>								-		
Sanitation Infrastructure		-	-	-	-	-	-	-		-
<i>Pump Station</i>								-		
<i>Reticulation</i>								-		
<i>Waste Water Treatment Works</i>								-		
<i>Outfall Sewers</i>								-		
<i>Toilet Facilities</i>								-		
<i>Capital Spares</i>								-		
Solid Waste Infrastructure		-	-	-	-	-	-	-		-
<i>Landfill Sites</i>								-		
<i>Waste Transfer Stations</i>								-		
<i>Waste Processing Facilities</i>								-		
<i>Waste Drop-off Points</i>								-		
<i>Waste Separation Facilities</i>								-		
<i>Electricity Generation Facilities</i>								-		
<i>Capital Spares</i>								-		
Rail Infrastructure		-	-	-	-	-	-	-		-
<i>Rail Lines</i>								-		
<i>Rail Structures</i>								-		
<i>Rail Furniture</i>								-		
<i>Drainage Collection</i>								-		
<i>Storm water Conveyance</i>								-		
<i>Attenuation</i>								-		
<i>MV Substations</i>								-		
<i>LV Networks</i>								-		
<i>Capital Spares</i>								-		
Coastal Infrastructure		-	-	-	-	-	-	-		-
<i>Sand Pumps</i>								-		
<i>Piers</i>								-		
<i>Revetments</i>								-		
<i>Promenades</i>								-		



# Metsimaholo Local Municipality

Capital Spares								-		
Information and Communication Infrastructure		-	-	-	-	-	-	-		-
Data Centres								-		
Core Layers								-		
Distribution Layers								-		
Capital Spares								-		
<b>Community Assets</b>		-	700	700	-	-	700	700	100.0%	700
Community Facilities		-	700	700	-	-	700	700	100.0%	700
Halls		-	400	400	-	-	400	400	100.0%	400
Centres								-		
Crèches								-		
Clinics/Care Centres								-		
Fire/Ambulance Stations								-		
Testing Stations								-		
Museums								-		
Galleries								-		
Theatres								-		
Libraries								-		
Cemeteries/Crematoria								-		
Police								-		
Parks								-		
Public Open Space		-	300	300	-	-	300	300	100.0%	300
Nature Reserves		-	-	-	-	-	-	-		-
Public Ablution Facilities								-		
Markets								-		
Stalls								-		
Abattoirs								-		
Airports								-		
Taxi Ranks/Bus Terminals								-		
Capital Spares								-		
Sport and Recreation Facilities		-	-	-	-	-	-	-		-
Indoor Facilities								-		
Outdoor Facilities								-		
Capital Spares								-		
<b>Heritage assets</b>		-	-	-	-	-	-	-		-
Monuments								-		
Historic Buildings								-		
Works of Art								-		
Conservation Areas								-		
Other Heritage								-		
								-		
<b>Investment properties</b>		-	-	-	-	-	-	-		-
Revenue Generating		-	-	-	-	-	-	-		-
Improved Property								-		
Unimproved Property								-		
Non-revenue Generating		-	-	-	-	-	-	-		-
Improved Property								-		

# Metsimaholo Local Municipality

<i>Unimproved Property</i>								-		
<b>Other assets</b>		-	-	-	-	-	-	-		-
Operational Buildings		-	-	-	-	-	-	-		-
<i>Municipal Offices</i>								-		
<i>Pay/Enquiry Points</i>								-		
<i>Building Plan Offices</i>								-		
<i>Workshops</i>								-		
<i>Yards</i>								-		
<i>Stores</i>								-		
<i>Laboratories</i>								-		
<i>Training Centres</i>								-		
<i>Manufacturing Plant</i>								-		
<i>Depots</i>								-		
<i>Capital Spares</i>								-		
Housing		-	-	-	-	-	-	-		-
<i>Staff Housing</i>								-		
<i>Social Housing</i>								-		
<i>Capital Spares</i>								-		
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-		-
Biological or Cultivated Assets								-		
<b>Intangible Assets</b>		-	350	200	-	-	200	200	100.0%	200
Servitudes								-		
Licences and Rights		-	350	200	-	-	200	200	100.0%	200
<i>Water Rights</i>								-		
<i>Effluent Licenses</i>								-		
<i>Solid Waste Licenses</i>								-		
<i>Computer Software and Applications</i>		-	350	200	-	-	200	200	100.0%	200
<i>Local Settlement Software Applications</i>								-		
<i>Unspecified</i>								-		
<b>Computer Equipment</b>		-	-	-	-	-	-	-		-
Computer Equipment								-		
<b>Furniture and Office Equipment</b>		-	-	-	-	-	-	-		-
Furniture and Office Equipment								-		
<b>Machinery and Equipment</b>		-	-	-	-	-	-	-		-
Machinery and Equipment								-		
<b>Transport Assets</b>		-	-	-	-	-	-	-		-
Transport Assets								-		
<b>Land</b>		-	-	-	-	-	-	-		-
Land								-		
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-		-
Zoo's, Marine and Non-biological Animals								-		

# Metsimaholo Local Municipality

Total Capital Expenditure on upgrading of existing assets	1	-	1 750	1 600	-	-	1 600	1 600	100.0%	1 600
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## Appendix N: Capital Programme by Project current year

Table A22: Capital Programme by Project current year

Capital Programme by Project: 2018/19					
R' 000					
Capital Project	Original Budget	Adjustment Budget	Actual Budget	Variance (Act - Adj) %	Variance (Act - OB) %
Sanitation/Sewerage					
WASTE WATER:PHASE 4-GORTIN	R 3 677 160,00	R 7 519 300	R5 254 340	(43%)	30%
GORTIN PHASE 4 HOUSE CONNECTION (SEWER) MIG	R 12 172 480,00	R 6 955 370	R 5 802 280	(20%)	(110%)
GORTIN : CONSTRUCTION OF SEWER YARD CONNECTIONS PHASE 3	R 7 841 820,00	R 3 279 980	R 9 336 260	65%	16%
WASTE WATER: REFENGKGOTSO ( RBIG)	R 40 000 000,00	R 40 000 000	R 34 755 940	(15%)	(15%)
Roads					
WARD 10 PAVED ROADS (ZAMDELA)	R 516 910	R 0	R 0	-	-
WARD 11 PAVED ROADS (ZAMDELA)	R 4 200 000	R 2 280 770	R 1 816 370	(26%)	(131%)
PAVED ROADS PHASE 1: WARD 11 (PHASE 2)	R 4 127 650	R 7 738 760	R 7 072 670	(9%)	42%
PAVED ROADS PHASE 2: WARD 9	R 4 343 900	R 6 980 370	R 6 930 670	(1%)	37%
PAVED ROADS WARD 8	R 854 670	R 4 480 040	R4 281 450	(5%)	80%
Buildings					
REFENGKGOTSO STADIUM (NEW BUILDING)	R 1 400 000	R 0	R 612 800	(100%)	(128%)
ORANJEVILLE STADIUM (NEW BUILDING)	R 962 110	R 0	R 0	-	-
Electricity					
THEMBA KHUBEKA HOUSEHOLDS CONNECTION	R 11 650 000	R 11 650 000	R 2 907 170	(300%)	(300%)
Water					

## Metsimaholo Local Municipality

WATER TREATMENT PLANT: ORANJEVILLE	R 15 000 000	R 15 000 000	R 8 695 650	(73%)	(73%)
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### **Appendix O: Capital Programme by project by ward current year**

Table A23: Capital Programme by project by ward current year  
Info not available

### **Appendix P: Service Connection Backlogs at Schools and Clinics**

The municipality is responsible for provision of service connections when needed. As at 30 June 2019 there were no service connections made.

### **Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is responsible for service provision**

Other than the municipality itself, Eskom also supply electricity to certain areas within the municipality's areas of jurisdiction. As at 30 June 2019, there were no backlogs in areas supplied electricity by Eskom.

### **Appendix R: Declaration of Loans and Grants made by the municipality**

No new loans and grants made by the municipality in 2018/19 financial year.

### **Appendix S: Declaration of returns not made due time under MFMA s71**

Monthly Budget Statements for the period under review were submitted on time in line with MFMS s71

### **Appendix T: National and Provincial Outcome for local government**

Table A24: National and Provincial Outcome for local government

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
<b>Output: Improving access to basic services</b>	Access to all -Water -Electricity -Sanitation -Refuse	95% 85.5% 74.1% 78.1%
<b>Output: Implementation of the Community Work Programme</b>	Functional 985/1000 participants	99%
<b>Output: Deepen democracy through a refined Ward Committee model</b>	Functional	-
<b>Output: Administrative and financial capability</b>	Fair- Critical posts to be filled. Qualified Audit opinion	-

***VOLUME II – ANNUAL FINANCIAL STATEMENTS***



Metsimaholo Local Municipality  
Annual Financial Statements for the year ended 30 June 2019

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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### Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996)

### Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (supplying water to the public); and Rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).

### Mayoral Committee

Mosokweni FD (18 January 2018 - 20 Decemebr 2018; 20 March 2019- 30 June 2019)  
Makhefu LA (18 January 2018 -30 Novemebr 2018)  
Malindi MJ (18 January 2018- 30 June 2019)  
Fisher L (18 January 2018- 4 October 2018; 20 March 2019- 30 June 2019)  
Semonyo LS (18 January 2018- 30 June 2019)  
Mokoena NP (18 Jnauary 2018 -4 October 2018; 20 March 2019- 30 June 2019)  
Nyaku DJ (18January 2018- 28 May 2019)  
Poho MS (18 January 2018 -30 June 2019)  
Molawa M  
Mtshali NM (20 March 2019 to 30 June 2019)  
Tshongwe SL

### Executive Mayor

### Speaker

Mabasa KT

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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### Councillors

Barnard JJ (from 1 December 2017)  
Burger GS (from 1 December 2017)  
Du Plooy A  
Du Toit T  
Dywili NN (from 10 August 2016)  
Gaigher L (late) (from 10 August 2016 till March 2018)  
Grobbelaar JJ  
Kobo SS (from 10 August 2016)  
Leotlela MG (from 1 December 2017)  
Mahlaela PM (from 1 December 2017)  
Makhefu L (Chairperson Ethics)  
Mare AK  
Maseko ME (from 1 December 2017)  
Mashia VL (Council Whip from 29 May 2019)  
Matwa SM (18 July 2018)  
Mbana MT (15 November 2018)  
Meyer R (18 July 2018)  
Mofokeng KB  
Mofokeng TH (from 1 Decemembr 2017)  
Mohapi P (from 1 Decemembr 2017)  
Mokoena MP (from 10 August 2016)  
Mokoena TS (from 1 December 2017)  
Molawa M (from 10 August 2016) MPAC chairperson from 25 January 2018  
Motaung TA (from 10 August 2016) and MPAC chairperson from 28 September 2016 till 30 June 2017  
Mothale S (from 1 December 2017)  
Motjeane S (from 10 August 2016) and Ethics chairperson from 28 September 2016 till 30 June 2017  
Motloung TM (from 1 December 2017)  
Mtshali NM (from 1 December 2017)  
Nhlapo LL (from 1 December 2017)  
Nkheloane M (from 1 December 2017)  
Nnune GB  
Nteso SJ (from 10 August 2016)  
Nyembe BV (Council Whip from 21 December 2017)  
Taats TJ (from 1 December 2017)  
Telane MM (from 10 August 2016)  
Tsotetsi L (from 10 August 2016)  
Van der Merwe FJ (from 1 December 2017)  
Van Heerden LJ  
Zwane ZJ (from 23 February 2017)

### Capacity and grading of local authority

Metsimaholo Local Municipality is a grade 9 local authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998  
High Capacity

### Demarcation code

FS204

### Accounting Officer

S M Molala  
Acting - SJ Mokoena

### Chief Financial Officer (CFO)

Acting - CC Scheepers



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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### Registered office

Civic Centre  
Fichardt Street  
Sasolburg  
1947

### Business address

Civic Centre  
Fichardt Street  
Sasolburg  
1947

### Postal address

PO Box 60  
Sasolburg  
1947

### Bankers

The Standard Bank of South Africa Ltd  
ABSA Bank Ltd

### Auditors

Auditor-General of South Africa

### Attorneys

Adolff Attorneys  
Boitumelo Maubane Attorneys  
Lebea and Associates Attorneys  
Leepile & Mbewe Inc  
Lizel Venter Attorneys  
Melato Attorneys  
Melato - Mkhwanazi Attorneys.  
Molefi Thoabala Inc Attorneys  
Mollenaar and Griffiths Attorneys and Conveyancers  
Moroka Attorneys  
Ndobela Attorneys  
Ponoane Attorney, Notaries and Conveyancers  
Rasegoete & Associates  
Werksmans Inc

### Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act (Act No. 56 of 2003)  
Local Government: Municipal Systems Act (Act No. 32 of 2000)  
Local Government: Municipal Structures Act (Act No. 117 of 1998)  
Constitution of the Republic of South Africa (Act No. 108 of 1996)  
Municipal Property Rates Act (Act No. 6 2004)  
Division of Revenue Act (Act No. 1 of 2007)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Index

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

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List of abbreviations	
ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

### **Accounting Officer's Responsibilities and Approval**

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The Accounting Officer is responsible for the preparation of the annual financial statements in terms of section 126(1) of the Municipal Finance Management Act (Act 56 of 2003). The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community and government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2019 and were signed on his/her behalf by:

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**SJ Mokoena**

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Sasolburg

31 August 2019

### Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	1,467,433	1,400,640
Other financial assets	4	3,640,357	3,265,411
Receivables from exchange transactions	5&7	152,499,183	151,237,665
Receivables from non-exchange transactions	6&7	67,416,533	61,766,820
Cash and cash equivalents	8	13,877,193	21,042,894
Fruitless and wasteful expenditure recoverable	9	18,451,758	-
VAT receivable		-	2,094,345
		<b>257,352,457</b>	<b>240,807,775</b>
Non-Current Assets			
Investment property	10	295,200,836	295,221,476
Property, plant and equipment	11	1,390,096,253	1,359,565,341
Intangible assets	12	2,532,182	3,484,671
Heritage assets	13	561,001	561,001
		<b>1,643,807</b>	<b>363,681</b>
Receivables from exchange transactions	5	<b>1,690,034,079</b>	<b>1,659,196,170</b>
<b>Total Assets</b>		<b>1,947,386,536</b>	<b>1,900,003,945</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Liabilities

#### Current Liabilities

Payables from exchange transactions	14	222,661,126	226,925,897
VAT payable	15	5,906,118	-
Finance lease obligation	16		
Consumer deposits	17	3,347,599	3,257,767
Unspent conditional grants and receipts	18	22,590,657	20,993,784
Employee benefit obligation	19		
Short term portion - long term loan	20	9,145,020	1,672,391
		4,565,000	4,147,000

#### Non-Current Liabilities

Finance lease obligation	16	Employee	1,634,939	1,501,886	benefit obligation	19	Long term
portion - long term loan	20		<b>269,850,459</b>	<b>258,498,725</b>			
Provisions	21						

#### Total Liabilities

3,828,028 7,175,623

#### Net Assets

50,116,000 44,982,000

Accumulated surplus 1,538,430,496 1,634,939 1,509,732,176

85,161,553 77,980,482

**139,105,581 131,773,044**

**408,956,040 390,271,769**

**1,538,430,496 1,509,732,176**

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	698,481,721	638,641,088
Licences and permits	23	105,569	115,270
Operational revenue	24	3,471,562	8,810,350
Income legal costs		2,755,174	4,412,269
Interest received - investment	25	3,408,691	3,535,284
Dividends received	25	115,088	106,973
Interest received - consumers		37,326,833	32,954,552
Sale of stands		396,849	800,994
Adjustments to assets		1,513,879	1,362,245
Fair value adjustments on other financial assets		374,946	246,904
Rental of facilities and equipment		5,852,302	6,156,372
<b>Total revenue from exchange transactions</b>		<b>753,802,614</b>	<b>697,142,301</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	143,648,432	134,499,406
<b>Transfer revenue</b>			
Government grants and subsidies	27	269,173,065	244,552,336
Public contributions and donations	28	25,690,347	15,883,454
Fines, penalties and forfeits	29	4,055,117	9,851,422
<b>Total revenue from non-exchange transactions</b>		<b>442,566,961</b>	<b>404,786,618</b>
<b>Total revenue</b>		<b>1,196,369,575</b>	<b>1,101,928,919</b>
<b>Expenditure</b>			
Employee related costs	30	(288,617,758)	(268,480,401)
Remuneration of councillors	31	(17,554,110)	(9,996,810)
Depreciation and amortisation	32	(72,118,140)	(74,248,368)
Finance costs	33	(8,063,255)	(8,273,084)
Lease rentals on operating lease	34	(7,671,201)	(10,510,395)
Debt impairment	35	(234,585,991)	(225,543,986)
Bulk purchases	36	(397,279,610)	(338,343,506)

\* See Note 46

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Contracted services	37	(80,843,545)	(75,339,099)
Transfers and subsidies	38	(296,533)	(9,000)
Inventories losses/write-downs		(193,720)	(543,063)
Operating expenditure	39	(60,447,392)	(51,720,174)
<b>Total expenditure</b>		<b>(1,167,671,256)</b>	<b>(1,063,007,886)</b>
<b>Surplus for the year</b>		<b>28,698,320</b>	<b>38,921,032</b>

### Statement of Changes in Net Assets

	Accumulated Total net surplus assets	
Figures in Rand		
	1,181,859,475	1,181,859,475
	288,951,669	288,951,669
	<b>1,470,811,144</b>	<b>1,470,811,144</b>
Opening balance as previously reported		
Adjustments		
Prior year adjustments	38,921,032	38,921,032
<b>Balance at 01 July 2017 as restated*</b>		
Changes in net assets	38,921,032	38,921,032
Surplus for the year	1,313,200,079	1,313,200,079
Total changes	196,532,097	196,532,097
Opening balance as previously reported		
Adjustments	1,509,732,176	1,509,732,176
Prior year adjustments		
<b>Restated* Balance at 01 July 2018 as restated*</b>		
Changes in net assets	28,698,320	28,698,320
Surplus for the year	28,698,320	28,698,320
Total changes	<b>1,538,430,496</b>	<b>1,538,430,496</b>
<b>Balance at 30 June 2019</b>		

\* See Note 46

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Cash Flow Statement

Figures in Rand

	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		636,679,638	580,430,758
Grants		276,645,694	238,640,976
Interest income		3,408,691	3,535,284
Dividends received		115,088	106,973
Other receipts		<del>16,636,573</del>	<del>30,146,677</del>
		933,485,684	852,860,668
<b>Payments</b>			
Employee costs		(298,550,163)	(267,749,035)
Suppliers		(557,692,897)	(486,633,921)
Finance costs		(1,464,469)	(2,217,991)
		(857,707,529)	(756,600,947)

\* See Note 46



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

<b>Net cash flows from operating activities</b>	40	<b>75,778,155</b>	<b>96,259,721</b>	
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	11	(91,408,636)	(83,751,555)	sale of property, plant and
Proceeds from				
Purchase of investment property	10	13,210,937	(781,149)	
Purchase of other intangible assets	12	(2,380)	-	
<b>Net cash flows from investing activities</b>		<b>15,872</b>	<b>-</b>	
<b>Cash flows from financing activities</b>				
		<b>(78,184,207)</b>	<b>(84,532,704)</b>	
Movement in long term portion - long term loan Finance lease				payments
<b>Net cash flows from financing activities</b>				
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,501,886)</b>	<b>(1,379,692)</b>	
Cash and cash equivalents at the beginning of the year		(3,257,763)	(1,932,026)	
<b>Cash and cash equivalents at the end of the year</b>	8	<b>(4,759,649)</b>	<b>(3,311,718)</b>	
		<b>(7,165,701)</b>	<b>8,415,299</b>	
		21,042,894	12,627,595	
		<b>13,877,193</b>	<b>21,042,894</b>	

\* See Note 46

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Approved Adjustments Final budget Actual amounts Difference Reference budget on comparable basis between final budget and actual

Figures in Rand

#### Statement of financial performance

##### Revenue

##### Revenue from exchange transactions

Service charges	727,626,490	13,554,590	<b>741,181,080</b>	698,481,721	<b>(42,699,359)</b>	53.1
Rental of facilities and equipment	6,086,200	-	<b>6,086,200</b>	5,852,302	<b>(233,898)</b>	
Interest received - trading	31,508,970	5,480,000	<b>36,988,970</b>	37,326,833	<b>337,863</b>	
Licences and permits (exchange)	210,930	-	<b>210,930</b>	105,569	<b>(105,361)</b>	53.2
Other income	3,953,080	48,500	<b>4,001,580</b>	3,471,562	<b>(530,018)</b>	53.3
Legal fees	5,850,480	(600,000)	<b>5,250,480</b>	2,755,174	<b>(2,495,306)</b>	53.4
Interest received - investment	1,300,000	200,000	<b>1,500,000</b>	3,408,691	<b>1,908,691</b>	53.5
Dividends received - investment	-	-	-	115,088	<b>115,088</b>	53.6

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

<b>Total revenue from exchange transactions</b>	<b>776,536,150</b>	<b>18,683,090</b>	<b>795,219,240</b>	<b>751,516,940</b>	<b>(43,702,300)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b> Property rates						
<b>Transfer revenue</b>	140,000,600	866,270	<b>140,866,870</b>	143,648,432	<b>2,781,562</b>	53.7
Government grants and subsidies	278,088,580	-	<b>278,088,580</b>	2 69,173,065	<b>(8,915,515)</b>	53.8
Public contributions and donations	-	12,755,840	<b>12,755,840</b>	25,690,347	<b>12,934,507</b>	53.9
Fines, penalties and forfeits	16,920,100	(4,000,000)	<b>12,920,100</b>	4,055,117	<b>(8,864,983)</b>	53.10
<b>Total revenue from nonexchange transactions</b>	<b>435,009,280</b>	<b>9,622,110</b>	<b>444,631,390</b>	<b>4 42,566,961</b>	<b>(2,064,429)</b>	
<b>Total revenue</b>	<b>1,211,545,430</b>	<b>28,305,200</b>	<b>1,239,850,630</b>	<b>1,194,083,901</b>	<b>(45,766,729)</b>	
<b>Expenditure</b>						
Employee costs						
Remuneration of councillors	(307,178,430)	(13,993,500)	<b>(321,171,930)</b>	(2 88,617,758)	<b>32,554,172</b>	53.11
Depreciation and amortisation	(18,105,160)	(434,350)	<b>(18,539,510)</b>	(17,554,110)	<b>985,400</b>	53.12
Finance costs	(67,920,380)	1,815,440	<b>(66,104,940)</b>	(72,118,140)	<b>(6,013,200)</b>	53.13
Lease rentals on operating lease	(2,714,950)	(300,000)	<b>(3,014,950)</b>	(8,063,255)	<b>(5,048,305)</b>	53.14
Debt impairment						
Bulk purchases	(9,197,240)	(2,749,270)	<b>(11,946,510)</b>	(7,671,201)	<b>4,275,309</b>	53.15
Contracted services						
Transfers and subsidies General expenses	(117,921,150)	(8,195,380)	<b>(126,116,530)</b>	(2 34,585,991)	<b>(108,469,461)</b>	53.16
	(386,319,190)	(4,747,400)	<b>(391,066,590)</b>	(3 97,279,610)	<b>(6,213,020)</b>	53.17
<b>Total expenditure</b>	<b>(102,926,490)</b>	<b>5,907,120</b>	<b>(97,019,370)</b>	<b>(80,843,545)</b>	<b>16,175,825</b>	53.18
<b>Operating surplus</b>	<b>(1,040,500)</b>	<b>582,000</b>	<b>(458,500)</b>	<b>(296,533)</b>	<b>161,967</b>	
Gain on disposal of assets and liabilities		1,494,300	<b>(78,012,090)</b>	(60,447,392)	<b>17,564,698</b>	53.19
Fair value adjustments	(79,506,390)					
Sale of land						
Inventories losses/write-downs	<b>(1,092,829,880)</b>				<b>(54,026,615)</b>	
	<b>118,715,550</b>	<b>7,684,160</b>	<b>126,399,710</b>	<b>26,606,366</b>	<b>(99,793,344)</b>	
-	-	-	-	1,513,879	<b>1,513,879</b>	
-	-	-	-	374,946	<b>374,946</b>	53.20
2,107,260	-	<b>2,107,260</b>	396,849	<b>(1,710,411)</b>		53.21
-	-	-	(193,720)	<b>(193,720)</b>		
<b>Budget on Accrual Basis</b>	<b>2,107,260</b>	<b>-</b>	<b>2,107,260</b>	<b>2,091,954</b>	<b>(15,306)</b>	

Approved Adjustments Final budget Actual amounts Difference Reference budget on comparable between final basis budget and actual

Figures in Rand

<b>Surplus before taxation</b>	<b>120,822,810</b>	<b>7,684,160</b>	<b>128,506,970</b>	<b>28,698,320</b>	<b>(99,808,650)</b>
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	<b>120,822,810</b>	<b>7,684,160</b>	<b>128,506,970</b>	<b>28,698,320</b>	<b>(99,808,650)</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget	Adjustments	Final budget	Actual amounts	Difference on comparable between final basis and budget	Referenc
Figures in Rand						
<b>Statement of financial position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	14,000,000		4,521,480	<b>18,521,480</b>	1,467,433	<b>(17,054,047)</b> 53.22
Other financial assets	-	-		-	3,640,357	<b>3,640,357</b> 53.23
Fruitless and wasteful expenditure recoverable	-	-		-	18,451,758	<b>18,451,758</b> 53.24
Receivables from exchange transactions	339,686,000	(124,380,000)		<b>215,306,000</b>	152,499,183	<b>(62,806,817)</b> 53.25
Receivables from non- exchange transactions	74,953,261		(7,763,056)	<b>67,190,205</b>	67,416,533	<b>226,328</b>
Cash and cash equivalents	15,395,000			<b>35,418,627</b>	13,877,193	<b>(21,541,434)</b> 53.26
	<b>444,034,261</b>	20,023,627		<b>336,436,312</b>	<b>225,352,457</b>	<b>(79,083,855)</b>
		<b>(107,597,949)</b>				
<b>Non- Current Assets</b>						
Investment property	727,557,000	(640,875,000)		<b>86,682,000</b>	445,937,342	<b>359,255,342</b> 53.27
Property, plant and equipment	1,378,962,000	(55,489,000)	<b>1,323,473,000</b>	1,233,969,752		<b>(89,503,248)</b> 53.28
Intangible assets	5,021,003	(1,385,000)	<b>3,636,003</b>		4,189,198	<b>553,195</b> 53.29
Heritage assets	561,001	-	<b>561,001</b>		4,293,984	<b>3,732,983</b>
Receivables from exchange transactions	-	-	-		1,643,807	<b>1,643,807</b> 53.30
	<b>2,112,101,004</b>					<b>275,682,079</b>
	<b>2,556,135,265</b>	<b>(697,749,000)</b>	<b>1,414,352,004</b>	<b>1,690,034,083</b>		<b>196,598,224</b>
		<b>(805,346,949)</b>		<b>1,947,386,540</b>	<b>1,750,788,316</b>	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

<b>Total Assets</b>									
<b>Liabilities</b>									
<b>Current Liabilities</b>									
Finance lease obligation									
	4,288,944		(1,031,177)			<b>3,257,767</b>	3,347,599	<b>89,832</b>	
Payables from exchange transactions	187,736,545	10,230,658				<b>197,967,203</b>	222,661,124	<b>24,693,921</b>	53.31
VAT payable	-		7,526,756			<b>7,526,756</b>	5,906,118	<b>(1,620,638)</b>	53.32
Consumer deposits	19,200,000		7,494,000			<b>26,694,000</b>	22,590,657	<b>(4,103,343)</b>	53.33
Employee benefit obligation	-	-				-	4,565,000	<b>4,565,000</b>	53.34
Unspent conditional grants and receipts	-	-				-	9,145,020	<b>9,145,020</b>	53.35
Provisions	47,914,440		(3,392,856)			<b>44,521,584</b>	-	<b>(44,521,584)</b>	53.34
Short term portion - long term loan	-	-				-	1,634,939	<b>1,634,939</b>	53.36
	<b>259,139,929</b>	<b>20,827,381</b>				<b>279,967,310</b>	<b>269,850,457</b>	<b>(10,116,853)</b>	
<b>Non-Current Liabilities</b>									
Finance lease obligation									
	13,279,000		1,531,000			<b>14,810,000</b>	3,828,028	<b>(10,981,972)</b>	53.37
Employee benefit obligation	-	-				-	50,116,000	<b>50,116,000</b>	53.34
Provisions	-	-				-	85,161,553	<b>85,161,553</b>	53.38
	<b>13,279,000</b>		<b>1,531,000</b>			<b>14,810,000</b>	<b>139,105,581</b>	<b>124,295,581</b>	
<b>Total Liabilities</b>								<b>114,178,728</b>	
<b>Net Assets</b>	<b>272,418,929</b>	<b>22,358,381</b>	<b>294,777,310</b>	<b>408,956,038</b>				<b>82,419,496</b>	
	<b>2,283,716,336</b>	<b>(827,705,330)</b>	<b>1,456,011,006</b>	<b>1,538,430,502</b>					

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget final basis actual	Actual amounts Difference on comparable between budget and		Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	2,283,716,336	(827,705,330)	<b>1,456,011,006</b>	1,538,430,498	<b>82,419,492</b>	53

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

Approved Adjustments Final budget Actual amounts Difference Reference budget on comparable basis between final budget and actual

Figures in Rand

### Cash flow statement

#### Cash flows from operating activities

##### Receipts

Property rates	116,201,000	719,000	<b>116,920,000</b>	137,061,981	<b>20,141,981</b>	53.39
Service charges	626,800,000	11,469,000	<b>638,269,000</b>	499,617,657	<b>(138,651,343)</b>	53.40
Other revenue	19,487,000	1,846,000	<b>21,333,000</b>	16,636,573	<b>(4,696,427)</b>	
Government grants - operating	168,541,000	(286,000)	<b>168,255,000</b>	174,385,091	<b>6,130,091</b>	53.41
Government grants - capital	68,247,000	39,999,700	<b>108,246,700</b>	102,260,603	<b>(5,986,097)</b>	53.41
Interest	26,507,000	5,694,000	<b>32,201,000</b>	3,408,691	<b>(28,792,309)</b>	53.42
Dividends						
		<b>59,441,700</b>	<b>1,085,224,700</b>	<b>933,485,684</b>	<b>(151,739,016)</b>	
	(921,622,000)	(14,829,000)	<b>(936,451,000)</b>	(856,243,060)	<b>80,207,940</b>	53.43
	(2,715,000)	(300,000)	<b>(3,015,000)</b>	(1,464,469)	<b>1,550,531</b>	
		(441,000)	<b>(441,000)</b>		<b>441,000</b>	
		<b>(15,570,000)</b>	<b>(939,907,000)</b>		<b>82,199,471</b>	
	<b>(924,337,000)</b>			<b>(857,707,529)</b>		
received	<b>1,025,783,000</b>	-	-	115,088	<b>115,088</b>	

##### Payments

Suppliers and employees  
Finance costs  
Transfers and grants

**Net cash flows from operating activities**      **101,446,000**      **43,871,700**      **145,317,700**      **75,778,155**      **(69,539,545)**

#### Cash flows from investing activities

Purchase of property, plant and equipment	(96,368,000)	(40,764,000)	<b>(137,132,000)</b>	(91,408,636)	<b>45,723,364</b>	53.44
Proceeds from sale of property, plant and equipment	-	-	-	13,210,937	<b>13,210,937</b>	53.44
Purchase of investment property	-	-	-	(2,380)	<b>(2,380)</b>	
Proceeds from sale of other intangible assets	-	-	-	15,872	<b>15,872</b>	
Decrease in non-current	200,000					
	<b>(96,168,000)</b>	<b>(40,964,000)</b>	<b>(137,132,000)</b>	<b>(78,184,207)</b>	<b>58,947,793</b>	
debtors		(200,000)	-	-	-	

**Net cash flows from investing activities**

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Accounting Policies

#### Cash flows from financing activities

Borrowing long term / refinancing	-	6,000,000	<b>6,000,000</b>	(1,501,886)	<b>(7,501,886)</b>	53.45
	<b>(5,511,000)</b>	<b>11,701,000</b>	<b>6,190,000</b>	<b>(4,759,649)</b>	<b>(10,949,649)</b>	
	(233,000)	14,608,700	<b>14,375,700</b>	(7,165,701)	<b>(21,541,401)</b>	
	12,628,000	8,415,000	<b>21,043,000</b>	21,042,894	<b>(106)</b>	
Increase in consumer deposits	-	5,701,000	<b>5,701,000</b>	-	<b>(5,701,000)</b>	53.45
Repayment of short term portion - long term loan	(5,511,000)	-	<b>(5,511,000)</b>	(3,257,763)	<b>2,253,237</b>	53.45
<b>Net cash flows from financing activities</b>						
Net increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at the beginning of the year						
<b>Cash and cash equivalents at the end of the year Reconciliation</b>	<b>12,395,000</b>	<b>23,023,700</b>	<b>35,418,700</b>	<b>13,877,193</b>	<b>(21,541,507)</b>	

### 1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Going concern assumption

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

#### 1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the



## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **Accounting Policies**

information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

#### **1.3 Significant judgements and sources of estimation uncertainty**

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

##### **Loans and receivables**

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

The impairment for loans and receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and poor payment history/default of payments are all considered indicators of impairment.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

The write down is included in surplus or deficit.

#### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

#### Impairment testing

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

##### Value in use of cash-generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest rates.

##### Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Post-retirement benefits

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement and longterm obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 19.

### Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

### 1.4 Investment property

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

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

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

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

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

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

### Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	50 years
Property - land	Indefinite

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

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

### 1.4 Investment property (continued)

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

### 1.5 Property, plant and equipment

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

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

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

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

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

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

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

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

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Depreciation method	Range of useful life
Community assets	Straight-line	50 years
<b>1.5 Property, plant and equipment (continued)</b>		
Furniture and office equipment	Straight-line	3 - 30 years
Infrastructure	Straight-line	3 - 50 years
IT equipment	Straight-line	3 - 10 years
Land		Indefinite

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

Motor vehicles	Straight-line	3 - 20 years
Plant and machinery	Straight-line	3 - 15 years

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted (see note 11).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software as intangible assets.

An asset is identifiable if it either:

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

### 1.7 Intangible assets (continued)

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

An intangible asset is recognised when:

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

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight-line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Computer software

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Item	Depreciation method	Range of useful life
	Straight-line	5 years

Intangible assets are derecognised:

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

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

### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The municipality has classified a site of historical significance and council regalia as heritage assets.

#### Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 13 - Heritage assets. **Initial**

#### measurement

Heritage assets are measured at cost.

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

### Subsequent measurement

Subsequent to initial measurement, classes of heritage assets are carried at cost less any accumulated impairment losses.

#### 1.8 Heritage assets (continued)

##### Impairment

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

##### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

##### Derecognition

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

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

#### 1.9 Impairment of cash-generating assets

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

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

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows: the current profitability of the unit, as well as management's assessment of the possibility of a unit becoming profitable.

##### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets.

##### Identification

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

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

### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

### Basis for estimates of future cash flows

In measuring value in use, the municipality:

- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified. **Composition of estimates of future cash flows**

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and • income tax receipts or payments, where applicable.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the government bond rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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



# Metsimaholo Local Municipality

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## Accounting Policies

### 1.9 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

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

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

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

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

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

- its recoverable amount (if determinable); and

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

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

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

### Redesignation

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

#### 1.10 Impairment of non-cash-generating assets

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows: consideration is given to the nature of the asset, whether it is primarily to provide a service to the community, and whether there is any realistic possibility of the asset being used in a commercial and profitable manner.

#### 1.10 Impairment of non-cash-generating assets (continued)

##### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

##### Identification

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

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

##### Value in use

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

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

##### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the

## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **Accounting Policies**

current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

### 1.10 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

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

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

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

#### Redesignation

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

### 1.11 Financial instruments

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

A financial asset is:

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

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

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

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

#### Classification

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

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

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

Class	Category
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## Accounting Policies

### 1.11 Financial instruments (continued)

Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

#### Subsequent measurement of financial assets and financial liabilities

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

Financial instruments at fair value.

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

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Reclassification

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

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

#### Gains and losses

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## Accounting Policies

### 1.11 Financial instruments (continued)

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

##### Financial liabilities

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

# **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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## **Accounting Policies**

### **1.11 Financial instruments (continued)**

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

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

### **1.12 Leases**

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

### 1.12 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

#### Operating leases - lessee

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

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

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

### 1.13 Inventories

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

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

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

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

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

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

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

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

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



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Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

### 1.13 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.14 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

### 1.15 Value-added Tax (VAT)

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

### 1.16 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

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

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

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

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

#### Post-employment benefits

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

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### **Accounting Policies**

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

#### **Post-employment benefits: Defined contribution plans**

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.

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

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

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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## Accounting Policies

### 1.16 Employee benefits (continued)

#### Defined benefit plans

Defined benefit plans are long-term benefit plans other than defined contribution plans.

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

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

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

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

No plan assets are held.

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

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

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

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

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

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

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

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

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

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset; • actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements.

### 1.17 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

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

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

### 1.17 Provisions and contingencies (continued)

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficit.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent asset is a possible asset 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 municipality.

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 municipality; or
- 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 or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for

## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **Accounting Policies**

any impairment loss, in accordance with the accounting policy on Impairment of assets as described in accounting policy 1.9 and 1.10.

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

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

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Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

### 1.18 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

### 1.19 Revenue from exchange transactions

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

#### Interest and dividends

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

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

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

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

### 1.20 Revenue from non-exchange transactions

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

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

### 1.20 Revenue from non-exchange transactions (continued)

#### Recognition

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

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

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

#### Measurement

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

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

#### Property rates

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

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

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

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

#### Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. The debt is written off and recognised as an expense.



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Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

### 1.20 Revenue from non-exchange transactions (continued)

#### Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

The municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognises 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

### 1.21 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction; • expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

### 1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method. **1.23**

#### Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

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

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 49 - Unauthorised expenditure.

### 1.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Fruitless and wasteful expenditure.

### 1.26 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), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 51 - Irregular expenditure.

### 1.27 Commitments

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

Disclosures are made in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to leases. Refer to notes 16 Finance lease obligation and 42 Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements.

The municipality discloses capital commitments (Property Plant and Equipment, Investment properties, Intangible assets and Heritage assets) in the financial statements, as well as future minimum lease payments for each of the following periods if applicable:

- Within one year;
- In second to fifth year inclusive; and
  - Later than five years.

### 1.28 Budget information

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

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

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

### 1.29 Related parties

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Accounting Policies

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.

### 1.29 Related parties (continued)

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

### 1.30 Events after reporting date

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

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

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.31 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 45 - Comparative figures.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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Figures in Rand	2019	2018
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 12 (as amended 2016): Inventories**

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS

12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 16 (as amended 2016): Investment Property**

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

##### **GRAP 17 (as amended 2016): Property, Plant and Equipment**

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

The most significant changes to the Standard are:

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued and to clarify acceptable methods of depreciating assets. To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology. To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 21 (as amended 2016): Impairment of Non-cash-generating Assets**

Amendments to the Standard of GRAP on Impairment of Non-cash-generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 26 (as amended 2016): Impairment of Cash-generating Assets**

Amendments Changes to the Standard of GRAP on Impairment of Cash-generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 27 (as amended 2016): Agriculture**

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

#### GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

#### GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12). To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

#### GRAP 104 (amended): Financial Instruments

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Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:

- (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
- (b) using fair value in certain instances was inappropriate; and
- (c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

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

The most significant changes to the Standard affect:

- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets; • impairment of financial assets; and • disclosures.

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

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### Guideline on Accounting for Landfill Sites

The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

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

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

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this guideline is currently being assessed.

### Guideline on the Application of Materiality to Financial Statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

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

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

### GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

#### Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

#### Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

#### Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

#### Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity should apply judgement based on past experience and current facts and circumstances in the identification of significant accounting policies.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

### GRAP 34: Separate Financial Statements

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



## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

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### **Notes to the Annual Financial Statements**

#### **2. New standards and interpretations (continued)**

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 35: Consolidated Financial Statements**

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

To meet this objective, the Standard:

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

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 36: Investments in Associates and Joint Ventures**

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

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### **GRAP 37: Joint Arrangements**

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

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

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

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

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 38: Disclosure of Interests in Other Entities

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

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

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

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

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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

The objective of this Standard is to prescribe the:

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

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

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

The most significant changes to the Standard are:

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

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

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity should apply judgement based on past experience and current facts and circumstances in determining the amount of revenue to be recognised.

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

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

The municipality is unable to reliably estimate the impact of the interpretation on the annual financial statements.

#### Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this Guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act (Act No. 107 of 1997) provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

#### GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24.

An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52.

An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

#### Directive 7 (revised): The Application of Deemed Cost

This Directive was originally issued by the ASB in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control; - GRAP 107 Mergers.
- Consequential amendments arising from GRAP 110 Living and Non-living Resources issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 Separate Financial Statements;
  - GRAP 35 Consolidated Financial Statements;
  - GRAP 36 Investments in Associates and Joint Ventures;
  - GRAP 37 Joint Arrangements;
  - GRAP 38 Disclosure of Interests in Other Entities.

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix A3.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

The effective date of this revised directive is for years beginning on or after 01 April 2019 as far as the amendments relate to GRAP 105 and 107 and 01 April 2020 as far as the amendments relate to GRAP 110, 34-38.

The municipality expects to adopt the directive for the first time in the 2019/2020 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

### GRAP 18 (as amended 2016): Segment Reporting

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

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

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

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### GRAP 20: Related Parties

The objective of this Standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The Standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which:

- (a) the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time; and

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

(b) the operator is compensated for its services over the period of the service concession arrangement.

It furthermore covers: Definitions, Recognition and measurement of a service concession asset, Recognition and measurement of liabilities, other liabilities, contingent liabilities, contingent assets and other revenues, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 106 (as amended 2016): Transfers of Functions Between Entities not Under Common Control**

The subsequent amendments to the Standard resulted from changes made to IFRS 3 on Business Combinations as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 108: Statutory Receivables**

The objective of this Standard is to prescribe accounting requirements for statutory receivables.

Statutory receivables are receivables that:

- (a) arise from legislation, supporting regulations, or similar means; and
- (b) require settlement by another entity in cash or another financial asset.

It furthermore covers: Definitions, Recognition, Derecognition, Measurement, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation and disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

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## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### IGRAP 11: Consolidation – Special Purpose Entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (i.e. they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This Interpretation does not apply to postemployment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to a SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation may mean that the entity should consolidate the SPE. This Interpretation does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### IGRAP 12: Jointly Controlled Entities – Non-monetary Contributions by Ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

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### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### **IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land**

This Interpretation applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property, Property, Plant and Equipment, or Heritage Assets. As this Interpretation does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of this interpretation is currently being assessed.

#### **IGRAP 19: Liabilities to Pay Levies**



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### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation addresses the following issues:

- what is the obligating event that gives rise to the recognition of a liability to pay a levy?
- does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- what is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- the preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- the liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation; and
- an entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

#### IGRAP 20: Accounting for Adjustments to Revenue

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

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

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

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

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

The impact of this interpretation is currently being assessed.

#### 3. Inventories

Water (purified water in reservoirs and pipes)	658,664	553,639
Fuel (diesel, petrol)	270,488	52,144
Stores and materials	538,281	794,857
	<b>1,467,433</b>	<b>1,400,640</b>

After the inventory count, an amount of R 193 720 (2018: 543 063) was written off.

Inventories recognised as an expense during the year	4,352,000	1,354,389
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3,603,880	3,230,858
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36,477	34,553
<b>3,640,357</b>	<b>3,265,411</b>

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#### 3.1 Movement of housing stock

Additional stands transfer to housing stock from investment property	-	85,000
Registered in name of owner and remove from housing stock	-	(85,000)
<b>Inventory pledged as security</b>		

During the year no inventory was pledged as security.

#### 4. Other financial assets

##### Designated at fair value

Listed shares

2019: 46 109 @ R78.16

2018: 46 109 @ R70.07

##### At amortised cost

Investment - ceded

##### Total other financial assets

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>4. Other financial assets (continued)</b>		
<b>Current assets</b>		
At fair value	3,603,880	3,230,858
At amortised cost	36,477	34,553
	<b>3,640,357</b>	<b>3,265,411</b>
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Sanlam Limited shares Valued with reference to the ruling price of the share (being listed on a public exchange) at year end.	3,603,880	3,230,858
<b>Fair value hierarchy of financial assets at fair value</b>		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.  The municipality received shares in Sanlam Limited in a prior year.		
<b>Level 1</b>		
Sanlam Limited shares	3,603,880	3,230,858
<b>Financial assets at amortised cost</b>		
<b>Nominal value of financial assets at amortised cost</b>		
Investment - ceded This investment was ceded to FNB as collateral for housing loan of employee. The investment may be held in perpetuity, and is invested in a financial institution with a strong credit rating (First National Bank Pty Ltd), therefore, this is not considered impaired.	36,477	34,553
<b>5. Receivables from exchange transactions</b>		
Electricity	43,804,450	42,703,431
Water	97,554,660	95,622,018
Sewerage	4,939,811	5,610,984
Refuse	6,200,262	7,301,232
Sale of land	1,643,807	363,681
	<b>154,142,990</b>	<b>151,601,346</b>
Non-current assets		
Current assets	1,643,807	363,681
<b>5. Receivables from exchange transactions (continued)</b>	<b>152,499,183</b>	<b>151,237,665</b>
	<b>154,142,990</b>	<b>151,601,346</b>
<b>Trade and other receivables past due but not impaired</b>		

Trade and other receivables which are less than 2 months past due are not considered to be impaired. Receivables from Government debtors are also not subject to impairment. At 30 June 2019, R 76,169,299 (2018: R 37,501,940) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>Notes to the Annual Financial Statements</b>		
1 month past due	9,327,395	10,752,885
2 months past due	3,501,113	4,744,580
3 months past due or more	63,340,790	22,004,475
<b>Trade and other receivables impaired</b>		
As of 30 June 2019, trade and other receivables of R 1,116,202,992 (2018: R 955,969,152) were impaired and provided for.		
The amount of the provision was R (1,061,907,092) as of 30 June 2019 (2018: R 896,755,666).		
The ageing of these receivables (gross) is as follows:		
Current	25,978,539	16,062,164
30 - 60 Days	29,168,566	17,335,886
60 - 90 Days	22,279,471	16,887,595
91 Days and over	1,038,776,416	846,470,021
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(890,922,463)	(719,161,410)
Provision for impairment	(190,578,288)	(150,488,364)
Movement in VAT component due to impairment	(17,027,885)	(21,547,919)
	<u>42,454,748</u>	<u>275,230</u>
Amounts written off as uncollectible	<b>(1,056,073,888)</b>	<b>(890,922,463)</b>
<b>6. Receivables from non-exchange transactions</b>		
Traffic fines	462,210	2,309,034
Deposits	2,052,824	1,926,115
Prepaid electricity payments	4,787,039	4,128,615
Receivables	19,668,576	7,513,958
Rates	33,578,296	26,991,845
Sundry receivables	6,867,588	18,897,253
	<b>67,416,533</b>	<b>61,766,820</b>

## Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

## Credit quality of receivables from non-exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

## Receivables from non-exchange transactions

None of the financial assets that are fully performing have been renegotiated in the last year.

## 6. Remuneration of Councillors (continued)

### Receivables from non-exchange transactions past due but not impaired

Receivables relating to traffic fines are impaired according to a recoverability rate and, therefore, it is not possible to split the ageing between impaired and unimpaired.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>Notes to the Annual Financial Statements</b>		
Receivables from non-exchange transactions (Rates and Sundry receivables), where the debtor has nothing outstanding for more than 2 months past due are not considered to be impaired; receivables from government are not subject to impairment either. At 30 June 2019, R 8,873,806 (2018: R71 446 449 10,019,602) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	3,349,512	3,367,572
2 months past due	798,105	3,877,796
3 months past due or more	4,726,188	2,774,235
<b>Receivables from non-exchange transactions impaired</b>		
As of 30 June 2019, receivables from non-exchange transactions of R 253,837,764 (2018: R 223,501,722) were impaired and provided for.		
The amount of the provision was R 228,231,166 as of 30 June 2019 (2018: R194,790,124).		
The ageing of these receivables (gross) is as follows:		
Current	4,691,461	4,386,594
30 - 60 Days	5,188,853	4,145,489
60 - 90 Days	4,113,136	12,014,404
91 days and over	239,844,314	202,955,235
<b>Reconciliation of allowance for impairment of receivables from non-exchange transactions</b>		
Opening balance	(207,649,186)	(145,166,501)
Allowance for impairment traffic fines	(4,866,601)	(10,208,625)
Amounts written off as uncollectible traffic fines	11,430,249	12,151,776
Allowance for impairment sundry debtors	(24,490,142)	(24,536,239)
Amounts written off as uncollectible sundry debtors	3,343,627	
(40,310,759)		
Allowance for impairment rates	(14,650,959)	
Amounts written off as uncollectible Rates	4,882,534	53,814
	(2,526,103)	367,348
	<b>(234,526,581)</b>	<b>(207,649,186)</b>
Movement in VAT component due to impairment		
The municipality does not hold any collateral as security.		
<b>7. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Rates	146,693,601	125,763,744
Electricity	98,691,867	93,497,199
Water	981,697,233	829,889,235
Sewerage	52,857,386	49,090,831
Refuse	76,376,092	69,682,862
Sale of land	6,427,504	6,196,885
	<b>121,983,450</b>	<b>114,915,477</b>
Sundry receivables	<b>1,484,727,133</b>	<b>1,289,036,233</b>
<b>7. Consumer debtors disclosure (continued)</b>		
<b>Less: Allowance for impairment</b>		
Rates	(113,115,305)	(98,771,899)
Electricity	(54,887,417)	(50,793,768)
Water	(884,142,574)	(734,267,217)
Sewerage	(47,917,575)	(43,479,847)
Refuse	(70,175,830)	(62,381,630)
Sale of land	(4,783,697)	(5,833,204)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>Notes to the Annual Financial Statements</b>		
	(115,115,861)	(96,018,224)
Sundry receivables	<b>(1,290,138,250)</b>	<b>(1,091,545,789)</b>
<b>Net balance</b>		
Rates	33,578,296	26,991,845
Electricity	43,804,450	42,703,431
Water	97,554,659	95,622,018
Sewerage	4,939,811	5,610,984
Refuse	6,200,263	7,301,232
Sale of land	1,643,807	363,681
Sundry receivables	6,867,589	18,897,253
	<b>194,588,875</b>	<b>197,490,444</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity		
Water	43,804,450	42,703,431
Sewerage	97,554,659	95,622,018
Refuse	4,939,811	5,610,984
Sale of land	6,200,263	7,301,232
	1,643,807	363,681
	<b>154,142,990</b>	<b>151,601,346</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates		
Sundry receivables		
	33,578,296	26,991,845
	6,867,589	18,897,253
<b>Net balance</b>	<b>40,445,885</b>	<b>45,889,098</b>
<b>Rates</b>		
Current (0 -30 days)		
31 - 60 days	<b>194,588,875</b>	<b>197,490,444</b>
61 - 90 days		
Over 90 days Impairment		
	10,187,793	9,272,963
	6,134,233	5,578,122
	3,681,168	14,678,639
<b>Electricity</b>		
Current (0 -30 days)	126,690,407	96,234,020
31 - 60 days	(113,115,305)	(98,771,899)
61 - 90 days		
Over 90 days	<b>33,578,296</b>	<b>26,991,845</b>
Impairment		
	20,546,495	17,557,807
	3,546,687	5,110,762
	2,914,409	4,125,038
	71,684,276	66,703,593
	(54,887,417)	(50,793,768)
	<b>43,804,450</b>	<b>42,703,432</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>7. Consumer debtors disclosure (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	62,025,833	51,088,727
31 - 60 days	30,488,536	21,974,656
61 - 90 days	19,229,586	16,937,587
Over 90 days	869,953,278	739,888,265
days	(884,142,574)	(734,267,217)
Impairment	<b>97,554,659</b>	<b>95,622,018</b>
<b>Sewerage</b>		
Current (0 -30 days)	2,134,879	2,258,430
31 - 60 days	1,493,289	1,467,772
61 - 90 days	1,174,015	1,029,622
Over 90 days	48,055,203	44,335,007
Impairment	(47,917,575)	(43,479,847)
	<b>4,939,811</b>	<b>5,610,984</b>
<b>Refuse</b>		
Current (0 -30 days)	2,878,326	2,667,259
31 - 60 days	1,979,485	1,796,587
61 - 90 days	1,645,177	1,438,697
Over 90 days	69,873,104	63,780,318
Impairment	(70,175,830)	(62,381,629)
	<b>6,200,262</b>	<b>7,301,232</b>
<b>Sale of land</b>		
Current (0 -30 days)	226,757	50,691
31 - 60 days	30,483	82,876
61 - 90 days	25,402	10,323
Over 90 days	6,144,862	6,052,995
Impairment	(4,783,697)	(5,833,204)
	<b>1,643,807</b>	<b>363,681</b>
<b>Sundry receivables</b>		
Current (0 -30 days)	2,021,830	2,388,252
31 - 60 days	2,403,249	1,934,939
61 - 90 days	1,229,209	1,213,561
Over 90 days	116,329,163	109,378,726
Impairment	(115,115,861)	(96,018,224)
	<b>6,867,590</b>	<b>18,897,254</b>
Figures in Rand	2019	2018

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

### 7. Consumer debtors disclosure (continued)

#### Summary of debtors by customer classification

##### Consumers

Current (0 -30 days)	89,947,996	79,328,117
31 - 60 days	36,376,002	33,700,754
61 - 90 days	26,196,321	34,243,592
Over 90 days	1,209,231,410	1,062,017,815
	<b>1,361,751,729</b>	<b>1,209,290,278</b>

##### Industrial/ commercial

Current (0 -30 days)		
	6,134,982	2,862,412
31 - 60 days	7,664,532	2,200,353
61 - 90 days	2,588,965	2,402,189
Over 90 days	70,302,022	39,576,400
	<b>86,690,501</b>	<b>47,041,354</b>

##### National and provincial government

Current (0 -30 days)	3,938,934	3,093,598
31 - 60 days	2,035,428	2,044,607
61 - 90 days	1,113,679	2,787,685
Over 90 days	29,196,862	24,778,710
	<b>36,284,903</b>	<b>32,704,600</b>

##### Total

Current (0 -30 days)	100,021,913	85,284,128
31 - 60 days	46,075,962	37,945,714
61 - 90 days	29,898,965	39,433,467
Over 90 days	1,308,730,293	1,126,372,925
	<b>1,484,727,133</b>	<b>1,289,036,234</b>

##### Less: Allowance for impairment

Current (0 -30 days)		
	27,656,391	19,614,678
31 - 60 days	28,763,133	20,718,103
61 - 90 days	23,640,791	27,140,308
Over 90 days	1,210,108,395	1,024,072,702
	<b>1,290,168,710</b>	<b>1,091,545,791</b>

##### Total net debtors

Current (0 -30 days)		
	72,365,522	65,669,451
31 - 60 days	17,312,830	17,227,611
61 - 90 days	6,258,174	12,293,159
Over 90 days	98,621,898	102,300,223
	<b>194,558,424</b>	<b>197,490,444</b>

##### Reconciliation of allowance for impairment

Balance at beginning of the year	(1,091,545,789)	(855,358,902)
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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Contributions to allowance	(229,719,390)	(215,335,361)
Movement in VAT component due to impairment	(19,553,988)	(21,180,570)
	<u>50,680,909</u>	<u>329,044</u>
Debt impairment written off against allowance	<u>(1,290,138,258)</u>	<u>(1,091,545,789)</u>
Figures in Rand	2019	2018

### 7. Consumer debtors disclosure (continued)

#### Collection rate of consumer receivables

If collection rate per service is not determinable include here the overall collection rate 69 % 76 %

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,150	5,150
Bank balances	8,845,699	2,671,048
Short-term deposits	5,026,344	18,366,696
	<u>13,877,193</u>	<u>21,042,894</u>

#### Funds reserved to support unspent grants

Department of Co-operative Governance	704,984	704,984
SCI	79,057	79,057
Department of Water and sanitation WSIG	-	2,947,684
Department of Energy	8,360,979	510,480
Public Works Program	-	84,773
	<u>9,145,020</u>	<u>4,326,978</u>

#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Guarantee: Eskom as electricity deposits	990,000	990,000
Total financial assets pledged as collateral for Guarantee: Post Office as postal deposits	80,000	80,000

### 8. Bulk purchases (continued)

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Absa Bank Cheque Account 520 0000 038	1,448,695	1,278,369	635,473	1,448,695	1,278,369	635,472
Absa Bank	-	-	-	(1,105)	-	-
Standard Bank - current account (primary bank account) 24 034 786 2	12,200,971	6,228,940	4,988,001	7,398,109	1,401,477	4,610,519
Standard Bank - Revenue Account - 33 197 836 9	-	-	-	-	(8,798)	-
Absa Bank - Call Account 907 840 0708	255,309	402,455	1,154,993	255,309	1,055,309	1,154,993
Absa Bank -Fixed deposit 207741-7824	-	62,772	-	-	-	-

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Absa Bank -Fixed deposit 207741-7072	-	77,121	-	-	-	-
Standard Bank - Call deposit account 228 505 348 005	9,756	6,529,042	109,045	21,474	12,863,554	109,045
Standard Bank - Call deposit account - 228 505 348 007	334,286	6,658,318	323,807	382,264	323,806	323,806
Nedbank - Call deposit account - 788 103 308 000060	927,095	11,954	1,073,095	1,461,328	1,461,328	1,073,095
Nedbank - Call deposit account - 788 103 308 000074	534,233	42,128	-	-	-	-
Investec -Call account- 1100523923	709,205	2,634,973	4,687,789	709,205	2,634,974	4,687,789
Rand merchant Bank CDS DC02J00005	-	27,726	27,726	-	27,726	27,726
FNB - Call account 62772878909	2,196,764	-	-	2,196,764	-	-
<b>Total</b>	<b>18,616,314</b>	<b>23,953,798</b>	<b>12,999,929</b>	<b>13,872,043</b>	<b>21,037,745</b>	<b>12,622,445</b>

#### 9. Fruitless and wasteful expenditure recoverable

This amount of R18 451 758 (2018: nil) relates to expenditure on a sport ground, where the value was paid to the supplier, but the related work was not performed. The amount was paid in 2018, however, the investigation into the transaction was not sufficiently advanced to determine how to classify and disclose it.

#### 10. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	295,781,938	(581,102)	295,200,836	295,784,113	(560,462)	295,221,476

#### Reconciliation of investment property - 2019

Opening	Depreciation	Total balance
Land and buildings		295,223,855
	(23,019)	295,200,836

Figures in Rand

#### 10. Investment property (continued)

#### Reconciliation of investment property - 2018

	Opening balance	Transfers to inventories	Depreciation	Total
Land and buildings	293,246,695	2,000,180	(23,020)	295,223,855

#### Pledged as security

No investment property was pledged as security.

#### Rental income generated

## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

### **Notes to the Annual Financial Statements**

During the year, rental income of R5 585 582 (2018: R5 452 359) was generated from investment property (primarily hostels).

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

#### **Maintenance of investment property**

Expenditure during the year	10,000	2,500
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Maintenance is low due to cash constraints and necessary cost cutting.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand

Figures in Rand

#### 11. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	-	-	-	-	-	-
Leasehold property	9,607,366	(4,791,740)	4,815,626	11,889,825	(1,206,613)	10,683,212
Plant and machinery	33,978,331	(13,440,203)	20,538,128	18,491,446	(11,367,344)	7,124,102
Furniture and fixtures	8,550,584	(7,084,869)	1,465,715	24,988,371	(20,279,328)	4,709,043
Motor vehicles	48,501,334	(28,221,111)	20,280,223	35,999,191	(25,169,494)	10,829,697
Office equipment	-	38,383	38,383	-	-	-
IT equipment	33,920,056	(29,634,074)	4,285,982	38,429,107	(29,777,570)	8,651,537
Infrastructure	2,308,843,429	(1,306,036,512)	1,002,806,917	2,213,961,336	(1,262,054,067)	951,907,269
Community	406,944,109	(71,078,830)	335,865,279	435,114,480	(69,453,999)	365,660,481
<b>Total</b>	<b>2,850,345,209</b>	<b>(1,460,248,956)</b>	<b>1,390,096,253</b>	<b>2,778,873,756</b>	<b>(1,419,308,415)</b>	<b>1,359,565,341</b>

#### 11. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2019

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	10,683,212							7,575,774	
	1,359,558,341	89,251,111	27,859,519	(30,148,816)		-	1,275,202	1,390,096,253	
	Opening balance	Additions	Additions through donations	Disposals	Transfers Received	Transfers	Change in estimate of landfill rehabilitation	Depreciation	Total
Buildings	100,914,168	-	-	-	-	-	-	(2,872,295)	98,041,873
Furniture and fixtures	4,709,043	78,285	-	(1,400,406)	228,106	42	-	(2,149,355)	1,465,715
Infrastructure	991,347,230	79,231,793	23,652,636	(28,603,100)	5,498,928	-	1,275,202	(58,841,235)	1,013,561,454
Land	221,609,522	-	-	-	-	-	-	-	221,609,522
Plant and machinery	7,124,102	7,053,332	-	(4,214)	8,533,723	53,344	-	(2,222,159)	20,538,128
Motor vehicles	14,519,527	2,492,195	4,206,883	271,232	548,730	1,408,306	-	(3,166,650)	20,280,223
Office equipment	-	-	-	-	38,383	-	-	-	38,383
IT equipment	8,651,537	395,506	-	(412,328)	297,518	(304,012)	-	(1,643,040)	6,985,181
Leased assets		-	-	-	(1,685,989)	(1,157,680)	-	(263,769)	
					13,459,399			(71,158,503)	

#### 11. Property, plant and equipment (continued)

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	Opening balance	Additions	Additions through donations	Disposals and asset adjustments	Transfers received	Transfers	Transfers to inventory	Change in estimate of landfill rehabilitation	Other changes, movements	Depreciation	Total
Buildings	94,924,137	11,093,876	-	-	-	685	(2,082,799)	-	-	(3,021,731)	100,914,100
Furniture and fixtures	6,414,801	422,197	-	(23,884)	-	-	-	-	-	(2,104,071)	4,709,023
Infrastructure	966,941,223	73,321,825	9,798,243	2,519,013	1,510,140	(902,623)	-	(3,689,830)	(236)	(58,150,525)	991,347,223
Land	221,609,522	-	-	-	-	-	-	-	-	-	221,609,522
Plant and machinery	6,881,725	720,587	1,347,848	(10,133)	-	-	-	-	-	(1,815,925)	7,124,102
Motor vehicles	16,227,287	-	1,825,617	(319,109)	-	-	-	-	-	(3,214,268)	14,519,527
IT equipment	12,314,470	227,965	-	(22,493)	-	-	-	-	-	(3,868,405)	8,651,537

#### Pledged as security

None of the above property, plant and equipment have been pledged as security, other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note: 16

Motor vehicles	7,895,610	8,994,187
Office equipment	581,188	787,087

#### Assets subject to finance lease (Net carrying amount)

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Leasehold property					8,650,079	9,781,272	<b>Reconciliation of property, plant and equipment - 2018</b>			
Figures in Rand	10,024,991									
Leasehold property		870,070				901,938			(1,113,787)	10,683,21
	<b>1,335,338,156</b>									
		<b>86,656,520</b>	<b>12,971,708</b>	<b>2,143,394</b>	<b>1,510,140</b>		<b>(2,082,799)</b>	<b>(3,689,830)</b>	<b>(236)</b>	<b>(73,288,712)</b>
										<b>1,359,558,34</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 11. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within PPE	Other	Total
Opening balance	295,542,746	20,040,375	227,500		315,810,621
Additions/capital expenditure	86,852,814	612,800		-	87,465,614
Transferred to completed items	(23,694,088)	(19,520,954)		-	(43,215,042)
	<b>358,701,472</b>	<b>1,132,221</b>	<b>227,500</b>		<b>360,061,193</b>

#### Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	352,758,012	8,946,499	361,704,511
Additions/capital expenditure	70,852,715	11,093,876	81,946,591
Transferred to completed items			- (127,840,481)
	<b>(127,840,481)</b>	<b>20,040,375</b>	<b>315,810,621</b>
	<b>295,770,246</b>		

#### Maintenance of property, plant and equipment

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

### 12. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
Computer software	5,060,657	(2,528,475)	2,532,182	5,088,176	(1,603,505)	3,484,671

#### Reconciliation of intangible assets - 2019

Opening	Disposals	Transfers	Amortisation	Total balance		
Computer software			3,484,671	(27,519)	11,648	(936,618) 2,532,182

#### Reconciliation of intangible assets - 2018

Opening	Amortisation	Total balance			
Computer software			4,421,285	(936,614)	3,484,671



## Annual Financial Statements for the year ended 30 June 2019

### Pledged as security

No intangible assets were pledged as security.

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

	561,001	561,001
<b>Opening balance</b>	<b>Total</b>	
561,000	561,000	
1		1
<b>561,001</b>	<b>561,001</b>	
2019	2018	

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Figures in Rand

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	561,000	-	561,000	561,000	-	561,000
Mayoral chain	1	-	1	1	-	1
<b>Total</b>	<b>561,001</b>	<b>-</b>	<b>561,001</b>	<b>561,001</b>	<b>-</b>	<b>561,001</b>
	<b>Opening balance</b>			<b>Total</b>		
Historical monuments					561,000	561,000
Mayoral Chain					1	1

## Reconciliation of heritage assets 2018

## Historical monuments Mayoral Chain

### Pledged as security

No heritage assets were pledged as security.

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

Accrued bonus	5,617,709	5,090,243
Accrued expense	92,538,509	109,205,472
Accrued leave pay	19,479,719	17,937,481

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

	222,661,126	226,925,897
	5,906,118	(2,094,345)
Eskom	31,242,180	29,870,978
Insurance	1,397,383	1,248,816
Other payables Auditor General	402,877	12,482
Payments received in advanced	23,970,866	25,141,907
Rand Water	15,211,951	11,833,750
Retention	19,611,983	17,150,466
Trade payables	7,917,817	6,608,078
Unallocated deposits	5,270,132	2,826,224

#### 15. VAT payable

VAT payable

Figures in Rand	2019	2018
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#### 16. Finance lease obligation

##### Minimum lease payments due

- within one year	3,920,333	4,163,802
- in second to fifth year inclusive	4,079,191	7,999,524
	7,999,524	12,163,326
less: future finance charges	(823,898)	(1,729,936)
<b>Present value of minimum lease payments</b>	<b>7,175,626</b>	<b>10,433,390</b>

##### Present value of minimum lease payments due

- within one year	3,347,596	3,257,767
- in second to fifth year inclusive	3,828,030	7,175,623
	7,175,626	10,433,390

Non-current liabilities	3,828,028	7,175,623
Current liabilities	3,347,599	3,257,767
	7,175,627	10,433,390

It is the municipality's policy to lease certain motor vehicles and equipment under finance leases.

The average lease terms were 3 and 5 years and the average effective borrowing rate was 10.1% (2018: 10.1%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

#### 17. Consumer deposits

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Water and electricity	22,590,657	20,993,784
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<b>9,145,020</b>	<b>1,672,391</b>
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1,672,391	7,583,751
140,728,041	238,640,976
(131,966,419)	(244,552,336)
(1,288,993)	-

#### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	(90)
Department of Co-operative Governance and Traditional Affairs	704,984	704,984
Water Demand Management	79,057	79,057
RBIG	-	293,187
Department of Energy	8,360,979	510,480
Extended Public Works Programme	-	84,773

##### Movement during the year

Balance at the beginning of the year		
Additions during the year		
Income recognition during the year Amounts repaid or overspent		
	<b>9,145,020</b>	<b>1,672,391</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2019	2018
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## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

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#### 18. Unspent conditional grants and receipts (continued)

These amounts are invested in a ring-fenced investment until utilised.

#### 19. Employee benefit obligations

##### Defined benefit plan

##### Reconciliation of employee benefits obligation - 2019

	Opening Balance	Additions	Total
Employee benefit cost medical	33,994,000	5,128,000	39,122,000
Employee benefits long service awards	15,135,000	424,000	15,559,000
	<b>49,129,000</b>	<b>5,552,000</b>	<b>54,681,000</b>

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##### Reconciliation of employee benefits obligation - 2018

	Opening Balance	Additions	Total
Employee benefit cost medical	27,293,577	6,700,423	33,994,000
Employee benefits long service awards	13,299,467	1,835,533	15,135,000
	<b>40,593,044</b>	<b>8,535,956</b>	<b>49,129,000</b>

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##### Employee benefit obligation - medical

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	33,994,000	27,293,577
Current service cost	534,000	399,902
Interest cost	3,304,000	2,446,487
Benefits paid	(2,244,000)	(1,783,000)
Actuarial loss/(gain)	3,534,000	5,637,034
	<b>39,122,000</b>	<b>33,994,000</b>

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##### Continued Medical aid membership

Municipal employees contribute to accredited medical schemes.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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## Notes to the Annual Financial Statements

### 19. Employee benefit obligations (continued)

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

#### Accrued liability

##### Category of member

In - service members	17,208,000	18,074,000
Continuation member	21,914,000	15,920,000

##### All members

Total liability	39,122,000	33,994,000
-----------------	------------	------------

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

#### History of liabilities and assets

Present value of accrued liability	39,122,000	33,994,000
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The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Liabilities: (gain) / loss	3,534,000	5,637,034
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#### Best estimate of benefits payments expected in next annual period 2019/2020 (comparatives are for 2018/2019)

Opening accrued liability	39,122,000	33,994,000
Current service cost	536,000	534,000
Interest cost	3,786,000	3,304,000
Benefits vesting	(2,418,000)	(2,000,000)
<b>Total annual expense</b>	<b>41,026,000</b>	<b>35,832,000</b>

History of liabilities (R millions)

30/06/2019

30/06/2018

30/06/2017

30/06/2016

30/06/2015

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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## Notes to the Annual Financial Statements

Accrued liability	39.122	33.994	27.294	25.140	25.989
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### Key financial assumptions

The table summarises the financial assum

#### 19. Employee benefit obligations (continued)

Discount rate:	Yield Curve
Consumer price index (CPI)	Difference between nominal and yield curves
Medical cost inflation	CPI + 1%
Net effective discount rate	Yield Curve based
Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2017/18 and 2018/19.	
Average retirement age	63
Proportion assumed married at retirement	90%
Mortality during employment	SA 85-90
Mortality post-retirement	PA 90 ultimate
Number of in service members	69
Number of continuation members (pensioners)	52
Net effective discount rate	

Medical aid inflation

### Summarised results of the sensitivity analysis.

#### Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Valuation Assumption
Central assumptions		39.189
Mortality rate	-20%	41.706
	+20%	37.044
Medical aid inflation	-1%	38.264
Medical aid inflation	+1%	39.862

#### Long term service awards

Balance at beginning of the year	15,135,000	13,299,467
Current-service cost	1,967,000	1,687,032
Interest cost	1,421,000	1,037,468
Actuarial (gain) / loss	(1,064,000)	1,011,033
Employer benefit payments	(1,900,000)	(1,900,000)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>Notes to the Annual Financial Statements</b>	<b>15,559,000</b>	<b>15,135,000</b>
<b>Best estimate of benefits payments expected in next annual period 2019/2020 (comparatives are for 2018/2019)</b>		
Opening accrued liability		
Current service cost	15,559,000	15,135,000
Interest cost	2,018,000	1,967,000
Benefit vesting	1,455,000	1,421,000
<b>Total annual expense</b>	<b>(2,147,000)</b>	<b>(1,900,000)</b>
	<b>16,885,000</b>	<b>16,623,000</b>

## Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	200	522	722
Average annual salary			

Salary-weighted average past service

## 19. Employee benefit obligations (continued)

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service	Description
bonuses		
% annual salary		
5	4.0%	(5/250 + 2%) x annual salary
10	7.0%	(10/250 + 3%) x annual salary
15	10.0%	(15/250 + 4%) x annual salary
20	11.0%	(15/250 + 5%) x annual salary
25,30,35,40,45	12.0%	(15/250 + 6%) x annual salary

722 Employees benefit from this policy.

## Special leave pay

38 of the employees receive an additional six days of annual leave once they reach their five years of service.

## Retirement gifts

246 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

## Key Financial assumptions

The table summarised the financial assumptions used.

Discount rate:	Yield Curve
Consumer price index (CPI)	Difference between nominal and yield curves
Salary inflation	CPI + 1%
Net effective discount rate	Yield Curve based

Note: The valuation method calls for a basket of discount rates (matching bonds based on their remaining term to the expected lifespan of each individual); therefore it is not meaningful to indicate a single rate and not practical to indicate all rates used. This approach was used in 2017/18 and 2018/19.

The salaries used in the valuation include an assumed increase on 1 July 2018 of 6%.

The next salary increase was assumed to take place in July 2018.

Average retirement age 63

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand 2019 2018

## Notes to the Annual Financial Statements

Mortality during employment

SA 85-90

### Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Valuation Assumption
Central assumptions		15.559
Withdrawal rate	-20%	16.287
	+20%	14.894
Salary inflation	-1%	14.635
+1%		16.575 %

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than that shown.

History of liabilities (R millions)	30/06/2019	30/06/2018	30/06/2017	30/06/2016	30/06/2015
Accrued Liability	15.559	15.135	13.299	14.013	15.537

Figures in Rand 2019 2018

### 19. Employee benefit obligations (continued)

### 20. Long term portion - long term loan

Development Bank of Southern Africa Limited - Non-current portion	-	1,634,939
Development Bank of Southern Africa Limited - Current portion	1,634,939	1,501,886
Terms and conditions		

The original loan amount approved was R 19 000 000 but only R 9 000 000 was disbursed in the 2012/2013 financial year. The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be levied at 10.67% on arrear amounts. The interest and capital repayment is made every 6 months in 14 equal instalments of R 871 356 over 7 years. The loan is unsecured but the application of the loan is conditional to specific projects.



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand 2019 2018

### Notes to the Annual Financial Statements

#### 21. Provisions

##### Reconciliation of provisions - 2019

	Opening Balance	Unwinding of interest	Change in timing, amount or discount factor	Total
Environmental rehabilitation	77,980,482	5,905,868	1,275,203	85,161,553

##### Reconciliation of provisions - 2018

	Opening Balance	Unwinding of interest	Change in timing, amount or discount factor	Total
Environmental rehabilitation	75,884,580	5,785,732	(3,689,830)	77,980,482

##### Provision for landfill closure

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Messrs Hill and van Schoor from iX Engineers. Messrs Hill and van Schoor are professional engineers, and members of the Engineering Council of South Africa.

Key financial assumptions used in this calculation were as follows:

Assumption	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
CPI	4.64%	4.64%	4.64%
Discount rate	6.35%	8.10%	6.35%

The 2018 amount of the discounted landfill closure provision of R33 431 342 represents a increase of R1 580 404 over the provision of R31 850 380 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs.

The 2018 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2018. The size of the landfill sites used up until now and estimate remaining useful lives are as follows:

	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
Approximate footprint at 30 June 2019	15.016 ha	2.4 ha	1.57 ha
Remaining useful lives	approximately 1 years	approximately 8 years	approximately 1 years
Figures in Rand			2019 2018

#### 22. Service charges

Sale of electricity	272,952,669	261,348,293
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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
<b>Notes to the Annual Financial Statements</b>		
Sale of water	365,987,162	321,161,123
Solid waste	32,023,702	30,149,761
Sewerage and sanitation charges	27,518,188	25,981,911
	<b>698,481,721</b>	<b>638,641,088</b>
<b>Forgone income (free portion)</b>		
Electricity	(8,059,933)	(4,918,588)
Sewerage and sanitation	(6,294,483)	(5,349,819)
Solid waste	(11,608,049)	(8,962,192)
Water	(10,789,463)	(9,727,805)
	<b>(36,751,928)</b>	<b>(28,958,404)</b>
	196	43,365
	631,031	583,093
	427,806	408,568
	2,708	541
	1,034,424	1,287,713
	576,624	612,798
	-	22
	238,341	240,116
	560,432	5,634,134
	<b>3,471,562</b>	<b>8,810,350</b>
	115,088	106,973
	3,408,691	3,535,284
	<b>3,523,779</b>	<b>3,642,257</b>
	11,822,634	10,766,176
	33,516,167	29,559,856
	83,458,537	89,134,324
	18,428,187	10,176,174
	12,689,594	11,829,425
	(16,266,687)	(16,966,549)
	<b>143,648,432</b>	<b>134,499,406</b>
<b>23. Licences and permits (exchange)</b>		
Trading licence	105,569	115,270
<b>24. Other income</b>		

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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## Notes to the Annual Financial Statements

Billboards  
Building plan fees  
Cemetary fees  
Clearance certificate  
Entrance fees  
Fire service  
Lost library books  
Private telephone calls Sundry income

### 25. Investment revenue

#### Dividend revenue

Dividends Sanlam Limited

#### Interest revenue

Interest received - short term investments

### 26. Property rates

#### Rates revenue

Commercial  
Heavy Industries  
Residential  
Small holdings and farms  
State  
Less: Income forgone

### 26. Property rates (continued)

#### Valuations

	R'000	R'000
5 year: Tax Holiday	21,781	33,747
Churches	97,960	97,425
Commercial	931,515	905,349
Heavy/light industries	1,050,736	975,810
Municipal	450,991	441,951
Public Benefit Organisation/Service Infrastructure	49,393	49,898
Residential	8,336,680	8,094,698
Small holdings and farms	3,033,719	2,993,361
State	692,751	688,496
Allocated, unregistered stands	169,366	208,126
	<b>14,834,892</b>	<b>14,488,861</b>

Valuations on land and buildings are normally performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 01 July 2019.

Rebates up to R35 000 (2018: R35 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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## Notes to the Annual Financial Statements

The following properties are exempted from property rates:

- Properties owed by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church

- Road reserves
- Railway reserves

### Tariff structure (cents per Rand)

Business	0.01780	0.01692
Industries	0.04453	0.04233
Residential	0.00889	0.00845
State-owned property	0.01780	0.01692

### Farmland

Residential	0.00445	0.00423
Business	0.00889	0.00845
Industries	0.02230	0.02119
Private owned towns, Body Corporate Sectional Titles	0.00445	0.00423
Mining	0.02231	0.02121
Agricultural	0.00223	0.00212

Figures in Rand	2019	2018
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## 27. Government grants and subsidies

### Operating grants

Equitable share	163,296,165	142,708,999
Expanded Public Works Programme Intergrated Grant	1,084,773	915,227
Financial Management Grant	1,770,000	1,700,000
Municipal Infrastructure Grant	2,095,368	1,744,912
Sector Education Training Authority Grant	496,997	333,728
Contribution COGTA	-	873,956
National Treasury - audit fees	-	1,828,112
Auditor General - debt forgiven	-	224,412
	<b>168,743,303</b>	<b>150,329,346</b>

### Capital grants

Department of Energy Grant	3,289,021	9,490,470
Department of Water Affairs Grant	10,000,000	9,052,316
Municipal Infrastructure Grant	47,690,542	40,057,599
Regional Bulk Infrastructure	39,450,199	35,622,605
	<b>100,429,762</b>	<b>94,222,990</b>
	<b>269,173,065</b>	<b>244,552,336</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	102,260,603	89,740,271
Unconditional grants received	166,066,164	142,708,999
	<b>268,326,767</b>	<b>232,449,270</b>

### Equitable Share

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

2019

2018

### Notes to the Annual Financial Statements

In terms of the Constitution of the Republic of South Africa, this grant is used to subsidise the provision of basic services to indigent community members.

A Council Resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate and basic sewer per month to all households. Indigent households are allocated 6kl of water, 50 kWh of electricity, additional sewer, refuse, and R50 per month on Rates.

#### Financial Management Grant

Current-year receipts	1,770,000	1,700,000
Conditions met - transferred to revenue	(1,770,000)	(1,700,000)
-	-	-

Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

#### Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	84,773	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,084,773)	(915,227)
-	-	84,773

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	(90)	5,356,759
Current-year receipts	49,786,000	36,667,000
Conditions met - transferred to revenue	(49,785,910)	(42,023,849)
	-	(90)

Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

Funds received for installation of infrastructure.

#### RBIG Department of Water Affairs Grant

Balance unspent at beginning of year	(2,654,498)	-
Current-year receipts	30,824,603	32,746,769
Conditions met - transferred to revenue	(39,450,198)	(35,401,267)
	(11,280,093)	(2,654,498)

<b>8,360,979</b>	<b>510,480</b>
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704,984	704,984
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Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

The municipality received funds from the Department of Water Affairs for water purification.

#### Department of Energy Grant

Balance unspent at beginning of year	510,480	1,442,951
Current-year receipts	11,650,000	10,000,000
Conditions met - transferred to revenue	(3,289,021)	(9,490,470)
Withheld	(510,480)	(1,442,001)

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

#### Department of Co-operative and Traditional Affairs

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 27. Government grants and subsidies (continued)

#### Sector Education Training Authority Grant

Current-year receipts	496,997	333,728
Conditions met - transferred to revenue	(496,997)	(333,728)
	-	-

Balance unspent at beginning of year

Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

Funds received for the installation of infrastructure.

#### Department of Co-operative Government and Traditional Affairs (COGTA)

Current-year receipts	-	873,955
Conditions met - transferred to revenue	-	(873,955)
	-	-

Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

Grant from COGTA to pay a consultant that assisted the municipality.

Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

The municipality received funds from Sector Education Training Authority to promote excellence performance by the human resources division. The funds must be utilised towards training.

#### Water Demand Management (Free State Province)

Balance unspent at beginning of year	2,947,684	-
Current-year receipts	10,000,000	12,000,000
Conditions met - transferred to revenue	(10,000,000)	(9,052,316)
Repayment of unspent	(2,947,684)	-
	-	2,947,684

Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

Grant from Free State Province to assist with water demand management.

#### Water Demand Grant

Balance unspent at beginning of year	79,057	79,057
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Conditions still to be met - remain liabilities (see note 18 - Unspent conditional grants and receipts).

### 28. Public contributions and donations

Public contributions and donations	24,079,058	15,883,454
Government Garage	1,611,289	-

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

#### 29. Fines, penalties and forfeits

	25,690,347	15,883,454
Overdue Books Fines	93	14
Court Traffic Fines	859,092	696,070
Municipal Traffic Fines	3,019,778	8,568,120
Tender Withdrawal Penalties	176,154	587,218
	<b>4,055,117</b>	<b>9,851,422</b>
Figures in Rand	2019	2018

#### 30. Employee related costs

Basic	157,895,908	142,728,623
Medical aid - company contributions	19,123,743	17,691,189
UIF	1,336,049	1,282,856
Leave pay and bonus provision	2,069,702	2,191,953
Leave pay accrual	838,002	992,224
Group Insurance	228,308	235,681
Actuarial (gain)/loss	2,687,000	6,648,067
Defined contribution plans	26,023,485	24,524,190
Overtime payments	25,044,959	18,444,062
Long-service awards	1,139,252	1,995,521
13th Cheques	12,932,001	11,408,721
Acting allowances	2,636,839	2,046,366
Car allowance	18,533,938	16,266,374
Housing benefits and allowances	2,433,165	3,674,052
Long service award provision	1,488,000	824,500
Cell phone allowance	1,223,562	1,084,951
Standby allowance	4,668,594	4,298,487
Industrial council levy contributions	77,483	72,732
Contribution post retirement	1,377,000	1,063,389
Senior management as below	5,928,186	9,943,295
Uniforms and protective clothes	932,582	1,063,168
	<b>288,617,758</b>	<b>268,480,401</b>

The Uniforms and protective clothing are grouped with employee related costs in terms of mSCOA classifications; this is not strictly compliant with GRAP, but has been applied to ensure compliance with Treasury requirements.

#### Remuneration of Accounting Officer

Annual Remuneration	1,488,731	1,564,752
Car Allowance	240,000	240,000
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Telephone allowance	36,000	36,000
Acting allowance to Directors (1 July 2018 to 30 June 2019)	613,279	190,661
Entertainment allowance	61,602	118,112



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

#### Remuneration of Chief Financial Officer

	2,441,397	2,151,310
Annual Remuneration	341,057	1,912,471
Car Allowance	4,000	24,000
Contributions to UIF, Medical and Pension Funds	297	1,785
Telephone allowance	5,000	30,000
Leave pay	367,360	-
Entertainment	2,000	2,144
Acting allowance by Managers (1 September 2018 to 30 June 2019)	476,620	-
	<b>1,196,334</b>	<b>1,970,400</b>

#### Remuneration of Director Technical Service and Infrastructural Services

Annual Remuneration		
Car Allowance		
Contributions to UIF, Medical and Pension Funds	-	938,639
Entertainment	-	341,076
Leave Pay	-	1,487
Acting allowance by Managers(1 July 2018 to 30 June 2019)	-	25,000
	-	207,251
	561,965	59,414
	<b>561,965</b>	<b>1,572,867</b>

Figures in Rand	2019	2018
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### 30. Employee related costs (continued)

#### Remuneration of Director Organisational Development and Corporate Services

Annual Remuneration	-	692,150
Car Allowance	-	60,000
Contributions to UIF, Medical and Pension Funds	-	892
Housing subsidy	-	60,000
Telephone allowance	-	15,000
Leave	-	172,207
Acting allowance by Managers (1 July 2018 to 30 June 2019)	569,843	378,904
	<b>569,843</b>	<b>1,379,153</b>

#### Remuneration of - Director Social Services

Annual Remuneration	-	863,221
Car Allowance	-	126,667
Contributions to UIF, Medical and Pension Funds	-	1,189
Housing subsidy	-	80,000
Telephone allowance	-	20,000
Leave	-	179,930
Entertainment	4,820	-
	514,441	266,235
	<b>519,261</b>	<b>1,537,242</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Acting allowance by Managers (1 July 2018 to 30 June 2019)

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#### Remuneration of Director Economic Development

Annual Remuneration	-	814,513
Car Allowance	-	180,000
Contributions to UIF, Medical and Pension Funds	-	1,189
Housing subsidy	-	66,667
Telephone allowance	-	20,000
Leave	-	23,018
Entertainment	1,748	-
Acting allowance by Managers (1 July 2018 to 30 June 2019)	637,638	226,936
	<b>639,386</b>	<b>1,332,323</b>

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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Remuneration of Councillors</b>		
Executive Mayor	902,971	470,281
Council Whip	688,103	362,847
Mayoral Committee Members	4,384,946	2,386,989
Speaker	731,075	384,333
Councillors	10,847,015	5,963,470
Administrator's allowance	-	428,890
	<b>17,554,110</b>	<b>9,996,810</b>

### Remuneration per councillor

#### Executive Mayor

Tshongwe S L (from 21 December 2017)	902,971	470,281
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#### Council Whip

Nyembe B V (Council Whip from 21 December 2017)	622,418	362,847
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Mashia VL (Council Whip from 29 May 2019)	65,685	-
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#### Mayoral Committee Members

Semonyo LS ( from 18 January 2018)	689,003	296,494
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Mtshali NM (from 20 March 2019 )	184,356	-
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Mofokeng KB (from 18 June 2019)	24,804	-
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Mosokweni F ( from18 January 2018 - December 2018 and 20 March 2019 to 30 June 2019)	461,110	296,494
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Fisher L (18 January 2018- 4 October 2018; 20 March 2019- 30 June 2019)	350,408	296,494
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Mokoena NP (from 18 January 2018 to 4 October 2018 and 20 March 2019 to 30 June 2019)	350,408	296,494
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Makhefu LA (from 18 January 2018- 30 November 2018)	276,755	296,494
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Malindi MJ (from 18 January 2018)	689,003	296,494
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Nyaku DJ (from 18 January 2018-28 May 2019)	659,146	296,494
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Poho MS (from 18 January 2018)	689,003	296,494
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#### Speaker

Mabasa KT (Speaker from 21 Decemebr 2017)	731,075	384,333
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#### Councillors

Barnard JJ (from 1 Decemebr 2017)	316,390	178,459
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Burger GS ( from December 2017)	316,390	178,459
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Du Plooy (from1 December 2017 till 21 November 2018)	127,254	178,459
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Du Toit T	316,390	178,459
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Dywili NN (from 1 December 2017)	316,390	178,459
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Fisher L (from 1 December 2017 and MAYCO member 28 January 2018 - 4 October 2018 and from 20 March 2019 to 30 June 2019)	170,134	46,800
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Gaigher L (from 10 August 2016 and MAYCO member 22 August 2016 to 22 February 2017; 1 December 2017 to 31 March 2018)	-	101,967
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Grobbelaar JJ	316,390	178,459
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Kobo SS (from 1 December 2017; Chair person Streetnaming 3 April 2019 )	399,900	178,459
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Leotlela MG (from 1 Decemebr 2017)	316,390	178,459
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Mbana MT (from15 November 2018)	199,747	-
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Mahlaela PM (from 1 Decemebr 2017)	316,390	178,459
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## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Makhefu L A (from 1 February 2017; 1 December 2017; MAYCO 18 January 2018- 30 November 2018; Chairperson Ethics 3 April 2019 -30 June 2019)	276,225	46,800
Malindi MJ (1 December 2017; MAYCO 18 January 2018)	-	46,800
Mare AK	316,390	178,459
Maseko ME (from 1 December 2017)	316,390	178,459
Matwa SM (from 18 July 2018)	302,680	-
Meyer R (from 18 July 2018)	302,680	-
Mofokeng TH (from 1 December 2017)	316,390	178,459
Mohapi P (from 1 December 2017)	316,390	178,459
Mokoena MP (from 10 August 2016; 1 December 2017)	316,390	178,459
Mokoena NP (from 1 December 2017; MAYCO 18 January 2018 30 September 2018; April 2019 -30 June 2019)	170,134	46,800
Figures in Rand	2019	2018

#### 31. Remuneration of Councillors (continued)

Mokoena TS (from 1 December 2017;	26,356	178,459
Molawa M (from 1 December 2017; MPAC chairperson 25 January 2018))	670,093	326,829
Mosokweni F ( from 18 January 2018 - December 2018 and 20 March 2019 to 30 June 2019)	113,215	46,800
Motaung TA (from 1 December 2017)	316,390	178,459
Motjeane SM (from 1 December 2017)	316,391	178,459
Motlhale S (from December 2017 -23 October 2018)	99,346	178,459
Motloung TM (from 1 December 2017)	316,391	178,459
Mtshali NM ( from 1 December 2017: MAYCO member from 20 March 2019)	234,714	178,459
Nhlapo LL (from 1 December 2017)	316,391	178,459
Nkheloane M (from 1 December 2017)	316,391	178,459
Nnune GB	316,391	178,459
Nteso SJ	316,391	178,459
Nyaku DJ (1 December 2017; MAYCO member 18 January 2018)	-	46,800
Poho MS (till 9 August 2016; 1 December 2017; MAYCO member 28 January 2018)	-	46,800
Semonyo LS ( till 9 August 2016 ; 1 December 2017 MAYCO member 18 January 2018)	-	46,800
Taats TJ (from 1 December 2017)	316,391	178,459
Telane MM (from 10 August 2016; 1 December 2017)	316,391	178,459
Tsotetsi L	316,391	178,459
Van der Merwe FJ (from 1 December 2017)	316,391	178,459
Van Heerden (from 4 January 2019 )	172,116	-
Zwane ZJ (from 1 December 2017)	316,391	178,459
Administrator (1 July 2017 to 30 November 2017)	-	428,890
	<b>17,554,110</b>	<b>9,996,810</b>

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.

#### 32. Depreciation and amortisation

Property, plant and equipment	71,158,503	73,288,731
Investment property	23,020	23,020
Intangible assets	936,617	936,617

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

#### 33. Finance costs

Unwinding of interest on provision	5,905,868	5,785,732
Bank	372,980	314,172
Finance leases	818,300	1,250,550
Non-current borrowings	240,826	363,020
Trade and other payables	725,281	559,610
	<b>8,063,255</b>	<b>8,273,084</b>

#### 34. Lease rentals on operating lease

##### Motor vehicles

Contractual amounts

##### Equipment

Contractual amounts

1,923,719	2,270,544
5,747,482	8,239,851
<b>7,671,201</b>	<b>10,510,395</b>

Figures in Rand	2019	2018
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#### 35. Debt impairment

Contributions to debt impairment - exchange	190,578,288	150,488,366
Contributions to debt impairment - non-exchange	44,007,703	75,055,623
	<b>234,585,991</b>	<b>225,543,989</b>

#### 36. Bulk purchases

Electricity - Eskom	225,639,059	206,554,078
Water	171,640,551	131,789,428
	<b>397,279,610</b>	<b>338,343,506</b>

2019	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	205,644,368	218,799,914	13,155,546	(6)%	10,352,646
Water	16,607,069	19,847,089	3,240,020	(16)%	30,300,137

The leases are entered in to on month-to-month or ad hoc bases, and, therefore, do not have escalation clauses or commitments.

	<b>222,251,437</b>	<b>238,647,003</b>	<b>16,395,566</b>		<b>40,652,783</b>
2018	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	196,494,984	216,903,112	(19,598,127)	(9)%	15,686,341
Water	15,194,362	17,150,919	(1,956,556)	(11)%	16,307,842
	<b>211,689,346</b>	<b>234,054,031</b>	<b>(21,554,683)</b>		<b>31,994,183</b>

Unaccounted consumption can be a result of:

- Distributions losses;
- Internal use that is not metered and not read;- Illegal connections and theft.
- Supply to informal areas that have not yet been formalised.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>37. Contracted services</b>		
<b>Outsourced services</b>		
Administrative and support staff (printing service)	2,976,975	3,558,589
Business and Advisory	2,500	-
Catering services	191,651	-
Cleaning services	2,971,917	2,925,590
Connection/disconnection	961,965	1,356,533
Traffic fines management	143,477	398,977
Transport services	560,164	246,171
<b>Consultants and professional services</b>		
Business and advisory	13,200,185	5,734,493
Infrastructure and planning	867,094	575,322
Legal cost	10,589,311	10,162,572
<b>Contractors</b>		
Catering services	744,715	87,582
Graphic designers	183,000	-
Maintenance of buildings and facilities	880,331	4,386,663
Maintenance of equipment	5,711,943	9,432,130
Maintenance of unspecified assets	1,831,657	2,683,422
Traffic and street lights	649,313	292,373
Safeguard and security	18,901,662	14,909,002
Sewerage services	19,000,345	18,415,683
Stage and sound crew	475,340	173,997
	<b>80,843,545</b>	<b>75,339,099</b>

### 38. Grants and subsidies paid

<b>Other subsidies</b>		
Bursaries	242,958	-
Burial	53,575	9,000
	<b>296,533</b>	<b>9,000</b>

Figures in Rand	2019	2018
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### 39. Operating expenditure

Advertising	576,180	1,954,769
Auditors remuneration	9,445,210	6,406,051
Bank charges	632,950	553,154
Bursaries	246,482	318,139
Commission paid	9,402,431	8,904,426
Entertainment	54,340	98,675
Hire	39,152	35,500
Insurance	4,768,933	2,718,368
IT expenses	3,788,540	3,461,575
Inventory consumables	17,038,798	14,021,544

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Postage and courier	2,007,192	1,968,160
Printing and publications	190	9,163
Royalties and license fees	474,599	532,352
Skills development levies	2,310,328	2,130,748
Subscriptions and membership fees	2,965,692	3,019,951
Telephone	2,234,050	2,269,722
Travel - local	1,443,119	1,685,701
Ward committee remuneration	1,127,489	1,103,000
Other expenses	484,874	529,176
Horticulture	1,406,843	-
	<b>60,447,392</b>	<b>51,720,174</b>

Expenditure on Uniforms and protective clothing are grouped with employee related costs in terms of mSCOA classifications; this is not strictly compliant with GRAP, but has been applied to ensure compliance with Treasury requirements - please see note 30.

#### 40. Cash generated from operations

Surplus	28,698,320	38,921,032
<b>Adjustments for:</b>		
Depreciation and amortisation	72,118,140	74,248,368
(Gain)/loss on disposal of assets and liabilities	-	-
(Gain)/loss on inventory count	193,720	543,063
Fair value adjustments	(374,946)	(246,904)
Debt impairment	234,585,991	225,543,986
Non-cash movements in employee benefit obligations	9,696,000	12,218,956
Unpaid interest at year end	692,918	269,361
Non-cash adjustments to assets	(1,513,879)	(1,362,246)
Assets received as donations	(25,690,347)	(15,883,454)
Unwinding of notional interest on landfill	5,905,868	5,785,732
Leave and 13th cheque accrual	2,069,702	2,192,226
<b>Changes in working capital:</b>		
Inventories	(260,513)	202,567
Receivables from exchange transactions	(191,839,806)	(180,592,705)
Receivables from non-exchange transactions	(49,657,416)	(45,714,398)
Payables from exchange transactions	(20,491,438)	(4,122,062)
VAT	8,000,465	(8,326,844)
Unspent conditional grants and receipts	7,472,629	(5,911,360)
Consumer deposits	1,596,873	1,534,588
Long term receivables	(1,280,126)	642,815
Employee benefit obligations	(4,144,000)	(3,683,000)
	<b>75,778,155</b>	<b>96,259,721</b>

#### 41. Financial instruments disclosure

##### Categories of financial instruments

Figures in Rand	2019	2018
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# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

### 41. Financial instruments disclosure (continued)

2019

#### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	13,877,193	13,877,193
Other financial assets	3,603,880	36,477	3,640,357
Receivables from exchange transactions	-	152,499,183	152,499,183
Receivables from non-exchange transactions	-	67,416,533	67,416,533
Receivables from exchange transactions (non-current)	-	1,643,807	1,643,807
	<b>3,603,880</b>	<b>235,473,193</b>	<b>239,077,073</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	22,590,657	22,590,657
Finance lease obligation	7,175,623	7,175,623
Employee benefit obligation	54,681,000	54,681,000
Long term loan	1,634,939	1,634,939
Payables from exchange transactions	222,661,127	222,661,127
Unspent conditional grants and receipts	9,145,020	9,145,020
	<b>317,888,366</b>	<b>317,888,366</b>

2018

#### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	21,042,894	21,042,894
Other financial assets	3,230,858	34,553	3,265,411
Receivables from exchange transactions	-	151,237,665	151,237,665
Receivables from non-exchange transactions	-	61,766,820	61,766,820
Receivables from exchange transactions (non-current)	-	363,681	363,681
	<b>3,230,858</b>	<b>234,445,613</b>	<b>237,676,471</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	20,993,784	20,993,784
Finance lease obligation	10,433,390	10,433,390



## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

### **Notes to the Annual Financial Statements**

Employee benefit obligation	49,129,000	49,129,000
Payables from exchange transactions	226,925,897	226,925,897
Long term loan	3,136,825	3,136,825
Unspent conditional grants and receipts	1,672,391	1,672,391
	<b>312,291,287</b>	<b>312,291,287</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>42. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>	111,712,998	128,437,928
• Property, plant and equipment		
<b>Total capital commitments</b>	111,712,998	128,437,928
<b>43. Contingencies</b>		

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality:

#### Housing loans

##### Various attorneys

Ukwazi Force CC / Metsimaholo Municipality	6,500,000	6,500,000
SAMRO NPC / Metsimaholo Municipality	500,000	714,957
Edge Forensic and Risk Consultants / Metsimaholo Municipality	-	1,899,703
Isak A van der Watt/Metsimaholo LM	47,265	47,265
J M Fusstenburg / Metsimaholo Municipality	-	16,519
Nkadimeng M R & Mofokeng M O / Metsimaholo Municipality	100,000	100,000
Steven Murray & associates/Metsimaholo Municipality	41,034	-
Calitz ACJ/Metsimaholo Municipality	11,182	-
Johan van Zyl/Metsimaholo Municipality	12,135	-
Christo van der Vyfer/Metsimaholo Municipality	13,186	-
Safcrete Construction/Metsimaholo Municipality	24,419,308	-
Multi Talent/Metsimaholo Municipality	20,790	-
Tjatja Nelson/Metsimaholo Municipality	110,060	-
Teboho Sylvester Khoathela //Metsimaholo LM	22,322	-
DDP Valuers (Pty) LTD/Metsimaholo Municipality	350,000	-
Loots Willem/Metsimaholo Municipality	51,913	-
Du Plooy T L/Metsimaholo Municipality	15,000	-

##### Mkwanazi Melato Inc

Metsimaholo Municipality / J Schoultz	58,364	58,364
Dreyer Albertus JP /Metsimaholo Municipality	5,713,000	5,713,000
Metsimaholo Municipality / Saaiman R	-	100,000

##### Ponoane Attorneys

Ernest L Lehani / Metsimaholo Local Municipality	176,348	233,368
Thabo Twala / Metsimaholo Local Municipality	77,729	-
Taats - EFF/Metsimaholo Local Municipality	209,455	-

##### Internal Legal Division

Le Roux JM / Metsimaholo Local Municipality	-	12,937
	<b>38,449,091</b>	<b>15,396,113</b>

#### Other contingent liabilities

Unlicensed landfill site

The municipality managed three landfill sites without the required licences in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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## Notes to the Annual Financial Statements

### 46. Prior-year adjustments (continued)

offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community

### 44. Related parties

#### Relationships

Accounting officer	Refer to note 30
Subject to common control (councillor / entity)	
Nthebe MD	Alaska One Enterprise (Pty) Ltd
Grobbelaar JJ	In his footprints (Non-profitable Charity organisation)
Mosokweni F	Sibusisiwe (Pty) (Ltd) Construction
Semonyo L S	MATLA Dynamics
	Taxi Industry
Nyembe B V	Victor's Comprehensive Development (PTY) LTD
	Victor's Communications Entertainment
Tshongwe SL	WHIPHOLD
	Omqusi-Amantimand Amahle Trading and Projects (PTY)(LTD)
	Flavius Mareka TVET College - ministerial appointee
Matwa SM	Life V/A Kasi -private company
Mbana MT	Botho Keng PTY Ltd
Barnard JJ	Jacques Barnard Consultants
Molala SM	Afriscapes CC (Capacity building)
Lambat A	New Redruth Motors CC
	Roshgold Investment Holdings Limited
	Roshgold Technologies Limited
	Roshgold Ventures Limited
	Roshmeadow Properties Limited
	Top Share Equities (Pty) Ltd
	Directorship: Albaraka Bank Limited
Ndaba M D	MTN Shares
Mashiane S O	Ke Ksale Developers
	Afri - Logistix
	Nereke Building Construction
	Nereke Development Consultants
Meyer R	Eclipz Doggy Parlour
	Ingwe Emergency Fire and Risk Consultants
Post employment benefit plan for employees	Refer to note 19
Members of key management	Refer to note 30
Executive Council Members	Refer to note 31
There were no transactions with the above listed entities subject to control by council members. <b>45.</b>	

#### Comparative figures

Certain comparative figures have been restated, refer to note 46 - Prior-year adjustments for the detail.

### 46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 46. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Re-classification	Restated
Current assets	-	-	-	-	-
Inventories		15,225,314	-	(13,164,043)	2,061,271
Other financial assets		3,018,504	-	-	3,018,504
Receivables from exchange transactions		121,133,326	-	-	121,133,326
Receivables from non-exchange transactions		91,323,285	(215,240)	-	91,108,045
Cash and cash equivalents		12,627,595	-	-	12,627,595
	-	-	-	-	-
Non-current assets					
Investment property		87,466,956	192,615,696	17,000,843	297,083,495
Property, plant and equipment		1,192,898,003	142,440,153	(3,836,800)	1,331,501,356
Intangible assets		4,421,285	-	-	4,421,285
Heritage assets		561,001	-	-	561,001
Receivables from non exchange transactions - long term		1,006,496	-	-	1,006,496
	-	-	-	-	-
Current liabilities					
Payables from exchange transactions		(222,859,778)	(4,216,452)	-	(227,076,230)
VAT payable		(6,232,497)	-	-	(6,232,497)
Finance lease obligation		(2,727,836)	-	-	(2,727,836)
Operating lease liability		(2,361,153)	2,361,153	-	-
Consumer deposits		(19,459,196)	-	-	(19,459,196)
Unspent conditional grants and receipts		(7,583,751)	-	-	(7,583,751)
Short term portion - long term loan		(1,379,692)	-	-	(1,379,692)
Employee benefit obligation		(3,576,076)	-	-	(3,576,076)
	-	-	-	-	-
Non-current liabilities					
Finance lease obligation		(9,637,580)	-	-	(9,637,580)
Long term portion - long term loan		(3,136,825)	-	-	(3,136,825)
Employee benefit obligation		(37,016,968)	-	-	(37,016,968)
Provisions		(31,850,938)	(44,033,642)	-	(75,884,580)
	-	-	-	-	-
Net assets					

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 46. Prior-year adjustments (continued)

		(288,951,668)	-	(1,470,811,143)
Accumulated surplus	(1,181,859,475)	-	-	-

### 2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Current assets	-	-	-	-	-
Inventories		18,401,483	-	(17,000,843)	1,400,640
Other financial assets		3,261,499	3,912	-	3,265,411
Receivables from exchange transactions		196,428,617	(45,190,952)	-	151,237,665
Receivables from non-exchange transactions		87,539,410	(25,772,590)	-	61,766,820
VAT receivable	-	-	2,094,347	-	2,094,347
Cash and cash equivalents		21,042,894	-	-	21,042,894

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 46. Prior-year adjustments (continued)

Non-current assets	-	-	-	-
Investment property	85,604,936	192,615,696	17,000,843	295,221,475
Property, plant and equipment	1,238,419,688	121,145,650	-	1,359,565,338
Intangible assets	3,484,671	-	-	3,484,671
Heritage assets	561,001	-	-	561,001
Investments in controlled entities	363,681	-	-	363,681
	-	-	-	-
Current liabilities				
Payables from exchange transactions	(222,233,300)	(4,692,592)	-	(226,925,892)
VAT payable	(3,120,600)	3,120,600	-	-
Finance lease obligation	(3,257,767)	-	-	(3,257,767)
Operating lease liability	(2,753,122)	2,753,122	-	-
Consumer deposits	(20,993,784)	-	-	(20,993,784)
Unspent conditional grants and receipts	(1,672,391)	-	-	(1,672,391)
Other current liability	(1,501,886)	-	-	(1,501,886)
Employee benefit obligation	(3,407,490)	(739,510)	-	(4,147,000)
	-	-	-	-
Non-current liabilities				
Finance lease obligation	(7,175,623)	-	-	(7,175,623)
Other financial liabilities	(1,634,939)	-	-	(1,634,939)
Employee benefit obligation	(40,725,557)	(4,256,443)	-	(44,982,000)
Provisions	(33,431,342)	(44,549,140)	-	(77,980,482)
	-	-	-	-
Net assets				
Accumulated surplus	(1,602,151,747)	(1,313,200,079)	(288,951,668)	
	(92,419,568)	-	(92,419,568)	-

### Statement of financial performance

#### 2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions	-	-	-	-	-
Service charges	639,185,574	(544,486)	-	-	638,641,088
Licences and permits	115,270	-	-	-	115,270
Traffic and other fines	9,851,422	-	(9,851,422)	-	-
Operational revenue	8,809,008	1,342	-	-	8,810,350
Income legal costs	6,929,342	(2,517,073)	-	-	4,412,269
Interest received - investment	3,535,282	-	-	-	3,535,282
Dividends received	106,973	-	-	-	106,973
Interest received - consumers	32,954,552	-	-	-	32,954,552
Sale of stands	800,994	-	-	-	800,994
Fair value adjustment on other financial assets	242,994	3,912	-	-	246,906
Rental of facilities	6,156,372	-	-	-	6,156,372
Gains on disposal	-	1,362,245	-	-	1,362,245
	-	-	-	-	-
Revenue from non-exchange transactions					
Property rates	134,499,406	-	-	-	134,499,406

# Metsimaholo Local Municipality

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## Notes to the Annual Financial Statements

### 46. Prior-year adjustments (continued)

Transfers and subsidies	244,552,336	-	-	244,552,336
Public contributions and donations	15,883,454	-	-	15,883,454
Traffic and other fines	-	-	9,851,422	9,851,422
	-	-	-	-
<b>Expenditure</b>				
Employee related costs	(262,460,492)	(5,935,906)	(84,003)	(268,480,401)
Remuneration of councillors	(9,996,810)	-	-	(9,996,810)
Depreciation and amortisation	(55,128,699)	(19,119,669)	-	(74,248,368)
Finance costs	(4,023,939)	(4,249,145)	-	(8,273,084)
Lease rentals on operating lease	(2,662,512)	391,969	(8,239,852)	(10,510,395)
Debt impairment	(160,445,391)	(65,098,595)	-	(225,543,986)
Bulk purchases	(338,343,506)	-	-	(338,343,506)
Contracted services	(77,879,418)	2,499,402	40,914	(75,339,102)
Transfers and subsidies	(9,000)	-	-	(9,000)
Write off of assets and liabilities	(766,193)	766,193	-	-
Provision land fill site	(1,580,404)	1,580,404	-	-
Inventory losses/write-downs	(543,063)	-	-	(543,063)
Operating expenditure	(58,442,948)	(1,560,165)	8,282,941	(51,720,172)
<b>Surplus for the year</b>	<b>131,340,604</b>	<b>(92,419,572)</b>	<b>-</b>	<b>38,921,032 Error 1</b>

During the audit of 2017/18, it was found that the provision for rehabilitation of the landfill sites was materially misstated as the incorrect valuation method had been used. The landfill sites were evaluated in the current year to determine an estimate of the costs of rehabilitating these (see note 21), and re-estimate the 2017/18 figures. This has been split below to Errors 1 - 3 to show the different components of the adjustment.

As a result, it was found that the provision was understated by R44 033 642 at 30 June 2017. Further, it was found that the initial estimate of the provision had not been raised and adjusted for changes in the timing, amount, or discount factor. An estimate of this was prepared, in terms of which it was determined that infrastructure assets under Property, plant and equipment were understated by R33 703 950. Had this been raised, it was estimated that accumulated depreciation on the asset, would be R25 150 969. The net impact on Property, plant and equipment, therefore is R8 552 981 (increase) **Statement of financial position**

Property, plant and equipment	8,552,981
Provision	(44,033,642)
<u>Accumulated surplus</u>	<u>35,480,661</u>

-

### Error 2

Following the adjustments to the landfill site in error 1 above, the movement in the provision originally recognised in 2017/18 (R1 580 404 increase) was reversed. The movement in the provision based on the revised estimated was calculated to be an increase of R5 785 732 due to the unwinding of interest, and a decrease of R3 689 830 due to changes in timing, amount, or discount rate. The overall impact was to increase the provision by a further R515 498. **Statement of financial position**

Property plant and equipment	-	(3,689,830)
Provision	-	(515,498)

### Statement of financial performance

Finance costs	-	5,785,732
Provision land fill sites	-	(1,580,404)

-

### Error 3

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand

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### Notes to the Annual Financial Statements

#### 46. Prior-year adjustments (continued)

Depreciation of R1 600 275 was provided for on the estimate of the rehabilitation of the land fill site capitalised to Property, plant and equipment.

##### Statement of financial position

Property, plant and equipment	(1,600,275)
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##### Statement of financial performance

Depreciation and amortisation	1,600,275
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#### Error 4

The operating lease liability provided for the government garage lease was reviewed, in light of the lease arrangement ending and many of the vehicles being donated to the municipality. There was no current obligation to pay this amount and the basis for the calculation was invalid as the lease was on a month-to-month basis, with no set expiry date or escalation clause.

Therefore, the lease obligation of R2 753 122 was reversed, of which R391 969 had been raised as a lease expense in the 2017/18 year and R2 361 153 in prior years (accumulated surplus)

##### Statement of financial position



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 46. Prior-year adjustments (continued)

Operating lease liability	2,753,122
Accumulated surplus	(2,361,153)
<b>Statement of financial performance</b>	
<u>Lease rentals on operating leases</u>	(391,969)
<u>-</u>	

#### Error 5

An error was noted in the raising of legal fees (contracted services) and the on-billing of these to the related debtors; both expense and income were understated by R2 517 073.

#### Statement of financial performance

Income legal costs	(2,517,073)
<u>Contracted services</u>	2,517,073
<u>-</u>	

#### Error 6

It was found that finance costs had been raised in error to the value of R1 536 588; as a result, trade and other payables from exchange were also overstated by the same value.

#### Statement of financial position

Trade and other payables from exchange	1,536,588
<b>Statement of financial performance</b>	
<u>Finance costs</u>	(1,536,588)
<u>-</u>	

#### Error 7

Cut-off / timing errors in the recognition of back pay were noted in 2017/18 (R932 584) and earlier (R2 788 284), as such, Payables from exchange transactions was understated by R3 720 868.

#### Statement of financial position

Payables from exchange transactions	(3,720,868)
Accumulated surplus	2,788,284
<b>Statement of financial performance</b>	
<u>Employee related costs</u>	932,584
<u>-</u>	

#### Error 8

The employee benefit obligations were reassessed to ensure that they were being applied correctly (i.e. including all and only employees who met the necessary criteria). The original 2017/18 journal entries were reversed and the new values captured. This increased the Employee benefit obligation by R4 995 953, and Employee related costs by the same amount.

The split between current and non-current portions was also updated.

#### Statement of financial position

Employee benefit obligation - current	(739,510)
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## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand

### Notes to the Annual Financial Statements

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#### 46. Prior-year adjustments (continued)

Employee benefit obligation - non-current	(4,256,443)
<b>Statement of financial performance</b>	
Employee related costs	4,995,953

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#### Error 9

A number of entries were identified in the prior year audit, and in subsequent investigations relating to entries being misallocated or processed in the incorrect period, or minor posting errors to the wrong accounts. The effects of these are shown below.

#### Statement of financial performance

Other financial assets	3,912
Receivables from exchange transactions	(4,400)
Receivables from non-exchange transactions	(215,240)
Payables from exchange transactions	(2,508,312)
VAT Payable	109,922
Accumulated surplus	1,029,968

#### Statement of financial performance

Service charges	4,200
Operational revenue	(1,342)
Fair value adjustment on other financial assets	(3,912)
Employee related costs	91,372
Lease rentals on operating leases	(12,421)
Contracted services	(23,243)
<u>Operating expenditure</u>	1,529,496

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#### Error 10

An error was noted in the allocation of work in progress to infrastructure to the value of R613 439; accumulated surplus was overstated by this amount.

#### Statement of financial position

Property, plant and equipment	(613,439)
<u>Accumulated surplus</u>	613,439

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#### Error 11

During the asset verification process, property, plant and equipment was identified with a value of R88 144 286. This was raised against accumulated surplus, and depreciation was provided for in 2017/18 of R15 560 831. **Statement of**

#### financial position

Property, plant and equipment	72,583,455
Accumulated surplus	(88,144,286)
<b>Statement of financial performance</b>	
<u>Depreciation and amortisation</u>	15,560,831

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand

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### Notes to the Annual Financial Statements

#### 46. Prior-year adjustments (continued)

##### Error 12

Receivables of R540 286, relating to the provision of sewerage services, were raised in error and these were reversed.

##### Statement of financial position

Receivables from exchange transactions	(540,286)
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##### Statement of financial performance

Service charges	540,286
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##### Error 13

During the asset verification, erven in the name of municipality were identified which had not previously been recorded. The estimated value of these was R192 615 696; accumulated surplus was deemed to be understated by this amount.

##### Statement of financial position

Investment property	192,615,696
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(192,615,696)

Accumulated surplus

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-

##### Error 14

The transfer of the Harry Gwala Multi Purpose Centre to the municipality had not been recognised in the accounting records of the municipality. This was raised with a carrying value of R45 742 886; accumulated surplus was considered to be understated by the same amount.

Deprecation of R1 765 156 was then provided for on this in 2017/18.

##### Statement of financial position

Property, plant and equipment	43,977,730
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Accumulated surplus	(45,742,886)
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##### Statement of financial performance

Financial performance line item	1,765,156
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##### Error 15

During the asset verification, assets to the value of R2 128 438 were found which had to be recognised in the financial statements.

##### Statement of financial position

Property, plant and equipment	2,128,438
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##### Heading

Gains on disposal	(1,362,245)
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Write off of assets and liabilities	(766,193)
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##### Error 16

The impairment calculation was reperformed and it was found that the Debt impairment expense was understated by

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand

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### Notes to the Annual Financial Statements

#### 46. Prior-year adjustments (continued)

R65 098 595, largely due to incorrect treatment of indigent debtors in the calculation. Of this, R39 978 464 related to Receivables from exchange transactions and R28 858 680 to Receivables from non-exchange transactions, and reduced VAT payable by R 3 738 549.

#### Statement of financial position

Receivables from exchange transactions	(44,646,269)
Receivables from non-exchange transactions	(25,557,351)
VAT receivable	2,094,347
VAT payable	<u>3,010,678</u>
	<b><u>(65,098,595)</u></b>

#### Statement of financial performance

Debt impairment	65,098,595
<b>Error 17</b>	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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## Notes to the Annual Financial Statements

### 46. Prior-year adjustments (continued)

Properties held as Inventories were reclassified to Investment property to more accurately reflect that management has no formal plan to distribute these in the short term; as such, Inventories was overstated by R17 000 843, and Investment property was understated by the same amount.

#### Statement of financial position

Inventories	(17,000,843)
Investment property	17,000,843
	-

#### Reclassifications

The following reclassification adjustments occurred:

##### Reclassification 1

Traffic and other fines were considered to be non-exchange revenue and, therefore, these were reclassified on the face of the statement of financial performance.

##### Reclassification 2

Ad-hoc and month-to-month lease expenditure of R8 252 274 was reclassified from Operating expenditure to Lease rentals on operating leases. This was considered to provide a better understanding of the leasing activities of the municipality.

#### Statement of financial performance

Lease rentals on operating leases	8,252,274
Operating expenditure	(8,252,274)
	-

### 47. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### 47. Risk management (continued)

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Consumer deposits	22,590,657	-	-	-
Finance lease obligation	3,347,599	3,828,028	-	-
Other financial liabilities	1,634,939	-	-	-
Payables from exchange transactions	222,661,127	-	-	-
Unspent conditional grants and receipts	9,145,020	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	20,993,784	-	-	-
Finance lease obligation	3,257,767	3,347,599	3,828,028	-
Other financial liabilities	1,501,886	1,634,939	-	-
Payables from exchange transactions	226,925,895	-	-	-
Unspent conditional grants and receipts	1,672,391	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis, taking past payment behaviour into account.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	13,884,321	21,042,894
Recoverable expenditure	18,451,758	-
Other financial assets	3,640,357	3,265,411
Receivables from exchange transactions	152,499,183	151,237,665
Receivables from non-exchange transactions	67,416,533	61,766,820
Receivables from exchange transactions (non-current)	1,643,807	363,681

#### Market risk

#### 47. Risk management (continued)

##### Interest rate risk

The municipality invests funds in short term investments; as such, there is some cash flow risk.

The municipality's borrowings are in fixed rate instruments. During 2019 and 2018, the municipality's borrowings were denominated in the Rand.

##### Fair value interest rate risk

The municipality is exposed to fair value risk as it regularly invests capital in fixed deposit accounts. This risk is managed by investing the funds for less than a year (depending on cash flow requirements), thus allowing the interest rate to be updated regularly throughout the year.

Assuming all such investments at year end were invested for a year, the effect of a 1% change in interest rate (applicable for the entire year) would be: R50 263 (2018: R183 667).

##### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality at fair value of R3 603 880 (2018: R3 230 858). The impact of a 10% change in price would be R 360 388 (2018: R323 086).

This investment consists of equity in one listed entity (Sanlam Ltd), and the municipality does not actively trade in equity instruments or conduct any hedging activities.

## Metsimaholo Local Municipality

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Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

#### 48. Events after the reporting date

No events took place after the reporting date:

#### 49. Unauthorised expenditure

Opening balance	19,380,908	19,380,908
Incurred during the current year	77,564,428	-
	<b>96,945,336</b>	<b>19,380,908</b>

Nothing noted for 2017/2018 financial year.

#### Details of unauthorised expenditure - current year

Technical Services		77,094,915
Budget: R686 244 230		
Actual expenditure: R763 339 145		
Social Services		469,513
Budget: R140 075 130		
Actual: R140 544 643		
		<b>77,564,428</b>

Figures in Rand	2019	2018
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#### 50. Fruitless and wasteful expenditure

Opening balance	5,819,225	3,788,470
Incurred in the current year	725,281	2,255,167
Identified in current year relating to prior year	21,647,454	-
Interest waived by Auditor General 2017/2018	-	(139,808)
Interest waived by Auditor General 2016/2017	-	(84,604)
	<b>28,191,960</b>	<b>5,819,225</b>

#### Analysis of expenditure

Telkom- payment of telephone accounts. Interest charged on the late payment of accounts	2	9,138
Sheriff Sasolburg - payment of interest	9,990	153,620
Arbitration ward to employee	-	78,859
Auditor General - interest on late payment	3,647	138,430
Sasol Infrachem - interest on the late payment for sewer treatment	1,928	-
Edge Forensics - interest on late payment	-	269,361
ESKOM - interest paid on the late payments of electricity accounts	5,585	5,273
Free State Provincial Government - late payment of licence fees	11,132	-
Metsimaholo Sports complex - work not done	21,647,454	-
SA Post Office - interest on late payment	80	-
Department of Water - interest on late payment	692,918	1,510,985
BCX - interest on late payment	-	35,660
SARS - interest on VAT	-	53,841
	<b>22,372,736</b>	<b>2,255,167</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

<b>352,547,150</b>	<b>255,058,412</b>
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-	542,227
4,730,350	974,511
24,091	2,595,000
48,256,560	41,004,727
1,882,342	-
-	421,907
3,147,542	7,295,774
<b>58,040,885</b>	<b>52,834,146</b>

2,926,730	2,933,729
(2,926,730)	(2,933,729)
-	-

#### 51. Irregular expenditure

Opening balance	255,058,412	241,672,119
Add: Irregular Expenditure - current year	58,040,885	13,386,293
Add: Irregular expenditure - identified in current year relating to prior year	39,447,853	-

#### Analysis of expenditure awaiting condonation per age classification

Unauthorised sole supplier  
 Not submitting the minimum quotations for acquiring goods and services  
 Other (lowest quotation not selected, not on CSD, etc)  
 Contract / SLA expired i.e. exceeds three years, no valid approval for extension  
 Work performed without authorised order being issued  
 Deviation not valid  
 Regulation 32 Non- compliance (no cost/benefit analysis performed)

#### 52. Additional disclosure in terms of Municipal Finance Management Act

##### Contributions to organised local government

Current year subscription / fee  
 Amount paid - current year

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## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

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#### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

##### Audit fees

Opening balance	12,482	1,466,991
Current year fee	10,412,869	7,057,653
Interest charged	130,390	138,430
Amount paid	(10,026,121)	(6,598,068)
Debt forgiven (interest waived)	(126,743)	(224,412)
Assistance from Treasury	-	(1,828,112)
	<b>402,877</b>	<b>12,482</b>

Note: the figures indicated above are inclusive of VAT.

##### PAYE and UIF

Opening balance	3,503,916	-
Current year subscription / fee	47,306,017	41,440,057
Amount paid - current year	(46,871,586)	(37,936,141)
	<b>3,938,347</b>	<b>3,503,916</b>

##### Pension and medical aid deductions

Current year subscription / fee	69,920,589	66,081,804
Amount paid - current year	(69,920,589)	(66,081,804)
	-	-

##### VAT

VAT payable	5,906,118	(2,094,345)
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All VAT returns have been submitted by the due date throughout the year.

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### Notes to the Annual Financial Statements

#### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding amount R	Total R
Dywilli N N (Acc no 108921)	21,018	21,018
Kobo S S (Acc no 526816)	29,388	29,388
Leotlela M G (Acc no 536637 and 592959)	21,307	21,307
Mahlaela P M (Acc no 108353)	3,894	3,894
Malindi M J (Acc no 595729)	5,130	5,130
Matwa S M (Acc no 593277, 612908 and 872070)	19,351	19,351
Maseko M (Acc no 109049 and 590648)	47,741	47,741
Mokoena N P (Acc no 596487, 791179, and 594135 )	52,299	52,299
Motlhale S (Acc no 12921)	15,141	15,141
Mokoena P M (Acc no 553206)	15,498	15,498
Mokoena T S (Acc no 590215)	51,146	51,146
Mosokweni F (Acc no 108066 3)	62,002	62,002
Motaung T A (Acc no 537934)	11,802	11,802
Motjeane S (Acc no 106180)	74,490	74,490
Mtshali N M (Acc no 103466)	39,922	39,922
Nkheloane M (Acc no 108037,575013 and 592910)	45,821	45,821
Nyaku D J (Acc no 830645)	11,702	11,702
Poho M S ( Acc no 512681)	17,541	17,541
Taats T (Acc no 553229)	2,084	2,084
Telane M M (Acc no 512521)	69,386	69,386
Tsotetsi L J (Acc no 511192)	35,713	35,713

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## Notes to the Annual Financial Statements

### 53. Budget differences (continued)

30 June 2018

	652,376	652,376
	Outstanding amount R	Total R
Dywilli N N (Acc no 108921)	13,923	13,923
Kobo SS (Acc no 526816)	17,371	17,371
Leotlela M G (Acc no 536637 and 592959)	18,978	18,978
Mohapi P (Acc no 569717)	2,880	2,880
Mahlaela P M (Acc no 108353)	977	977
Malindi M J (Acc no 566943 and 595729)	8,191	8,191
Mofokeng T H (Acc no 33750)	2,211	2,211
Maseko M (Acc no 109049 and 590648)	43,277	43,277
Mokoena N P (Acc no 596487, 791179, 594135 and 611209)	49,988	49,988
Molawa J M (Acc no 564125)	554	554
Motlhale S (Acc no 12921)	8,493	8,493
Mokoena P M (Acc no 553206)	5,622	5,622
Mokoena TS (Acc no 590215)	46,980	46,980
Mosokweni F (Acc no 108066 3)	42,111	42,111
Motaung TA (Acc no 537934 and 595856)	9,422	9,422
Motjeane S (Acc no 106180 )	46,379	46,379
Mtshali N M (Acc no 103466)	30,641	30,641
Nkheloane M (Acc no 108037 and 592910)	39,613	39,613
Nyembe V B (Acc no 569354)	12,412	12,412
Poho M S ( Acc no 512681)	14,183	14,183
Semonyo L S (Acc no 830532)	5,465	5,465
Telane M M (Acc no 512521)	38,272	38,272
Tsotetsi L J (Acc no 511192)	30,840	30,840
<b>Supply chain management regulations</b>	<b>488,783</b>	<b>488,783</b>

### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

During the year no Councillors' had arrear accounts outstanding for more than 90 days.

### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

### 53. Budget differences

#### Material differences between budget and actual amounts

#### Statement of financial performance:

1. Service charges - Electricity sales were less than the budgeted.

- Water restrictions contributed to lower revenue on water as well as certain areas that used water without being billed.
- Lower income from the dumping sites than budgeted.
- Collection from sewerage and refuse services were higher than the budget

## Metsimaholo Local Municipality

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### Notes to the Annual Financial Statements

#### 53. Budget differences (continued)

2. Licences and permits - The money collected on licences and street trading was less than the budgeted amount; this might be a result of generally difficult economic circumstances for traders.
3. Other income - cemetery fees and entrance fees at the facilities were lower than anticipated in the budget.
4. Income legal cost - Fewer actions were taken against consumers than anticipated with the budget.
5. Interest received - Interest received on investments was higher than the budget and dividends on external investments were received in June 2019.
6. Dividends on the Sanlam Pty Ltd shares were not considered in the budget.
7. Property Rates - Assessment rates billed were more than budgeted.
8. Government grants and subsidies - less than the budget due to the R5 000 000 from Water Services Infrastructure Grant that was withheld and receiving less money from Integrated National Electrification Programme Grant.
9. Public contributions and donations - the budget did not anticipate the extent of the donations received as these are inherently difficult to predict.
10. Fines revenue was significantly lower than budgeted for as the municipality was unable to issue camera based fines during the year.
11. Employee costs were lower than budgeted as many key management positions and general vacancies were not filled during the year.
12. The councillors' remuneration actual expenditure was lower than the budget as councillors in the Mayoral Committee were fewer than anticipated in the budget during the financial year : July- September there were 8 members, October – November there were 6 members ,December – March there were 4 members and April – June there were 8 members.
13. Depreciation - a number of significant assets were brought in during the asset verification exercise, resulting in higher depreciation for the year.
14. Finance cost - the budget did not account for the unwinding of interest on the landfill rehabilitation provision.
15. Lease rental on operating lease - Government Garage lease expenditure was reduced as the related vehicles were withdrawn or donated to the municipality.
16. Non-payment by debtors lead to a higher impairment expense; in addition, the impairment calculation impaired indigent debtors at 100%, which had not been done in the past.
17. Water purchased higher than budgeted amount and electricity purchased is at 99.66% by end of June 2019.
18. Due to cost containment measures, the spending on contracted services was lower than budgeted for.
19. Every effort was made to contain costs, resulting in lower general expenditure.

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 53. Budget differences (continued)

20. Fair value adjustments on equity instruments are too volatile to include in the budget.
21. The sale of land was lower than anticipated in the budget – this is inherently difficult to forecast as it depends on the circumstances of individuals in the community.

### Statement of Financial Position

22. R17m of housing inventory was reclassified to investment property as there is no clearly defined intention for these properties.
23. The equity holdings were included in the budget for Cash and cash equivalents (i.e. as investments).
24. A debtor was raised once an internal investigation in to fruitless and wasteful expenditure was conducted, and it was considered appropriate to recover this from the related service provider.
25. The calculation of impairment was significantly higher than budgeted for (as recovery rate was lower than anticipated, and the method used to estimate this was not fully in alignment with the municipality's policy).
26. The lower recoveries from debtors had a negative impact on the estimated cash reserves. Part of the budget also relate to Equity investments, which are shown separately for GRAP purposes (see .23 above).
27. The asset verification exercise performed identified a significant number of properties whose title deeds are held in the name of the municipality.
28. Due to cash flow constraints, infrastructure and movable asset acquisitions which were to be funded by the municipality (rather than directly via a grant) were reduced.
29. Intangible assets - expenditure on capital acquisitions was reduced due to cash flow constraints.
30. The long term receivables from exchange transactions are inherently difficult to predict (as these relate to the sale of properties, which is dependent upon the economic circumstances of the community); therefore, nothing was budgeted for.
31. Payables from exchange increased due to payments to Eskom and Rand Water occurring shortly after year end. Please note, the budget also included employee benefit obligations, see 34 below.
32. VAT is impacted by numerous factors, but key factors were the increase in impairment of receivables, and the lower recovery rate (i.e. the municipality declared less output VAT than anticipated).
33. Consumer deposits did not increase in line with the budget as fewer residents connected services and instead installed prepaid electricity.
34. The employee benefit obligations were included in the budget for payables. The term provision in the budget refers specifically to the landfill provision, which is non-current - see .38 below.
35. The municipality anticipated fully utilising its grant funding, however this was not the case.
36. The short term portion of the loan was not provided for in the budget.
37. The finance lease obligation (non-current) was allocated in the budget, but the mapping is different from what is required in GRAP.
38. Based on an audit finding in the prior year, the method used to value the provision for landfill rehabilitation was corrected, and this resulted in a significant increase in the provision in the current and prior year.

### Cash Flow Statement

53.39 - The collection rate for property rates was relatively higher than anticipated in the budget. The budget assumed a similar rate of collection to service income, which was not the case.

53.40 - The collection rate for services was lower than anticipated, possibly due to general economic circumstances in the community.

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### 53. Budget differences (continued)

53.41 - The grants varied due to unutilised funds and amounts used where the funds have not yet been received. Please refer to note 18 on grants.

53.42 - Interest from debtors was included under the movement of cash for goods and services, whereas the budget shows this separately.

53.43 - Employee costs were contained and other cost cutting exercises undertaken due to cash flow concerns.

53.44 - Acquisitions with own funds in particular were kept low due to cash flow concerns. A number of disposals and adjustments were also processed which had not been anticipated in the budget.

53.45 - The repayments of loans and leases was in terms of the related contracts; the budget used incorrect figures.

### 54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next Council meeting and includes a note to the annual financial statements.

The reasons for deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviations from the normal supply chain management regulations. **Summary of deviations**

Emergency	8,817,928	1,663,672
Other	4,590	150,108
Accommodation	-	170,415
Exceptional/unpractical	1,872,047	2,103,107
Sole suppliers	455,673	315,739
	<b>11,150,238</b>	<b>4,403,041</b>

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