



# **Umsobomvu Municipality**

# **Annual Report**

**2021/22**

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## CHAPTER 1

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### COMPONENT A: MAYOR'S FOREWORD

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Let me take this opportunity to greet you all and wish you a prosperous new year and that you had an enjoyable festive period with your families.

I'm now presenting the 2021/22 Annual Report on behalf of the Council of Umsobomvu Municipality.

In compliance with Section 127 of MFMA Act no 56 of 2003 and as an expression of commitment to public participation, service delivery and clean accountable government Council presents this Annual Report to its stakeholders. During a tough year of load-shedding, which had an impact on the economy and service delivery, especially the providing of water to our communities, but with a good, effective unified Council, we tried our level best.

During this period we managed to still implement service delivery, follow good governance by having all our ordinary council meetings and special council meetings.

During this oversight period (2021/22) the Municipality addressed the issues as pertained in the Integrated Development Plan (IDP) by implementing the Municipal Infrastructure Grant (MIG), Water Service Infrastructure Grant (WSIG), Extended Public Works Programme (EPWP) and Integrated National Electrification Programme (INEP) funded projects, but we still need to do more.

On Public participation, we tried our best by still having regular ward committee and ward community meetings and regular ward committee trainings.

Council meets the People engagements were held regularly to keep the community up to date with service delivery issues and policies of the Municipality.

WhatsApp groups in each ward has ensured that service deliver turnaround time has improved to less than 24 hours. We need to applaud our committed staff that ensure the effectiveness of this program. These WhatsApp groups also assisted with public participation by sharing policies and other important communication to our communities.

We can only build better communities by working together as one.

Thank you to all Councillors for ensuring that we continuously strive for excellence in delivering services to the masses and still keep to the promise of a better future, although we sometimes needed to have robust debates before coming to that principled agreements. Let's continue building each other 'each one, teach one'. It is also every ones responsibility to preach to our communities to regular pay their services.



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Much appreciation to the administration led by the Municipal Manager, for their hard work to always try under difficult circumstances that our communities are uplifted by delivering quality services and customer care.

I want to appreciate the role played by Provincial and National Government, their interventions in addressing number of challenges affecting the communities though we are still struggling to resolve fully implementation of bulk services projects because of some areas of the policy.

### Challenges

Water challenges in Noupoort needs to be sorted out immediately because water is life. We must appreciate the community of Noupoort for accepting this crisis and working with the Municipality, but we urge the Provincial and National Government to assist financially to rectify this problem as soon as possible.

Housing problems are affecting the whole of Umsobomvu Municipality and must get urgent attention in this year. No more talking but implementation should be the order of the day.

The paving project in Colesberg has been delayed because of protest disruptions which led to the Municipality spending more than what was budgeted for. Let this be a learning curve to all of us to prevent this from happening again.

High levels of poverty and unemployment still remains as our biggest challenge.

**We still need to push harder in achieving "A Developmental Municipality in South Africa"**

**M S TOTO**

**MAYOR**

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1 Municipal Manager's Overview



In terms of Chapter 7, Section 152 of the Constitution of the Republic of South Africa, the following are the objects of Local Government:

- (a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote safe and healthy environment; and
- (e) To encourage the involvement of communities and community organisations in the matters of local government.

Our Municipality in the year under review had serious challenges, viz:

1. Protests by community members embarking on efforts to stop the Madikane/Nqandu Street Upgrading project.
2. The local government elections conducted in November 2021 had the effect that new Councillors were elected onto the Municipal Council.
3. Vandalism of infrastructure caused the Municipality to lose hundreds of thousands of rands in replacement and unnecessary labour which moneys and man hours could have been spent better to render better services to our communities.
4. At the end of May 2022, the Chief Financial Officer decided to vacate his position to take up a CFO position at another Municipality.
5. Some community members were very disruptive during public hearings of the Annual \report, to such an extent that some meetings had to be cancelled.

The \municipality also had a lot of positive aspects that transpired during the oversight period, viz

1. The \municipality successfully interdicted twelve community members who were instrumental in disrupting infrastructure projects;
2. After effects of the COVID-19 pandemic which still has a significant negative effect on the \municipality and its ability to sustainably render services, still plagues the \municipality. Given all these major setbacks, the Municipality did deliver on basic services such as water, electricity, sanitation and refuse removal etc.
3. A Spatial Planning and Land Use compliant Land Use Scheme was developed and implemented in Umsobomvu, thanks to the funding allocated by the Department of Agriculture Land Reform and Rural Reform.
4. The Audit and Performance Committee (APC) was re-populated during the oversight period following the termination of the term of office of the previous APC.

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5. Various infrastructure projects that have been on the capital budget were successfully implemented during the oversight period.
6. The Auditor-General (AG) audited the Municipality during the oversight period and issued a qualified audit report with matters and the Administration was tasked to address those matters issued to the satisfaction of the AG and Council.
7. The Municipal Public Accounts Committee (MPAC) was established by Council and the Committee functioned reasonably well given the inexperience of the newly elected Councillors.

I want to sincerely thank our employees who showed bravery to continue serving our community members during these trying times and the Political Leadership for their support of the Administration.

**A MPELA**

**MUNICIPAL MANAGER**

# Chapter 1: Mayor's Foreword and Summary Executive

## 1.2 Municipal Overview

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

The 2021/22 Annual Report reflects on the performance of the Umsobomvu Municipality for the period 1 July 2021 to 30 June 2022. The Annual Report is prepared in terms of Section 121(1) of the MFMA in terms of which the Municipality must prepare an Annual Report for each financial year.

### 1.2.1 Vision and Mission

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

#### *Vision:*

*"A Developmental Municipality in South Africa"*

#### *Mission:*

**"To serve our community by delivering quality services and customer care through dedicated staff for the upliftment of our community socially and economically".**

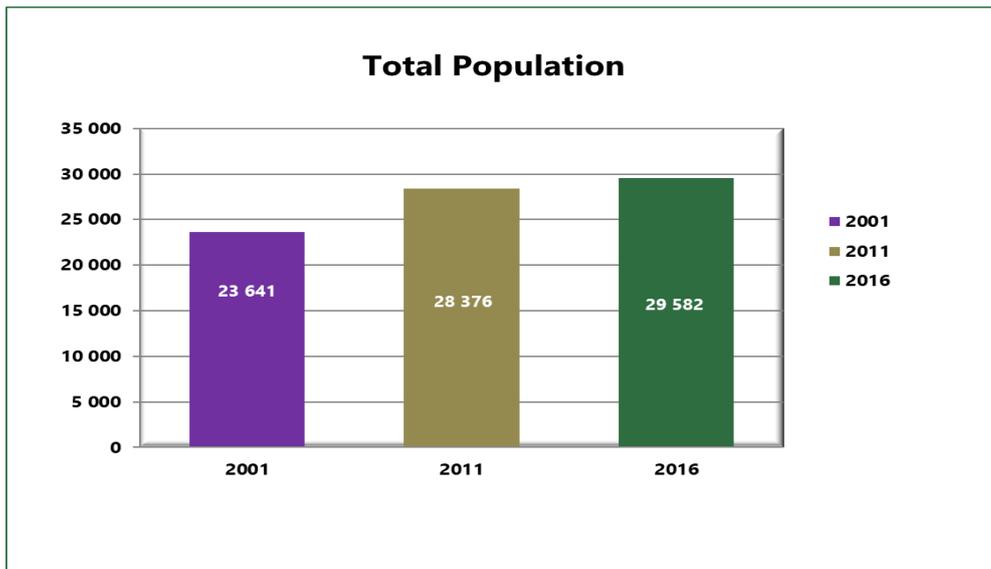
## 1.3 Municipal Functions Population and Environmental Overview

### 1.3.1 Population

#### *a) Total Population*

As per Census 2011 and the Community Survey 2016, Umsobomvu Municipality's population has risen from 28 376 in 2011 to 29 582 in 2016.

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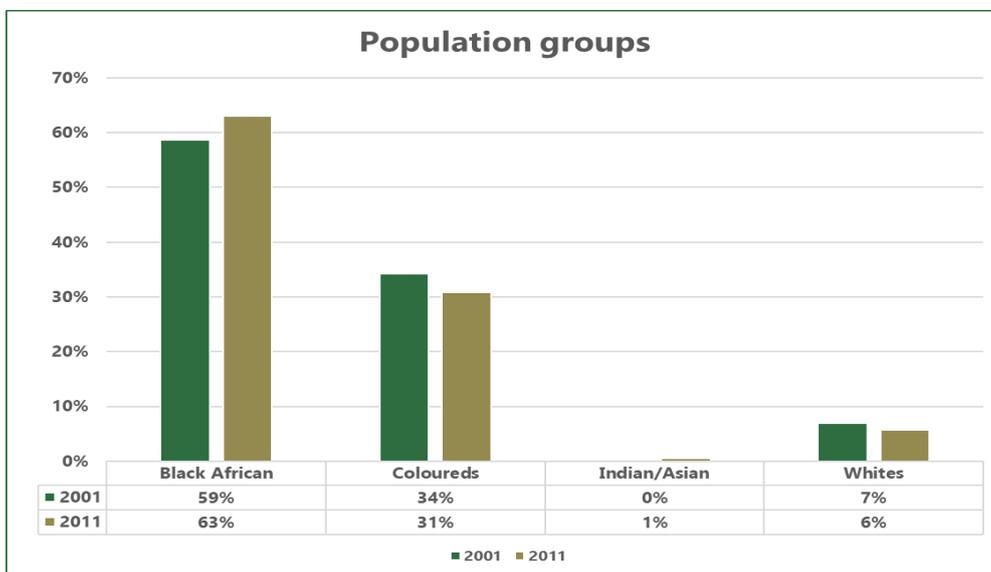
Graph 1: Total Population

The table below indicates the total population by race within the municipal area:

Year	African	Coloured	Indian/Asian	White
2001	13 877	8 095	18	1 650
2011	17 752	8 675	156	1 606

Source: Census 2001 & 2011

Table 1: Population



Graph 2: Population by Race

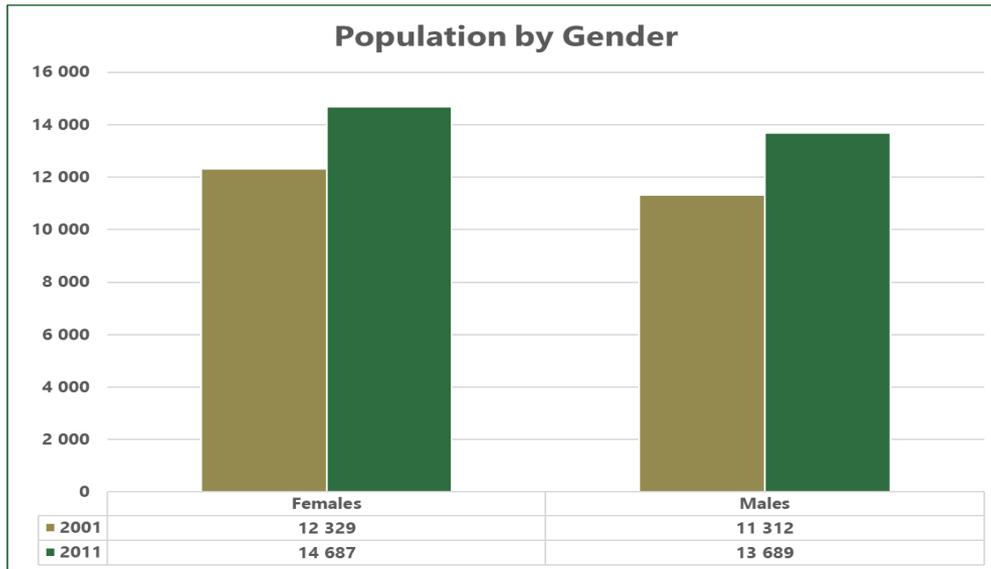
## Chapter 1: Mayor's Foreword and Summary Executive

In 2011 the population showed that females represent 52% and males 48% of the total population of Umsobomvu.

Population - Gender	2001	2011
Females	12 329	14 687
Males	11 312	13 689
<b>Total</b>	<b>23 641</b>	<b>28 376</b>

*Source: Census 2001 & 2011*

**Table 2: Gender Statistics**



**Graph 3: Gender Statistics**

### b) Population Profile

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 0-4	1 234	1 171	<b>2 405</b>	1 451	1 573	<b>3 024</b>
Age: 5-9	1 359	1 363	<b>2 722</b>	1 474	1 542	<b>3 016</b>
Age: 10-14	1 415	1 415	<b>2 829</b>	1 482	1 392	<b>2 874</b>
Age: 15-19	1 352	1 328	<b>2 681</b>	1 395	1 294	<b>2 689</b>
Age: 20-24	1 034	1 035	<b>2 069</b>	1 179	1 225	<b>2 404</b>
Age: 25-29	857	814	<b>1 671</b>	1 280	1 228	<b>2 508</b>
Age: 30-34	787	881	<b>1 667</b>	1 065	1 060	<b>2 125</b>
Age: 35-39	686	769	<b>1 455</b>	839	807	<b>1 646</b>
Age: 40- 44	548	723	<b>1 271</b>	766	833	<b>1 599</b>
Age: 45- 59	513	687	<b>1 201</b>	699	838	<b>1 537</b>
Age: 50-54	436	548	<b>984</b>	540	735	<b>1 275</b>
Age: 55-59	363	415	<b>778</b>	483	654	<b>1 137</b>

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 60-64	261	395	<b>657</b>	397	499	<b>896</b>
Age: 65-69	184	262	<b>446</b>	279	338	<b>617</b>
Age: 70-74	117	194	<b>311</b>	155	293	<b>448</b>
Age: 75-79	88	134	<b>222</b>	113	142	<b>255</b>
Age: 80-84	54	107	<b>161</b>	50	105	<b>155</b>
Age: 85+	25	89	<b>114</b>	43	127	<b>170</b>
<b>Total</b>	<b>11 312</b>	<b>12 329</b>	<b>23 641</b>	<b>13 689</b>	<b>14 687</b>	<b>28 376</b>

*Census 2001 & 2011*

*Table 3: Population Profile*

## 1.3.2 Demographic Information

### *a) Municipal Geographical Information*

Umsobomvu Municipality was established to manage and provide services to the local management area NC 072 which is 6 819 square km in size. The Municipality forms part of the Pixley Ka Seme District Municipality which is located in the south-eastern part of the Northern Cape Province and is a Category B Municipality. It consists of three main entities namely Colesberg, Noupoort and Norvalspont which is also known as Kwa-Masizakhe.

Farming in the area is dedicated almost entirely to horses and merino sheep, which spreads over half-a-million hectares. The greater Colesberg breeds many of the country's top merinos and it is also renowned for producing high-quality racehorses. Many stud farms, including one owned by legendary golfer Gary Player, are nearby. The ostrich-feather boom of the early 1900's which left many farmers rich is forgotten.

The District Municipality is neighboured by 3 provinces namely Free State on the northern side, Eastern Cape on the eastern side and the Western Cape on the southern side. Within the Northern Cape the district is neighboured by Frances Baard Siyanda and the Namakwa Districts. Umsobomvu Local Municipality's economical activities are dominated by agricultural services and tourism. The locality of the Municipality in relation to other municipalities and provinces in the region is depicted in Figure 1. Major road transport corridors are within the boundaries of the Municipality for example the N1 that links Cape Town in the south with Johannesburg/Pretoria in the north the N9 which links Port Elizabeth and the Eastern Cape with Johannesburg/Pretoria in the north.

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Below is a map that indicates the Municipal Area in the Pixley Ka Seme District Area:

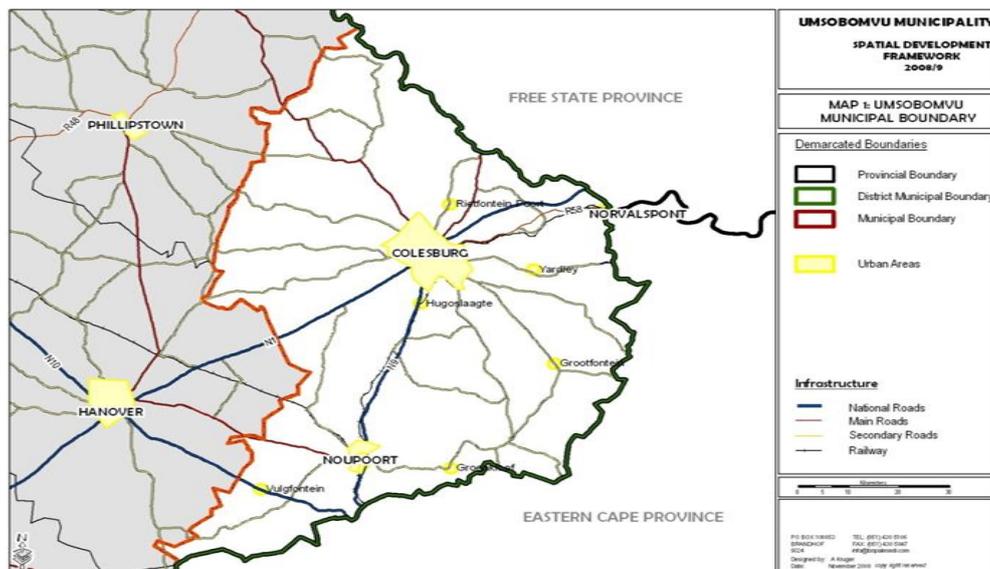


Figure 1: Umsobomvu Area Map

## a) Wards

The Municipality is structured into the following 7 wards:

Ward	Areas
1	Kwazamuxolo , EurekaVille and Noupoot
2	Portion of EurekaVille and Tjoksville
3	Zwelithsha, Towervallei and Operation Vula
4	New Ouboks, Lowryville, Phillipstown Informal Area
5	Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini
6	Khayelitsha, Masipahkame, Chris Hani, Norvalspont and Farming Area
7	Norvalspont, Louwryville and Farming Area

Table 4: Municipal Wards

## Colesberg

Colesberg is the “capital” of the Municipality and was named after Sir Lowry Cole - Governor of the Cape of Good Hope, 1828 - 1833. The town of Colesberg is situated in the Great Karoo in the Northern Cape. It is located at the junction of the national roads from Johannesburg to Cape Town and Port Elizabeth in the south. It is approximately 25 kilometres south of the Orange River and 284 kilometres southeast of Kimberley the provincial capital.

## Noupoot

Noupoot is situated along the N9 route from Colesberg to Middelburg on the way to Cradock and Port Elizabeth. It is 56 kilometres south of Colesberg. Noupoot experienced dramatic economic decline after the closure of the Spoornet station.

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## Norvalspont

The smallest of the three entities Norvalspont is a settlement situated 40 kilometres east of Colesberg on the way to the Gariep Dam. It rests on the banks of the Orange River and is a small black settlement also called Kwa-Masizakhe.

### b) Natural Resources

The following table shows the natural resources within the Umsobomvu Local Municipality

Major Natural Resource	Relevance to Community
Orange River	Water source for human consumption, agriculture recreation, industries and businesses and electricity generation
Abundance of land	Housing and business development
Major transport routes	Business opportunities effective and efficient marketing of area
Unpolluted areas	Healthy population attractive to metropolitan residents
Doornkloof Nature Reserve	Recreation and tourist attraction

Table 5: Natural Resources

## 1.4 Service Delivery Overview

### 1.4.1 Basic Service Delivery Highlights

The table below indicates the highlights for basic service delivery during the year:

Highlights	Description
Replacement of the rising water main from to Van Der Waltsfontein Pump Station to Colesberg Main Storage Reservoir	Through the Municipal Infrastructure Grant (MIG) the Municipality commenced with the upgrading of Van Der Waltsfontein rising main water pipeline, from asbestos cement (AC) to a uPVC water pipeline to Colesberg main reservoirs. This project is successful completed and does augment the overhaul Colesberg water supply to minimise water interruptions in Colesberg and ensure constant water provision
Upgrade of VIP toilets and connecting septic tanks to full waterborne sanitation system in Kuyasa	Through the WSIG the Municipality is currently implementing the of VIP toilets to full waterborne sanitation in Kuyasa. Phase 1 is completed, whilst phase 2 of the project is underway and with approximately 90% completed progress
Electrified Ezimbacweni in Norvalspont	The Ezimbacweni in Norvalspont, have been electrified and provided with new infrastructure. However, at this stage, the power supply cannot be energized due to licence application challenges. Nersa is currently busy with the municipal licence application, which once its approved, the licence will be sent to Eskom for provision of bulk electricity point
Waste collection is done as per schedule, weekly	Refuse collection trucks are operating without major problems in Colesberg, Noupoot and Norvalspont. However, for a period of four months, Colesberg refuse collection truck could not work due to mechanical breakdown. The refuse was collected with the use of

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Highlights	Description
	Noupoort refuse truck, which was shared in two towns, until the Colesberg truck was repaired

*Table 6: Basic Service Delivery Highlights*

### 1.4.2 Basic Service Delivery Challenges

The table below indicates the challenges for basic service delivery during the year:

Challenges	Actions to address
Water meter	To replace 750 households meters in Noupoort and 400 in Colesberg. All the water meters that are located on the inside of consumers plots must be moved to the outside
Low sewerage pipe capacity due to increased municipal households flushing to the sewer system	To upgrade all municipal outfall sewer lines to accommodate new sewer connection to pipe capacity due to new developments and additional sewer connections
Electrical theft	Installation of split meters in Colesberg and in Noupoort, where the Municipality is licenced to supply electricity and continue with spot checks in the municipal areas
The landfill sites do not have weigh bridges	Install a weighbridge

*Table 7: Basic Services Delivery Challenges*

### 1.4.3 Households with Access to Basic Services

Description	2020/21	2021/22
Electricity - service connections	8 153	8 153
Water - available within 200 m from dwelling	8 819	8 819
Sanitation - Households with at least VIP service	7 906	7 906
Waste collection - kerbside collection once a week	7 454	7 454

*Table 8: Households with Minimum Level of Basic Services*

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## 1.5 Financial Health Overview

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

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

KPA & Indicator	2020/21	2021/22
Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2022 ((Total operating revenue-operating grants received)/debt service payments due within the year))	6.50%	214.13%
Financial viability measured in terms of the outstanding service debtors as at 30 June 2022 ((Total outstanding service debtors/ revenue received for services)X100)	122%	313.52%
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2022 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)) Number of months it takes to cover fix operating expenditure with available cash at 30 June 2021	0	0.09

Table 9: National KPI's for Financial Viability and Management

### 1.5.2 Financial Overview

Details	Original budget	Adjustment Budget	Actual
<b>Income</b>	<b>203 137 000</b>	<b>202 822 000</b>	<b>216 232 392</b>
Less Expenditure	(202 074 431)	(209 049 000)	(231 181 135)
<b>Net surplus/(deficit)</b>	<b>1 062 569</b>	<b>(6 227 000)</b>	<b>(14 948 743)</b>

Table 10: Financial Overview

### 1.5.3 Total Capital Expenditure

Detail	2021/22
Original Budget	21 477 650
Adjustment Budget	22 908 650
Actual	21 624 476
<b>% Spent</b>	<b>94%</b>

Table 11: Total Capital Expenditure

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## 1.6 Organisational Development Overview

### 1.6.1 Municipal Transformation and Organisational Development Highlights

The highlights for municipal transformation and organisational development during the year are the following:

Highlight	Description
Collective agreements	Started negotiations to renew Collective agreements for Northern Cape
Publication of Municipal Staff Regulations	New Municipal Staff Regulations were published on 21 September 2021 which will come into effect on 1 July 2022
Ward Committees established	Ward Committees trained and operational

*Table 12: Highlights: Municipal Transformation and Organisational Development*

### 1.6.2 Municipal Transformation and Organisational Development Challenges

The challenges that are experienced is as follow:

Description	Actions to address
Training	Unable to implement training planned for oversight period
Disciplinary hearings	Encountered a spike in disciplinary cases due to ill-discipline

*Table 13: Challenges: Municipal Transformation and Organisational Development*

## 1.7 Auditor General Report

### 1.7.1 Audited Outcomes

Year	2018/19	2019/20	2020/21	2021/22
Opinion received	Qualified	Qualified	Qualified	Qualified

*Table 14: Audit Outcomes*

## 1.8 2021/22 IDP/Budget Process

The table below provides details of the key deadlines for the 2021/22 IDP/Budget process:

Activity	Responsible person	Date
IDP Process Plan	B Kapp	31 August 2021
Budget, IDP and Performance Management Time Table	B Kapp and T Thiskundu	31 August 2021
Approved Draft 2021/22 IDP	B Kapp	31 March 2021
Approved Draft Budget 2021/22	T Thiskundu	31 March 2021
21 Days Public Comments on IDP and Budget	B Kapp	31 March to 21 May 2021
IDP & Budget Roadshow	Cllr M Toto (Mayor)	Did not materialise

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Activity	Responsible person	Date
Approved Final 2021/22 IDP	B Kapp	31 March 2021
Approved Final Budget 2021/22	T Thiskundu	31 March 2021
Approved SDBIP 2021/22	T Thiskundu	20 June 2021

*Table 15: 2021/22 IDP/Budget Process*

## CHAPTER 2

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

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

#### 2.1 National Key Performance Indicators - Good Governance and Public Participation

The following table indicates the municipality's performance in terms of the National Key Performance Indicator required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and Section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

Indicator	Municipal Achievement	Municipal Achievement
	2020/21	2021/22
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	76%	78%

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

#### 2.2 Introduction to Good Governance

The political leadership of the Municipality comprises of elected Councillors through both the ward system and proportional representation and is led by the Mayor. On the other side the administration of the Municipality is composed of executive management appointed in terms of Sections 54A and 56 of the MSA as amended. The Municipal Manager is the head of administration. In order to realise the constitutional mandate of the Municipality these two components, including the community, have to work together.

#### 2.3 Governance Structure

##### 2.3.1 Political Governance Structure

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

## Chapter 2: Governance

### a) Council

Below is a table that categorized the Councillors within their specific political parties and wards as at 30 June 2022:

Council Members	Capacity	Political Party	Ward representing or proportional
M Toto	Mayor	African National Congress	Proportional Representative
N Stafa	Speaker	African National Congress	Proportional Representative
B Mangaliso	Council Whip	African National Congress	Ward Representative
W Minnie	Councillor	African National Congress	Ward Representative
V Harmse	Councillor	African National Congress	Ward Representative
S Yabo	Councillor	African National Congress	Ward Representative
L Zakhe	Member Executive Committee	African National Congress	Ward Representative
L Tyindyi	Member Executive Committee	Umsobomvu Residents Association	Ward Representative
N Mlungwana	Councillor	Umsobomvu Residents Association	Ward Representative
A Poyo	Councillor	Umsobomvu Residents Association	Proportional Representative
T Matebese	Councillor	Umsobomvu Residents Association	Proportional Representative
J Matthee	Councillor	Democratic Alliance	Proportional Representative
G Douw	Councillor	Democratic Alliance	Proportional Representative

*Table 17: Council 2021/22*

Below is a table which indicates the Council meeting attendance for the 2021/22 financial year:

Meeting dates	Council Meeting Attendance	Apologies for non-attendance
26 July 2021	11	0
17 August 2021	11	0
30 August 2021	11	0
13 October 2021	9	1
22 November 2021	11	0
13 December 2021	11	0
27 January 2022	11	1
25 February 2022	13	0
31 March 2022	13	0
5 April 2022	13	0
26 April 2022	13	0
31 May 2022	13	0

*Table 18: Council Meetings*

## Chapter 2: Governance

### b) Portfolio Committees

The Council of the Umsobomvu Local Municipality has established Portfolio Committees. Each of these committees is chaired by a member of Council and the allocation is as follows:

Name of committee	Name of member and capacity
Finance Portfolio Committee	M Toto (Chairperson) V Harmse (Member) G Douw (Member)
Technical Services Portfolio Committee	L Zakhe (Chairperson) L Minnie (Member) T Matebese (Member)
Corporate Services Portfolio Committee	L Tyindi (Chairperson) S Yabo (Member) B Mangaliso (Member)

Table 19: Portfolio Committee

### c) Municipal Public Accounts Committee (MPAC)

Name of member	Capacity
J Matthee	Chairperson
A Poyo	Member
V Harmse	Member

Table 20: Municipal Public Accounts Committee

### 2.3.2 Administrative Governance Structure

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

Name of Official	Department	Performance agreement signed
		Yes/No
A Mpela	Office of the Municipal Manager	Yes
T Tshikundu	Financial Services	Yes
S Nkcithiso	Corporate Services	Yes
B Kapp	Technical Services	Yes

Table 21: Administrative Governance Structure

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.4 Intergovernmental Relations

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

### 2.4.1 Intergovernmental Structures

To adhere to the principles of the Constitution as mentioned above the municipality participates in the following intergovernmental structure:

Name of Structure	Outcomes of Engagements/Topics Discussed
Umsobomvu Intergovernmental Relations Steering Committee	Committee dormant

Table 22: Intergovernmental Structures

#### a) Intergovernmental Relations Forum

Department Name	Member
Pixley ka Seme Intergovernmental Relations Committee	M Toto and A Mpela

Table 23: Members of the IGR Forum

The committee is dormant at present.

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### 2.5 Public Accountability and Participation

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

- 🏠 The preparation implementation and review of the IDP
- 🏠 Establishment implementation and review of the performance management system
- 🏠 Monitoring and review of the performance including the outcomes and impact of such performance
- 🏠 Preparation of the municipal budget

### 2.5.1 Ward Committees

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

#### *Ward 1: Kwazamuxolo, EurekaVille and Noupoort*

Name of representative	Capacity representing	Number of meetings
V Douw	Ward committee member	01/04/2022 13/05/2022 17/06/2022
D May	Ward committee member	
Z Zicina	Ward committee member	
L Thibane	Ward committee member	
Z Sporo	Ward committee member	
N Siko	Ward committee member	
I Lukas	Ward committee member	
Z Sestile	Ward committee member	
N Malan	Ward committee member	
B Mangaliso	Ward Councillor	

Table 24: *Ward 1 Committee Meetings*

#### *Ward 2: Portion of EurekaVille and Tjoksville*

Name of representative	Capacity representing	Dates of meetings held during the year
U Feni	Ward Committee Member	8 April 2022 16 May 2022 9 June 2022
S Siko	Ward Committee Member	
Y Keyzer	Ward Committee Member	
K Siko	Ward Committee Member	
S Onga	Ward Committee Member	
P Haas	Ward Committee Member	
C Grobbelaar	Ward Committee Member	
M Xhentsa	Ward Committee Member	
B Matyeka	Ward Committee Member	
A Campbell	Ward Committee Member	
W Minnie	Ward Councillor	

Table 25: *Ward 2 Committee Meetings*

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### Ward 3: Zwelithsha, Towervallei and Operation Vula

Name of representative	Capacity representing	Dates of meetings held during the year
N Masumpa	Ward Committee Member	0
T Mxhamli	Ward Committee Member	
B Manzi	Ward Committee Member	
S Ntozini	Ward Committee Member	
S Mbalula	Ward Committee Member	
M Kalashe	Ward Committee Member	
T Mboxela	Ward Committee Member	
L Tyindyi	Ward Councillor	

Table 26: Ward 3 Committee Meetings

### Ward 4: New Ouboks, Lowryville, Phillipstown Informal Area

Name of representative	Capacity representing	Dates of meetings held during the year
R Meyer	Ward Committee Member	14 April 2022 9 May 2022 7 June 2022
V Arries	Ward Committee Member	
N Stuurman	Ward Committee Member	
N Mpemba	Ward Committee Member	
V May	Ward Committee Member	
T Yalezo	Ward Committee Member	
N Stuurman	Ward Committee Member	
T Mpemba	Ward Committee Member	
V Harmse	Ward Councillor	

Table 27: Ward 4 Committee Meetings

### Ward 5: Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini

Name of representative	Capacity representing	Dates of meetings held during the year
M Nkunzi	Ward Committee Member	0
L Letsolo	Ward Committee Member	
S Khasibe	Ward Committee Member	
B James	Ward Committee Member	
X Mbathiwe	Ward Committee Member	
N Mankayi	Ward Committee Member	
T Ntsie	Ward Committee Member	
S Kuse	Ward Committee Member	
S Maramba	Ward Committee Member	
N Mlungwana	Ward Councillor	

Table 28: Ward 5 Committee Meetings

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### Ward 6: Khayelitsha, Masipahkame, Chris Hani, Norvalspont and Farming Area

Name of representative	Capacity representing	Dates of meetings held during the year
A Matlala	Ward Committee Member	7 April 2022 10 May 2022 7 June 2022
K Martiens	Ward Committee Member	
N Mpemba	Ward Committee Member	
B Mpemba	Ward Committee Member	
N Mke	Ward Committee Member	
S Botha	Ward Committee Member	
Z Joja	Ward Committee Member	
B Sakathi	Ward Committee Member	
M Situko	Ward Committee Member	
N Matanzima	Ward Committee Member	
S Yabo	Ward Councillor	

Table 29: Ward 6 Committee Meetings

### Ward 7: Norvalspont, Louwryville and Farming Area

Name of representative	Capacity representing	Dates of meetings held during the year
M Batties	Ward Committee Member	19 April 2022 18 May 2022 17 June 2022
K Swartz	Ward Committee Member	
J Reed	Ward Committee Member	
C Hendrieks	Ward Committee Member	
S Dyonkile	Ward Committee Member	
K Molia	Ward Committee Member	
N Saul	Ward Committee Member	
N Jacobs	Ward Committee Member	
A Gama	Ward Committee Member	
R Soyers	Ward Committee Member	
L Zakhe	Ward Councillor	

Table 30: Ward 7 Committee Meetings

### 2.5.2 Functionality of Ward Committee

The purpose of a ward committee is:

- to get better participation from the community to inform council decisions
- to make sure that there is more effective communication between the Council and the community
- to assist the ward councillor with consultation and report-backs to the community

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Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers, they advise the ward councillor who makes specific submissions directly to the administration. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

The table below provides information on the establishment of ward committees and their functionality:

Ward Number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)
1	Yes	3	Yes
2	Yes	3	Yes
3	Yes	0	Yes
4	Yes	3	Yes
5	Yes	0	Yes
6	Yes	3	Yes
7	Yes	3	Yes

Table 31: Functioning of Ward Committees

### 2.5.4 Representative Forums

#### a) Labour Forum

The table below specifies the members of the Labour Forum for the 2021/22 financial year:

Name of representative	Capacity	Meeting dates
B Mangaliso	Employer Representative (Councillor)	27 May 2022
J Matthee	Employer Representative (Councillor)	
V Harmse	Employer Representative (Councillor)	
A Mpela	Employer Representative (Employee)	
B Kapp	Employer Representative (Employee)	
N Ntozini	SAMWU - Union Representative	
P Gwebityala	SAMWU - Union Representative	
N Ntoni	SAMWU - Union Representative	
E Fredericks	IMATU - Union Representative	
Z Ngalimani	IMATU - Union Representative	

Table 32: Labour Forum

### b) IDP Forum

The table below specifies the members of the IDP Forum for the 2021/22 financial year:

Name of representative	Capacity
A Mpela	Municipal Manager
B Kapp	Senior Manager Corporate Services
T Thiskundu	Chief Financial Services
S Nkcithiso	Senior Manager Technical Services
G Mgcineni	Section Head Community Services
N Thiso	Deputy Chief Financial Services.

Table 33: IDP Forum

## COMPONENT D: CORPORATE GOVERNANCE

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

### 2.6 Risk Management

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

The table below include the top risks of the Municipality:

Risk	Department
Strategic Risks	All Departments
Financial Management & Accounting related risks	Finance Department
Cash & Debtors management related risks	Finance Department
Information Technology related risks	Finance and Administration
Supply Chain Management risks	Finance and Administration
Legislation and compliance related risks	All departments
Operation and related risks	All departments
Asset Management risks	Finance and Administration
Performance and information related risks	All Departments

Table 34: Top Risks

### 2.7 Anti-Corruption and Anti-Fraud

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

Umsobomvu Municipality has the following strategies in place to prevent corruption, fraud and theft:

- 🏠 Presidential Hotline on fraud prevention and corruption, and service delivery matters
- 🏠 Risk Management Policy
- 🏠 Internal Audit reviews the effectiveness of the systems of internal control, governance and risk management on a continuous basis
- 🏠 Disciplinary procedures to discipline employees who transgress the stipulations of the Act, procedures and policies
- 🏠 Disciplinary Board as envisaged by the MFMA: Municipal Regulations on Financial Misconduct

A Risk Management Committee is also in place to assist the Accounting Officer in addressing oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management, fraud prevention and corruption.

### 2.8 Audit Committee

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must -

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

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

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

### 2.8.1 Functions of the Audit Committee

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

### 2.8.2 Members of the Audit Committee

The table below indicates the members of the audit committee:

Name of representative	Capacity	Meeting dates
Mr Smouse	Chairperson	30 August 2021 8 December 2021 31 March 2022 23 May 2022
Mr Hendriks	Member	
Mr Mtubu (Only attended 23 May 2022 meeting for the 2021/22 Financial year due to late appointment)	Member	

*Table 35: Members of the Audit Committee*

### 2.9 Performance Audit Committee

The Municipal Planning and Performance Management Regulation, GNR796, require that the performance audit committee is comprised of a minimum of three members, the majority of whom are external (neither a councillor nor an employee) of the municipality. Section 14(2)(b) of the R Municipal Planning and Performance Management Regulation further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is also a requirement of the Municipal Planning and Performance Management Regulation in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

Section 14(3)(a) of the Municipal Planning and Performance Management Regulation requires that the performance audit committee of a municipality must meet at least twice during each financial year. However, additional special meetings of the performance audit committee may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3)(b) of the Regulations.

#### 2.9.1 Functions of the Performance Audit Committee

In terms of Section 14(4)(a) of the Municipal Planning and Performance Management Regulation the performance audit committee has the responsibility to -

- ☘ review the quarterly reports produced and submitted by the internal audit process
- ☘ review the municipality's performance management system and make recommendations in this regard to the council of the municipality
- ☘ at least twice during each financial year submit a performance audit report to the council of the municipality

#### 2.9.2 Members of the Performance Audit Committee

The table below indicates the members of the performance audit committee:

Name of representative	Capacity
N Smouse	Chairperson
E Hendricks	Member
M Mtubu	Member

*Table 36: Members of the Performance Audit Committee*

### 2.10 Internal Auditing

Section 165 (2)(a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must -

- ☞ prepare a risk-based audit plan and an internal audit program for each financial year
- ☞ advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
  - internal audit
  - internal controls
  - accounting procedures and practices
  - risk and risk management
  - performance management
  - loss control
  - compliance with this Act, the annual DoRA and any other applicable legislation
- ☞ perform other duties as may be assigned to it by the accounting officer

The Municipality concluded a shared service agreement with the Pixley ka Seme District Municipality to render legal, planning and internal audit services.

### 2.11 By-Laws and Policies

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. No by-laws were developed and/or reviewed during the year under review. Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Spatial Planning: Land Use Scheme and Regulations	26 April 2022	Yes
Cost Containment Policy	17 August 2021	N/A
Contract Management Policy	17 August 2021	N/A
SCM for Infrastructure Management and Delivery	17 August 2021	N/A
Delegation of Powers	17 August 2021	N/A
Code of Conduct for Councillors	22 November 2021	N/A
Rules of Order	22 November 2021	N/A

Table 37: Policies Developed and Reviewed

### 2.12 Communication

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

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

Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Communication Strategy	Yes
Communication Policy	Yes
Functional complaint management systems	Yes
Customer satisfaction surveys	Yes

*Table 38: Communication Activities*

### Newsletters

Newsletters distributed are as follows:

Type of Newsletter	Distributed
Internal	Messages on WhatsApp Messenger
External	Yes

*Table 39: Newsletter*

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### 2.13 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and S21A and B of the MSA as amended.

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

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

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

Description of information and/or document	Yes/No and/or Date Published
<b>Municipal contact details (Section 14 of the Promotion of Access to Information Act)</b>	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
<b>Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)</b>	
Draft Budget 2021/22	Yes
Adjusted Budget 2021/22	Yes
Asset Management Policy	Yes
Customer Care Credit control & Debt collection Policy	Yes
Indigent Policy	Yes
Unauthorised Irregular Fruitless and Wasteful Expenditure Policy	Yes
Cash and Investment Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2021/22	Yes
Budget and Treasury Office Structure	No
MFMA Delegations	Yes
<b>Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)</b>	
Reviewed IDP for 2021/22	Yes
IDP Process Plan for 2021/22	Yes
<b>Supply Chain Management (Sections 14(2), 33, 37 &amp; 75(1)(e) &amp; (f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)</b>	

Description of information and/or document	Yes/No and/or Date Published
List of capital assets that have been disposed - No disposals	No
Long-term borrowing contracts	None
SCM contracts above R200 000	Yes
Section 37 of the MFMA, No 56 of 2003 (Unsolicited Bids/Contracts)	None
Public invitations for formal price quotations	Yes
<b>Reports (Sections 52(d), 71, 72 &amp; 75(1)(c) and 129(3) of the Municipal Finance Management Act)</b>	
Annual Report of 2020/21	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
<b>Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)</b>	
Performance Agreements for employees appointed as per S57 of Municipal Systems Act	Yes

Table 40: Website Checklist

### 2.14 Supply Chain Management

The supply chain management policy of the Umsobomvu Local Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution.

#### 2.14.1 Competitive Bids in Excess of R200 000

##### a) Bid Committee Meetings

The following table details the number of bid committee meetings held for the 2021/22 financial year:

Bid Evaluation Committee	Bid Adjudication Committee
4	4

Table 41: Bid Committee Meetings

## Chapter 2: Governance

The attendance figures of members of the bid evaluation committee are as follows:

Member	Percentage attendance (%)
T Mthimkulu	100
S Mlenzana	100
N Thiso	100

*Table 42: Attendance of Members of Bid Evaluation Committee*

The attendance figures of members of the bid adjudication committee are as follows:

Member	Percentage attendance (%)
T Thsikundu	100
B Kapp	100
S Nkcithiso	100
N Khapha	100

*Table 43: Attendance of Members of Bid Adjudication Committee*

### *b) Awards Made by the Bid Adjudication Committee*

The highest bids awarded by the bid adjudication committee are as follows:

Bid number	Title of bid	Successful Bidder	Value of bid awarded (R)
ULM-96/2021	Supply of short- term insurance service for a period of 3 years	Lu Lateral Unison	R 759 970.00
UMS/ELECT/08/2021	Supply and Delivery of electrical Material	Human excellence corporate	R 495 472.50

*Table 44: Highest Bids Awarded by the Bid Adjudication Committee*

### *c) Awards made by the Accounting Officer*

Bid number	Title of bid	Directorate	Value of bid awarded (R)
UMS/WSIG/07/2021	Upgrading of Noupoot Sewer network	Technical Services	R18 330 815.59
UMS/WSIG/05/2021	Upgrading of President Swartz and Niuwenhuizen to concrete block paving	Technical Services	R 12 599 153.33

*Table 45: Awards made by the Accounting Officer*

### *d) Appeals Lodged by Aggrieved Bidders*

There were no appeals lodged by aggrieved bidders in the 2021/22 financial year.

## 2.14.2 Deviation from Normal Procurement Processes

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

Type of deviation	Value of deviations (R)	Percentage of total deviations value (%)
Emergency	R742 077.20	30%
Sole Provider	R766 910.44	31%
Exceptional Cases	R982 161.25	39%
<b>Total</b>	<b>R2 491 148.89</b>	<b>100%</b>

*Table 46: Deviations Approved*

### 2.15 Disclosures of Financial Interests

Schedule 1, Section 7 as well as Schedule 2, Section 5A of the MSA states that when a councillor is elected or appointed or a person appointed in terms of section 56 or a municipal manager, he or she must within 60 days declare in writing to the municipal manager or the chairperson of the municipal council the following financial interests held:

- ☘ shares and securities in any company
- ☘ membership of any close corporation
- ☘ interest in any trust
- ☘ directorships
- ☘ partnerships
- ☘ other financial interests in any business undertaking
- ☘ employment and remuneration
- ☘ interest in property
- ☘ pension
- ☘ subsidies, grants and sponsorships by any organisation

Any change in the nature or detail of the financial interests of any councillor or official must be declared in writing to the municipal manager or to the chairperson of the municipal council annually. The municipal council must determine which of the financial interests referred in the abovementioned list must be made public, having regard to the need for confidentiality and the public interest for disclosure.

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The following table lists the disclosure of financial interests of the administrative and strategic role players of the Municipality which were deemed to be disclosed for public interest:

Disclosures of Financial Interests	
2021/22	
Name	Description of Financial interests*
<b>Executive Mayor</b>	
M Toto	None
<b>Councillors</b>	
S Yabo	None
J Matthee	Shares- CBG consultancy
W Minnie	Shares - Minrut multi service cooperative
L Tyindyi	Shares - Wave front trading
L Zakhe	Shares - Lindi Rose trading enterprise Sponsors - Sassa
A Poyo	None
V Harmse	None
G Douw	None
T Matebese	None
N Stafa	None
N Mlungwana	None
B Mangaliso	Shares - Silubonono
<b>Municipal Manager</b>	
A Mpela	House-Aliwal North House - Mosselbay House - Colesberg House - Dimbaza
<b>Directors</b>	
S Nkcithiso	House - Colesberg
T Tshikundu	Shares Mako accountancy academy Shares - Bakone stylist clothing Shares - Joylou Boutique
B Kapp	Shares - Sanlam Shares - Old Mutual House - Colesberg House - Colesberg Birtus Kapp Bellegings BK
<i>* Financial interests to be disclosed even if they incurred for only part of the year</i>	

Table 47: Disclosures of Financial Interests

### 2.16 COVID-19

On 15 March 2020 President Cyril Ramaphosa declared South Africa Covid-19 epidemic a national state of disaster under the Disaster Management Act 57 of 2002. This was done primarily, as the President stated it to enable the government to “have an integrated and coordinated disaster management mechanism that will focus on preventing

and reducing the outbreak of this virus.” The declaration enabled the government to issue a slew of regulations, directions, and guidelines to contain and mitigate the impact of the pandemic.

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

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

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

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

### 2.16.1 COVID-19 Committee

On 6 April 2020 the Municipality established the COVID-19 committee. The committee comprises of members from all spheres of the Municipality.

The committee has the following functions:

-  planning and implementing of an action plan to combat the spread of the corona virus
-  reporting of confirmed cases per sector department
-  economy recovering discussions and COVID-19 awareness communication

#### *Committee Members*

The table below indicates the members that serve on the committee:

Name of representative	Representative forum

Table 48: COVID-19 Committee Members

### 2.16.2 COVID-19 Statistical Information

## Chapter 2: Governance

The table below indicates the documented statistical information for COVID-19 within the Umsobomvu Municipality area for the 2021/22 financial year:

Descriptions	2021/22
Infections	
Deaths	
Recoveries	

Table 49: COVID-19 Statistics

### 2.16.3 Challenges: COVID-19

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

Challenge	Corrective action

Table 50: Challenges: COVID-19

### 2.16.4 Action Plan to Address the COVID-19 Associated Risks

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

Action to address risk	Action implemented? (Yes/No)

Table 51: COVID-19 Action Implementation

### 2.16.5 COVID-19 Communication/Awareness

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

Communication/ Awareness campaign	Platform/ channel utilised	Date

Table 52: COVID-19 Communication/Awareness

## CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2021/22 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP.

### 3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

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

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

#### 3.1.1 Legislative Requirements

The Constitution of the RSA, 1996, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195 (1) are also linked with the concept of performance management, with reference to the principles of *inter alia*:

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

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

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

The Municipality continues to implement performance in terms of the performance management framework that was approved by Council on 28 May 2020.

## Chapter 3: Service Delivery Performance

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the Municipality for the following financial year and measures that were or are to be taken to improve performance.

### 3.1.2 Organisational Performance

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

This report highlights the strategic performance in terms of the Municipality's Top Layer SDBIP, high level performance in terms of the Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of Section 43 of the MSA.

### 3.1.3 Performance Management System used in the Financial Year 2021/22

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#### *a) The IDP and the Budget*

The IDP and the main budget for 2021/22 was approved by Council on 30 May 2021. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer SDBIP on 14 June 2021. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The performance agreements of the senior managers were compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.

### 3.1.4 Actual Performance

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

- ☘ the actual result in terms of the target set
- ☘ a performance comment
- ☘ actions to improve the performance against the target set if the target was not achieved

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

### 3.1.5 Monitoring of the SDBIP

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Municipal performance is measured as follows:

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

### 3.1.6 Individual Performance Management

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

The MSA prescribes that the Municipality must enter into performance-based agreements with all the S57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2021/22 financial year was signed in July 2021.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2020/21 financial year (1 January 2021 to 30 June 2021) took place on **28 September 2021** and the mid-year performance of 2021/22 (1 July 2021 to 31 December 2021) took place on **28 February 2022**.

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

- ☘ Executive Mayor
- ☘ Portfolio Councillor
- ☘ Municipal Manager
- ☘ Chairperson of the Audit Committee

# Chapter 3: Service Delivery Performance

## 3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2021/22

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2021/22 in terms of the deliverables achieved against the strategic objectives of the IDP.

### 3.2.1 Strategic SDBIP (Top Layer)

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

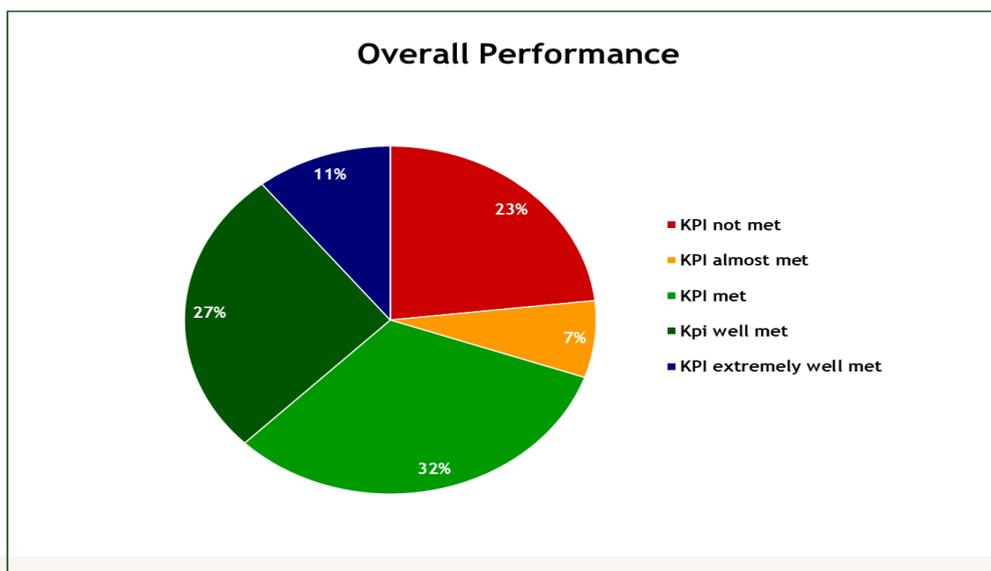
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI’s applicable to 2021/22 in terms of the IDP strategic objectives.

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

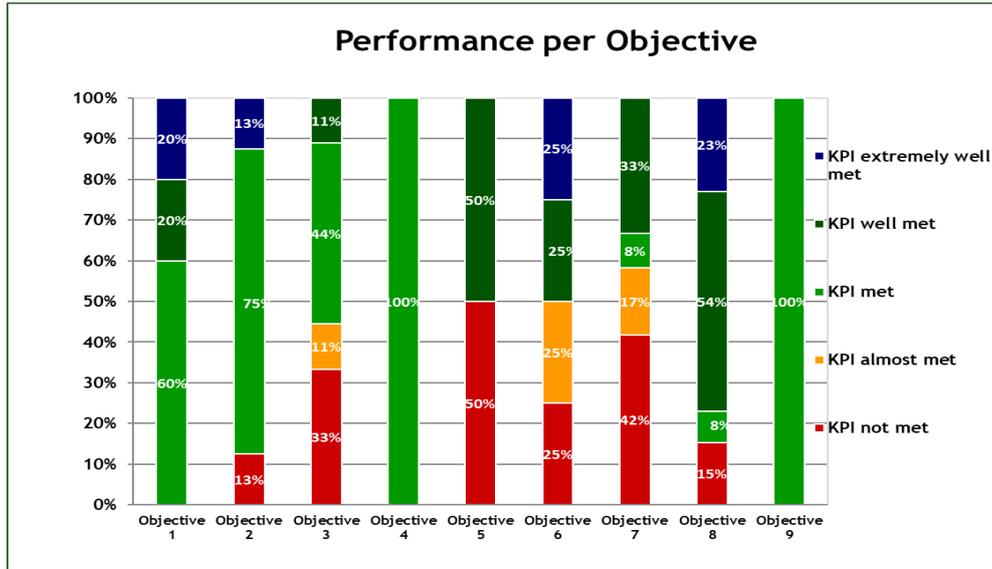
Category	Colour	Explanation
KPI Not Yet Measured	N/A	KPI’s with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Table 53: SDBIP Measurement Criteria

The graphs below display the overall performance per strategic objectives for 2021/22:



## Chapter 3: Service Delivery Performance



Graph 4: Top Layer SDBIP per Strategic Objective

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Objective 8	Objective 9
	Develop a capable and capacitated institution to respond to community needs	Enhance good governance processes and accountability	Enhance municipal financial viability	Environmentally Conscious in the delivery of services	Facilitate economic growth in the municipal area	Ongoing maintenance of municipal infrastructure	Provide appropriate services to all households	Provide quality and sustainable municipal infrastructure within available resources	Strengthen community participation
KPI Not Met	0	1	3	0	1	1	5	2	0
KPI Almost Met	0	0	1	0	0	1	2	0	0
KPI Met	3	6	4	1	0	0	1	1	2
KPI Well Met	1	0	1	0	1	1	4	7	0
KPI Extremely Well Met	1	1	0	0	0	1	0	3	0
<b>Total</b>	<b>5</b>	<b>8</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>12</b>	<b>13</b>	<b>2</b>

Table 54: Top Layer SDBIP per Strategic Objective

### a) Actual Strategic Performance for 2021/22 and Corrective Measures that will be Implemented

#### i) Top Layer SDBIP - Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL9	Submit the Workplace Skills Plan and ATR (Annual Training Report) to LGSETA by 30 April 2022	Workplace Skills Plan and ART submitted to LGSETA by 30 April 2022	All	1	0	0	0	1	1	1	G



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL10	The number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with the equity plan by 30 June 2022	Number of people employed (appointed) by 30 June 2022	All	1	0	0	0	1	1	1	G
TL11	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2022 [(Actual amount spent on training/total operational budget) x100]	% of the Municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2022 [(Actual amount spent on training/total operational budget) x100]	All	1.32%	0%	0%	0%	0%	0.10%	0.50%	B
TL12	Limit the vacancy rate quarterly to less than 15% of budgeted posts ((Number of posts filled/Total number of budgeted posts) x100)	% quarterly vacancy rate of budgeted posts	All	6.64%	15%	15%	15%	15%	15%	15.48%	G2
TL23	Submit a report on the viability to cascade performance management to lower levels of management to Council by 30 June 2022	Report submitted to Council by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0	0	0	1	1	1	G

Table 55: Top Layer SDBIP - Develop a Capable and Capacitated Institution to Respond to Community Needs

## Chapter 3: Service Delivery Performance

### ii) Top Layer SDBIP - Enhance good governance processes and accountability

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Submit the Annual Performance Report for 2020/21 to the AG by 31 August 2021	Annual Performance Report submitted to the AG by 31 August 2021	All	1	1	0	0	0	1	1	G
TL2	Submit the Draft Annual Report for 2020/21 to Council by 31 January 2022	Draft Annual Report submitted to Council by 31 January 2022	All	0	0	0	1	0	1	1	G
TL3	Compile and submit the Risk Based Audit Plan (RBAP) for 2022/23 to the Audit committee by 30 June 2022	Risk Based Audit Plan (RBAP) submitted to the Audit committee by 30 June 2022	All	1	0	0	0	1	1	1	G
TL4	90% of the Risk based audit plan for 2021/22 implemented by 30 June 2022 [(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP )x100]	% of the Risk Based Audit Plan for 2021/22 implemented by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0%	0%	0%	90%	90%	90%	G
TL5	Arrange a training session for new Councillors by 31 December 2021	Training session arranged by 31 December 2021	All	New key performance indicator for 2021/22. No audited comparative is available	0	1	0	0	1	1	G
TL6	Complete the annual risk assessment and submit to the Audit Committee by 30 June 2022	Risk assessment completed and submit to the Audit Committee by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0	0	0	1	1	1	G
TL13	Arrange a training session for ward committee members by 30 June 2022	Training session arranged by 30 June 2022	All	1	0	0	0	1	1	3	B

## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL24	Conduct quarterly customer satisfaction surveys and submit report that reflects (i) 5 most common complaints (ii) 5 most affected areas and (iii) % level of satisfaction to Council	Number of reports submitted to Council	All	New key performance indicator for 2021/22. No audited comparative is available	1	1	1	1	4	1	R
<b>Corrective Measure</b>			Lack of personnel. Survey availed to Customer Care Officer								

Table 56: Top Layer SDBIP - Enhance Good Governance Processes and Accountability

### iii) Top Layer SDBIP - Enhance municipal financial viability

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL25	Submit the draft main budget for 2022/23 to Council for consideration by 31 March 2022	Draft Main budget submitted to Council by 31 March 2022	All	1	0	0	1	0	1	1	G
TL26	Submit the Adjustments budget for 2021/22 to Council for consideration by 28 February 2022	Submit the Adjustments budget to Council for consideration by 28 February 2022	All	1	0	0	1	0	1	1	G
TL27	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2022 ((Total operating revenue-operating grants received)/debt service payments due within the year))	% of debt coverage at 30 June 2022	All	6.50%	0%	0%	0%	20%	20%	214.13%	R
<b>Corrective Measure</b>			Municipality will improve its revenue collection								



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL28	Financial viability measured in terms of the outstanding service debtors as at 30 June 2022 ((Total outstanding service debtors/ revenue received for services)X100)	% of outstanding service debtors at 30 June 2022	All	122%	0%	0%	0%	43%	43%	313.52%	R
<b>Corrective Measure</b>			Municipality will improve its revenue collection								
TL29	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2022 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excl	Number of months it takes to cover fix operating expenditure with available cash at 30 June 2022	All	0	0	0	0	1.5	1.5	0.09	R
<b>Corrective Measure</b>			Improve credit control and cost containment measure								
TL30	Submit the annual financial statements for 2020/21 to AGSA by 31 August 2021	Annual financial statements submitted by 31 August 2021	All	1	1	0	0	0	1	1	G
TL31	Compile Plan to address audit findings in report of the AG for 2020/21 and submit to MM by 31 January 2022	Plan completed and submitted to MM by 31 January 2022	All	1	0	0	1	0	1	1	G



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL32	Achieve a debtor payment percentage of 65% by 30 June 2022 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	% debtor payment achieved at 30 June 2022	All	88%	0%	65%	0%	65%	65%	69%	G2
TL43	70% spent of the total amount budgeted by 30 June 2022 for new laptops {(Total actual expenditure on new laptops/Total amount budgeted for new laptops) x100}	% of budget spent by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	70%	70%	59%	O
<b>Corrective Measure</b>			Municipality to implement credit control consistently throughout the financial year								

Table 57: Top Layer SDBIP - Enhance Municipal Financial Viability

### iv) Top Layer SDBIP - Environmentally conscious in the delivery of services

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL14	Compile and submit draft Land Use Management Scheme to Council by 30 June 2022	Draft Land Use Management Scheme submitted to Council by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0	0	0	1	1	1	G

Table 58: Top Layer SDBIP - Environmentally Conscious in the Delivery of Services

## Chapter 3: Service Delivery Performance

### v) Top Layer SDBIP - Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL45	2.5% of procurement spent during 2021/22 awarded to youth owned enterprises (35 years and younger) by 30 June 2022 (Total amount of procurement awarded to youth owned enterprises/total amount of procurement awarded)	% of procurement spent during 2021/22 awarded to youth owned enterprises (35 years and younger) by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0%	0%	0%	2.50%	2.50%	0%	R
<b>Corrective Measure</b>			The Municipality will need to make provision on the financial system to indicate the age of the bidder if possible								
TL48	Create temporary jobs - FTE's in terms of EPWP by 30 June 2022 (Person days / FTE (230 days))	Number of FTE's created by 30 June 2022	All	29	0	0	0	20	20	22	G2

Table 59: Top Layer SDBIP - Facilitate Economic Growth in the Municipal Area

### vi) Top Layer SDBIP - Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL49	50% of the electricity maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	42%	0%	20%	0%	50%	50%	68%	G2



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL50	50% of the Road Transport maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	62%	0%	20%	0%	50%	50%	46%	O
<b>Corrective Measure</b>			The Municipality will improve credit control to maximize revenue and improve performance of the KPI, as well as improving the procurement plan, to enable implementation of planned activities on time								
TL51	50% of the Waste Water management maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	54%	0%	20%	0%	50%	50%	36%	R
<b>Corrective Measure</b>			Only 36% of maintenance budget was spent for this financial year, due to municipal cashflow. However, revenue budget for maintenance of waste water management needs to improved								
TL52	50% of the Water Management maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	62%	0%	20%	0%	50%	50%	83%	B

Table 60: Top Layer SDBIP - Ongoing Maintenance of Municipal Infrastructure

## Chapter 3: Service Delivery Performance

### vii) Top Layer SDBIP - Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL8	Implement Gender, Elderly, Youth and Disabled groups programmes by 30 June 2022	Number of programmes implemented by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	1	1	1	1	4	0	R
<b>Corrective Measure</b>			Planning schedule will be drafted to ensure that KPI is executed in next financial year								
TL15	Spend 100% of the library grant by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	% of the library grant spent by 30 June 2022	All	100%	0%	0%	0%	100%	100%	89%	O
<b>Corrective Measure</b>			Municipality to fill the vacant position of the Librarian in Kuyasa. The recruitment process is underway and filling of vacant position is anticipated in the 1 <sup>st</sup> quarter of the next financial year								
TL16	Submit the reviewed the Disaster Management Plan to Council by 30 June 2022	Reviewed Disaster Management Plan submitted by 30 June 2022	All	1	0	0	0	1	1	1	G
TL20	90% spent of the total amount budgeted by 30 June 2022 for cameras and other equipment {(Total actual expenditure on cameras and other equipment/Total amount budgeted for cameras and other equipment) x100}	% of budget spent by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	90%	90%	3.36%	R
<b>Corrective Measure</b>			To improve credit control to enable the implementation of the KPI								
TL22	75% of the municipal buildings maintenance budget spent by 30 June 2022 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0%	20%	0%	75%	75%	14.49%	R

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Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						Actual	R
					Target							
					Q1	Q2	Q3	Q4	Annual			
<b>Corrective Measure</b>			Cash flow problems occurred for the whole financial year. Expenditure cut to bare essentials									
TL37	Provide free basic water to indigent households as at 30 June 2022	Number of households receiving free basic water as at 30 June 2022	All	1 807	0	0	0	1 800	1 800	1 836	G2	
TL38	Provide free basic electricity to indigent households as at 30 June 2022	Number of households receiving free basic electricity as at 30 June 2022	All	1 603	0	0	0	1 800	1 800	1 836	G2	
TL39	Provide free basic sanitation to indigent households as at 30 June 2022	Number of households receiving free basic sanitation services as at 30 June 2022	All	1 710	0	0	0	1 800	1 800	1 763	O	
<b>Corrective Measure</b>			Financial Services will update the debtors to be charged correctly using the report from DBSA									
TL40	Provide free basic refuse removal to indigent households as at 30 June 2022	Number of households receiving free basic refuse removal services at 30 June 2022	All	1 768	0	0	0	1 800	1 800	1 819	G2	
TL46	Limit unaccounted for electricity to less than 20% by 30 June 2022 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated} × 100}	% of unaccounted electricity by 30 June 2022	All	28%	0%	0%	0%	20%	20%	24.45%	R	

## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
<b>Corrective Measure</b>			The corrective measure, entails surprise inspection to reduce electricity theft and disconnecting of illegal connections, meter reading accuracy, and improve billing accuracy								
TL47	Limit unaccounted for water to less than 25% by 30 June 2022 {(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / Number of Kiloliters Water Purchased or Purified × 100}	% of water unaccounted for by 30 June 2022	All	59%	0%	0%	0%	25%	25%	42.52%	R
<b>Corrective Measure</b>			The corrective measure, entails inspection of reported municipal households with faulty meters by meter readers, confirm if such meters and their address are correctively registered on the municipal billing system, replace and install new meters where necessary								
TL60	Provide free basic energy to indigent households as at 30 June 2022	Number of households receiving free basic energy as at 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0	0	0	350	350	461	G2

Table 61: Top Layer SDBIP - Provide Appropriate Services to All Households

### viii) Top Layer SDBIP - Provide quality and sustainable municipal infrastructure within available resources

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL7	100% spent of all conditional grants by 30 June 2022[(Actual expenditure on conditional grants received/by the total amount of conditional grants received) x 100]	% of conditional grant spent by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0%	0%	0%	100%	100%	108%	G2



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL21	90% spent of the total amount budgeted by 30 June 2022 for the fencing of cemeteries {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	1 and 2	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	90%	90%	37%	R
<b>Corrective Measure</b>			Project was physical completed to a value lower than the allocated budget								
TL33	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2022	Number of residential properties which are billed for water as at 30 June 2022	All	6 733	0	0	0	6 651	6 651	6 763	G2
TL34	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2022	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June as at 30 June 2022	All	3 090	0	0	0	2 500	2 500	3 088	G2
TL35	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2022	Number of residential properties which are billed for sewerage as at 30 June 2022	All	6 480	0	0	0	6 000	6 000	6 164	G2



## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL36	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2022	Number of residential properties which are billed for refuse removal as at 30 June 2022	All	6 676	0	0	0	6 592	6 592	6 721	G2
TL41	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2022 [(Amount actually spent on capital projects/ Amount budgeted for capital projects)x100]	% of capital budget spent on capital projects by 30 June 2022	All	76%	0%	15%	0%	70%	70%	94.39%	G2
TL42	Conduct a study to determine the causes of the high percentage of water and electricity losses and submit a report with proposed corrective actions to Council by 30 June 2022	Study completed and report with corrective actions submitted to Council by 30 June 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0	0	0	1	1	1	G
TL54	50% spent of the total amount budgeted by 30 June 2022 to upgrade Ngqandu and Madikane to block paving {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	3	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	50%	50%	111%	B

## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL55	50% spent of the total amount budgeted by 30 June 2022 to upgrade President Swarts and Niewenhuyzen streets {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	1 and 2	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	50%	50%	104.50%	B
TL56	60% spent of the total amount budgeted by 30 June 2022 to upgrade Qilo, Antoinette and Grey Street {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	4 and 5	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	60%	60%	89%	G2
TL57	90% spent of the total amount budgeted by 30 June 2022 to upgrade Afrika street {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	6	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	90%	90%	54%	R
<b>Corrective Measure</b>			Project was physical completed to a value lower than the allocated budget								
TL59	50% spent of the total amount budgeted by 30 June 2022 to upgrade the Noupoot sewerage network {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2022	1 and 2	New key performance indicator for 2021/22. No audited comparative is available	0%	15%	0%	50%	50%	112%	B

Table 62: Top Layer SDBIP - Provide Quality and Sustainable Municipal Infrastructure within Available Resources

## Chapter 3: Service Delivery Performance

### ix) Top Layer SDBIP - Strengthen community participation

Ref	KPI	Unit of Measurement	Ward	Actual Performance 2020/21	Overall Performance 2021/22						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL18	Compile quarterly external newsletters	Number of external newsletters compiled	All	4	1	1	1	1	4	4	G
TL19	Submit the draft IDP to Council by 31 March 2022	Draft IDP submitted to Council by 31 March 2022	All	New key performance indicator for 2021/22. No audited comparative is available	0	0	1	0	1	1	G

Table 63: Top Layer SDBIP – Strengthen Community Participation

## Chapter 3: Service Delivery Performance

### b) Service Provider Strategic Performance

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

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

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

### 3.2.2 Municipal Functions

#### a) Analysis of Functions

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
<b>Constitution Schedule 4 Part B functions:</b>	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons ferries jetties piers and harbours excluding the regulation of international and national shipping and matters related thereto	No
Storm Water management systems in built-up areas	Yes
Trading regulations	No

## Chapter 3: Service Delivery Performance

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

*Table 64: Functional Areas*

## Chapter 3: Service Delivery Performance

### 3.3 COMPONENT A: BASIC SERVICES

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

#### 3.3.1 Water Services

##### *a) Introduction to Water Services*

The Constitution of the South Africa assigns the responsibility of ensuring access to water services to Local Government. Furthermore, the Water Services Act entrust the Local Municipality with provision of affordable, efficient, effective on-going sustainable water services.

The Water Section within Technical Services Department of Umsobomvu Local Municipality is tasked and responsible for quality potable drinking water distribution, wastewater collection and treatment, water quality management, water and sewer infrastructure maintenance and upgrade and water conservation and demand management. Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005.

Water provision is about providing sustainably and affordable quality water to consumers. There are seven pump stations working around the clock to pump water to four reservoirs. These pump stations form part of municipal assets to be maintained in order to function properly. The pipe network in the Umsobomvu Municipality totals around 182 kilometres.

##### *b) Highlights: Water Services*

The highlights for the year are the following:

Highlight	Description
Replacement of the rising water main from to Van Der Waltsfontein Pump Station to Colesberg Main Storage Reservoir	Through the Municipal Infrastructure Grant (MIG) the Municipality commenced with the upgrading of Van Der Waltsfontein rising main water pipeline, from asbestos cement (AC) to a uPVC water pipeline to Colesberg main reservoirs. This project is successful completed and does augment the overhaul Colesberg water supply to minimise water interruptions in Colesberg and ensure constant water provision
Colesberg boreholes	All the boreholes with safe yield in Colesberg have been upgraded and are continuously maintained to improve their operational condition to augment surface water in Colesberg
Building of Kliephewil Pump Station bypass water line in Noupoot	The completed water supply line bypass, by passing Kliephewil Pump Station, has improved the supply of water in Noupoot and reduced water supply delays that were mainly caused by unaffordable repairs at the pump station. This also reduced overtime hours by the Water Distribution Team

## Chapter 3: Service Delivery Performance

Highlight	Description
Repairs and maintenance of Noupoort boreholes, and water supply main lines	Various boreholes and bulk water supply lines have all been repaired to improve water supply and reduce losses due to leakages. This includes bigger water leaks on the Caroluspoort water line

Table 65: Water Services Highlights

### c) Challenges: Water Services

The table below shows the challenges that are experienced:

Description	Actions to address
Water meter	To replace 750 households meters in Noupoort and 400 in Colesberg. All the water meters that are located on the inside of consumers plots must be moved to the outside
Valve chambers	Kuyasa pressure relieve valve (PRV) chambers have no working space to clean the strainer after repair of a pipe break. The valve chambers need to be reconstructed to make provision for working space
Boreholes	Boreholes in Noupoort to be upgrade and properly maintained to have constant supply of water. Three boreholes were repaired in Noupoort this financial year to improve water supply in Noupoort
Isolation valves	All old isolation valves, especially in Colesberg, should be replaced. It is very difficult to isolate water supply to various areas whenever there a major water supply breakage
Vandalism	The level of vandalism to water services infrastructure make has risen and continuously create water supply disruptions

Table 66: Water Services Challenges

### d) Service Delivery Levels: Water Services

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

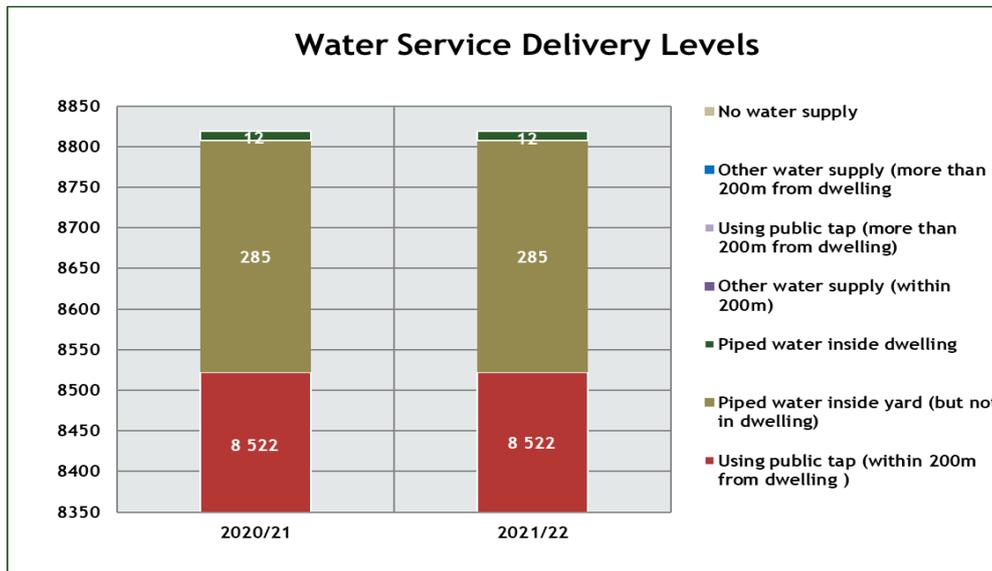
Description	Households	
	2020/21	2021/22
	Actual No.	Actual No.
<b>Water: (above min level)</b>		
Piped water inside dwelling	8 522	8 522
Piped water inside yard (but not in dwelling)	285	285
Using public tap (within 200m from dwelling)	12	12
Other water supply (within 200m)	0	0
<b>Minimum Service Level and Above sub-total</b>	<b>8 819</b>	<b>8 819</b>
<b>Minimum Service Level and Above Percentage</b>	<b>100%</b>	<b>100%</b>
<b>Water: (below min level)</b>		

## Chapter 3: Service Delivery Performance

Households		
Description	2020/21	2021/22
	Actual	Actual
	No.	No.
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
<b>Below Minimum Service Level sub-total</b>	<b>0</b>	<b>0</b>
<b>Below Minimum Service Level Percentage</b>	<b>0%</b>	<b>0%</b>
<b>Total number of households</b>	<b>8 819</b>	<b>8 819</b>

*Includes informal settlements*

Table 67: Water Service Delivery Levels: Households



Graph 5: Water Service Delivery levels

### e) Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	5	0	0
4 - 6	8	14	10	4	28.57
7 - 9	2	3	3	1	33.33
10 - 12	1	0	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0

Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
19 - 20	0	0	0	0	0
Total	16	22	19	5	22.72

Table 68: Employees: Water Services

### 3.3.2 Waste Water (Sanitation) Provision

#### a) Introduction to Waste Water (Sanitation) Provision

Just like the rest of the towns in the country, all municipalities have two tales to tell: The appropriate level of service versus basic level of service. In the Municipality all four types of sanitation are present.

The only challenge regarding the basic service in Colesberg is the hard rock and the shallow excavated pit latrines. These toilets are filled in short space of time. The municipal strategy is to give all the residence an appropriate level of service; that is full waterborne toilets.

The municipal top priority is to upgrade existing ventilated improved pit (VIP) toilets, building new toilets and connecting them to sewer mainline and extend septic connection to sewer mainline in Kuyasa township to full water borne sanitation system. The project is currently underway, and phase 1 of the project is 90% complete. Planned completion date is July 2020. Phase 2 of the project is also underway and planned completion date is October 2021.

The Umsobomvu Local Municipality policies provide for waterborne (full) sanitation services to all formal urban settlements. However, the policies are not explicit on the level of sanitation service to be provided in informal settlements.

The Municipality is currently providing limited sanitation services (VIP toilets) in some of the formal settlements. However, the goal is to provide these households with full water borne sewerage systems. In agricultural holdings the owners are responsible for providing their own sanitation services. This is due to the fact that the Municipality's bulk infrastructure does not reach those areas.

The Section deals with sanitation provisioning, unblocking of sewer lines, emptying of buckets and VIP toilets, new connections and bulk sewer services. There are also sewer pump stations to be maintained in the three towns and cleaning of the oxidation ponds.

## Chapter 3: Service Delivery Performance

### b) Highlights: Waste Water (Sanitation) Provision

The table below specifies the highlights for the year:

Highlight	Description
Upgrade of VIP toilets and connecting septic tanks to full waterborne sanitation system in Kuyasa	Through the WSIG the Municipality is currently implementing the of VIP toilets to full waterborne sanitation in Kuyasa. Phase 1 is completed, whilst phase 2 of the project is underway and with approximately 90% completed progress
Maintenance and repair of sewer pump stations	Sewer pump stations in Riemvasmaak has not been giving problems after refurbished of pump took place, whilst cleaning of sewer pump station in Noupoot , and the cleaning of Kuyasa sewer pump station is an ongoing activity
Upgrading of Noupoot Sewer Network	Maintenance and repairs of Colesberg Waste Water Treatment Plant (CWWTP). The aerators were not working and as a result the plant became temporarily redundant. Oxidation pond system, then temporarily in use, after repairs for aerators were done and completed. There were no problems at CWWTP. It is fully functioning with minor operation and maintenance challenges

Table 69: Waste Water (Sanitation) Provision Highlights

### c) Challenges: Waste Water (Sanitation) Provision

The challenges that are experienced are as follows:

Description	Actions to address
Continuous sewer blockages, due to flushing of foreign objects down to sewer drainage system	Community awareness will to be done in the next financial year
Low sewerage pipe capacity due to increased municipal households flushing to the sewer system	To upgrade all municipal outfall sewer lines to accommodate new sewer connection to pipe capacity due to new developments and additional sewer connections
Vandalism of sewerage infrastructure	Improve security fence at critical sewerage infrastructure. Make awareness campaigns in the community about importance of protecting sewer infrastructure in order to ensure sanitation removal

Table 70: Waste Water (Sanitation) Provision Challenges

### d) Services Delivery levels: Waste Water (Sanitation) Provision

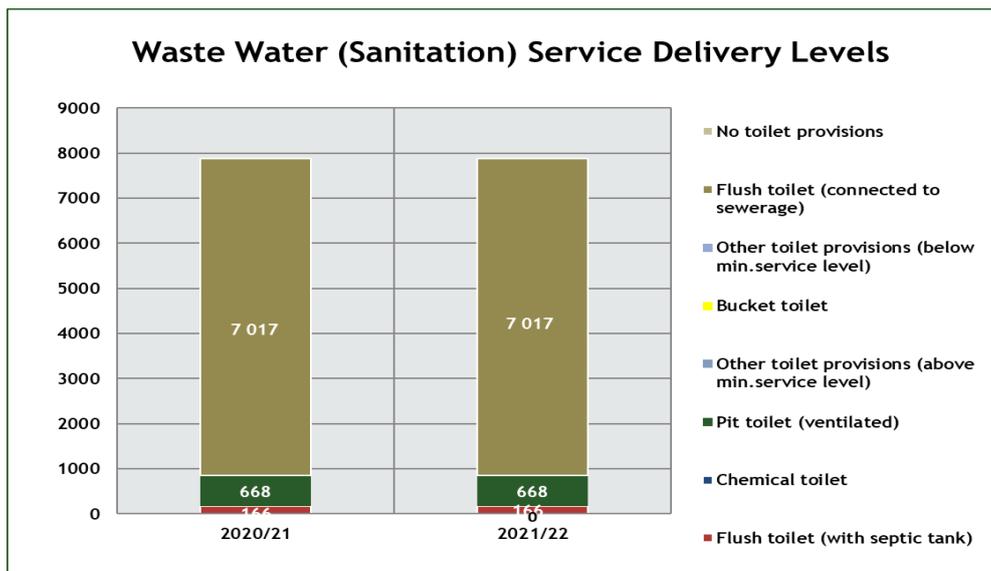
The table below specifies the different sanitation service delivery levels per households for the financial years 2020/21 and 2021/22 in the areas in which the Municipality is responsible for the delivery of the service:

Description	Households	
	2020/21	2021/22
	Actual No.	Actual No.
<b><i>Sanitation/sewerage: (above minimum level)</i></b>		
Flush toilet (connected to sewerage)	7 017	7 017
Flush toilet (with septic tank)	166	166
Chemical toilet	0	0

## Chapter 3: Service Delivery Performance

Households		
Description	2020/21	2021/22
	Actual	Actual
	No.	No.
Pit toilet (ventilated)	668	668
Other toilet provisions (above min.service level)	0	0
<b>Minimum Service Level and Above sub-total</b>	<b>7 906</b>	<b>7 906</b>
<b>Minimum Service Level and Above Percentage</b>	<b>99.64%</b>	<b>99.64%</b>
<b><i>Sanitation/sewerage: (below minimum level)</i></b>		
Bucket toilet	25	25
Other toilet provisions (below min.service level)	0	0
No toilet provisions	0	0
<b>Below Minimum Service Level sub-total</b>	<b>25</b>	<b>25</b>
<b>Below Minimum Service Level Percentage</b>	<b>0.36%</b>	<b>0.36%</b>
<b>Total households</b>	<b>7 876</b>	<b>7 876</b>
<i>Including informal settlements</i>		

Table 71: Waste Water (Sanitation) Provision Service Delivery Levels



Graph 6: Waste Water (Sanitation) Service Delivery Levels

## Chapter 3: Service Delivery Performance

### e) Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	14	15	13	2	13.33
4 - 6	3	3	3	0	0
7 - 9	1	1	1	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>18</b>	<b>19</b>	<b>17</b>	<b>1</b>	<b>5.26</b>

Table 72: Employees Waste Water (Sanitation) Provision

### f) Capital Expenditure: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

Capital Project	2021/22			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading of VIP's and Bucket System	0	3 500	2 647	(853)
Upgrading of Noupoot Sewerage Network	7 000	3 500	4 490	990

Table 73: Capital Expenditure: Waste Water (Sanitation) Provision

### 3.3.3 Electricity

#### a) Introduction to Electricity

The Municipality is the electricity service authority in Colesberg, Lowryville, Towervallei, New Ouboks and Noupoot. Areas within the municipal boundary not mentioned above, fall under Eskom's area of supply. Eskom covers almost 60% of the households in the Municipality while the Municipality supply only 40%. The main key performance indicators during the financial year are spot checks, reduction of electricity losses, implementation of the Energy Efficiency and Demand Side Management (EEDSM), network maintenance and upgrading of Noupoot electrical network.

The Municipality, as the license holder, must adhere to certain standards in supplying electricity. During the request for power supply, the quotation should be supplied within 10 working days where the infrastructure exists and can be used. Where the infrastructure extension is required, the quotation should be supplied within 1 month.

## Chapter 3: Service Delivery Performance

### b) Highlights: Electricity

The table below specifies the highlights for the year:

Highlights	Description
Medium voltage (MV) line behind Colesberg Inter-Mediate School sectionalised	Installing of dropout fuses on the Skietberg power line behind Colesberg Inter-Mediate School
Integrated National Electrification Programme (INEP) expenditure	Late start on the implementation of the planned project, and national lockdown delays, resulted to poor expenditure on the allocation
Complete Installation of lights high mast lights in Kwazamuxolo	Installation of public lighting in Noupoort, Kwazamuxolo to improve visibility at night and reduce crimes
Upgrading of MV line supply Sentech, at Coleskop and installation of metering unit at the Sentech station	Part of maintenance and improve aged infrastructure, and their life span, the powerlines have been vulnerable and collapsing most of the time whenever weather is windy and rainy
Electrified Ezimbacweni in Norvalspont	The Ezimbacweni in Norvalspont, have been electrified and provided with new infrastructure. However, at this stage, the power supply cannot be energized due to licence application challenges. Nersa is currently busy with the municipal licence application, which once its approved, the licence will be sent to Eskom for provision of bulk electricity point

**Table 74: Electricity Highlights**

### c) Challenges: Electricity

The challenges that are experienced are as follows:

Description	Actions to address
Vandalism of electrical infrastructure such as Kiosk	Installation of heavy-duty kiosks
Vandalism of fence for mini substation and dumping of garden waste	Erecting of mini substation fences with, heavy duty fencing material and erect no dumping signs
Electrical theft	Installation of split meters in Colesberg and in Noupoort, where the Municipality is licenced to supply electricity and continue with spot checks in the municipal areas
Lack of funding to finalise online Data Management Project	Submit a new business plan to finalise the balance of the projects which need approximately R1.5 million
Lack of funding for upgrading of farmlines in the Municipality	Apply for funding to upgrade outdated municipal farmlines, in Colesberg and in Noupoort

**Table 75: Electricity Challenges**

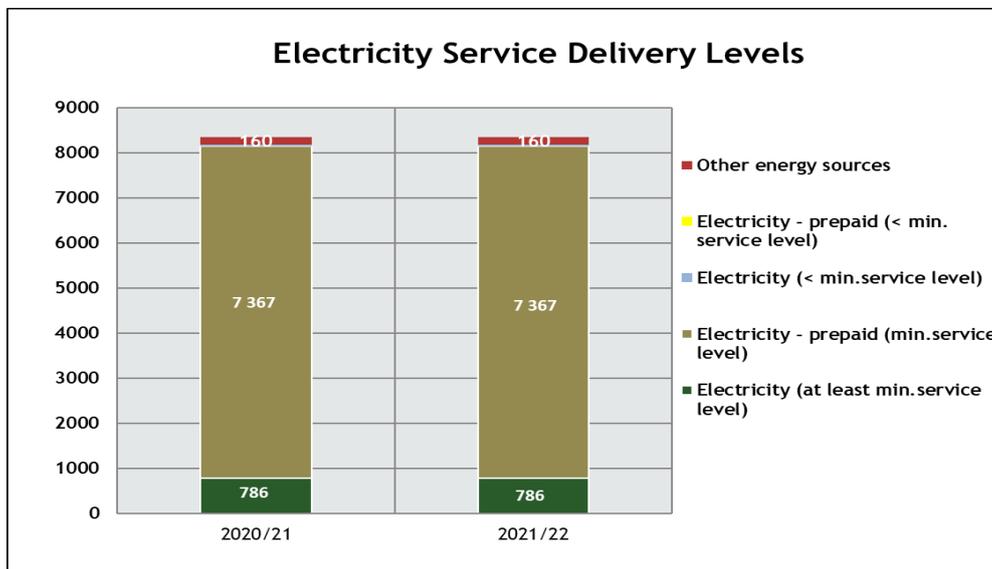
## Chapter 3: Service Delivery Performance

### d) Service Delivery Levels: Electricity

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

Households		
Description	2020/21	2021/22
	Actual	Actual
	No.	No.
<b>Energy: (above minimum level)</b>		
Electricity (at least min.service level)	786	786
Electricity - prepaid (min.service level)	7 367	7 367
<b>Minimum Service Level and Above sub-total</b>	<b>8 153</b>	<b>8 153</b>
<b>Minimum Service Level and Above Percentage</b>	<b>97.75%</b>	<b>97.75%</b>
<b>Energy: (below minimum level)</b>		
Electricity (< min.service level)	28	28
Electricity - prepaid (< min. service level)	0	0
Other energy sources	160	160
<b>Below Minimum Service Level sub-total</b>	<b>188</b>	<b>188</b>
<b>Below Minimum Service Level Percentage</b>	<b>2.25%</b>	<b>2.25%</b>
<b>Total number of households</b>	<b>8 341</b>	<b>8 341</b>

Table 76: Electricity Service Delivery Levels



Graph 7: Electricity Service Delivery Levels

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### e) Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	3	3	3	0	0
7 - 9	0	0	0	0	0
10 - 12	4	4	4	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>

Table 77: Employees: Electricity

### f) Capital Expenditure: Electricity

The following table indicates the capital expenditure for this division:

Capital Project	2021/22			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Electrification of Ezimbacweni	0	1 500	836	664
Electrification of Noupoot	0	900	0	0

Table 78: Capital Expenditure: Electricity

### 3.3.4 Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)

#### a) Introduction to Waste Management

Section 84(1)(e) of the Municipal Structures Act (Act 117 of 1998) mandate the Waste Management Department of the Umsobomvu Municipality to make provision for the disposal of waste which includes:

- 🗑️ Determining and implementing its waste management strategy i.e. refuse collection, waste recycling, transportation, disposal etc
- 🗑️ Regulating the disposal of waste within its area of jurisdiction
- 🗑️ Establishing, operating and controlling waste disposal facilities including waste transfer station

In order to achieve its legislative mandate, the section is subdivided into the following functional sub-units, namely:

- 🗑️ Refuse removal services

## Chapter 3: Service Delivery Performance

- 🗑️ Street cleaning & litter-picking
- 🗑️ Illegal dumping removal
- 🗑️ Waste minimization
- 🗑️ Landfill operations and management of sub-units

The Municipality in terms of the Constitution is the authority in providing solid waste services. The service is not rendered to farmers, but only to households within the municipal area. Solid waste is collected from households on a weekly basis and buried at the land fill site. There are currently three land fill sites of which two are licensed.

### b) Highlights: Waste Management

The table below specify the highlights for the year:

Highlight	Description
Waste collection is done as per schedule, weekly	Refuse collection trucks are operating without major problems in Colesberg, Noupoot and Norvalspont. However, for a period of four months, Colesberg refuse collection truck could not work due to mechanical breakdown. The refuse was collected with the use of Noupoot refuse truck, which was shared in two towns, until the Colesberg truck was repaired

*Table 79: Waste Management Highlight*

### c) Challenges: Waste Management

The challenges that are experienced are as follows:

Description	Actions to address
The landfill sites does not have weigh bridges	Install a weighbridge
No recycling is being done at the source or at the landfill site	Recycling should be encouraged at the first and then at the landfill site
No control at the landfill site entrance	The entrance should be controlled by appointing a person
No employees employed at the landfill site	The entrance should be controlled by appointing a person

*Table 80: Waste Management Challenges*

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### d) Service Delivery Levels: Waste Management

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

Description	Households	
	2020/21	2021/22
	Actual	Actual
	No.	No.
<b><i>Solid Waste Removal: (Minimum level)</i></b>		
Removed at least once a week	7 454	7 454
<b><i>Minimum Service Level and Above sub-total</i></b>	<b>7 454</b>	<b>7 454</b>
<b><i>Minimum Service Level and Above percentage</i></b>	<b>88%</b>	<b>88%</b>
<b><i>Solid Waste Removal: (Below minimum level)</i></b>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	887	887
Other rubbish disposal	30	30
No rubbish disposal	120	120
<b><i>Below Minimum Service Level sub-total</i></b>	<b>1 019</b>	<b>1 019</b>
<b><i>Below Minimum Service Level percentage</i></b>	<b>12%</b>	<b>12%</b>
<b>Total number of households</b>	<b>8 491</b>	<b>8 491</b>

Table 81: Waste Management Service Delivery Levels



Graph 8: Waste Management Service Delivery Levels

### e) Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	18	18	14	4	22.22
4 - 6	2	2	2	0	0
7 - 9	2	2	2	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>22</b>	<b>22</b>	<b>18</b>	<b>4</b>	<b>18.18</b>

Table 82: Employees: Waste Management

### 3.3.5 Housing

#### a) Introduction to Housing

The Housing and Property Administration Section of Umsobomvu Local Municipality is entrusted with overseeing facilitation of integrated human settlements, management of Council owned property, management of informal settlements and ensuring security of tenure through issuing of title deeds.

The following housing programmes are currently being prioritised by the Umsobomvu Local Municipality:

- 🏠 sustainable human settlements
- 🏠 formalisation of informal settlements
- 🏠 essential services/consolidation
- 🏠 urban renewal
- 🏠 social housing
- 🏠 land reform projects
- 🏠 rural development
- 🏠 capturing of beneficiaries on the National Housing Needs Register (NHNR)
- 🏠 transferring of pre 1994 houses

The Municipality's housing initiatives are aligned with the provincial agenda which is based on the Sustainable Human Settlement Plan adopted by National Government in 2004. The plan has the following objectives:

- 🏠 Progressive informal settlement upgrading: This ranges from the provision of basic services to the development of formal housing. The main focus of this programme is on in situ upgrading. (Ouboks In-Situ Upgrading Programme)

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- 🏠 Promoting densification and integration: Preventing urban sprawl by locating housing within the urban core
- 🏠 Enhancing the location of new housing projects: Well-located land owned by the Municipality will be identified for housing
- 🏠 Urban renewal programmes e.g. Ouboks Informal Settlement Upgrading Projects (ISUP)
- 🏠 Developing social and economic infrastructure: This intervention is aimed at facilitating the provision of community facilities such as crèches, community halls, taxi ranks, hawker stalls, etc
- 🏠 Promoting rental housing: after 1994 the development of public rental stock was not regarded as a high priority for government. The directorate has discovered that there are people who come to the Umsobomvu municipal area to work who are not interested in home ownership

### b) Highlights: Housing

The table below specifies the highlights for the year:

Highlight	Description
Housing applications	Housing applications were submitted to the Department of Cooperative Governance, Human Settlements and Traditional Affairs

**Table 83: Housing Highlights**

### c) Challenges: Housing

The challenge that is experienced is the following:

Description	Actions to address
Housing subsidies	No housing subsidies were received during the 2021/22 financial year

**Table 84: Housing Challenges**

### d) Services Delivery Levels: Housing

The table below indicates the service statics for the division:

Number of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in informal settlements	Percentage of HHs in informal settlements (%)
2020/21	8 341	593	7.11
2021/22	8 927	650	7.28

**Table 85: Households with Access to Basic Housing**

The following table shows the decrease in the number of people on the housing waiting list. There are currently approximately 2 185 housing units on the waiting list.

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Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2020/21	2 741	20.18
2021/22	2 185	(20.28)

**Table 86: Housing Waiting List**

The table below indicates the statistical indicators on housing service delivery for 2021/22:

Description	2020/21	2021/22
Number of households living in informal settlement	593	650
Number of hectares of land already acquired and suitable for human settlement development	0	0
Number of households living in informal areas receiving water services	593	650
Number of households living in informal areas receiving sewerage services	234	650
Number of households living in informal areas with access to refuse removal	593	650
Number of hectares of land procured and suitable for greenfield development	0	0
Number of hectares of land procured and suitable for brownfield development	0	0
Number of hectares of land proclaimed (township establishment completed)	0	0
Number of dwelling units developed per hectare	0	0
Percentage density reduction in total informal settlement	0	0
Number of informal settlements targeted for upgrading	0	0
Number of households living in informal settlement targeted for upgrading	77	77
Number of informal settlements targeted for upgrading with upgrading plans	1	1
Number of informal settlements upgraded (services provided): In Situ	0	00
Number of informal settlements targeted for formalization (services provided): relocated	0	0
Number of households living in informal backyard rental agreement	0	0
Number of sited serviced	105	105
Number of title deeds transferred to eligible beneficiaries	0	0
Number of libraries to be developed/upgrade development	0	0
Number of museums/theatre and art galleries to be developed/upgraded	0	0

**Table 87: Statistical Indicators on Housing Service Delivery**

### 3.3.6 Free Basic Services and Indigent Support

#### a) Introduction

Indigent applications are processed annually but new applications are assessed and updated monthly. The indigent register was reconciled with the financial system (Phoenix - ERP) and the Pre-paid Electricity System. Credit Control officials are continuously updating indigent households (IHH) on the Pre-paid Electricity System.

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

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

The tables, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2020/21	2 350	1 921	82%	2350	100%	2350	100%	2350	100%
2021/22	1 836	1 836	100%	1 836	100%	1 763	96%	1 819	99%

**Table 88:** Free Basic Services to Indigent Households

Electricity			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2020/21	1 921	50	1 458
2021/22	1 836	50	1 181

*\*Figures as at 30 June*

**Table 89:** Free Basic Electricity Services to Indigent Households

Water			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2020/21	2 350	6	204
2021/22	1 836	6	2 636

*\*Figures as at 30 June*

**Table 90:** Free Basic Water Services to Indigent Households

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Sanitation			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2020/21	2 350	151.18	4 263
2021/22	1 763	160.25	2 856
<i>*Figures as at 30 June</i>			

**Table 91: Free Basic Sanitation Services to Indigent Households**

Refuse Removal			
Financial year	Indigent Households		
	No. of HH	Unit per HH	Value
			R'000
2020/21	2 350	105.87	2 986
2021/22	1 819	123.52	2 330
<i>*Figures as at 30 June</i>			

**Table 92: Free Basic Refuse Removal Services to Indigent Households**

### 3.4 COMPONENT B: ROAD TRANSPORT

This component includes roads; transport; and waste water (stormwater drainage).

#### 3.4.1 Roads

##### *a) Introduction to Roads*

The core function of the Roads Section is:

-  re-gravelling and blading of the unpaved roads/streets
-  construction, maintenance and rehabilitation of roads/streets
-  installing and upgrading of stormwater
-  maintenance of surfaced and un-surfaced roads/streets in general

The main challenges faced are the ageing infrastructure and the inadequate budget for both capital projects and the maintenance of existing infrastructure.

The Roads Section also handles:

-  the maintenance of road infrastructure, both gravel and surface, within the Municipality
-  cleaning of stormwater channels and opening of the inlets
-  reconstruction of damaged inlets and constructing new stormwater where needed

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### b) Highlights: Roads

The table below specifies the highlights for the year:

Highlight	Description
Roads bladed in all three towns	22.28km was bladed during the financial year.
Completion of Marray Street traffic circle	Upgrading of Marray Street traffic circle in Noupoort
Upgrade of Afrika Street in Norvalspont	Upgrade of Afrika Street in Norvalspont, ongoing

**Table 93: Roads Highlights**

### b) Challenges: Roads

The challenges that are experienced are as follows:

Description	Actions to address
Aging municipal construction machinery	Provision of sufficient funds for operational purposes and or dispose obsolete machinery and procure new machinery that will be effective for achieving municipal objectives
Stormwater challenged in gravel streets	Cleaning of existing stormwater channels, and meter drains for easy water flow during rainy season
Blocked stormwater structures with silty eroded materials	Construction of barrier kerbs where they do not exist, cleaning of and flushing of stormwater channels on regular basis

**Table 94: Roads Challenges**

### c) Services Delivery Levels: Roads

The tables below indicate the service statics for the division:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2020/21	48.26	0	0	30
2021/22	48.26	0	0	23

**Table 95: Gravel Roads Infrastructure**

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2020/21	28.52	0	0	0	28.52
2021/22	28.52	0	0	0	28.52

**Table 96: Tarred Road Infrastructure**

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

Financial year	New & Replacements	Resealed	Maintained
	R'000		
2020/21	1 219	0	408
2021/22	1 219	0	408
<i>The cost for maintenance includes stormwater</i>			

**Table 97:** Cost of Construction/Maintenance of Roads

### d) Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	20	20	16	4	25
7 - 9	3	3	3	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>23</b>	<b>23</b>	<b>19</b>	<b>4</b>	<b>17.39</b>

**Table 98:** Employees: Roads

### e) Capital Expenditure: Roads

The following table indicates the capital expenditure for this division:

Capital Project	2021/22			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrading of Qilo, Antoinette & Grey Street	800	800	748	52
Upgrading of Afrika Street	275	275	149	126
Upgrading of Madikane & Ngqandu Block Paving	5 646	3 646	4 898	748
Upgrading op President Swarts & Niewenhuizen Street	5 646	7 646	5 535	111

**Table 99:** Capital Expenditure: Roads

### 3.4.2 Waste Water (Stormwater)

#### a) Introduction to Waste Water (Stormwater)

There are 49 kerb inlets (ki) in all three towns, and the Municipality has undertaken to compile reports on how best to manage and maintain stormwater drainages in all three towns. The latter comes after it was realised that the stormwater infrastructure is inaccessible and only limited maintenance can be conducted.

Colesberg is surrounded by mountains and communities are at the low points of these hills, therefore the run-offs from these mountains are causing damage and exposes the community to the risk of being flushed away by stormwater run-offs. With the increase in traffic, it has been witnessed that many of the ki`s are being driven over by heavy trucks in their quest to find parking which also has influenced the drainage flow in a number of ways. The ki covers are broken, and the capacity of these pipes is no longer sufficient. The increase in paved roads have also reduce areas where run-offs would percolate into the ground. The pipe diameters are 300mm and they no longer accommodate the run-off from the latter.

#### b) Highlights: Waste Water (Stormwater)

The table below specify the highlights for the year:

Highlight	Description
Kerb inlets covers manufactured and installed	Broken ki covers and made safe
Stormwater channels	Cleaned all stormwater channels for ease of water flow and safety of the surroundings

*Table 100: Waste Water (Stormwater) Highlights*

#### b) Challenges: Waste Water (Stormwater)

The challenges that are experienced are as follows:

Description	Actions to address
Poor access to stormwater drainage systems	Flush and cleaned all blocked stormwater drainage system with jet machine and suitable chemicals
Increased runoff on paved roads influences the carrying capacity of the inlets	Investigate adequacy of existing stormwater system and compare, including return periods of the local area

*Table 101: Waste Water (Stormwater) Challenges*

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### c) Services Delivery Statistics: Waste Water (Stormwater)

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

Stormwater Infrastructure: Kilometres			
Year	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2020/21	0	0	10
2021/22	0	0	15

Table 102: Stormwater Infrastructure

## 3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

### 3.5.1 Planning

#### a) Introduction to Planning

The Town Planning Section renders a strategic spatial planning and economic area regeneration program for the Municipality with its focus on the following development aspects as part of its key performance area:

- 🏡 Development of a Spatial Planning and Land Use By-Law in terms of the approved Spatial Planning and Land Use Act (SPLUMA)
- 🏡 Land Use Scheme where the Municipality is compiling a new land use scheme to incorporate all areas into one scheme as part of an updated Land Use Management System
- 🏡 Development facilitation which facilitates and encourage residential, business and industrial development

The Planning section also handles the building control function, which includes regulation of all building control activities within the municipal area of jurisdiction, undertaking of inspections for new buildings, alteration and drainage inspections.

#### b) Highlights: Planning

The table below specifies the highlights for the year:

Highlight	Description
New Land Use Scheme Regulations	New Land Use Scheme Regulations approved and promulgated

Table 103: Planning Highlight

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### c) Challenge: Planning

The challenge experienced is as follow:

Description	Actions to address
Lack of skilled personnel	Training

Table 104: Planning Challenge

### c) Statistics: Planning

The table below indicates the service statics for the division:

Type of service	2020/21	2021/22
Building plans application processed	11	16
Residential extensions	6	12
Business extensions	2	4
Land use applications processed	4	10

Table 105: Additional Performance Town Planning and Building Control

### d) Employees: Planning

The following table indicates the staff composition for this division:

Job Level	2020/21	2021/22			
	Vacancies (fulltime equivalents)	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

Table 106: Employees: Planning

### 3.5.2 Local Economic Development (Including Tourism and Market Places)

#### a) Introduction to Local Economic Development (LED)

The economy of Umsobomvu Local Municipality relies to a great extent on the performance of agriculture, trade, financial services, hospitality industry and transport. Sectors that can provide future growth include:

- 🏗️ **Construction** - Infrastructure investment by government in terms of transport and electricity, as well as the provision of houses and services to rural areas are the main potential for local residents to benefit
- 🏪 **Trade** - An important sector that is currently showing signs of improvement in the economy of Umsobomvu and pro-active measures have to be implemented in order to retain the stability and future growth of the sector
- 🚚 **Transport and business & financial services** - These essential service providers are becoming increasingly important for this service orientated economy
- 🏞️ **Tourism** - This sector's influence spans over a multitude of economic sectors and has a significantly important multiplier effect
- 🌾 **Agriculture** - This sector has a comparative advantage, as well as the potential to expand into more niche markets like essential oils, aquaculture and horticulture

#### Sectoral Employment

The recent lockdown of the South African economy has direct implications for formal employment levels. While informal or second economy employment also plays an important role in providing access to household income, accurate data only exists for the trends in the formal employment levels.

#### a) Highlights: LED

The highlights experienced is as follow:

Highlight	Description
Planning applications for five Wind Farm Projects in Noupoort	Project in progress in Noupoort
Planning application for pylon manufacturing facility in Noupoort	Project in planning phase

Table 107: Highlight LED

#### b) Challenge: LED

The challenge experienced is as follow:

Description	Actions to address
Lack of investment	Market Umsobomvu as a destination for transport hubs and green energy

Table 108: Challenge LED

## c) LED Strategy

LED includes all activities associated with economic development initiatives:

Objectives	Strategies
Defining LED in the context of Umsobomvu Local Municipality	<b>Pillars of our strategy:</b> <ul style="list-style-type: none"> <li>🌱 Agriculture and agri-processing - increase and diversify local farming activities and production</li> <li>🌱 Enterprise development: business development and networking</li> <li>🌱 Small, Medium and Micro-sized Enterprises (SMMEs) &amp; entrepreneurial support</li> <li>🌱 Tourism development - tourism marketing and development</li> <li>🌱 Improve tourism profile</li> <li>🌱 Infrastructure &amp; industrial development - mining and mineral beneficiation</li> </ul>
To develop an LED Development Framework and Strategy for the Municipality	
Broadly accessing the provision for LED within the municipal area and more specifically, the institutional infrastructure and programmes available to implement LED initiatives	
Broadly identifying economic opportunities across the municipal area	
A proposed implementation plan to address gaps and solutions that contribute to a more coherent and coordinated LED approach	

Table 109: LED Objectives and Strategies

## 3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

### 3.6.1 Libraries and Museums

#### a) Introduction to Libraries and Museums

The Libraries Section focus on the following areas:

- 🌱 to provide accelerated, effective, efficient, quality social development services for the community of Umsobomvu through sport, recreation, arts and culture and library and information programs
- 🌱 to ensure the community have access to information as prescribed by the South African Constitution
- 🌱 to promote employment equity and skills development
- 🌱 to position libraries as centres for the dissemination of information and knowledge
- 🌱 to position libraries as places where people from all backgrounds can find each other (promoting social cohesion)

The Museum Section focus on the following areas:

- 🌱 to accommodate visiting school groups
- 🌱 to develop shared understandings
- 🌱 introducing students to original works of art
- 🌱 providing museum tour exhibitions
- 🌱 offering visitors to the museum’s website additional ways to interact with the museum and its collections
- 🌱 using social media to promote the museum and its events and investigate the development of applications for smartphone devices that allows for virtual tours of exhibitions

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The museum in Colesberg is quite a popular destination for tourists looking for information on tourist establishment and rich history of the region, especially the displays on the Khoisan, Karretjie People, Anglo Boer War and the Road to Freedom.

### b) Highlights: Libraries and Museums

The table below specify the highlights for the year:

Highlight	Description
Library Lovers Month; The Heart of the Community; Libraries Forever and Library Information & Access to/for all	Book exhibition, full book reading display and story reading for pre-schools and community members at large
World Reading Aloud Day, 2 February 2022: "Reading is power & means knowledge to all"	Global book displays, outreach programmes and visits to Zingce Kakuhe Day Care and Babelbekkies with a variety of book-reading and knowledge teaching sessions, sing-along songs with educational value and questionnaire for testing listening skills
Valentines Month: February 2022	Different kinds of love and educational value books colourfully displayed for the month
World Book & Copyright Day, 23 April 2022: Topic "You ARE A READER"	Book exhibition, a variety of book titles and subjects matching on display for viewers
Exhibitions	In Memory Display: <i>Desmond Tutu: Long Live Your Legacy: 1931 -2021: FOREVER ICON</i>
	In Memory Display: <i>Wilbur Smith: Very Talented &amp; Historical Author: 1933-2021</i>
	In Memory Display: <i>Theuns Jordan: Singer and Legendary Musician: 1971-2021</i>

Table 110: Libraries and Museums Highlight

### c) Challenges: Libraries and Museums

The challenge experienced is as follow:

Description	Actions to address
Staff morale	Regular monthly meetings and discussions for needs of library staff and that of Library Services at large
Funding not enough to support community projects, programmes and activities for community building	Budget allocation to be increased
No transport for outreach programmes	Budget related problem to buy vehicles
No training for Librarians	District competence

Table 111: Libraries and Museums Challenge

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### d) Service Statistics for Libraries and Museums

The table below indicates the service statistics for the division:

Type of service	2020/21	2021/22
Number of libraries	0	3
Library members	4 891	2 625
Books circulated	14 010	12 171
Exhibitions held	0	591
Internet users	7 791	7 171
New library service points or wheelie wagons	1	0
Children programmes	0	6
Visits by school groups	444	493
Book group meetings for adults.	0	0
Research by school children and adults	39	398
Calendar year programmes for communities	3	7
Visits to museum by school children	5	4
Visits to museum by tourists	7	0

Table 112: Service Statistics for Libraries and Museums

### e) Employees: Libraries and Museums

The following table indicates the staff composition for this division:

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	3	3	3	0	0
7 - 9	3	4	3	1	25
10 - 12	3	3	2	1	33.3%
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>10</b>	<b>8</b>	<b>2</b>	<b>20%</b>

Table 113: Employees: Libraries and Museums

### 3.6.2 Cemeteries

#### a) Introduction to Cemeteries

The Community Development Section is the custodian for cemetery management within the Municipality. The section provides burial services and cemetery maintenance. The department manages and maintains twelve municipal owned cemeteries within the municipal boundaries. Out of the twelve cemeteries, only five cemeteries are still active and the rest are passive. The passive cemeteries are currently maintained on a need's basis.

#### b) Highlight: Cemeteries

The table below specify the highlight for the year:

Highlight	Description
New Cemeteries for Kwazamuxolo opened	Fencing of new cemetery
Fencing	Fencing in EurekaVille during this period

Table 114: Cemeteries Highlight

#### c) Challenge: Cemeteries

The challenge experienced is as follow:

Description	Actions to address
To keep stray animals away from cemeteries	Fencing of Norvalspont cemeteries

Table 115: Cemeteries Challenge

#### d) Service Statistics for Cemeteries

The table below indicate the service static for the division:

Type of service	2020/21	2021/22
Burials	532	490

Table 116: Service Statistics for Cemeteries

### 3.6.3 Child Care, Aged Care and Social Programmes

#### *a) Introduction to Child Care, Aged Care and Social Programmes*

The Special Development Section in the Mayor's Office focuses mainly on community awareness and outreach programmes. The section focuses on promotion of social wellness and implementation of programmes to prevent social illness.

#### **Three main priority service delivery**

- ☛ Poverty alleviation programme, implement training programme and substance abuse programme
- ☛ Implementation of training programmes
- ☛ The social, children, woman, disability and elderly programmes

Child and aged care are predominantly run by private institutions with government subsidies. HIV/AIDS, woman and youth programmes are initiated by the Municipality through the Office of the Mayor. This includes:

- ☛ social programmes
- ☛ elderly programmes
- ☛ children's programmes
- ☛ HIV/AIDS: door-to-door educational programme
- ☛ health programmes
- ☛ 16 days of Activism and awareness on World Aids Day

### 3.7 COMPONENT E: SECURITY AND SAFETY

This component includes Traffic, Law Enforcement, Fire and Disaster Management

#### 3.7.1 Public Safety

#### *a) Introduction to Public Safety*

Roads in Umsobomvu are becoming safer and this has been confirmed by many motorists from other parts of the province using our route. In partnership with the South African Police Service and community members through community policing forums, crime was reduced. Umsobomvu Municipality has successfully conducted arrive alive campaigns during the December holidays. In addition to this campaign, the Municipality offers to do roadworthy checks free of charge during December for vehicle owners who go on holiday.

#### **Zero-tolerance approach towards transgressors of laws**

In reducing the rate of accidents on our roads, the Municipality has replaced road signs, erected speed humps in various communities and re-painted road marks.

In promotion of legal trading and enforcement of our by-laws, the Municipality has issued trading licenses to hawkers and are in a process of identifying adequate space for trading.

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### b) Highlights: Public Safety

The table below specifies the highlight for the year:

Highlight	Description
Speed Law Enforcement	Permanent appointment of Contract Traffic Officers and Support personnel
Traffic control in location and town (conduct traffic accidents)	Upgrade on cameras to track speed

Table 117: Public Safety Highlights

### c) Challenge: Public Safety

The challenge experienced is as follow:

Description	Actions to address
Training	Only one reliable institution offering refresher courses for Traffic Officers, therefore struggled to obtain the course awaiting to be allocated space as promised
Driving without a valid driver's license	Fines for transgression were issued in numbers
Accidents and complaints	Number of law enforcement actions and fines took place
Operational callouts on a standby	Attended to regularly

Table 118: Public Safety Challenge

### d) Service statistics for Public Safety

The table below indicates the service statics for the division:

Details	2020/21	2021/22
Motor vehicle licenses processed	1 050	Contract moved to SAPO
Learner driver licenses processed	913	95
Driver licenses processed	525	245
Driver licenses issued	1 250	699
Fines issued for traffic offenses (number)	800	1 002
Operational callouts	1 824	1 110
Roadblocks held	1	12
Complaints attended to by Traffic Officers	15	56
Awareness initiatives on public safety	4	0
Operational callouts: Fire Services	16	24
Awareness initiatives on fire safety	4	0
Reservists and volunteers trained on fire fighting	0	0

Table 119: Additional Performance Service Statistics for Public Safety

The decrease of learner's licenses processed and drivers' licenses processed was due to the extension of lockdown. The lack of awareness on public safety, has always been a programme of the District Office, so it was quiet.

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### e) Employees: Public Safety

The following table indicates the staff composition for this division:

Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	5	5	5	0	0
7 - 9	1	1	1	0	0
10 - 12	4	4	4	0	0
13 - 15	1	1	1	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>

Table 120: Employees: Public Safety

### f) Capital Expenditure: Public Safety

Capital Project	2021/22			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Cameras & Other Equipment	310	310	10	300

Table 121: Capital Expenditure: Public Safety

## 3.8 COMPONENT F: SPORT AND RECREATION

### 3.8.1 Sport and Recreation

#### a) Highlights: Sport and Recreation

The table below specifies the highlight for the year:

Highlight	Description
Umsobomvu Mayor's Cup event in Noupoort	Soccer, Rugby and Netball tournaments

Table 122: Sport and Recreation Highlights

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### b) Challenges: Sport and Recreation

The challenge experienced is as follow:

Description	Actions to address
Vandalism of sport facilities	Plan to have permanent personnel at those premises
	Proper fencing to be applied and security on site

Table 123: Sport and Recreation Challenge

### c) Service statistics for Sport and Recreation

The table below indicates the service statics for the division:

Type of service	2020/21	2021/22
<b>Community parks</b>		
Number of parks with play park equipment	1	1
Number of wards with community parks	3	3
<b>Sport fields</b>		
Number of wards with sport fields	4	4
Number of sport associations utilizing sport fields	3	3
<b>Sport halls</b>		
Number of wards with sport halls	3	3

Table 124: Additional Performance Information for Sport and Recreation

### d) Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Employees: Sport and Recreation					
Post Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	3	1	25
4 - 6	0	0	0	0	0
7 - 9	2	2	2	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>16.67</b>

Table 125: Sport and Recreation

## Chapter 3: Service Delivery Performance

### 3.9 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes Executive and Council; Financial Services; Human Resource Services; ICT Services; Legal Services; And Procurement Services.

#### 3.9.1 Executive and Council

##### a) Introduction to Executive and Council

This component includes Executive Office (Mayor, Councillors and Municipal Manager).

Umsobomvu Municipality is committed to the development of a culture of community participation. The Municipality encourages and creates conditions for the local community to participate in the affairs of the Municipality through the following processes:

- ☀ the preparation, implementation and review of its IDP
- ☀ the establishment, implementation and review of its performance management system
- ☀ determination, consideration and adoption of by-laws
- ☀ the monitoring and review of its performance, including the outcome and impact of such performance
- ☀ the preparation of its budget
- ☀ strategic decisions relating to the provision of services

##### b) Highlight: Executive and Council

The table below specify the highlight for the year:

Highlight	Description
VIP toilets	Project progressing to finalisation
Public participation	The Municipality was able to meet community members in their respective wards for Council Meet the People, Municipal Public Accounts Committee (MPAC) meetings and IDP and budget consultative meetings. The Municipality is further using service delivery WhatsApp groups to update the communities on service delivery issues and information and share information on notice board. The WhatsApp groups are also used to communicate the revision of policies and procedures, reports and information available to the Municipality's libraries
Ward community meetings	
Ward Committees established	Ward Committees trained and operational

Table 126: Executive and Council Highlight

##### c) Challenges: Executive and Council

The challenges that are experienced is as follow:

Description	Actions to address
Public participation	Public disruptions during public hearings in some areas
Ward community meetings	Public disruptions during public hearings in some areas

Table 127: Executive and Council Challenges

## 3.9.2 Financial Services

The application of sound financial management principles is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The key objective of the MFMA is to modernise municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

The Municipality has undertaken various customer care initiatives to ensure the Municipality deeply involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the Municipality is an important focus area.

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.

The MFMA determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.

The management of key financial and governance areas is achieved by focusing on:

- reducing the levels of outstanding debt owed to the Municipality, to assist with service delivery spending and maintaining a healthy cash flow;
- spending budgets to maximise delivery.

### a) Highlights: Financial Services

The highlights experienced is as follows:

Highlights	Description
Municipality managed to spend the whole MIG allocation including 5 million additional funding received in March 2022	Conditional grant spending
Municipality managed to spend the whole WSIG allocation	Conditional grant spending

Table 128: Financial Services Highlights

### b) Challenges: Financial Services

The challenges that are experienced is as follows:

Description	Actions to address
Due to cashflow challenges, the Municipality fell in arrears with its creditors including Eskom and AG to name just the highest creditors	Municipality will need to improve on revenue collection

Table 129: Financial Services Challenges

## Chapter 3: Service Delivery Performance

### c) Debt Recovery

The following table indicates the debt recovery:

Details of the types of account raised and recovered	Debt Recovery			
	R'000			
	2020/21		2021/22	
	Billed in Year	Actual for accounts billed in year	Billed in Year	Actual for accounts billed in year
Property Rates	14 389 004	12 038 280	15 393 349	10 056 775
Electricity	29 652 304	25 344 380	35 283 945	22 907 098
Water	14 389 249	12 038 580	17 205 055	11 174 194
Sanitation	10 032 271	8 236 923	10 710 617	7 263 226
Refuse	6 648 875	5 702 485	6 650 815	4 469 678

Table 130: Debt Recovery

### c) Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	19	24	22	2	8.33
7 - 9	6	6	5	1	16.66
10 - 12	1	1	1	0	0
13 - 15	4	4	4	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>30</b>	<b>35</b>	<b>32</b>	<b>3</b>	<b>8.57</b>

Table 131: Employees: Financial Services

### d) Capital Expenditure: Financial Services

Capital Project	2021/22			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
New Laptops	280	280	33	247

Table 132: Capital Expenditure: Financial Services

### 3.9.3 Human Resource Services

#### a) Introduction to Human Resource Services

The Umsobomvu Municipality currently employs 191 officials (permanent and non-permanent) who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource (HR) Management is to render an innovative HR service that addresses both skills development and administrative functions.

#### b) Highlights: Human Resources

The table below specifies the highlights for the year:

Highlight	Description
Collective agreements	Started negotiations to renew Collective agreements for Northern Cape
Publication of Municipal Staff Regulations	New Municipal Staff Regulations were published on 21 September 2021 which will come into effect on 1 July 2022

Table 133: HR Highlights

#### c) Challenges: Human Resources

The challenges that are experienced are as follows:

Description	Actions to address
Training	Unable to implement training planned for oversight period
Disciplinary hearings	Encountered a spike in disciplinary cases due to ill-discipline

Table 134: Executive and Council Challenges

#### d) Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	2020/21		2021/22		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	1	1	1	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

Table 135: Employees: Human Resources

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### 3.10 COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2022/23

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

#### 3.10.1 Development and Service Delivery Priorities for 2022/23

##### a) Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL7	Submit the Workplace Skills Plan and ATR (Annual Training Report) to LGSETA by 30 April 2023	Workplace Skills Plan and ART submitted to LGSETA by 30 April 2023	All	1
TL8	The number of people from employment equity target groups employed (appointed) in the three highest levels of management in compliance with the equity plan by 30 June 2023	Number of people employed (appointed) by 30 June 2023	All	1
TL9	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2023 [(Actual amount spent on training/total operational budget) x100]	% of the Municipality's personnel budget spent on implementing its workplace skills plan by 30 June 2023 [(Actual amount spent on training/total operational budget) x100]	All	0.10%
TL10	Limit the vacancy rate quarterly to less than 15% of budgeted posts ((Number of posts filled/Total number of budgeted posts) x100)	% quarterly vacancy rate of budgeted posts	All	15%
TL17	Compile an implementation plan with actions and timeframes for the implementation of regulation 890 and 891 and submit to Council by 30 September 2022	Implementation Plan submitted to Council by 30 September 2022	All	1

Table 136: Service Delivery Priorities - Develop a Capable and Capacitated Institution to Respond to Community Needs

##### b) Enhance good governance processes and accountability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Compile and submit the Risk Based Audit Plan (RBAP) for 2023/24 to the Audit committee by 30 June 2023	Risk Based Audit Plan (RBAP) submitted to the Audit committee by 30 June 2023	All	1
TL2	90% of the Risk based audit plan for 2022/23 implemented by 30 June 2023 [(Number of audits and tasks completed for the period/ Number of audits and tasks identified in the RBAP) x100]	% of the Risk Based Audit Plan for 2022/23 implemented by 30 June 2023	All	90%
TL3	Complete the annual risk assessment and submit to the Audit Committee by 30 June 2023	Risk assessment completed and submit to the Audit Committee by 30 June 2023	All	1
TL5	Submit the Annual Performance Report for 2021/22 to the AG by 31 August 2022	Annual Performance Report submitted to the AG by 31 August 2022	All	1
TL6	Submit the Draft Annual Report for 2021/22 to Council by 31 January 2023	Draft Annual Report submitted to Council by 31 January 2023	All	1

## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL11	Arrange a training session for ward committee members by 30 June 2023	Training session arranged by 30 June 2023	All	1

Table 137: Services Delivery Priorities - Enhance Good Governance Processes and Accountability

### c) Enhance municipal financial viability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL18	Submit the draft main budget for 2023/24 to Council for consideration by 31 March 2023	Draft Main budget submitted to Council by 31 March 2023	All	1
TL19	Submit the Adjustments budget for 2022/23 to Council for consideration by 28 February 2023	Submit the Adjustments budget to Council for consideration by 28 February 2023	All	1
TL20	Financial viability measured in terms of the Municipality's ability to meet it's service debt obligations as at 30 June 2023 ((Total operating revenue-operating grants received)/debt service payments due within the year))	% of debt coverage at 30 June 2023	All	20%
TL21	Financial viability measured in terms of the outstanding service debtors as at 30 June 2023 ((Total outstanding service debtors/ revenue received for services)X100)	% of outstanding service debtors at 30 June 2023	All	90%
TL22	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2023 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash at 30 June 2023	All	1
TL23	Submit the annual financial statements for 2021/22 to AGSA by 31 August 2022	Annual financial statements submitted by 31 August 2022	All	1
TL24	Compile Plan to address audit findings in report of the AG for 2021/22 and submit to MM by 31 January 2023	Plan completed and submitted to MM by 31 January 2023	All	1
TL25	Achieve a debtor payment percentage of 65% by 30 June 2023 {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	% debtor payment achieved at 30 June 2023	All	65%
TL36	Conduct a study to determine the causes of the high percentage of water and electricity losses and submit a report with proposed corrective actions to Council by 31 December 2022	Study completed and report with corrective actions submitted to Council by 31 December 2022	All	1
TL37	Compile a Revenue Enhancement strategy with short medium and long term actions that can be implemented and submit to Council by 30 June 2023	Revenue Enhancement Strategy submitted to Council by 30 June 2023	All	1

## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL38	Limit unaccounted for electricity to less than 20% by 30 June 2023 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) × 100}	% of unaccounted electricity by 30 June 2023	All	20%
TL39	Limit unaccounted for water to less than 25% by 30 June 2023 {(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / Number of Kiloliters Water Purchased or Purified × 100}	% of water unaccounted by 30 June 2023	All	25%

**Table 138: Service Delivery Priorities - Enhance Municipal Financial Viability**

### d) Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL40	Create temporary jobs - FTE's in terms of EPWP by 30 June 2023 (Person days / FTE (230 days))	Number of FTE's created by 30 June 2023	All	20

**Table 139: Service Delivery Priorities - Facilitate Economic Growth in the Municipal Area**

### e) Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL41	75% of the electricity maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent by 30 June 2023	All	75%
TL42	75% of the Road Transport maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent by 30 June 2023	All	75%
TL43	75% of the Waste Water management maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent by 30 June 2023	All	75%
TL44	75% of the Water Management maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget)×100}	% of the maintenance budget spent by 30 June 2023	All	75%

**Table 140: Service Delivery Priorities - Ongoing Maintenance of Municipal Infrastructure**

## Chapter 3: Service Delivery Performance

### f) Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL12	Spend 100% of the library grant by 30 June 2023 ((Actual expenditure divided by the approved budget)x100)	% of the library grant spent by 30 June 2023	All	100%
TL13	Submit the reviewed the Disaster Management Plan to Council by 30 June 2023	Reviewed Disaster Management Plan submitted by 30 June 2023	All	1
TL16	75% of the municipal buildings maintenance budget spent by 30 June 2023 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent by 30 June 2023	All	75%
TL30	Provide free basic water to indigent households as at 30 June 2023	Number of households receiving free basic water as at 30 June 2023	All	1 600
TL31	Provide free basic electricity to indigent households as at 30 June 2023	Number of households receiving free basic electricity as at 30 June 2023	All	1 600
TL32	Provide free basic sanitation to indigent households as at 30 June 2023	Number of households receiving free basic sanitation services as at 30 June 2023	All	1 600
TL33	Provide free basic refuse removal to indigent households as at 30 June 2023	Number of households receiving free basic refuse removal services at 30 June 2023	All	1 600
TL34	Provide free basic energy to indigent households as at 30 June 2023	Number of households receiving free basic energy at 30 June 2023	All	350

Table 141: Service Delivery Priorities - Provide Appropriate Services to All Households

### g) Provide quality and sustainable municipal infrastructure within available resources

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL4	100% spent of all conditional grants by 30 June 2023 [(Actual expenditure on conditional grants received/by the total amount of conditional grants received) x 100]	% of conditional grant spent by 30 June 2023	All	100%
TL26	Number of formal properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2023	Number of properties which are billed for water as at 30 June 2023	All	6 651
TL27	Number of formal properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2023	Number of properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June as at 30 June 2023	All	2 500
TL28	Number of formal properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2023	Number of properties which are billed for sewerage as at 30 June 2023	All	6 000

## Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL29	Number of formal properties for which refuse is removed once per week and billed for the service as at 30 June 2023	Number of properties which are billed for refuse removal as at 30 June 2023	All	6 592
TL35	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2023 [(Amount actually spent on capital projects/ Amount budgeted for capital projects)x100]	% of capital budget spent on capital projects by 30 June 2023	All	75%
TL45	75% spent of the total amount budgeted by 30 June 2023 to upgrade the Kuyasa Sport Ground in Colesberg {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2023	6	75%
TL46	75% spent of the total amount budgeted by 30 June 2023 to pave Madikane Street in Kuyasa Colesberg {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2023	3	75%
TL47	75% spent of the total amount budgeted by 30 June 2023 to pave President Swarts Street in Noupoort {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2023	1 and 2	75%
TL48	75% spent of the total amount budgeted by 30 June 2023 to upgrade the stormwater drainage collection in Norvalspont and Colesberg {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2023	5 and 7	75%
TL49	75% spent of the total amount budgeted by 30 June 2023 for electrical Infrastructure LV Networks in Norvalspont {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2023	7	75%
TL50	75% spent of the total amount budgeted by 30 June 2023 to upgrade the sanitation reticulation sewer network in Noupoort {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2023	1 and 2	75%
TL51	75% spent of the total amount budgeted by 30 June 2023 to upgrade VIP toilets in Kuyasa Colesberg {(Actual expenditure on the project/ the total approved budget for the project)x100}	% of budget spent by 30 June 2023	6	75%

Table 142: Service Delivery Priorities - Provide quality and sustainable municipal infrastructure within available resources

## Chapter 3: Service Delivery Performance

### *h) Strengthen community participation*

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL14	Compile quarterly external newsletters	Number of external newsletters compiled	All	4
TL15	Submit the draft IDP review to Council by 31 March 2023	Draft IDP review submitted to Council by 31 March 2023	All	1

**Table 143:** *Service Delivery Priorities - Provide quality and sustainable municipal infrastructure within available resources*

## CHAPTER 4

### 4.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

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

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2020/21	2021/22
The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	1	1
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	1.32%	0.50%

*Table 144: National KPIs- Municipal Transformation and Organisational Development*

### 4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs **191** (excluding non-permanent positions) officials who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

#### 4.2.1 Employment Equity

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

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### a) Employment Equity targets/actual

The tables below indicate the employment equity targets/actual:

African		Coloured		Indian		White	
Target June	Actual June						
101	153	89	53	0	0	21	2

Table 145: 2021/22 EE Targets/Actual by Racial Classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
129	147	No	82	64	No	2	0	No

Table 146: 2021/22 EE Targets/Actual by Gender Classification

### b) Specific Occupational Levels - Race

The table below categorises the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	3	0	0	1	0	0	0	0	4
Senior Management	6	4	0	0	2	0	0	1	13
Professionally qualified and experienced specialists and mid-management	18	4	0	0	2	1	0	1	26
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	5	7	0	0	1	1	0	0	14
Semi-skilled and discretionary decision making	23	9	0	0	11	5	0	0	48
Unskilled and defined decision making	52	15	0	0	32	7	0	0	106
<b>Total</b>	<b>107</b>	<b>39</b>	<b>0</b>	<b>1</b>	<b>48</b>	<b>14</b>	<b>0</b>	<b>2</b>	<b>211</b>

Table 147: Occupational Levels

### 4.2.2 Vacancy Rate

The approved organogram for the Municipality had **226** approved posts for the 2021/22 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. **35** posts were vacant at the end of 2021/22, resulting in a vacancy rate of **15.48%**.

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

Per Post Level		
Post level	Filled	Vacant
MSA Section 56 & 57	3	1
Middle Management	7	2
Admin Officers	100	13
General Workers	116	19
<b>Total</b>	<b>226</b>	<b>35</b>
Per Functional Level		
Functional area	Filled	Vacant
Executive and Council	4	1
Finance and Administration	109	14
Technical Services	113	20
<b>Total</b>	<b>226</b>	<b>35</b>

*Table 148: Vacancy Rate per Post and Functional Level*

The table below indicates the number of staff per level expressed as total positions and current vacancies express as full-time staff equivalents:

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	N/A	0
Chief Financial Officer	2	1	Chief Financial Officer	100
Other Section 57 Managers	0	2	N/A	0
Senior management	1	6	Section Head: Community Development	16.67
Highly skilled supervision	1	12	Supervisor: Water	8.33
<b>Total</b>	<b>3</b>	<b>22</b>	<b>N/A</b>	<b>13.63%</b>

*Table 149: Vacancy Rate per Salary Level*

### 4.2.3 Staff Turnover Rate

A high staff turnover may be costly to a municipality and might negatively affect productivity service delivery and institutional memory/organizational knowledge. Below is a table that shows the staff turnover rate within the Municipality. The staff turnover rate shows an increase from 1.89% in 2020/21 to 6.56% in 2021/22.

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

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2020/21	211	2	2	1.89%
2021/22	191	1	12	6.56%

Table 150: Turnover Rate

### 4.3 MANAGING THE MUNICIPAL WORKFORCE

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

#### 4.3.1 Injuries

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

The table below indicates the total number of injuries within the different directorates:

Directorates	2020/21	2021/22
Office of the Municipal Manager	0	0
Financial Services	0	0
Corporate Services	1	3
Technical Services	2	1
<b>Total</b>	<b>3</b>	<b>4</b>

Table 151: Injuries

#### 4.3.2 Sick Leave

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

The total number of employees that have taken sick leave during the 2021/22 financial year shows a decrease when compared it with the 2020/21 financial year.

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

Year	Total number of sick leave days taken within the year
2020/21	471
2021/22	766

Table 152: Sick Leave

## Chapter 4: Organisational Development Performance

### 4.3.3 HR Policies and Plans

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

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

Approved policies	
Name of policy	Date approved/ revised
Recruitment Selection and Appointment Policy	27 September 2007
Leave Policy	27 September 2007
Study Assistance Policy	27 September 2007
Employee Wellness Policy	27 September 2007
Staff Performance Policy	27 September 2007
Union Support and Facilities Policy	27 September 2007
Sexual Harassment Policy	27 September 2007
Attendance and Punctuality Policy	27 September 2007
Termination of Contract Policy	27 September 2007
Training and Skills Development Policy	17 December 2015
Retrenchment Policy	27 September 2007
Bonus Policy	27 September 2007
Private Work Policy	27 September 2007
Job Evaluation Policy	17 December 2015
Performance Management System (PMS) Framework	30 May 2019
Travelling and Subsistence Allowance Policy	3 June 2016
Occupational Health and Safety Policy	17 December 2015
Advance and Micro Loans Policy	28 July 2015
Acting Policy	27 September 2007
Aids Policy	27 September 2007
Annual Leave Policy	27 September 2007
Communication Policy	31 March 2018
Dress Code Policy	27 September 2007
Essential Users Policy	27 September 2007
Delegation of Powers Policy	27 September 2007
Family Responsibility Policy	27 September 2007
Gifts and Gratuity Policy	27 September 2007
Language Policy	27 September 2007
Internet and E-Mail Policy	17 April 2018
Smoking Policy	27 September 2007
Substance Abuse Policy	27 September 2007
Uniform and Protective Clothing Policy	27 September 2007

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Approved policies	
Human Resource Plan	23 November 2018
Risk Management Policy	5 April 2022
Policies and plans that still need to be developed/reviewed	
HR Plan to be revised	
All HR policies to be revised to be in line with new Staff Regulations	
Policy on Car Washes	
Policy on Taxi Rank	

*Table 153: HR Policies and Plans*

### 4.4 CAPACITATING THE MUNICIPAL WORKFORCE

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

#### 4.4.1 Skills Matrix

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

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2021/22)
MM and S57	Female	0	0
	Male	0	0
Legislators, senior officials and managers	Female	0	0
	Male	0	0
Associate professionals and Technicians	Female	0	0
	Male	0	0
Professionals	Female	0	0
	Male	0	0
Clerks	Female	0	0
	Male	1	1
Service and sales workers	Female	0	0
	Male	0	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	0	0
Elementary occupations	Female	0	0
	Male	0	0
Sub total	Female	0	0

## Chapter 4: Organisational Development Performance

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2021/22)
	Male	1	1
Total		0	0

Table 154: Skills Matrix

### 4.4.2 Skills Development - Budget Allocation

The table below indicates that a total amount of **R403 080** were allocated to the workplace skills plan in the 2021/22 financial year:

Year	Total Allocated (R)	Total Spend (R)	% Spent
2020/21	403 080	28 795	7.14%
2021/22	226 750	71 241	31.42%

Table 155: Budget Allocated and Spent for Skills Development

### 4.4.4 MFMA Competencies

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

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcome based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, “(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

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

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>				
Accounting officer	1	1	1	1
Chief financial officer	1	1	1	1
Senior managers	2	2	2	2
Any other financial officials	3	3	3	3
<b>Supply Chain Management Officials</b>				

## Chapter 4: Organisational Development Performance

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Heads of supply chain management units	1	1	1	1
Supply chain management senior managers	1	0	0	0
<b>Total</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>8</b>

Table 156: Financial Competency Development: Progress Report

### 4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

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

#### 4.5.1 Personnel Expenditure

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

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2020/21	55 668	192 741	29%
2021/22	56 928	209 048	27%

Table 157: Personnel Expenditure as a percentage of Operating Expenditure

## Chapter 4: Organisational Development Performance

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

Financial year	2020/21	2021/22		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
<b>Councillors (Political Office Bearers plus Other)</b>				
Salary	3 321	1 119	4 634	3 998
Motor vehicle allowance	194	0	0	202
Cell phone allowance	481	222	0	539
<b>Sub Total</b>	<b>3 996</b>	<b>5 437</b>	<b>5 458</b>	<b>4 739</b>
% increase/ decrease	N/A	36.06	0.39	(13.17)
<b>Senior Managers of the Municipality</b>				
Salary	3 924	2 595	5 259	3 683
Motor vehicle allowance	550	144	801	686
Housing allowance	0	0	0	0
Performance bonus	481	510	795	593
Other benefits or allowances	8	206	221	8
<b>Sub Total</b>	<b>4 955</b>	<b>3 455</b>	<b>7 077</b>	<b>4 970</b>
% increase/ decrease	N/A	(30.27)	104.83	(29.77)
<b>Other Municipal Staff</b>				
Basic Salaries and Wages	27 630	39 519	40 751	38 724
Pension Contributions	7 604	6 227	7 221	6 573
Medical Aid Contributions	3 867	1 257	1 023	888
Motor vehicle allowance	0	419	0	162
Housing allowance	382	23	23	372
Overtime	3 259	2 829	2 866	2 486
Other benefits or allowances	5 179	4 514	4 421	2 802
<b>Sub Total</b>	<b>47 920</b>	<b>54 788</b>	<b>55 905</b>	<b>52 007</b>
% increase/ decrease	(11.37%)	14.33	2.04	(6.97)
<b>Total Municipality</b>	<b>52875</b>	<b>63 680</b>	<b>68 440</b>	<b>56 977</b>
% increase/ decrease	(13.72%)	20.43	7.47	(16.75)

Table 158: Personnel Expenditure

### CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2021/22 financial year.

#### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The statement of financial performance provides an overview of the financial performance of the Municipality and focuses on the financial health of the Municipality.

#### 5.1 Financial Summary

##### 5.1.1 Overall Financial Summary

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

Financial Summary						
R'000						
Description	2020/21	2021/22			2021/22 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial Performance</b>						
Property rates	14 389	15 749	18 135	15 393	(2.31)	(17.81)
Service charges	62 002	81 563	74 033	70 299	(16.02)	(5.31)
Investment revenue	6 278	11 004	16 181	14 684	25.06	(10.19)
Transfers recognised - operational	64 694	61 129	61 029	59 460	(2.81)	(2.64)
Other own revenue	34 762	33 692	33 444	31 486	(7.01)	(6.22)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>182 125</b>	<b>203 137</b>	<b>202 822</b>	<b>191 322</b>	<b>(6.18)</b>	<b>(6.01)</b>
Employee costs	56 729	58 243	62 982	56 916	(2.33)	(10.66)
Remuneration of Councillors	3 996	5 437	5 458	4 739	(14.73)	(15.18)
Depreciation & asset impairment	29 516	32 183	32 183	27 048	(18.99)	(18.99)
Finance charges	2 094	1 350	1 350	2 962	54.42	54.42
Materials and bulk purchases	32 116	37 919	37 919	37 124	(2.14)	(2.14)
Transfers and grants	0	0	0	0	N/A	N/A
Other expenditure	57 920	66 942	69 157	102 392	34.62	32.46
<b>Total Expenditure</b>	<b>182 371</b>	<b>202 074</b>	<b>209 049</b>	<b>231 181</b>	<b>12.59</b>	<b>9.57</b>
<b>Surplus/(Deficit)</b>	<b>(246)</b>	<b>1 063</b>	<b>(6 227)</b>	<b>(39 859)</b>	<b>102.67</b>	<b>84.38</b>
Transfers recognised - capital	22 170	18 293	18 293	24 910	26.57	26.57
Contributions recognised - capital & contributed assets	0	0	0	0	N/A	N/A
<b>Surplus/(Deficit) for the year</b>	<b>21 924</b>	<b>19 356</b>	<b>12 066</b>	<b>(14 949)</b>	<b>229.48</b>	<b>180.72</b>

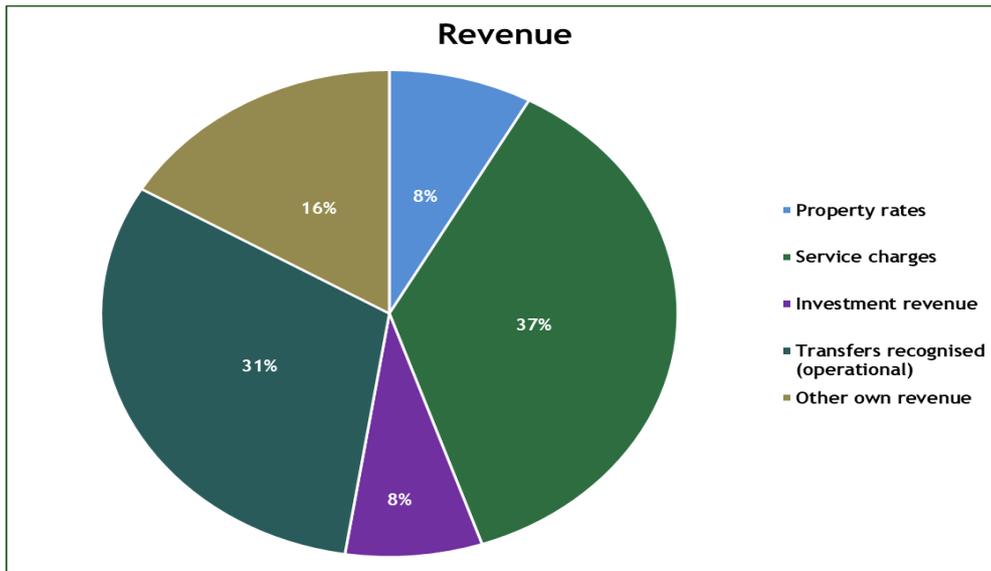
## Chapter 5: Financial Performance

Financial Summary						
R'000						
Description	2020/21	2021/22			2021/22 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<u>Capital expenditure &amp; funds sources</u>						
<u>Capital expenditure</u>						
Transfers recognised - capital	21 108	18 293	18 293	0	N/A	N/A
Internally generated funds	1 062	3 185	4 616	0	N/A	N/A
<b>Total sources of capital funds</b>	<b>22 170</b>	<b>21 478</b>	<b>22 909</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>
<u>Financial position</u>						
Total current assets	87 735	(23 392)	78 198	83 732	127.94	6.61
Total non-current assets	525 431	(10 705)	497 433	518 092	102.07	3.99
Total current liabilities	64 666	5 021	58 006	65 753	92.36	11.78
Total non-current liabilities	21 709	0	5 907	24 229	100.00	75.62
Community wealth/Equity	526 791	(39 118)	511 718	511 842	107.64	0.02
<u>Cash flows</u>						
Net cash from (used) operating	29 876	55 190	43 002	19 180	(187.74)	(124.20)
Net cash from (used) investing	(33 885)	21 478	22 909	(19 092)	212.50	219.99
Net cash from (used) financing	28	0	0	(923)	100.00	100.00
<b>Cash/cash equivalents at the year end</b>	<b>(3 981)</b>	<b>76 667</b>	<b>65 910</b>	<b>(835)</b>	<b>9 287.22</b>	<b>7 998.15</b>
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	2 801	16 564	13 954	1 966	(742.32)	(609.58)
Application of cash and investments	0	0	0	0	N/A	N/A
<b>Balance - surplus (shortfall)</b>	<b>2 801</b>	<b>16 564</b>	<b>13 954</b>	<b>1 966</b>	<b>(742.32)</b>	<b>(609.58)</b>
<u>Asset management</u>						
Asset register summary (WDV)	518 208	518 669	518 669	528 182	1.80	1.80
Depreciation & asset impairment	31 807	31 707	31 109	29 516	(7.43)	(5.40)
Renewal of Existing Assets	0	16 348	27 910	29 404	44.40	5.08
Repairs and Maintenance	2 956	5 564	4 968	3 264	(70.46)	(52.20)
<u>Free services</u>						
Cost of Free Basic Services provided	11 913	15 019	10 149	9 824	(52.88)	(3.31)
Revenue cost of free services provided	11 913	15 019	10 149	9 824	(52.88)	(3.31)
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 159: Financial Performance 2021/22

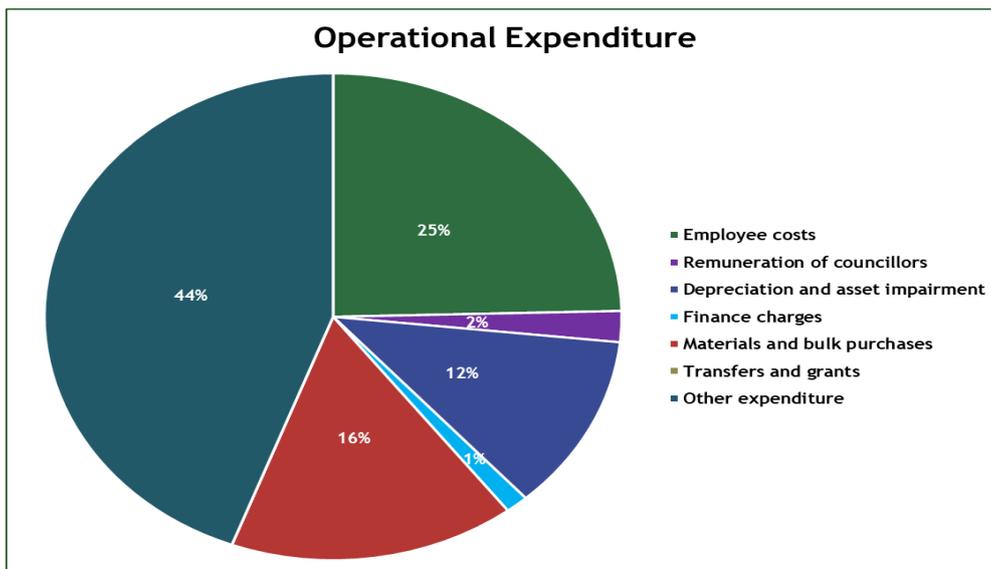
## Chapter 5: Financial Performance

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



Graph 9: Revenue

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



Graph 10: Operating Expenditure

### 5.1.2 Total Financial Performance

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	(R'000)				(R'000)			
2020/21	182 125	204 295	22 170	12	182 371	182 371	0	0
2021/22	202 822	216 232	13 410	7	209 049	231 181	(22 132)	(11)

Table 160: Total Financial Performance

## Chapter 5: Financial Performance

### 5.1.2 Revenue Collection by Vote

The table below indicates the revenue collection performance by vote:

Vote Description	2020/21	2021/22			2021/22 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Executive & Council	62 848	56 140	55 679	56 679	0.90	(0.05)
Finance & Admin	16 921	31 905	30 571	18 252	(74.80)	(67.49)
Community Services	5 881	1 652	1 421	1 436	(15.02)	1.06
Technical Services	118 399	131 731	132 443	139 895	5.84	5.33
<b>Total Revenue by Vote</b>	<b>204 049</b>	<b>221 428</b>	<b>221 114</b>	<b>216 232</b>	<b>(2.40)</b>	<b>(2.26)</b>

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

Table 161: Revenue by Vote

### 5.1.3 Revenue Collection by Source

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

Description	2020/21	2021/22			2021/22 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	14 389	15 749	18 135	15 393	(2.31)	(17.81)
Service Charges - electricity revenue	29 652	41 931	35 463	35 284	(18.84)	(0.51)
Service Charges - water revenue	14 389	19 468	17 953	17 205	(13.15)	(4.35)
Service Charges - sanitation revenue	10 032	12 157	12 610	10 711	(13.50)	(17.73)
Service Charges - refuse revenue	6 649	8 007	8 007	6 651	(20.39)	(20.39)
Service Charges - other	932	0	0	79	100.00	100.00
Rentals of facilities and equipment	23	54	59	106	49.12	44.41
Interest earned - external investments	207	364	155	128	(184.28)	(21.05)
Interest earned - outstanding debtors	6 070	10 640	16 026	14 556	26.90	(10.10)
Fines	20 790	23 190	23 190	29 342	20.97	20.97
Licences and permits	0	547	548	0	N/A	N/A
Agency services	743	309	0	874	64.64	100.00
Transfers recognised - operational	64 694	61 129	61 029	59 460	(2.81)	(2.64)
Other revenue	6 278	9 591	9 647	1 164	(723.87)	(728.68)
Gains on disposal of PPE	0	0	0	0	N/A	N/A
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>174 848</b>	<b>203 136</b>	<b>202 822</b>	<b>190 953</b>	<b>(6.38)</b>	<b>(6.22)</b>

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

Table 162: Revenue by Source

## Chapter 5: Financial Performance

### 5.1.4 Operational Services Performance

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

Financial Performance of Operational Services						
R'000						
Description	2020/21	2021/22			2021/22 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<u>Operating Cost</u>						
Water	8 259	34 143	35 074	8 879	(284.55)	(295.04)
Waste Water (Sanitation)	34 156	13 602	13 649	31 617	56.98	56.83
Electricity	36 975	53 884	54 536	42 595	(26.50)	(28.03)
Waste Management	3 909	6 910	8 234	3 539	(95.25)	(132.66)
<b>Component A: sub-total</b>	<b>83 299</b>	<b>108 539</b>	<b>111 493</b>	<b>86 629</b>	<b>(25.29)</b>	<b>(28.70)</b>
Roads and Stormwater	47 839	27 948	27 563	12 604	(121.74)	(118.69)
<b>Component B: sub-total</b>	<b>47 839</b>	<b>27 948</b>	<b>27 563</b>	<b>12 604</b>	<b>(121.74)</b>	<b>(118.69)</b>
Planning	0	0	0	0	N/A	N/A
Local Economic Development	0	0	0	0	N/A	N/A
<b>Component C: sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>
Housing	876	1 139	1 706	1 005	(13.34)	(69.76)
<b>Component D: sub-total</b>	<b>876</b>	<b>1 139</b>	<b>1 706</b>	<b>1 005</b>	<b>(13.34)</b>	<b>(69.76)</b>
Environment Protection (Pollution Control, Bio-Diversity, Landscape, Open Spaces, Parks and Coastal Protection)	0	0	0	0	N/A	N/A
<b>Component E: sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>
Traffic & licensing	0	0	0	0	N/A	N/A
<b>Component F: sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>N/A</b>
Sport and Recreation	3 836	4 121	4 425	4 143	0.53	(6.80)
Cemeteries	0	869	1 006	475	(82.77)	(111.58)
Libraries	0	2 246	2 088	1 842	(21.94)	(13.36)
Museum	0	838	823	656	(27.70)	(25.42)
Community halls facilities Thusong centres	0	221	221	565	60.88	60.88
<b>Component G: sub-total</b>	<b>3 836</b>	<b>8 295</b>	<b>8 563</b>	<b>7 682</b>	<b>(7.99)</b>	<b>(11.47)</b>
Budget and Treasury Office	0	36 551	37 256	103 814	64.79	64.11
Executive and Council	0	21 493	22 468	19 819	(8.45)	(13.37)
<b>Component H: sub-total</b>	<b>0</b>	<b>58 044</b>	<b>59 724</b>	<b>123 633</b>	<b>53.05</b>	<b>51.69</b>
<b>Total Expenditure</b>	<b>135 850</b>	<b>203 965</b>	<b>209 049</b>	<b>231 552</b>	<b>11.91</b>	<b>9.72</b>
<p><i>In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i></p>						

Table 163: Operational Services Performance

## Chapter 5: Financial Performance

### 5.2 Financial Performance per Municipal Function

#### 5.2.1 Water Services

Description	2020/21	2021/22			Variance to Budget %
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>16 820</b>	<b>21 369</b>	<b>18 547</b>	<b>17 370</b>	<b>(23.02)</b>
<b>Expenditure:</b>					
Employees	5 340	5 279	6 320	5 770	8.51
Repairs and Maintenance	356	601	575	480	(25.31)
Other	3 364	23 015	22 940	1 946	(1 082.70)
<b>Total Operational Expenditure</b>	<b>9 060</b>	<b>28 895</b>	<b>29 835</b>	<b>8 195</b>	<b>(252.57)</b>
<b>Net Operational (Service) Expenditure</b>	<b>7 761</b>	<b>(7 526)</b>	<b>(11 287)</b>	<b>9 175</b>	<b>182.02</b>
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 164: Financial Performance: Water Services

#### 5.2.2 Waste Water (Sanitation)

Description	2020/21	2021/22			Variance to Budget %
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>12 482</b>	<b>20 328</b>	<b>19 631</b>	<b>17 786</b>	<b>(14.29)</b>
<b>Expenditure:</b>					
Employees	4 616	4 542	4 561	4 003	(13.48)
Repairs and Maintenance	420	586	584	213	(175.19)
Other	2 888	6 378	6 378	27 588	76.88
<b>Total Operational Expenditure</b>	<b>7 924</b>	<b>11 506</b>	<b>11 523</b>	<b>31 804</b>	<b>63.82</b>
<b>Net Operational (Service) Expenditure</b>	<b>4 559</b>	<b>8 822</b>	<b>8 108</b>	<b>(14 018)</b>	<b>162.93</b>
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 165: Financial Performance: Waste Water (Sanitation) Services

## Chapter 5: Financial Performance

### 5.2.3 Electricity

Description	2020/21	2021/22			Variance to Budget %
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>43 938</b>	<b>44 372</b>	<b>49 965</b>	<b>50 150</b>	<b>11.52</b>
<b>Expenditure:</b>					
Employees	3 050	2 994	3 138	3 221	7.06
Repairs and Maintenance	1 205	1 940	1 940	1 318	(47.19)
Other	32 202	48 951	49 459	38 057	(28.62)
<b>Total Operational Expenditure</b>	<b>36 457</b>	<b>53 884</b>	<b>54 536</b>	<b>42 596</b>	<b>(26.50)</b>
<b>Net Operational (Service) Expenditure</b>	<b>7 481</b>	<b>(9 513)</b>	<b>(4 571)</b>	<b>7 553</b>	<b>225.94</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 166: Financial Performance: Electricity

### 5.2.4 Waste Management

Description	2020/21	2021/22			Variance to Budget %
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>8 588</b>	<b>9 147</b>	<b>8 127</b>	<b>6 651</b>	<b>(37.53)</b>
<b>Expenditure:</b>					
Employees	2 365	2 290	3 616	2 720	15.81
Repairs and Maintenance	65	180	261	229	21.43
Other	3 418	4 440	4 498	1 493	(197.48)
<b>Total Operational Expenditure</b>	<b>5 848</b>	<b>6 910</b>	<b>8 375</b>	<b>4 442</b>	<b>(55.57)</b>
<b>Net Operational (Service) Expenditure</b>	<b>2 740</b>	<b>2 236</b>	<b>(248)</b>	<b>2 209</b>	<b>(1.24)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 167: Financial Performance: Waste Management

## Chapter 5: Financial Performance

### 5.2.5 Housing

Description	2020/21	2021/22			Variance to Budget %
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>876</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
<b>Expenditure:</b>					
Employees	876	1 063	1 576	995	(6.92)
Repairs and Maintenance	0	12	12	0	N/A
Other	0	63	117	12	(448.94)
<b>Total Operational Expenditure</b>	<b>876</b>	<b>1 139</b>	<b>1 706</b>	<b>1 006</b>	<b>(13.18)</b>
<b>Net Operational (Service) Expenditure</b>	<b>0</b>	<b>(1 139)</b>	<b>(1 706)</b>	<b>(1 006)</b>	<b>(13.18)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 168: Financial Performance: Housing

### 5.2.6 Roads and Stormwater

Description	2020/21	2021/22			Variance to Budget %
	Actual	Original Budget	Adjusted Budget	Actual	
	R'000				
<b>Total Operational Revenue</b>	<b>8 711</b>	<b>12 435</b>	<b>12 402</b>	<b>18 574</b>	<b>33.05</b>
<b>Expenditure:</b>					
Employees	6 986	6 301	6 017	6 968	9.57
Repairs and Maintenance	1 599	2 334	2 540	1 128	(106.99)
Other	7 360	9 270	9 133	875	(959.20)
<b>Total Operational Expenditure</b>	<b>15 944</b>	<b>17 906</b>	<b>17 689</b>	<b>8 971</b>	<b>(99.59)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(7 233)</b>	<b>(5 471)</b>	<b>(5 288)</b>	<b>9 602</b>	<b>156.97</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 169: Financial Performance: Roads and Stormwater

## Chapter 5: Financial Performance

### 5.2.7 Libraries

Description	2020/21	2021/22			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>1 300</b>	<b>1 401</b>	<b>1 301</b>	<b>1 401</b>	<b>(0.02)</b>
<b>Expenditure:</b>					
Employees	1 609	1 883	1 904	1 837	(2.51)
Repairs and Maintenance	0	20	20	0	N/A
Other	8	343	163	31	(1 014.91)
<b>Total Operational Expenditure</b>	<b>1 617</b>	<b>2 246</b>	<b>2 088</b>	<b>1 867</b>	<b>(20.28)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(317)</b>	<b>(845)</b>	<b>(787)</b>	<b>(467)</b>	<b>(81.08)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 170: Financial Performance: Libraries

### 5.2.8 Community Facilities

Description	2020/21	2021/22			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>24</b>	<b>67</b>	<b>72</b>	<b>103</b>	<b>34.98</b>
<b>Expenditure:</b>					
Employees	1 362	3 346	2 778	2 667	(25.46)
Repairs and Maintenance	0	627	627	87	(623.79)
Other	0	1 288	2 838	1 504	14.38
<b>Total Operational Expenditure</b>	<b>1 362</b>	<b>5 261</b>	<b>6 243</b>	<b>4 258</b>	<b>(23.55)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(1 337)</b>	<b>(5 194)</b>	<b>(6 172)</b>	<b>(4 155)</b>	<b>(25.01)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 171: Financial Performance: Community Facilities

## Chapter 5: Financial Performance

### 5.2.9 Traffic and Law Enforcement

Description	2020/21	2021/22			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>21 309</b>	<b>24 080</b>	<b>23 772</b>	<b>30 211</b>	<b>20.29</b>
<b>Expenditure:</b>					
Employees	2 307	2 640	3 702	2 317	(13.92)
Repairs and Maintenance	22	315	273	76	(313.76)
Other	36 819	7 087	5 814	25 522	72.23
<b>Total Operational Expenditure</b>	<b>39 148</b>	<b>10 042</b>	<b>9 789</b>	<b>27 915</b>	<b>64.03</b>
<b>Net Operational (Service) Expenditure</b>	<b>(17 839)</b>	<b>14 038</b>	<b>13 983</b>	<b>2 295</b>	<b>(511.57)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 172: Financial Performance: Traffic and Law Enforcement

### 5.2.10 Parks and Recreation

Description	2020/21	2021/22			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>2</b>	<b>60</b>	<b>72</b>	<b>8</b>	<b>(688.83)</b>
<b>Expenditure:</b>					
Employees	3 836	3 781	4 075	4 126	8.35
Repairs and Maintenance	0	155	155	47	(227.05)
Other	0	220	230	110	(99.49)
<b>Total Operational Expenditure</b>	<b>3 836</b>	<b>4 156</b>	<b>4 460</b>	<b>4 284</b>	<b>2.97</b>
<b>Net Operational (Service) Expenditure</b>	<b>(3 835)</b>	<b>(4 096)</b>	<b>(4 389)</b>	<b>(4 276)</b>	<b>4.20</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 173: Financial Performance: Parks and Recreation

## Chapter 5: Financial Performance

### 5.2.11 Office of the Municipal Manager

Description	2020/21	2021/22			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>62 854</b>	<b>56 140</b>	<b>56 275</b>	<b>56 351</b>	<b>0.37</b>
<b>Expenditure:</b>					
Employees	9 984	3 057	2 979	4 027	24.08
Repairs and Maintenance	0	0	0	0	N/A
Other	6 527	8 278	9 308	5 842	(41.69)
<b>Total Operational Expenditure</b>	<b>16 511</b>	<b>11 335</b>	<b>12 287</b>	<b>9 869</b>	<b>(14.85)</b>
<b>Net Operational (Service) Expenditure</b>	<b>46 343</b>	<b>44 805</b>	<b>43 988</b>	<b>46 481</b>	<b>3.61</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 174: Financial Performance: Office of the Municipal Manager

### 5.2.12 Corporate Services

Description	2020/21	2021/22			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>0</b>	<b>46</b>	<b>46</b>	<b>135</b>	<b>66.01</b>
<b>Expenditure:</b>					
Employees	0	4 086	3 121	3 547	(15.20)
Repairs and Maintenance	0	122	82	29	(320.31)
Other	0	885	824	339	(160.95)
<b>Total Operational Expenditure</b>	<b>0</b>	<b>5 093</b>	<b>4 027</b>	<b>3 915</b>	<b>(30.08)</b>
<b>Net Operational (Service) Expenditure</b>	<b>0</b>	<b>(5 047)</b>	<b>(3 982)</b>	<b>(3 780)</b>	<b>(33.51)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 175: Financial Performance: Corporate Services

## Chapter 5: Financial Performance

### 5.2.14 Financial Services

Description	2020/21	2021/22			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
<b>Total Operational Revenue</b>	<b>0</b>	<b>31 777</b>	<b>30 439</b>	<b>17 755</b>	<b>(78.97)</b>
<b>Expenditure:</b>					
Employees	0	11 382	11 862	9 936	(14.56)
Repairs and Maintenance	0	55	55	24	(127.59)
Other	0	13 333	13 460	59 340	77.53
<b>Total Operational Expenditure</b>	<b>0</b>	<b>24 769</b>	<b>25 377</b>	<b>69 300</b>	<b>64.26</b>
<b>Net Operational (Service) Expenditure</b>	<b>0</b>	<b>7 007</b>	<b>5 062</b>	<b>(51 545)</b>	<b>113.59</b>

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

Table 176: Financial Performance: Financial Services

### 5.3 Grants

#### 5.3.1 Grant Performance

The Municipality had a total amount of R61 million for infrastructure and other projects available that was received in the form of grants from the national and provincial governments during the 2021/22 financial year. The performance in the spending of these grants is summarised as follows:

Grant Performance						
R'000						
Description	2020/21	2021/22			2021/22 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
<b>Capital Transfers and Grants</b>						
<b>National Government:</b>	<b>57 979</b>	<b>59 729</b>	<b>59 729</b>	<b>58 957</b>	<b>(1.31)</b>	<b>(1.31)</b>
Equitable share	55 079	56 140	56 140	56 140	0.00	0.00
EPWP	1 000	1 075	1 075	897	(19.82)	(19.82)
MIG - Project management unit	0	594	594	0	N/A	N/A
Finance management grant (FMG)	1 900	1 920	1 920	1 920	0.00	0.00
<b>Provincial Government:</b>	<b>1 300</b>	<b>1 400</b>	<b>1 300</b>	<b>1 400</b>	<b>0.00</b>	<b>7.14</b>
Library Grant	1 300	1 400	1 300	1 400	0.00	7.14
<b>Total Capital Transfers and Grants</b>	<b>59 279</b>	<b>61 129</b>	<b>61 029</b>	<b>60 357</b>	<b>(1.28)</b>	<b>(1.11)</b>

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

Table 177: Grant Performance

## Chapter 5: Financial Performance

### 5.3.2 Conditional Grants

Grant Performance						
R'000						
Description	2020/21	2021/22			2021/22% Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
FMG	9 451	11 293	11 293	13 873	18.60	18.60
EPWP	1 000	1 075	1 075	864	(24.38)	(24.38)
Water Services Infrastructure Grant	3 300	7 000	7 000	6 826	(2.55)	(2.55)
<b>Total</b>	<b>13 751</b>	<b>19 368</b>	<b>19 368</b>	<b>21 563</b>	<b>10.18</b>	<b>10.18</b>

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

Table 178: Conditional Grant (excl. MIG)

### 5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	
2020/21	86 864	117 431	<b>73.97</b>
2021/22	84 370	131 862	<b>63.98</b>

Table 179: Reliance on Grants & Subsidies

## 5.4 Asset Management

### 5.4.1 Treatment of the Largest Assets

Asset 1		
Name	Upgrading VIP toilets into water borne system	
Description	Upgrading VIP toilets into water borne system	
Asset Type	Waste Water Management / Sanitation Infrastructure	
Key Staff Involved	Project Management Unit; Water & Sanitation Technician & Other officials	
Staff Responsibilities	Monitoring the project on the progress of project regularly	
Asset Value as at 30 June 2021	2020/21 R million	2021/22 R million
	11 949	6 826
Capital Implications (R)	27 735	
Future Purpose of Asset	Community provided with flushing toilets or water borne system toilets	
Describe Key Issues	Improving and enhancing the community services by providing basic services	
Policies in Place to Manage Asset	Yes	
Asset 2		
Name	Ngqandu and Madikane block paving	
Description	Ngqandu and Madikane block paving roads	

## Chapter 5: Financial Performance

Asset Type	Roads Infrastructure	
Key Staff Involved	Project Management Unit; Roads and Stormwater & other officials	
Staff Responsibilities	Monitoring the project on the progress of project regularly	
Asset Value as at 30 June 2021	2020/21 R million	2021/22 R million
	5 606	4 381
Capital Implications	11 590	
Future Purpose of Asset	N/A	
Describe Key Issues	Improving and enhancing the community services by providing basic services	
Policies in Place to Manage Asset	Yes	

Table 180: Treatment of the Largest Assets

### 5.4.1 Repairs and Maintenance

The table below indicates the repairs and maintenance as a % of total revenue:

Description	2020/21	2021/22			
	Actual (Audited Outcome)	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			
Repairs and Maintenance Expenditure	3 504	7 080	7 277	4 064	(44.16)

Table 181: Repairs & Maintenance

## 5.5 Financial Ratios Based on Key Performance Indicators

### 5.5.1 Liquidity Ratio

Description	Basis of calculation	2020/21	2021/22
		Audited outcome	Audited outcome
Current Ratio	Current assets/current liabilities	1.36	1.27
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.24	1.19
Liquidity Ratio	Cash and equivalents/Trade creditors and short-term borrowings	1.23	1.14

Table 182: Liquidity Financial Ratio

### 5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2020/21	2021/22
		Audited outcome	Audited outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.02	0.02
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.96	0.71

## Chapter 5: Financial Performance

Description	Basis of calculation	2020/21	2021/22
		Audited outcome	Audited outcome
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	2.26	2.24

Table 183: Financial Viability National KPAs

### 5.5.3 Borrowing Management

Description	Basis of calculation	2020/21	2021/22
		Audited outcome	Audited outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.15%	1.28%

Table 184: Borrowing Management

### 5.5.4 Employee Costs

Description	Basis of calculation	2020/21	2021/22
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	29%	27%

Table 185: Employee Costs

### 5.5.5 Repairs and Maintenance

Description	Basis of calculation	2020/21	2021/22
		Audited outcome	Audited outcome
Employee costs	Employee costs/(Total revenue - capital revenue)	0.02	0.02

Table 186: Repairs and Maintenance as Percentage of Total Revenue

## Chapter 5: Financial Performance

### COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

#### 5.6 Capital Expenditure: Sources of Finance

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

Details	2020/21	2021/22				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'000				%	
<b>Source of finance</b>						
Grants and subsidies	0	18 293	18 293	20 699	0.00	13.15
Own funding	0	3 185	4 616	926	44.93	(115.86)
<b>Total</b>	<b>0</b>	<b>21 478</b>	<b>22 909</b>	<b>21 624</b>	<b>6.66</b>	<b>(5.98)</b>
<b>Percentage of finance (%)</b>						
Grants and subsidies	0	85	80	90		
Own funding	0	15	20	4		
<b>Capital expenditure</b>						
Water and sanitation	0	7 450	7 334	6 826	(1.56)	(6.82)
Electricity	0	0	2 400	0	N/A	N/A
Roads and stormwater	0	13 368	12 368	14 737	(7.48)	17.73
Other	0	660	807	62	22.27	(112.95)
<b>Total</b>	<b>0</b>	<b>21 478</b>	<b>22 909</b>	<b>21 624</b>	<b>6.66</b>	<b>(5.98)</b>
<b>Percentage of expenditure (%)</b>						
Water and sanitation	0	35	32	32		
Electricity	0	0	10	0		
Roads and stormwater	0	62	54	68		
Other	0	3	4	0		

Table 187: Capital Expenditure by Funding Source

## Chapter 5: Financial Performance

### 5.7 Capital Expenditure on New Asset Programmes

The table below indicates the capital spending by new asset programmes:

Description	2020/21	2021/22		
	<i>Audited outcome</i>	Original Budget	Adjust-ment Budget	Actual Expenditure
R'000				
<u>Infrastructure - Total</u>	0	0	2 400	458
Infrastructure: Electricity - Total	0	0	2 400	458
<i>Transmission &amp; Reticulation</i>	0	0	2 400	458
<u>Community - Total</u>	0	70	70	18
<i>Cemeteries</i>	0	70	70	18
<u>Capital expenditure by Asset Class</u>	0	2 040	667	43
<u>Other assets</u>	0	2 040	667	43
<i>General vehicles</i>	0	1 450	0	0
<i>Plant &amp; equipment</i>	0	0	35	0
<i>Computers - hardware/equipment</i>	0	590	590	43
<i>Furniture and other office equipment</i>	0	0	42	0
Total Capital Expenditure on new assets	0	2 110	3 137	520

Table 188: Capital Expenditure on New Assets

### 5.8 Municipal Infrastructure Grant (MIG) Expenditure on Service Backlogs

The table below indicates the MIG expenditure on service backlogs during the 2021/22 financial year:

Details	2021/22				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Infrastructure - Roads	11 293	11 293	13 873	18.60	18.60
Total	11 293	11 293	13 873	18.60	18.60

Table 189: MIG Expenditure on Service Backlogs

## Chapter 5: Financial Performance

### COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

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

#### 5.9 Cash Flow

Description	2021/22		
	Original Budget	Adjusted Budget	Actual
<b>Cash flow from operating activities</b>			
<b>Receipts</b>			
Ratepayers and other	123 531	114 353	55 871
Government - operating	79 422	79 322	79 578
Government - capital	0	0	0
Interest	155	155	128
<b>Payments</b>			
Suppliers and employees	(146 568)	(149 478)	(115 528)
Finance charges	(1 350)	(1 350)	(570)
<b>Net cash from/(used) operating activities</b>	<b>55 190</b>	<b>43 002</b>	<b>19 479</b>
<b>Payments</b>			
Capital assets	(21 478)	(22 909)	(19 775)
<b>Net cash from/(used) investing activities</b>	<b>(21 478)</b>	<b>(22 909)</b>	<b>(19 775)</b>
<b>Cash flows from financing activities</b>			
<b>Receipts</b>			
Borrowing long term/refinancing	0	0	(923)
<b>Net cash from/(used) financing activities</b>	<b>0</b>	<b>0</b>	<b>(923)</b>
<b>Net increase/ (decrease) in cash held</b>	<b>33 712</b>	<b>20 093</b>	<b>(1 219)</b>
Cash/cash equivalents at the year begin:	(17 148)	(6 139)	2 801
Cash/cash equivalents at the year-end:	16 564	13 954	1 582
Source: MBRR SA7			

Table 190: Cash Flow

## Chapter 5: Financial Performance

### 5.10 Gross Outstanding Debtors per Service

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
R'000						
2020/21	11 223	30 275	25 771	979	2 117	70 366
2021/22	14 933	19 343	20 255	2 293	9 377	66 202
Difference	3 710	(10 932)	(5 516)	1 314	7 260	(4 164)
% growth year on year	33	(36)	(21)	134	343	(6)

*Note: Figures exclude provision for bad debt*

Table 191: Gross Outstanding Debtors per Service

The following graph indicates the total outstanding debt per type of service for 2021/22

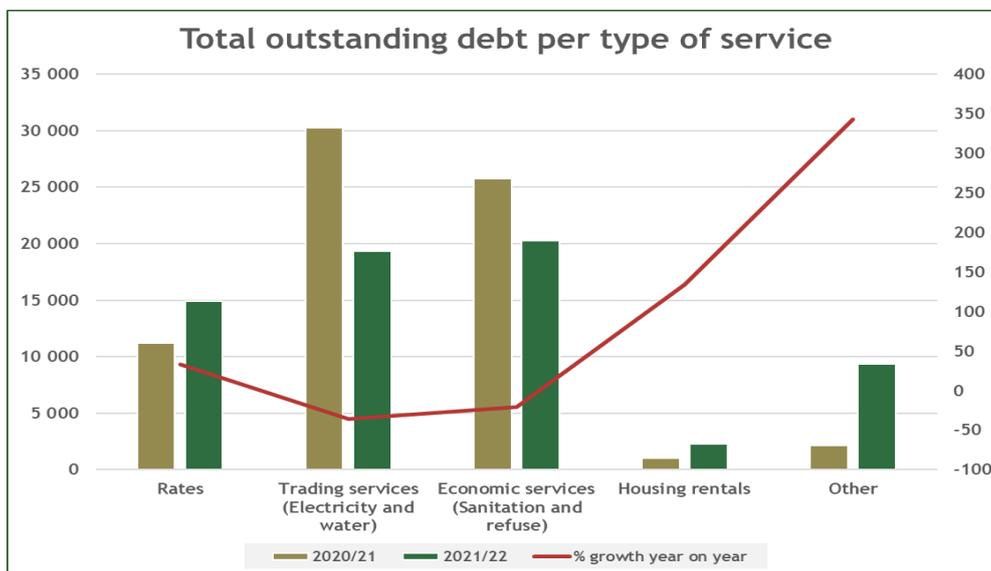


Table 192: Outstanding Debt per Type of Service

## Chapter 5: Financial Performance

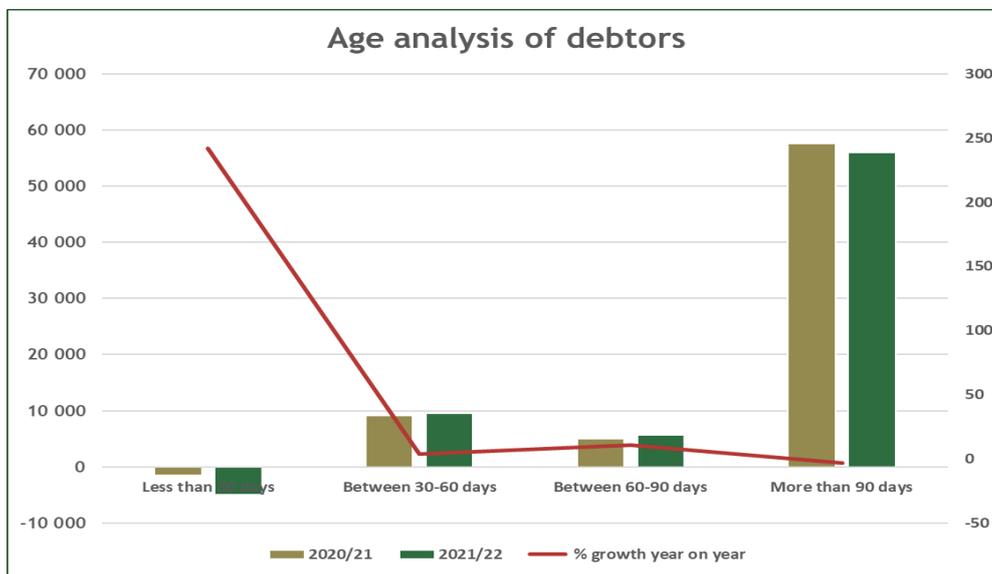
### 5.11 Total Debtors Age Analysis

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2020/21	(1 443)	9 148	5 080	57 580	70 366
2021/22	(4 928)	9 541	5 664	55 926	66 202
Difference	(3 485)	393	584	(1 655)	(4 164)
% growth year on year	242	4	11	(3)	(6)

*Note: Figures exclude provision for bad debt*

Table 193: Outstanding Debtor Age Analysis

The following graph indicates the total debtors age analysis for 2021/22



## Chapter 5: Financial Performance

### 5.12 Borrowing and Investments

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

#### 5.12.2 Municipal Investments

Actual Investments		
R'000		
Investment type	2020/21	2021/22
	Actual	Actual
Deposits - Bank	157	95
Deposits - Corporation for Public Deposits	50	33
Other	6 070	14 556
<b>Total</b>	<b>6 278</b>	<b>14 684</b>

*Table 194: Municipal Investments*

## CHAPTER 6

### COMPONENT A: AUDITOR-GENERAL OPINION 2020/21

#### 6.1 Auditor-General Report 2020/21

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
<p><b>Cash and Cash Equivalents</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG could not confirm cash and cash equivalents by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R5 172 398 (2020: R6 781 515) in the financial statements</p>	<p>Internal controls have been improved by implementing daily:</p> <ul style="list-style-type: none"> <li>☛ Daily system allocated cashbook reconciliation</li> <li>☛ Manual bank reconciliation also being implemented</li> <li>☛ Requesting bank to follow up on unallocated deposits with their ABC division to identify depositors</li> <li>☛ Retracing &amp; completing previous bank &amp; cashbook reconciliations</li> <li>☛ Supervision and controls escalated to the office of the CFO</li> </ul>
<p><b>Distribution losses - electricity</b></p> <p>As disclosed in note 48 to the financial statements, material electricity losses of R8 907 499 (2020: R6 447 531) was incurred, which represents 28.02% (2020: 24.06%) of total electricity purchased. Technical losses and non-technical losses were due dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering</p>	<ul style="list-style-type: none"> <li>☛ Distribution losses caused due to load-shedding cannot be anticipated and will form part of normal technical losses as long as this is part of operations</li> <li>☛ Additional allocation for improved capacity on maintenance of key areas being implemented</li> <li>☛ Already commenced with auditing bulk MVA uses tariff charges and implementing corrective measures where errors are identified</li> <li>☛ Intend to restructure tariff in the new financial year to ensure that demand charges are recovered even if not used</li> <li>☛ Looking for a service provider at risk to upgrade old meters to modern technology to mitigate illegal connections, tampering, theft and incorrect readings. Modern metering would also control the amount of allocation to indigent households on a daily basis</li> <li>☛ Identify all non-revenue electricity usage that may not be included in the reconciliation of the calculation of distribution losses</li> </ul>
<p><b>Distribution losses - water</b></p> <p>As disclosed in note 48 to the financial statements, material water losses of R9 489 410 (2020: R9 137 943) was incurred, which represents 59.23% (2020: 66.36%) of total water purchased. Technical losses and non-technical losses were due to leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connection</p>	<ul style="list-style-type: none"> <li>☛ Distribution losses caused due to a sudden increase and drop in water pressure cannot be anticipated and will form part of normal technical losses as long as this is part of operations. As funding becomes available, the Municipality will upgrade old asbestos and earthen wear pipes with UPVC pipes to reduce leaks and breakages</li> <li>☛ Additional allocation for improved capacity on maintenance of key areas being implemented</li> <li>☛ As funding becomes available to introduce control bulk meters to identify areas with high losses so that specific actions can be undertaken</li> <li>☛ Intend to restructure tariff in the new financial year to ensure that stepped tariffs recover higher amounts from larger uses</li> </ul>

## Chapter 6: Auditor-General Report

Details	
	<ul style="list-style-type: none"> <li>🔍 Looking for a service provider at risk to upgrade old meters to modern technology to mitigate illegal connections, tampering, theft and incorrect readings. Modern metering would also control the amount of allocation to indigent households on a daily basis</li> <li>🔍 Identify all non-revenue water usage that may not be included in the reconciliation of calculation of distribution losses</li> </ul>
<p><b>Underspending of conditional grants</b></p> <p>As disclosed in note 26 to the financial statements, the Municipality materially underspent on the municipal infrastructure grant by R5 601 018. The underspending resulted to delays in the progress of the upgrading of Ngqandu and Madikane streets projects</p>	<ul style="list-style-type: none"> <li>🔍 Lockdowns and unavailability of service providers were major contributing factors</li> <li>🔍 Slow bid committee processes are being reviewed and improvements have already been implemented</li> <li>🔍 The SCM process is being reviewed and already approval processes are being speeded-up</li> <li>🔍 Late receipts and non-approval of roll-over of grants have caused delays and internal budget to be made available to start bid processes earlier and such funds are recovered when grants are received</li> <li>🔍 Delegations have been reviewed to be implemented in the new financial year</li> </ul>

Table 195: AG Report 2020/21

### COMPONENT B: AUDITOR-GENERAL OPINION 2021/22

#### 6.2 Auditor-General Report 2021/22

Details	
Audit Report Status:	Qualified
Issue raised	Corrective steps implemented
<p><b>Property, plant and equipment</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for infrastructure asset included in property, plant and equipment due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the unbundling of completed assets. The AG was unable to confirm infrastructure assets by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to infrastructure assets, stated at R440 371 447 in note 9 to the financial statements</p>	<ul style="list-style-type: none"> <li>🔍 Management will ensure that all information in support of all amounts contained in the AFS will be submitted with the AFS to avoid limitations of scope in the audit.</li> <li>🔍 Management will also ensure that the additions to infrastructure assets are supported by the billing quantities.</li> </ul>
<p><b>Cash and Cash Equivalents</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG could not confirm cash and cash equivalents by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R1 966 494 (2021: R2 800 998) in note 7 of the financial statements</p>	<ul style="list-style-type: none"> <li>🔍 Management will design and implement processes for monthly reconciliations that are supported by evidence of each amount processed. Any discrepancies identified will be thoroughly investigated in a timely manner to prevent instances where corrections are only made at year end. Furthermore, the reconciliation will be reviewed by the CFO against supporting documents to ensure accuracy and completeness thereof.</li> </ul>
<p><b>Service charges</b></p> <p>The Municipality did not accurately recognise sale of electricity that has accrued in accordance with GRAP 9,</p>	<ul style="list-style-type: none"> <li>🔍 Management will ensure that accurate readings are taken and captured accurately on a monthly basis. Management</li> </ul>

## Chapter 6: Auditor-General Report

Details	
<p>Revenue from exchange transactions. As the Municipality did not maintain accurate records of services rendered, the AG was unable to determine the full extent of the overstatement of sale of electricity included in service charges and electricity consumer debtors included in receivables from exchange transactions and VAT payable for the current year as it was impracticable to do so. Since revenue from sale of electricity is included in the determination of net cash flows from operating activities reported in the cash flow statements, the AG was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R131 522 852 in the financial statements</p>	<p>will also ensure that deviation report is reviewed on a monthly basis.</p> <ul style="list-style-type: none"> <li>Management will also ensure that supporting documents are submitted timeously to AG.</li> </ul>
<p><b>Interest received</b></p> <p>The Municipality did not recognise interest received accurately, that has accrued in accordance with GRAP 9, Revenue from exchange transactions. The Municipality did not bill consumers in the Council approved interest rate. The AG was unable to determine the full extent of the understatement of interest received included in revenue from exchange transactions for the current year as it was impracticable to do so. Since revenue from interest received is included in the determination of net cash flows from operating activities reported in the cash flow statement, the AG was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R131 522 852 in the financial statements</p>	<ul style="list-style-type: none"> <li>Management has already changed the interest rate in the financial system as from October 2022.</li> <li>Management will perform a recalculation of the interest incorrectly billed as from July 2022 to September 2022 in order to determine the extent of the understatement and take that to council for a possible write-off.</li> </ul>
<p><b>Receivables from exchange transactions</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for water consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm water consumer debtors by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to water consumer debtors, stated at R94 552 509 in note 5 of the financial statements</p> <p>The AG was unable to obtain sufficient appropriate audit evidence for refuse consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm refuse consumer debtors by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to refuse consumer debtors, stated at R53 928 911 in note 5 of the financial statements</p>	<ul style="list-style-type: none"> <li>Management will ensure that revenue from availability charges have their separate vote number and are treated as revenue from non-exchange.</li> <li>Management will also ensure that correct journals are passed to the correct differences identified on receivables from exchange transactions.</li> </ul>
<p><b>Other debtors from exchange transactions</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for under (over) banking included in other debtors from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm under (over) banking by alternative</p>	<ul style="list-style-type: none"> <li>Management will ensure that all the requested information is submitted to the auditors and where the information is not available, a management representation letter will be provided to such an effect.</li> <li>Management is currently addressing the is of cash and cash equivalents which has a direct impact on the under (over) banking.</li> <li>Management has currently set a target that by the end of April 2023, the issue should be resolved.</li> </ul>

## Chapter 6: Auditor-General Report

Details	
means. Consequently, The AG was unable to determine whether any adjustment was necessary to under (over) banking, stated at R6 380 974 in note 4 to the financial statements	
<p><b>Allowance for impairment</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for allowance for impairment included in receivables from exchange and non-exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm allowance for impairment by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to allowance for impairment, stated at R223 632 712 in note 9 to the financial statements</p>	<ul style="list-style-type: none"> <li>Management will ensure that accurate schedules that support the amounts disclosed on the annual financial statement are provided on time.</li> </ul>
<p><b>Debt impairment</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for bad debts written of included in debt impairment due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm bad debts written off by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to bad debts written off, stated at R 24 701 996 in note 35 to the financial statements</p>	<ul style="list-style-type: none"> <li>Management will prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</li> <li>Management will ensure that accurate schedules are provided on time for the audit.</li> <li>Management will ensure that schedules that support the amount disclosed on the annual financial statement are provided to AG on time.</li> </ul>
<p><b>Payables from exchange transactions</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for unallocated deposits included in payables from exchange transactions due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG was unable to confirm unallocated deposits by alternative means. Consequently, The AG was unable to determine whether any adjustment was necessary to unallocated deposits, stated at R6 132 186 in note 12 to the financial statements</p>	<ul style="list-style-type: none"> <li>Management will ensure that all unallocated deposits are traced and allocated to the correct revenue item by the end of the current financial year.</li> <li>The finance team has already started identification of these transaction, once identified the transactions will be allocated and proper records will be kept and made available timeously to the auditors.</li> </ul>
<p><b>Payables from non-exchange transactions</b></p> <p>The Municipality did not recognise consumer debtors meeting the definition of payables from non-exchange transactions in accordance with GRAP 1, Fair presentation of financial statements. Consequently, consumer debtors with credit balances were understated by R4 927 725.</p>	<ul style="list-style-type: none"> <li>Management will review all accounts with credit balances and investigate whether the credit was due to an error in billing or was due to the consumers paying more than they owed.</li> <li>Management will ensure that proper records are kept and that the credit balances are transferred to payables from non-exchange transactions if it is discovered that the credit was due to excess payment and correcting journals will be passed if the credits were due to errors in billing.</li> </ul>
<p><b>Prior period adjustments</b></p> <p>The AG was unable to obtain sufficient appropriate audit evidence for prior period adjustments relating to cash and cash equivalents as well as other receivables from exchange transactions included in prior period adjustments due to the status of the accounting records. The Municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. The AG</p>	<ul style="list-style-type: none"> <li>Management will prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</li> <li>Management will ensure that all the requested information is submitted to the auditors and where the information is not available, a management representation letter be provided to such an effect.</li> </ul>

## Chapter 6: Auditor-General Report

Details	
was unable to confirm these prior period adjustments by alternative means. Consequently, the AG was unable to determine whether any adjustment was necessary to prior period adjustments, stated at R2 371 399 and R5 135 536, respectively in note 46 to the financial statements	

*Table 196: AG Report 2021/22*

## Abbreviations

<b>AC</b>	Asbestos Cement	<b>MM</b>	Municipal Manager
<b>AG</b>	Auditor-General	<b>MMC</b>	Member of Mayoral Committee
<b>ANC</b>	African National Congress	<b>MPAC</b>	Municipal Public Accounts Committee
<b>B-BBEE</b>	Broad Based Black Economic Empowerment	<b>MSA</b>	Municipal Systems Act No. 32 of 2000
<b>COGHSTA</b>	Cooperative Governance, Human Settlements and Traditional Affairs	<b>mSCOA</b>	Municipal Standard Chart of Accounts
<b>DA</b>	Democratic Alliance	<b>MTECH</b>	Medium Term Expenditure Committee
<b>DEA</b>	Department of Environmental Affairs	<b>NGO</b>	Non-governmental organisation
<b>DEDAT</b>	Department of Economic Development and Tourism	<b>NT</b>	National Treasury
<b>DMA</b>	Disaster Management (Act 57 of 2002)	<b>OPEX</b>	Operating expenditure
<b>DOH</b>	Department of Health	<b>PACA</b>	Participatory Appraisal Competitive Advantage
<b>DoRA</b>	Division of Revenue Act	<b>PMS</b>	Performance Management System
<b>DRDLR</b>	Department of Rural Development and Land Reform	<b>PPE</b>	Personal Protective Equipment
<b>EEDSM</b>	Energy Efficiency and Demand Side Management	<b>PRV</b>	Pressure Reducing Valve
<b>EFF</b>	Economic Freedom Fighters	<b>PT</b>	Provincial Treasury
<b>EME</b>	Exempt Micro Enterprises	<b>PVC</b>	Polyvinyl Chloride
<b>IDP</b>	Integrated Development Plan	<b>QSE</b>	Qualifying Small Enterprises
<b>IMATU</b>	Independent Municipal and Allied Trade Union	<b>SALGA</b>	South African Local Government Organisation
<b>INEP</b>	Integrated National Electrification Programme	<b>SAMDI</b>	South African Management Development Institute
<b>KI</b>	Kerb Inlet	<b>SAMWU</b>	South African Municipal Workers Union
<b>KPA</b>	Key Performance Area	<b>SASSA</b>	South African Social Security Agency
<b>KPI</b>	Key Performance Indicator	<b>SCM</b>	Supply Chain Management
<b>LED</b>	Local Economic Development	<b>SDBIP</b>	Service Delivery and Budget Implementation Plan
<b>LGS</b>	Local Government Support	<b>SDF</b>	Spatial Development Framework
<b>LGSETA</b>	Local Government Sector Education Authority	<b>SEDA</b>	Small Enterprise Development Agency
<b>MAYCOM</b>	Executive Mayoral Committee	<b>SMMEs</b>	Small, Medium and Macro Enterprises
<b>MCCR</b>	Municipal Cost Containment Regulations	<b>uPVC</b>	Un-plasticised Poly Vinyl Chloride
<b>MFMA</b>	Municipal Finance Management Act (Act No. 56 of 2003)	<b>VIP</b>	Ventilated Improved Pit
<b>MIG</b>	Municipal Infrastructure Grant	<b>VCP</b>	Vehicle Check Point
		<b>WWTP</b>	Waste Water Treatment Plant
		<b>WSIG</b>	Water Service Infrastructure Grant

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**ANNEXURE A:  
AUDITED FINANCIAL  
STATEMENTS**



Umsobomvu Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2022

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Legal form of entity</b>	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	A local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.
<b>Members of council</b>	
Mayor	MS Toto
Councillors	VP Harmse W Minnie ND Stafa JP Mathee GMH Douw B Mangaliso L Tyindyi NS Mlungwana SA Yabo L Zakhe T Matebese AP Poyo NG Mgcineni (resigned 24 November 2021) T Lamani (resigned 24 November 2021)
Previous members not re-elected	NJ Batties SK Brown CM William SE Humphries MR Kafi MA Sestile
<b>Grading of local authority</b>	Grade 2
<b>Chief financial officer</b>	TD Tshikundu (resigned 30 June 2022) N Thiso (acting)
<b>Accounting officer</b>	AC Mpela
<b>Business address</b>	21A Church Street Colesberg Northern Cape 9795
<b>Postal address</b>	Private Bag X6 Colesberg Northern Cape 9795
<b>Bankers</b>	ABSA Bank Limited Standard Bank of South Africa Limited First National Bank Limited
<b>Telephone Number</b>	(051) 753 0777
<b>Fax number</b>	(051) 753 0574
<b>Website</b>	<a href="http://www.umsobomvumun.co.za">www.umsobomvumun.co.za</a>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Index

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements 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.

The annual financial statements set out on pages 6 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

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**AC Mpela**  
Accounting officer

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2022.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Umsobomvu municipal area.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment. Net deficit of the municipality was R 14 948 743 (2021: surplus R 21 844 794).

### 2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 511 841 757 and that the municipality's total assets exceed its liabilities by R 511 841 757. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cash flow of the municipality and where necessary procure funding for the ongoing operations of the municipality.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting officer's interest in contracts

The accounting officer had no interest in any contracts.

### 5. Accounting policies

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

### 6. Non-current assets

There were no changes in the nature of the non-current assets of the municipality during the year.

### 7. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Internal audit

The municipality has outsourced its internal audit function to the Pixley-ka-Seme District Municipality. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 8. Bankers

The municipality's bankers did not change during the year.

### 9. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note	2022	2021
<b>Assets</b>			
Current Assets			
Inventories	3	421 189	405 268
Other debtors from exchange transactions	4	8 836 857	8 176 678
Receivables from exchange transactions	5	40 149 585	57 025 186
Receivables from non-exchange transactions	5	9 377 321	2 117 223
Statutory receivables from non-exchange transactions	6	20 086 237	14 654 418
Receivables from availability charges		2 894 542	2 554 982
Cash and cash equivalents	7	1 966 494	2 800 998
		<b>83 732 225</b>	<b>87 734 753</b>
Non-Current Assets			
Investment property	8	16 698 999	16 698 999
Property, plant and equipment	9	501 348 069	508 666 916
Intangible assets	10	44 484	64 816
Operating lease asset		-	274
		<b>518 091 552</b>	<b>525 431 005</b>
<b>Total Assets</b>		<b>601 823 777</b>	<b>613 165 758</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	11	716 167	651 924
Payables from exchange transactions	12	45 178 263	36 309 493
Payables from non-exchange transactions	13	147 946	977 943
VAT payable	14	11 476 927	13 728 194
Consumer deposits	15	708 638	745 124
Employee benefit obligation	16	772 000	708 000
Unspent conditional grants and receipts	17	6 752 681	11 545 447
		<b>65 752 622</b>	<b>64 666 125</b>
Non-Current Liabilities			
Finance lease obligation	11	1 803 116	2 519 283
Employee benefit obligation	16	11 811 460	10 978 460
Provisions	18	10 614 822	8 211 388
		<b>24 229 398</b>	<b>21 709 131</b>
<b>Total Liabilities</b>		<b>89 982 020</b>	<b>86 375 256</b>
<b>Net Assets</b>		<b>511 841 757</b>	<b>526 790 502</b>
Accumulated surplus		511 841 757	526 790 502

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note	2022	2021
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	69 929 595	61 654 660
Rental of facilities and equipment	20	106 131	23 457
Agency services	21	873 957	742 697
Other income	22	1 164 135	964 491
Interest received	23	14 684 252	6 277 516
Fair value adjustments		-	4 554 100
<b>Total revenue from exchange transactions</b>		<b>86 758 070</b>	<b>74 216 921</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	15 393 349	14 389 004
Availability charges	25	368 990	347 115
<b>Transfer revenue</b>			
Government grants and subsidies	26	84 370 466	86 864 096
Fines, penalties and forfeits	27	29 341 517	20 789 543
Public contributions and donations	28	-	7 688 112
<b>Total revenue from non-exchange transactions</b>		<b>129 474 322</b>	<b>130 077 870</b>
<b>Total revenue</b>		<b>216 232 392</b>	<b>204 294 791</b>
<b>Expenditure</b>			
Employee related costs	29	(56 916 159)	(56 729 144)
Remuneration of councillors	30	(4 738 864)	(3 996 005)
Repairs and maintenance	31	(4 063 867)	(3 503 633)
Depreciation and amortisation	32	(26 757 310)	(29 515 831)
Impairment loss	33	(290 598)	-
Finance costs	34	(2 961 991)	(2 094 091)
Debt impairment	35	(75 611 396)	(32 765 896)
Bulk purchases	36	(37 123 997)	(32 115 789)
Contracted services	37	(6 427 017)	(5 507 851)
Loss on disposal of assets and liabilities		(66 510)	-
General expenses	38	(12 239 471)	(12 272 769)
Auditors remuneration	39	(2 679 316)	(3 134 160)
Fines and penalties		(125 144)	(186 752)
Travel and subsistence		(1 179 495)	(548 963)
<b>Total expenditure</b>		<b>(231 181 135)</b>	<b>(182 370 884)</b>
<b>(Deficit) surplus for the year</b>		<b>(14 948 743)</b>	<b>21 923 907</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	502 526 853	502 526 853
Adjustments		
Correction of errors (refer to Note 46)	2 339 742	2 339 742
<b>Balance at 01 July 2020 as restated*</b>	<b>504 866 595</b>	<b>504 866 595</b>
Changes in net assets		
Surplus for the year	21 923 907	21 923 907
Total changes	21 923 907	21 923 907
<b>Balance at 01 July 2021</b>	<b>526 790 500</b>	<b>526 790 500</b>
Changes in net assets		
Surplus for the year	(14 948 743)	(14 948 743)
Total changes	(14 948 743)	(14 948 743)
<b>Balance at 30 June 2022</b>	<b>511 841 757</b>	<b>511 841 757</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note	2022	2021
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		51 945 152	63 360 949
Government grant and subsidies		79 577 700	78 540 000
Interest income		-	6 277 516
		<u>131 522 852</u>	<u>148 178 465</u>
<b>Payments</b>			
Employee costs		(62 219 726)	(59 907 953)
Finance costs		-	(1 750 793)
Suppliers paid		(50 122 699)	(56 643 300)
		<u>(112 342 425)</u>	<u>(118 302 046)</u>
<b>Net cash flows from operating activities</b>	40	<b><u>19 180 427</u></b>	<b><u>29 876 419</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(19 091 503)	(31 329 983)
Statutory receivables from non-exchange transactions		-	(2 554 982)
<b>Net cash flows from investing activities</b>		<b><u>(19 091 503)</u></b>	<b><u>(33 884 965)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(923 426)	28 029
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(834 502)</u></b>	<b><u>(3 980 517)</u></b>
Cash and cash equivalents at the beginning of the year		2 800 998	6 781 515
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>1 966 496</u></b>	<b><u>2 800 998</u></b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	81 563 000	(7 530 000)	<b>74 033 000</b>	69 929 595	<b>(4 103 405)</b>	
Rental of facilities and equipment	54 000	5 000	<b>59 000</b>	106 131	<b>47 131</b>	Note 53
Agency services	309 000	(309 000)	-	873 957	<b>873 957</b>	Note 53
Licences and permits	547 000	1 000	<b>548 000</b>	-	<b>(548 000)</b>	Note 53
Other income	9 592 000	55 000	<b>9 647 000</b>	1 164 135	<b>(8 482 865)</b>	Note 53
Interest received	11 004 000	5 177 000	<b>16 181 000</b>	14 684 252	<b>(1 496 748)</b>	
<b>Total revenue from exchange transactions</b>	<b>103 069 000</b>	<b>(2 601 000)</b>	<b>100 468 000</b>	<b>86 758 070</b>	<b>(13 709 930)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	15 749 000	2 386 000	<b>18 135 000</b>	15 393 349	<b>(2 741 651)</b>	Note 53
Availability charges	-	-	-	368 990	<b>368 990</b>	Note 53
<b>Transfer revenue</b>						
Government grants and subsidies	61 129 000	(100 000)	<b>61 029 000</b>	84 370 466	<b>23 341 466</b>	
Fines, penalties and forfeits	23 190 000	-	<b>23 190 000</b>	29 341 517	<b>6 151 517</b>	Note 53
<b>Total revenue from non-exchange transactions</b>	<b>100 068 000</b>	<b>2 286 000</b>	<b>102 354 000</b>	<b>129 474 322</b>	<b>27 120 322</b>	
<b>Total revenue</b>	<b>203 137 000</b>	<b>(315 000)</b>	<b>202 822 000</b>	<b>216 232 392</b>	<b>13 410 392</b>	
<b>Expenditure</b>						
Employee related costs	(58 243 449)	(4 738 551)	<b>(62 982 000)</b>	(56 916 159)	<b>6 065 841</b>	
Remuneration of councillors	(5 437 000)	(21 000)	<b>(5 458 000)</b>	(4 738 864)	<b>719 136</b>	Note 53
Depreciation and amortisation	(32 183 000)	-	<b>(32 183 000)</b>	(26 757 310)	<b>5 425 690</b>	Note 53
Impairment loss	-	-	-	(290 598)	<b>(290 598)</b>	Note 53
Finance costs	(1 350 000)	-	<b>(1 350 000)</b>	(2 961 991)	<b>(1 611 991)</b>	Note 53
Debt impairment	(23 863 982)	(18)	<b>(23 864 000)</b>	(75 611 396)	<b>(51 747 396)</b>	
Bulk purchases	(37 919 000)	-	<b>(37 919 000)</b>	(37 123 997)	<b>795 003</b>	
Loss on disposal of assets	-	-	-	(66 510)	<b>(66 510)</b>	Note 53
Inventory consumed	(2 141 000)	(1 919 000)	<b>(4 060 000)</b>	-	<b>4 060 000</b>	
Contracted services	(13 312 000)	(993 000)	<b>(14 305 000)</b>	(6 427 017)	<b>7 877 983</b>	Note 53
General expenses	(27 625 000)	697 000	<b>(26 928 000)</b>	(16 303 338)	<b>10 624 662</b>	Note 53
Auditors remuneration	-	-	-	(2 679 316)	<b>(2 679 316)</b>	Note 53
Fines and penalties	-	-	-	(125 144)	<b>(125 144)</b>	Note 53
Travel and subsistence	-	-	-	(1 179 495)	<b>(1 179 495)</b>	Note 53
<b>Total expenditure</b>	<b>(202 074 431)</b>	<b>(6 974 569)</b>	<b>(209 049 000)</b>	<b>(231 181 135)</b>	<b>(22 132 135)</b>	
<b>Deficit before taxation</b>	<b>1 062 569</b>	<b>(7 289 569)</b>	<b>(6 227 000)</b>	<b>(14 948 743)</b>	<b>(8 721 743)</b>	
Transfers and subsidies - Capital	(18 293 000)	-	<b>(18 293 000)</b>	-	<b>18 293 000</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3 780 000	(7 435 000)	<b>(3 655 000)</b>	421 189	<b>4 076 189</b>	Note 53
Call investments	-	275 000	<b>275 000</b>	-	<b>(275 000)</b>	
Other debtors from exchange transactions	(23 864 000)	26 976 000	<b>3 112 000</b>	8 836 857	<b>5 724 857</b>	Note 53
Consumer debtors	13 839 000	71 042 000	<b>84 881 000</b>	49 526 906	<b>(35 354 094)</b>	Note 53
Statutory receivables from non-exchange transactions	-	-	-	20 086 237	<b>20 086 237</b>	Note 53
Receivables from availability charges	-	-	-	2 894 542	<b>2 894 542</b>	
Current portion of long term receivables	-	(1 000)	<b>(1 000)</b>	-	<b>1 000</b>	
Cash and cash equivalents	(17 147 000)	10 733 000	<b>(6 414 000)</b>	1 966 494	<b>8 380 494</b>	Note 53
	<b>(23 392 000)</b>	<b>101 590 000</b>	<b>78 198 000</b>	<b>83 732 225</b>	<b>5 534 225</b>	
<b>Non-Current Assets</b>						
Investment property	-	16 699 000	<b>16 699 000</b>	16 698 999	<b>(1)</b>	
Property, plant and equipment	(10 606 000)	491 374 000	<b>480 768 000</b>	501 348 069	<b>20 580 069</b>	
Intangible assets	(99 000)	65 000	<b>(34 000)</b>	44 484	<b>78 484</b>	Note 53
	<b>(10 705 000)</b>	<b>508 138 000</b>	<b>497 433 000</b>	<b>518 091 552</b>	<b>20 658 552</b>	
<b>Total Assets</b>	<b>(34 097 000)</b>	<b>609 728 000</b>	<b>575 631 000</b>	<b>601 823 777</b>	<b>26 192 777</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	3 178 000	<b>3 178 000</b>	716 167	<b>(2 461 833)</b>	Note 53
Payables from exchange transactions	2 847 000	38 445 000	<b>41 292 000</b>	45 178 263	<b>3 886 263</b>	
Payables from non-exchange transactions	-	-	-	147 946	<b>147 946</b>	Note 53
VAT payable	-	-	-	11 476 927	<b>11 476 927</b>	Note 53
Consumer deposits	-	785 000	<b>785 000</b>	708 638	<b>(76 362)</b>	
Employee benefit obligation	2 174 000	10 577 000	<b>12 751 000</b>	772 000	<b>(11 979 000)</b>	Note 53
Unspent conditional grants and receipts	-	-	-	6 752 681	<b>6 752 681</b>	Note 53
	<b>5 021 000</b>	<b>52 985 000</b>	<b>58 006 000</b>	<b>65 752 622</b>	<b>7 746 622</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	-	-	1 803 116	<b>1 803 116</b>	Note 53
Employee benefit obligation	-	5 907 000	<b>5 907 000</b>	11 811 460	<b>5 904 460</b>	Note 53
Provisions	-	-	-	10 614 822	<b>10 614 822</b>	Note 53
	-	<b>5 907 000</b>	<b>5 907 000</b>	<b>24 229 398</b>	<b>18 322 398</b>	
<b>Total Liabilities</b>	<b>5 021 000</b>	<b>58 892 000</b>	<b>63 913 000</b>	<b>89 982 020</b>	<b>26 069 020</b>	
<b>Net Assets</b>	<b>(39 118 000)</b>	<b>550 836 000</b>	<b>511 718 000</b>	<b>511 841 757</b>	<b>123 757</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	(39 118 000)	550 577 000	<b>511 459 000</b>	511 841 757	<b>382 757</b>	Note 53
	<b>(39 118 000)</b>	<b>550 577 000</b>	<b>511 459 000</b>	<b>511 841 757</b>	<b>382 757</b>	
Reserves	-	259 000	<b>259 000</b>	-	<b>(259 000)</b>	
<b>Total Net Assets</b>	<b>(39 118 000)</b>	<b>550 836 000</b>	<b>511 718 000</b>	<b>511 841 757</b>	<b>123 757</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	123 530 848	(9 178 248)	<b>114 352 600</b>	55 870 971	<b>(58 481 629)</b>	Note 53
Government grants and subsidies	79 422 000	(100 000)	<b>79 322 000</b>	79 577 700	<b>255 700</b>	
Interest income	155 000	-	<b>155 000</b>	128 041	<b>(26 959)</b>	Note 53
	<b>203 107 848</b>	<b>(9 278 248)</b>	<b>193 829 600</b>	<b>135 576 712</b>	<b>(58 252 888)</b>	
<b>Payments</b>						
Suppliers and employee cost	(146 568 000)	(2 910 000)	<b>(149 478 000)</b>	(115 527 631)	<b>33 950 369</b>	Note 53
Finance costs	(1 350 000)	-	<b>(1 350 000)</b>	(569 874)	<b>780 126</b>	Note 53
	<b>(147 918 000)</b>	<b>(2 910 000)</b>	<b>(150 828 000)</b>	<b>(116 097 505)</b>	<b>34 730 495</b>	
<b>Net cash flows from operating activities</b>	<b>55 189 848</b>	<b>(12 188 248)</b>	<b>43 001 600</b>	<b>19 479 207</b>	<b>(23 522 393)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(21 477 650)	(1 431 000)	<b>(22 908 650)</b>	(19 775 239)	<b>3 133 411</b>	Note 53
<b>Cash flows from financing activities</b>						
Finance lease payments	-	-	-	(923 426)	<b>(923 426)</b>	Note 53
Net increase/(decrease) in cash and cash equivalents	33 712 198	(13 619 248)	<b>20 092 950</b>	(1 219 458)	<b>(20 562 477)</b>	Note 53
Cash and cash equivalents at the beginning of the year	(17 148 000)	11 009 000	<b>(6 139 000)</b>	2 800 999	<b>8 939 999</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>16 564 198</b>	<b>(2 610 248)</b>	<b>13 953 950</b>	<b>1 581 541</b>	<b>(11 622 478)</b>	

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

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

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

#### Trade receivables and loans and receivables

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

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

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 tangible assets are inherently uncertain and could materially change over time.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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

#### Useful lives of waste and water network and other assets

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

#### Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16 - Employee benefit obligation.

#### Effective interest rate

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

#### Allowance for doubtful debts

On consumer debtors and trade 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Investment property

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

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

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

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

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.

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## Accounting Policies

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### 1.4 Investment property (continued)

#### Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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.

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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### 1.5 Property, plant and equipment (continued)

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.

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

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

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

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

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Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	20 - 25 years
Roads and paving	Straight line	10 - 15 years
Electricity	Straight line	5 - 50 years
Water	Straight line	15 - 100 years
Sewerage	Straight line	15 - 60 years
Landfill sites	Straight line	23 - 25 years
Recreational facilities	Straight line	20 - 25 years
Security measures	Straight line	20 - 25 years
Specialist vehicles	Straight line	1 - 5 years
Other vehicles	Straight line	1 - 5 years
Office equipment	Straight line	3 - 7 years
Furniture and fittings	Straight line	7 - 10 years
Plant and equipment	Straight line	2 - 10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality 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.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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.

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### 1.5 Property, plant and equipment (continued)

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 29 - Repairs and maintenance).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8 - Property, plant and equipment).

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity 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.

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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer software	Straight line	3 - Indefinite
Website	Straight line	5 years

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## Accounting Policies

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### 1.7 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

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## Accounting Policies

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### 1.7 Statutory receivables (continued)

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

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.8 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 entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### 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 municipality's incremental borrowing rate.

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.

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### 1.8 Leases (continued)

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

### 1.9 Inventories

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

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

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

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

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

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

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

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

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

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

### 1.10 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.

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

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

A cash-generating unit is the smallest identifiable group of assets 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.

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

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

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

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

Useful life is either:

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## Accounting Policies

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

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

#### Identification

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

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.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### 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.

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.11 Impairment of non-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.

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

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

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

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

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

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

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

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

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

Useful life is either:

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

#### 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.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.12 Employee benefits

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

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

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

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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### 1.12 Employee benefits (continued)

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

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Multi-employer plans

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

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

Defined contribution plans are post-employment benefit plans under which an entity 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 entity during a reporting period, the entity recognise 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, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve 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.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment 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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Employee benefits (continued)

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 entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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 return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account 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 entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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 amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity 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;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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 entity 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:

- 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 entity re-measure 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 [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### 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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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 entity shall recognise 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, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

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 surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 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.
- if the adjustment results in an addition to the cost of an asset, the entity consider 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 entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.15 Revenue from exchange transactions

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

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

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

#### Measurement

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

### 1.16 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Measurement

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

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

#### Transfers

Apart from Services in kind, which are not recognised, 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.

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.

#### Fines

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

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

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

#### 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.

### 1.17 Investment income

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

### 1.18 Borrowing costs

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

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

### 1.19 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.19 Accounting by principals and agents (continued)

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.20 Comparative figures

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

### 1.21 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. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.22 Fruitless and wasteful expenditure

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

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

### 1.23 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

### 1.24 Segment information

A segment is an activity of an entity:

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

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

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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

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

### 1.26 Related parties

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

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

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

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 reporting entity's legal mandate.

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

### 1.27 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).

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.27 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose 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.

### 1.28 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific Standard of GRAP;
- Approved but not yet contracted commitments, where expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date;
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources; or
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 2. New standards and interpretations

#### 2.1 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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>The Application of Standards of GRAP by Public Entities that Apply IFRS® Standards</li></ul>	01 April 2022	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>iGRAP 21 on the effect of past decisions on materiality</li></ul>	01 April 2022	Unlikely there will be a material impact

### 3. Inventories

Water	50 889	34 968
Property stock	370 300	370 300
	<b>421 189</b>	<b>405 268</b>

Inventories are held for own use and measured at the lower of cost or current replacement value.

The cost of water production for the year amounted to R5.94 (2021: R3.38) per kilolitre.

#### Inventory pledged as security

No inventory was pledged as security for overdraft facilities of the municipality.

### 4. Other debtors from exchange transactions

Eskom deposits	1 591 283	1 307 886
Under (over) banking	6 380 974	5 136 438
Sundry debtors	864 600	1 324 310
Payments made in advance	-	408 044
	<b>8 836 857</b>	<b>8 176 678</b>

None of the other receivables from exchange transactions have been pledged as security for the municipality's financial liabilities.

#### Credit quality of other debtors from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

#### Other debtors from exchange transactions

#### Fair value of other debtors from exchange transactions

Management is of the opinion that the carrying value of the other receivables from non-exchange transactions recorded at amortised cost in the financial statements approximate their fair values.

#### Other debtors from exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R - (2021: R -) were past due but not impaired.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors</b>		
<b>Consumer debtors included in receivables from exchange transactions</b>		
Electricity	160 298	7 048 823
Water	19 182 997	23 226 123
Sewerage	(1 751 255)	13 030 272
Refuse	22 006 445	12 740 638
Other (exchange)	551 100	979 330
	<b>40 149 585</b>	<b>57 025 186</b>
<b>Consumer debtors included in receivables from non-exchange transactions</b>		
Receivables from non-exchange transactions	9 377 321	2 117 223
<b>Consumer debtors included in statutory receivables</b>		
Rates	14 933 219	11 223 398
	<b>14 933 219</b>	<b>11 223 398</b>
<b>Gross balances</b>		
Rates	33 744 917	28 284 753
Electricity	18 256 015	17 028 749
Water	94 552 509	90 615 310
Sewerage	52 259 423	47 096 536
Refuse	53 928 911	50 108 588
Other (exchange)	4 058 507	4 147 516
Other (non-exchange)	33 034 532	7 458 577
	<b>289 834 814</b>	<b>244 740 029</b>
<b>Less: Allowance for impairment</b>		
Rates	(18 811 698)	(17 061 355)
Electricity	(18 095 717)	(9 979 926)
Water	(75 369 512)	(67 389 187)
Sewerage	(54 010 678)	(34 066 264)
Refuse	(31 922 466)	(37 367 950)
Other (exchange)	(1 765 430)	(3 168 186)
Other (non-exchange)	(23 657 211)	(5 341 354)
	<b>(223 632 712)</b>	<b>(174 374 222)</b>
<b>Net balance</b>		
Rates	14 933 219	11 223 398
Electricity	160 298	7 048 823
Water	19 182 997	23 226 123
Sewerage	(1 751 255)	13 030 272
Refuse	22 006 445	12 740 638
Other (exchange)	2 293 077	979 330
Other (non-exchange)	9 377 321	2 117 223
	<b>66 202 102</b>	<b>70 365 807</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	-	46 510
31 - 60 days	729 789	2 100 782
61 - 90 days	260 075	245 793
91 - 120 days	235 216	215 254
121 - 365 days	(2 070 310)	1 915 053
> 365 days	15 778 449	6 700 006
	<b>14 933 219</b>	<b>11 223 398</b>
<b>Electricity</b>		
Current (0 -30 days)	-	66 978
31 - 60 days	2 031 312	1 242 313
61 - 90 days	388 135	445 007
91 - 120 days	556 196	373 504
121 - 365 days	(995 613)	2 041 487
> 365 days	(1 819 732)	2 879 534
	<b>160 298</b>	<b>7 048 823</b>
<b>Water</b>		
Current (0 -30 days)	-	1 330 625
31 - 60 days	443 721	457 065
61 - 90 days	392 272	455 028
91 - 120 days	320 782	344 549
121 - 365 days	3 457 632	3 017 970
> 365 days	14 568 590	17 620 886
	<b>19 182 997</b>	<b>23 226 123</b>
<b>Sewerage</b>		
Current (0 -30 days)	-	4 868
31 - 60 days	351 653	427 180
61 - 90 days	263 606	332 013
91 - 120 days	240 226	313 237
121 - 365 days	1 871 857	2 038 496
> 365 days	(4 478 597)	9 914 478
	<b>(1 751 255)</b>	<b>13 030 272</b>
<b>Refuse</b>		
Current (0 -30 days)	-	(31 540)
31 - 60 days	207 181	189 677
61 - 90 days	168 783	161 647
91 - 120 days	160 940	154 758
121 - 365 days	(2 235 505)	1 379 453
> 365 days	23 705 046	10 886 643
	<b>22 006 445</b>	<b>12 740 638</b>
<b>Housing rental</b>		
Current (0 -30 days)	(21 362)	4 313
31 - 60 days	13 748	6 286
61 - 90 days	10 303	3 743
91 - 120 days	10 303	1 402
121 - 365 days	8 951	19 902
> 365 days	2 271 134	943 684
	<b>2 293 077</b>	<b>979 330</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors (continued)</b>		
<b>Receivables from non-exchange transactions</b>		
Current (0 -30 days)	(53 790)	262 480
31 - 60 days	1 281 920	279 908
61 - 90 days	1 268 146	277 421
91 - 120 days	1 255 543	274 566
121 - 365 days	1 246 639	(154 661)
> 365 days	4 378 863	1 177 509
	<b>9 377 321</b>	<b>2 117 223</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	(4 682 120)	1 726 776
31 - 60 days	6 725 857	2 502 287
61 - 90 days	4 354 274	1 322 764
91 - 120 days	4 179 139	1 256 340
121 - 365 days	34 034 732	8 019 025
> 365 days	227 334 228	47 661 093
	<b>271 946 110</b>	<b>62 488 285</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	(70 259)	6 548
31 - 60 days	1 475 465	242 905
61 - 90 days	376 838	27 221
91 - 120 days	791 455	26 717
121 - 365 days	2 697 325	148 167
> 365 days	2 225 147	296 434
	<b>7 495 971</b>	<b>747 992</b>
<b>National and provincial government</b>		
Current (0 -30 days)	(175 406)	(18 064)
31 - 60 days	1 339 336	1 958 019
61 - 90 days	932 570	570 669
91 - 120 days	680 749	394 213
121 - 365 days	3 292 085	2 090 518
> 365 days	6 987 049	4 720 596
	<b>13 056 383</b>	<b>9 715 951</b>
<b>Total</b>		
Current (0 -30 days)	(4 927 785)	(1 442 570)
31 - 60 days	9 540 658	9 148 025
61 - 90 days	5 663 682	5 080 011
91 - 120 days	5 651 344	4 838 951
121 - 365 days	40 024 143	31 019 946
> 365 days	236 546 424	198 650 648
	292 498 466	247 295 011
Less: Allowance for impairment	(226 296 364)	(176 929 204)
	<b>66 202 102</b>	<b>70 365 807</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(174 374 222)	(152 504 902)
Contributions to allowance	(49 258 490)	(21 869 320)
	<b>(223 632 712)</b>	<b>(174 374 222)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>5. Consumer debtors (continued)</b>		
<b>Consumer debtors pledged as security</b>		
None of the consumer debtors have been pledged as security for the municipality's financial liabilities.		
<b>Credit quality of consumer debtors</b>		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
In determining the recoverability of Consumer debtors, the municipality has pledged strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the consumer debtors have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.		
<b>Fair value of consumer debtors</b>		
Management is of the opinion that the carrying value of the other receivables from non-exchange transactions recorded at amortised cost in the financial statements approximate their fair values.		
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R - (2021: R 72 920 789) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	(5 002 937)	1 684 232
2 months past due	-	4 703 211
3 months past due	-	66 533 346
<b>6. Statutory receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	33 744 917	28 284 753
Traffic fines	31 348 518	27 698 050
	<b>65 093 435</b>	<b>55 982 803</b>
<b>Less: Allowance for impairment</b>		
Rates	(19 094 308)	(17 061 355)
Traffic fines	(27 937 478)	(24 267 030)
	<b>(47 031 786)</b>	<b>(41 328 385)</b>
<b>Net balance</b>		
Rates	16 675 197	11 223 398
Traffic fines	3 411 040	3 431 020
	<b>20 086 237</b>	<b>14 654 418</b>
<b>Traffic fines</b>		
Current (0-30 days)	136 923	89 667
31-60 days	199 506	151 659
61-90 days	71 668	227 262
91-120 days	94 911	187 760
>120 days	2 908 032	2 774 672
	<b>3 411 040</b>	<b>3 431 020</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>6. Statutory receivables from non-exchange transactions (continued)</b>		
<b>Reconciliation of allowance for traffic fines impairment</b>		
Balance at beginning of the year	24 267 030	41 484 097
Unused amounts reversed	3 670 448	(17 217 067)
	<b>27 937 478</b>	<b>24 267 030</b>
<b>Gross balances</b>		
Availability charges	2 894 542	2 554 982
<b>Less: Allowance for impairment</b>		
Availability charges	(2 087 626)	(866 694)
<b>Net balance</b>		
Availability charges	806 916	1 688 288
<b>Availability charges</b>		
Current (0-30 days)	-	(75)
31-60 days	38 042	41 322
61-90 days	18 479	38 534
91-120 days	12 327	40 337
>120 days	738 068	1 568 171
	<b>806 916</b>	<b>1 688 289</b>
<b>Reconciliation of allowance for availability charges impairment</b>		
Provision for impairment	2 087 626	866 694
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	3 750	3 750
Bank balances	1 355 735	2 522 193
Short-term deposits	607 009	275 055
	<b>1 966 494</b>	<b>2 800 998</b>
<b>Other Cash and Cash equivalents facilities</b>		
The municipality held a fleet card facility at year-end		
<b>Fleet card facility</b>		
ABSA Bank	200 000	200 000
<b>Cash and cash equivalents pledged as collateral</b>		
A bank guarantee has been issued to Eskom	6 000	6 000
In addition to the above, the municipality has issued a bank guarantee in favour of Eskom for an increased electricity demand to 40 MVA required to meet the consumers' increasing electricity demand.		

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA - Current account - 2440000005	389 719	1 271 592	7 040 362	389 719	1 268 010	(10 534 325)
ABSA - Current account - 4052875289	545 405	1 028 117	63 675	4 045 405	1 028 117	15 962 748
Standard Bank- Current account - 280412835	314 244	117 265	176 907	314 244	117 265	(284 076)
ABSA - Current account - 4061642031	135 071	108 212	328 728	135 071	108 212	1 312 615
Standard Bank- Notice Deposit - 288901606001	83 637	83 637	83 637	83 637	83 637	83 637
Standard Bank- Notice Deposit - 28890541001	151 485	151 485	151 485	151 485	151 485	151 485
First National Bank - Notice Deposit - 741047295062	23 965	24 356	24 220	24 356	24 356	24 356
ABSA - Deposit Plus - 9355227534	347 320	16 166	70 169	347 531	16 166	70 169
<b>Total</b>	<b>1 990 846</b>	<b>2 800 830</b>	<b>7 939 183</b>	<b>5 491 448</b>	<b>2 797 248</b>	<b>6 786 609</b>

### 8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	16 698 999	-	16 698 999	16 698 999	-	16 698 999

#### Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	16 698 999	16 698 999

#### Reconciliation of investment property - 2021

	Opening balance	Fair value adjustment	Total
Investment property	12 144 899	4 554 100	16 698 999

#### Pledged as security

All of the municipality's investment property is held under freehold interests and investment property had been pledged as security for any liabilities for the municipality.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

#### Details of property

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 8. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

The following criteria was used to determine whether a property should be classified as an investment property:

- A building owned by the municipality and leased out to third parties under one or more operating leases.
- Land held for a current undeterminable future use.
- Property being constructed or developed for future use as investment property.

### Amounts recognised in surplus or deficit

No repairs and maintenance was incurred in the running of these property for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

### Under construction and capital commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

### 9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 889 098	-	33 889 098	33 889 098	-	33 889 098
Buildings	38 908 811	(18 061 371)	20 847 440	38 908 811	(17 005 794)	21 903 017
Infrastructure	1 006 791 760	(566 420 313)	440 371 447	987 099 313	(541 588 971)	445 510 342
Other property, plant and equipment	28 687 371	(22 447 287)	6 240 084	28 820 168	(21 455 709)	7 364 459
<b>Total</b>	<b>1 108 277 040</b>	<b>(606 928 971)</b>	<b>501 348 069</b>	<b>1 088 717 390</b>	<b>(580 050 474)</b>	<b>508 666 916</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	33 889 098	-	-	-	-	33 889 098
Buildings	21 903 017	-	-	(1 055 577)	-	20 847 440
Infrastructure	445 510 342	19 692 173	-	(24 831 068)	-	440 371 447
Other property, plant and equipment	7 364 459	83 066	(66 510)	(850 333)	(290 598)	6 240 084
	<b>508 666 916</b>	<b>19 775 239</b>	<b>(66 510)</b>	<b>(26 736 978)</b>	<b>(290 598)</b>	<b>501 348 069</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Land	33 889 098	-	-	33 889 098
Buildings	22 965 053	-	(1 062 036)	21 903 017
Infrastructure	441 502 370	29 404 475	(25 396 503)	445 510 342
Other property, plant and equipment	8 463 886	1 925 508	(3 024 935)	7 364 459
	<b>506 820 407</b>	<b>31 329 983</b>	<b>(29 483 474)</b>	<b>508 666 916</b>

#### Pledged as security

None of the tangible assets were pledged as security during the current and previous financial years.

#### Property, plant and equipment in the process of being constructed or developed

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

Buildings	276 355	276 355
Infrastructure	33 582 023	39 647 248
	<b>33 858 378</b>	<b>39 923 603</b>

##### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Noupoort electrification project	-	5 205 133
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Project development costs were incurred, but due to funding problems, the project was stopped. Project commenced in the current year and project no longer slow moving.

Upgrading of VIP's and bucket system to sewer network	-	4 981 111
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Project development costs were incurred, but due to funding problems, the projects was stopped. Project commenced in the current year and project no longer slow moving.

Van der Waltsfontein pipeline	-	334 991
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Project completion was delayed by Covid-19 pandemic.

Upgrading of Madikane and Nqandu Streets	-	12 812 835
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Project implementation was delayed due to the tender process.

	-	<b>23 334 070</b>
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#### Reconciliation of work-in-progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	39 647 248	276 355	39 923 603
Additions/capital expenditure	18 287 354	-	18 287 354
Transferred to completed items	(24 352 579)	-	(24 352 579)
	<b>33 582 023</b>	<b>276 355</b>	<b>33 858 378</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 9. Property, plant and equipment (continued)

#### Reconciliation of work-in-progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	35 206 217	276 355	35 482 572
Additions/capital expenditure	20 005 362	-	20 005 362
Transferred to completed items	(15 564 331)	-	(15 564 331)
	<b>39 647 248</b>	<b>276 355</b>	<b>39 923 603</b>

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

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of financial performance

Infrastructure	1 564 809	2 531 116
Other property, plant and equipment	2 499 057	972 517
	<b>4 063 866</b>	<b>3 503 633</b>

### 10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 042 345	(1 997 861)	44 484	2 042 345	(1 977 529)	64 816

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	64 816	(20 332)	44 484

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	97 175	(32 359)	64 816

#### Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

#### Other information

The municipality amortises all its intangible assets and no intangible assets are regarded as having indefinite useful lives. The amortisation expense has been included in the line item depreciation and amortisation in the Statement of financial performance. Amortisation is charged on a straight-line basis over the intangible assets' useful lives.

No impairment losses have been recognised on intangible assets at the reporting date.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	923 425	923 426
- in second to fifth year inclusive	2 000 757	2 924 183
	<u>2 924 182</u>	<u>3 847 609</u>
less: future finance charges	(404 899)	(676 402)
<b>Present value of minimum lease payments</b>	<b><u>2 519 283</u></b>	<b><u>3 171 207</u></b>
<b>Present value of minimum lease payments due</b>		
- within one year	716 167	651 924
- in second to fifth year inclusive	1 803 116	2 519 283
	<u>2 519 283</u>	<u>3 171 207</u>
Non-current liabilities	1 803 116	2 519 283
Current liabilities	716 167	651 924
	<u>2 519 283</u>	<u>3 171 207</u>
<p>The average lease term was 5 years (2021: 5 years) and the average effective borrowing rate was between 9% and 16% (2021: 13% and 18%).</p> <p>The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.</p>		
<b>12. Payables from exchange transactions</b>		
Trade payables	31 885 825	17 584 174
Unallocated deposits	6 132 186	8 318 995
Accrued leave pay	3 727 078	4 054 307
Accrued bonus	1 020 284	1 043 500
Retentions	1 476 882	2 197 965
Other creditors	190 911	207 080
Performance bonus provision	606 416	610 836
Consumer debtors with credit balances (exchange)	-	2 166 685
Wellness programme	96 280	82 700
Sports programme	42 401	43 251
	<u>45 178 263</u>	<u>36 309 493</u>
<b>13. Payables from non-exchange transactions</b>		
Salary control accounts	2 432	-
Sundry deposits	145 514	145 514
Consumer debtors with credit balances (non-exchange)	-	832 429
	<u>147 946</u>	<u>977 943</u>
<b>14. VAT payable</b>		
VAT	11 476 927	13 728 194
<b>15. Consumer deposits</b>		
Electricity	367 381	367 381
Water	341 257	377 743
	<u>708 638</u>	<u>745 124</u>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 15. Consumer deposits (continued)

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximates their amortised cost. The fair value of consumer deposits was determined after considering the standard terms of conditions of agreements entered into between the municipality and its consumers.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 16. Employee benefit obligations

#### Defined benefit plan

#### Post retirement benefit plan

#### Post retirement medical aid plan

The municipality provides for certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to those employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Me C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service and past service costs, were measured using the Projected Unit Credit Method.

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

- Bonitas
- Hosmed
- LA Health
- Samwumed

#### The members of the post-employment medical aid benefit obligation are made up as follows:

In-service members (employees)	21	24
Continuation members (retirees, widowers and orphans)	5	5
	<b>26</b>	<b>29</b>

#### The liability in respect to past service has been estimated as follows:

In-service members (employees)	4 568 000	3 956 000
Continuation members (retirees, widowers and orphans)	5 425 000	5 232 000
	<b>9 993 000</b>	<b>9 188 000</b>

#### Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	9 188 000	8 204 000
Current service cost	281 000	219 000
Interest cost	902 000	824 000
Benefits paid	(415 000)	(395 000)
Actuarial gains / (losses)	37 000	336 000
	<b>9 993 000</b>	<b>9 188 000</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial performance are as follows:</b>		
Current service cost	281 000	219 000
Interest cost	902 000	824 000
Benefits paid	(415 000)	(395 000)
Actuarial gains / (losses)	-	336 000
	<b>768 000</b>	<b>984 000</b>

**The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:**

Increase:		
Effect on the aggregate of the current services and interest cost	-	1 209 000
Fair value of plan assets	-	10 449 000
Decrease:		
Effect on the aggregate of the current services and interest cost	-	909 000
Effect on the defined obligation	-	8 140 000

The current service cost of the year ending 30 June 2022 is estimated to be R (281,000), whereas the cost for the ensuing year is estimated to be R (4 381,000).

### Long service award

The municipality operates an continuous defined benefit plan for all of its employees. Thereafter, a long service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter. The provision is an estimate of the long service award based on the historical staff turnover. No other long service benefits are provided to employees.

**Movement in the long service award provision was as follows**

Balance at the beginning of the year	2 499 000	2 269 000
Current service cost	295 000	250 000
Interest cost	220 000	154 000
Actuarial gains / (losses)	(130 000)	62 000
Expected employer benefit payments	(293 000)	(236 000)
	<b>2 591 000</b>	<b>2 499 000</b>

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

Current service cost	295 000	250 000
Interest cost	220 000	154 000
Benefits paid	(130 000)	62 000
Actuarial gains / (losses)	(293 000)	(236 000)
	<b>92 000</b>	<b>230 000</b>

**The effect of a 1% movement in the assumed rate of long award cost inflation is as follows:**

Increase:		
Effect on the aggregate of the current services and interest cost	-	432 000
Effect on the defined obligation	-	2 634 000
Decrease:		
Effect on the aggregate of the current services and interest cost	-	482 000
Effect on the defined obligation	-	2 375 000

The current service cost of the year ending 30 June 2022 is estimated to be R (295 000), whereas the cost for the ensuing year is estimated to be R (250 000).

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Employee benefit obligations (continued)</b>		
<b>Non-current liabilities</b>		
Post-employment medical aid benefit liability	(9 546 000)	(8 772 460)
Long service award	(2 189 000)	(2 206 000)
	<b>(11 735 000)</b>	<b>(10 978 460)</b>
<b>Current liabilities</b>		
Post-employment medical aid benefit liability	(447 000)	(415 000)
Long service award	(402 000)	(293 000)
	<b>(849 000)</b>	<b>(708 000)</b>
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Post-employment medical aid benefit liability	(9 993 000)	(9 188 000)
Long service award	(2 590 460)	(2 498 460)
	<b>(12 583 460)</b>	<b>(11 686 460)</b>
Non-current liabilities	(11 811 460)	(10 978 460)
Current liabilities	(772 000)	(708 000)
	<b>(12 583 460)</b>	<b>(11 686 460)</b>
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	(10 172 001)	(9 188 001)
Net expense recognised in the statement of financial performance	(645 000)	(984 000)
	<b>(10 817 001)</b>	<b>(10 172 001)</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	(295 000)	(219 000)
Interest cost	(220 000)	(824 000)
Actuarial (gains) losses	(130 000)	(336 000)
Settlement	-	395 000
	<b>(645 000)</b>	<b>(984 000)</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used: Post employment medical aid benefit liability	11,50 %	10,04 %
Discount rate used: long service award	10,87 %	9,35 %
Healthcare cost inflation rate	8,15 %	6,72 %
General salary inflation	7,33 %	5,81 %
Net discount rate: Post employment medical aid benefit liability	3,10 %	3,11 %
Net discount rate: long service award	3,35 %	3,35 %
Maximum subsidy inflation rate	4,81 %	4,81 %
Net discount rate: Maximum subsidy inflation rate	3,30 %	3,35 %
Expected retirement age (in years)	62	62

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Department Housing	130 852	130 852
Department Safety	124 919	124 919
Department Water Affairs and Forestry	1 519 388	1 519 388
Department Water Affairs and Forestry (2)	942 072	942 072
Development Bank of South Africa	6 337	6 337
Electricity Efficiency Demand Side Management Grant (EEDSM)	1 258 581	1 258 581
Expanded Public Works Programme (EPWP)	495 959	318 131
Institutional Re-organisation Grant	226 712	226 712
Integrated National Electrification Programme (INEP)	1 137 179	1 137 179
Municipal Infrastructure Grant (MIG)	630 424	5 601 018
National Lottery Development Trust Fund (NLDTF)	280 258	280 258
	<b>6 752 681</b>	<b>11 545 447</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.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

### 18. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Unwinding of interest	Total
Environmental rehabilitation	8 211 388	1 404 819	998 615	10 614 822

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Unwinding of interest	Total
Environmental rehabilitation	5 845 760	1 711 001	654 627	8 211 388

#### Environmental rehabilitation provision

The provision of landfill sites relates to the obligation, in terms of the National Environmental: Waste Management Act, 2008 (Act No. 59 of 2008), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Colesberg, Norvalspont and Noupoort to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2022 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on the bond rate that measures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to at the end of the useful lives of the individual landfill sites. No uncertainties were listed in the engineer's report.

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitation the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 18. Provisions (continued)

Key assumptions used:

Total area expected to be rehabilitated: 123 047 square meters.

Average rate per square metre: R184.67 (excl. VAT)

The area to be rehabilitated can be reconciled to the different sites as follow:

Colesberg: 45 856 square metres  
Norvalspont: 23 935 square metres  
Noupoort: 20 054 square metres

The Norvalspont landfill site has adequate footprint and airspace available for the disposal of solid waste until the end of its useful life in 14 years (2034). Colesberg is estimated to reach capacity during the 20th year of operation (2041). Noupoort is estimated to reach capacity during the 17th year of operation (2038).

### 19. Service charges

Sale of electricity	35 283 945	29 652 304
Sale of water	17 205 055	14 389 249
Sewerage and sanitation charges	10 710 617	10 032 271
Refuse removal	6 650 815	6 648 875
Other service charges	79 163	931 961
	<b>69 929 595</b>	<b>61 654 660</b>

### 20. Rental of facilities and equipment

#### Facilities and equipment

Halls	101 439	19 838
Machinery	4 692	3 228
	<b>106 131</b>	<b>23 066</b>

Included in the above rentals are operating lease rentals at straight-lined amounts of R 106 131 (2021: R 23 066-).

### 21. Agency services

Department of Transport, Safety and Liasion	873 957	742 697
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### 22. Other income

Building plan fees	28 827	12 263
Cemetery fees	26 913	23 401
Commission earned	194 311	129 957
Connection and re-connection fees	114 988	53 268
Insurance claims	155 160	925
Other income	634 358	704 211
Photocopies	1 578	2 547
Sand, gravel and soil sales	-	7 484
Tender documents	8 000	30 435
	<b>1 164 135</b>	<b>964 491</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	94 553	157 498
Consumer debtors	14 556 211	6 070 455
Eskom deposit	33 488	49 563
	<b>14 684 252</b>	<b>6 277 516</b>
<b>24. Property rates</b>		
<b>Rates received</b>		
Rates	16 210 782	15 123 421
Less: Income forgone	(817 433)	(734 417)
	<b>15 393 349</b>	<b>14 389 004</b>
<b>Valuations</b>		
Residential	1 049 386 610	693 844 300
Commercial	233 685 700	297 037 400
State	94 526 200	2 566 713 667
Agricultural	2 179 703 177	-
	<b>3 557 301 687</b>	<b>3 557 595 367</b>
<p>Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>The new general valuation will be implemented on 1 July 2024.</p>		
<b>25. Availability charges</b>		
Water	153 420	146 404
Sewerage	72 387	67 306
Electricity	143 183	133 405
	<b>368 990</b>	<b>347 115</b>
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	56 140 000	61 680 000
Finance Management Grant (FMG)	1 920 000	1 900 000
Library Development Grant	1 400 000	1 113 923
	<b>59 460 000</b>	<b>64 693 923</b>
<b>Capital grants</b>		
Expanded Public Works Programme (EPWP)	897 172	1 000 000
Municipal Infrastructure Grant (MIG)	17 012 594	4 605 985
Integrated National Electrification Programme (INEP)	-	8 017 944
Library Development Grant	-	186 077
Water Services Infrastructure Grant (WSIG)	7 000 700	8 360 167
	<b>24 910 466</b>	<b>22 170 173</b>
	<b>84 370 466</b>	<b>86 864 096</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 26. Government grants and subsidies (continued)

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 575.04 (2021: R 537.67), which is funded from the grant. All registered indigent households receive 6kl water and 50kWh electricity free every month and to informal areas paraffin, matches and candles are supplied. Unspent MIG and WSIG grants from the prior year was withheld from equitable share .

#### National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	318 131	495 131
Current-year receipts	1 075 000	1 000 000
Conditions met - transferred to revenue	(897 172)	(1 000 000)
Other	-	(177 000)
	<b>495 959</b>	<b>318 131</b>

Conditions still to be met - remain liabilities (see note 17).

The Expanded Public Works Programme (EPWP) Grant is allocated to incentivise municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas on compliance with the EPWP guidelines.

#### National: Finance Management Grant (FMG)

Current-year receipts	1 920 000	1 900 000
Conditions met - transferred to revenue	(1 920 000)	(1 900 000)
	-	-

The Finance Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs).

All conditions attached to the grant were met.

No funds were withheld.

#### National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	1 137 179	6 405 123
Current-year receipts	-	6 510 000
Conditions met - transferred to revenue	-	(8 017 944)
Other	-	(3 760 000)
	<b>1 137 179</b>	<b>1 137 179</b>

Conditions still to be met - remain liabilities (see note 17).

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

#### National: Department of Water Affairs and Forestry

Balance unspent at beginning of year	1 519 388	1 519 388
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# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Government grants and subsidies (continued)</b>		
<b>National: Energy Efficiency and Demand Side Management Grant (EEDSM)</b>		
Balance unspent at beginning of year	1 258 581	1 258 581
<b>Provincial: Library Development Grant</b>		
Current-year receipts	1 400 000	1 300 000
Conditions met - transferred to revenue	(1 400 000)	(1 300 000)
	-	-
<b>National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	5 601 018	953 003
Current-year receipts	16 887 000	9 451 000
Conditions met - transferred to revenue	(17 012 594)	(4 605 985)
Repayments	(4 845 000)	(197 000)
	<b>630 424</b>	<b>5 601 018</b>
Conditions still to be met - remain liabilities (see note 17).		
The Municipal Infrastructure Grant (MIG) was allocated by National Treasury for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.		
The original amount allocated as per the Division of Revenue Act, 2018 (Act No. 2 of 2018) (DoRA) amounted to R11 348 000, but this was decreased by National Treasury by R2 000 000 to R9 348 000 due to slow spending.		
R4 845 000 (2021: R197 000) was withheld from the Equitable share due to grant conditions not being met in the previous period.		
<b>National: Department of Water Affairs and Forestry (2)</b>		
Balance unspent at beginning of year	942 072	942 072
<b>National: Water Services Infrastructure Grant (WSIG)</b>		
Balance unspent at beginning of year	-	7 360 167
Current-year receipts	7 000 700	3 300 000
Conditions met - transferred to revenue	(7 000 700)	(8 360 167)
Other	-	(2 300 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
To facilitate the planning and implementation of various water projects water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services, especially in rural areas.		
<b>Other: National Lottery Development Trust Fund</b>		
Balance unspent at beginning of year	280 258	280 258
<b>Provincial: Department of Housing</b>		
Balance unspent at beginning of year	130 852	130 852

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>26. Government grants and subsidies (continued)</b>		
<b>Provincial: Department of Safety</b>		
Balance unspent at beginning of year	124 919	124 919
<b>Other: Development Bank of South Africa</b>		
Balance unspent at beginning of year	6 337	6 337
<b>Other: Institutional Re-organisational Grant</b>		
Balance unspent at beginning of year	226 712	226 712
<b>27. Fines, penalties and forfeits</b>		
Law enforcement (traffic) fines	29 321 228	20 779 193
Other	20 289	10 350
	<b>29 341 517</b>	<b>20 789 543</b>
The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue in accordance with iGRAP 1.		
<b>28. Public contributions and donations</b>		
	-	7 688 112
Donations are represented by internal roads that was paved by the Northern Cape Department of Roads and Public Works in terms of the Root-out-of-the-dust programme. The completion date respectively was 31 March 2019 and 31 March 2020.		
<b>29. Employee related costs</b>		
Basic	41 829 537	41 286 244
Performance bonus	588 329	560 366
Bonus	2 410 323	2 428 407
Medical aid fund: Council contributions	868 232	924 404
Leave pay provision charge	(146 035)	487 451
Pension fund: Council contributions	6 352 877	5 984 301
Long-service awards	124 480	120 343
Allowances	994 040	1 246 165
Housing benefits and allowances	359 291	393 851
Skills development levy (SDL)	511 723	412 415
Unemployment insurance fund (UIF): Council contributions	368 497	336 131
Overtime payments	2 485 718	2 284 672
Group scheme: Council contribution	6 968	3 723
Defined benefit plan expenses	-	236 000
Industrial council	162 179	24 671
	<b>56 916 159</b>	<b>56 729 144</b>
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	1 135 567	1 135 567
Car allowance	144 000	144 000
Performance bonuses	179 139	179 139
Contributions to UIF, medical aid - and pension funds	2 125	1 932
	<b>1 460 831</b>	<b>1 460 638</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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### 29. Employee related costs (continued)

#### Remuneration of the Chief Finance Officer

Annual remuneration	633 416	736 752
Car allowance	266 481	232 268
Performance bonuses	135 663	101 747
Contributions to UIF, medical aid - and pension funds	2 065	1 932
	<b>1 037 625</b>	<b>1 072 699</b>

Mr. TD Tshikundu resigned his post during the month of June 2022. Mr. N. Thiso acted as the financial manager until year-end and received an acting allowance totaling R22 805 for the period.

#### Remuneration of the Manager: Corporate Services

Annual remuneration	1 124 430	1 086 878
Acting allowance	37 272	-
Car allowance	155 530	155 530
Performance bonuses	180 947	173 937
Contributions to UIF, medical aid - and pension funds	2 125	1 932
	<b>1 500 304</b>	<b>1 418 277</b>

During the year Mr. BJ Kapp acted as the municipal manager, for which he was paid an acting allowance.

#### Remuneration of the Manager: Technical Services

Annual remuneration	752 117	752 117
Car allowance	120 000	120 000
Performance Bonuses	97 000	96 945
Contributions to UIF, medical aid - and pension funds	2 125	1 932
	<b>971 242</b>	<b>970 994</b>

### 30. Remuneration of councillors

Mayor	956 533	851 300
Mayoral Committee Members	334 570	-
Speaker	344 627	-
Councillors	3 103 134	3 144 705
	<b>4 738 864</b>	<b>3 996 005</b>

### 31. Repairs and maintenance

Other	4 063 867	3 503 633
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### 32. Depreciation and amortisation

Property, plant and equipment	26 736 978	29 483 472
Intangible assets	20 332	32 359
	<b>26 757 310</b>	<b>29 515 831</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	290 598	-
Property, plant and equipment (buildings, infrastructure - and movable assets) have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.		
<b>34. Finance costs</b>		
Employee benefit liabilities	1 122 000	978 000
Finance leases	271 502	343 298
Overdue creditors	569 874	118 166
Rehabilitation of landfill sites	998 615	654 627
	<b>2 961 991</b>	<b>2 094 091</b>
<b>35. Debt impairment</b>		
Debt impairment	50 909 400	(3 582 624)
Bad debts written off	24 701 996	36 348 520
	<b>75 611 396</b>	<b>32 765 896</b>
<b>36. Bulk purchases</b>		
Electricity	36 908 221	31 787 593
Water	215 776	328 196
	<b>37 123 997</b>	<b>32 115 789</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>37. Contracted services</b>		
<b>Contractors</b>		
Contracted services	6 427 017	5 507 851
<b>38. General expenses</b>		
Advertising	106 207	214 266
Bank charges	527 984	502 163
Cleaning	25 332	33 512
Consulting and professional fees	-	1 704
Consumables	598 584	290 786
Entertainment	104 151	73 553
Fuel and oil	1 719 423	1 439 294
Furniture and office equipment	558 402	2 130 336
Insurance	1 332 899	1 464 590
Library expenditure	1 054	-
Licence fees	614 377	610 324
Management fees	681 784	735 914
Materials and supplies	140 551	120 025
Other expenses	2 059 675	1 308 773
Postage and courier	6 598	127 716
Printing and stationery	178 726	73 702
Protective clothing	181 400	317 743
Registration fees	63 083	147 128
Special programme - Community participation	1 143 934	800 297
Subscriptions and membership fees	749 935	646 292
Telephone and fax	903 596	892 662
Title deed search fees	436	32 148
Training	10 530	-
Uniforms	259 750	43 206
Workmens Compensation	271 060	266 635
	<b>12 239 471</b>	<b>12 272 769</b>
<b>39. Audit fees</b>		
Fees	2 679 316	3 134 160

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>40. Cash generated from operations</b>		
(Deficit) surplus	(14 948 743)	21 923 907
<b>Adjustments for:</b>		
Depreciation and amortisation	26 757 310	29 515 831
Fair value adjustments	-	(4 554 100)
Finance costs	271 502	343 298
Impairment deficit	290 598	-
Debt impairment	75 611 396	-
Movements in provisions	(1 404 819)	2 365 628
Loss on disposal of assets and liabilities	66 510	-
Non cash additions PPE	721 083	-
<b>Changes in working capital:</b>		
Inventories	(15 921)	1 113
Receivables from non-exchange transactions	(26 134 116)	437 761
Receivables from exchange transactions	(9 282 574)	(14 088 396)
Statutory receivable from non-exchange	(36 011 022)	(883 080)
Other receivables from exchange transactions	(660 179)	(576 716)
Provisions	2 403 434	-
Receivables from availability charges	(339 560)	-
Payables from exchange transactions	8 868 770	6 188 876
VAT	(2 251 267)	(3 665 748)
Payables from non-exchange transactions	(829 997)	-
Unspent conditional grants and receipts	(4 792 766)	(8 324 096)
Consumer deposits	(36 486)	(21 957)
Employee benefit obligation - current portion	64 000	1 214 000
Operating lease asset	274	98
Employee benefit obligation - Non- current	833 000	-
	<b>19 180 427</b>	<b>29 876 419</b>

## 41. Financial instruments disclosure

### Categories of financial instruments

#### 2022

#### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	48 986 442	48 986 442
Cash and cash equivalents	1 966 494	1 966 494
	<b>50 952 936</b>	<b>50 952 936</b>

#### Financial liabilities

	At amortised cost	Total
Finance lease obligation	2 522 283	2 522 283
Payables from exchange transactions	31 885 825	31 885 825
Retentions	1 476 882	1 476 882
	<b>35 884 990</b>	<b>35 884 990</b>

#### 2021

#### Financial assets

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 41. Financial instruments disclosure (continued)

	At amortised cost	Total
Receivables from exchange transactions	65 201 864	65 201 864
Cash and cash equivalents	2 800 999	2 800 999
	<b>68 002 863</b>	<b>68 002 863</b>

### Financial liabilities

	At amortised cost	Total
Finance lease obligation	3 171 207	3 171 207
Trade and other payables from exchange transactions	17 584 174	17 584 174
Retention	2 197 965	2 197 965
	<b>22 953 346</b>	<b>22 953 346</b>

### 42. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	46 462 564	20 224 022
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##### Total capital commitments

Already contracted for but not provided for	46 462 564	20 224 022
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This committed expenditure relates to plant and equipment and will be financed by government grants. The commitment amounts disclosed are inclusive of VAT.

### 43. Contingencies

#### Contingent liabilities

**Komanisi //Umsobomvu municipality:** Litigation is in the process against the municipality relating to a dispute with a supplier who alleges that it suffered financial loss and stock on a housing project. Due to the fact that there had been no developments in the case since 2013, management is of the opinion that there will be no financial impact as at 30 June 2022. Should there be any developments management will reassess and disclose appropriately.

**Umsobomvu Municipality/ NE Lufele & NM Mxhosana & NE Takayi:** The insurance claim is still pending at year end: Three children swam in the municipal quarry and drowned. Damages of R256 000 (2021: 256 000) is claimed by the family and still in progress

**Dept of Environmental Affairs//Umsobomvu municipality:** Legal Rep. S. Foster Attorneys (Criminal case - spillage of sewerage in Noupoot). The amount will be based on the outcome of the court case and cannot be estimated yet.

**N.G. Mgcineni//Umsobomvu municipality:** Mr N.G. Mgcineni worked as a section head in Community Development and registered as a candidate in the local election. He was elected as a proportional councillor and lto the regulations pertaining to officials contesting in elections he was deemed to resign. Mr Mgcineni did not agree with our interpretation of the regulation and has subsequently went to the labour court. The salary that would be payable to Mr Mgcineni if the court agrees that this was an unfair dismissal amount to R344 208.

#### Contingent assets

The municipality has an on-going investigation relating to fraud that was committed by a former employee. The municipality suffered a financial loss and is seeking damages of R2,246,550 (2021: R2,246,550). The likelihood of action against the former employee being successful is dependent on the outcome of the court case.

The issue was reported to the South African Police Service and the Auditor-General of South Africa, as required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>44. Related parties</b>		
<b>Relationships</b>		
MA Sestile (Councillor)	Kwazamuxolo Building and Maintenance Construction	
MR Kafi (Councillor)	Sakhisizwe Colesburg Tours Sakhisizwe Tours and event management	
W Minnie (Councillor)	Jashwill contractors	
JP Mathee (Councillor)	JM Compsol CBG Consultants	
GMH Douw (Councillor)	Enkosi Marli Bongs Consulting	
B Mangaliso (Councillor)	K2013186624(South Africa) Silubonono	
L Tyindyi (Councillor)	Wavefront Trading Umsobomvu Residence Association	
NS Mlungwana (Councillor)	Sisokola Sonke Colesberg Primary CO-Operative limited	
S Yabo (Councillor)	Yabocon Construction	
L Zakhe (Councillor)	Lindi Rose Trading Enterprise	
T Matebese (Councillor)	Umsobomvu Residence Association	
AC Mpela (Municipal Manager)	Pride and Grace Trading and Projects Umsobomvu Industrial Development (Pty) Ltd Mthomo Sediba Development Agency	
TD Tshikundu (Chief Financial Officer)	Mako Accounting Academy (Pty) Ltd Bokone Stylish Clothing (Pty) Ltd Joylou Boutique (Pty) Ltd	
BJ Kapp (Corporate Service Manager)	Birtus Kapp Beleggings CC Umsobomvu Industrial Development (Pty) Ltd	
S Nkcithiso	Masilakhe Consulting CC Iviwe Engineering Solutions CC Uhamboluhle Construction CC Sida Engineering Solutions (Pty) Ltd	
S Buka	S.E.A.T Solutions	
<b>Related party transactions</b>		
<b>Property rates levied against related parties</b>		
Councillors	7 399	16 698
<b>Service charges rendered to related parties</b>		
Councillors	38 387	64 042
<b>Other charges levied against related parties</b>		
Councillors	2 359	(863)

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand

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### 44. Related parties (continued)

#### Remuneration of management

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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2021

### 44. Related parties (continued)

#### Councillors

#### 2022

Name	Basic salary	Cell and data allowance	Subsistence allowance	Total
MS Toto	802 314	44 400	4 708	851 423
SE Humphries	91 320	15 895	-	107 215
MA Sestile	117 194	15 895	-	133 089
MR Kafi	117 194	15 895	-	133 089
VP Harmse	280 674	44 400	695	325 770
W Minnie	280 674	44 400	2 024	327 098
ND Staffa	487 908	44 400	2 632	534 940
NJ Batties	91 320	15 895	-	107 215
JP Matthee	295 749	44 400	999	341 148
SK Brown	91 320	15 895	-	107 215
CM Williams	91 320	14 606	-	105 926
GMH Louw	163 480	28 455	999	192 933
B Mangaliso	213 213	28 455	999	242 667
L Tyindyi	213 213	28 455	847	242 515
NS Mlungwana	163 480	28 455	695	192 629
SA Yabo	163 480	28 455	695	192 629
L Zakhe	213 213	28 455	847	242 515
T Matebese	152 297	25 900	1 303	179 500
AP Poyo	152 297	25 900	1 151	179 348
	<b>4 181 660</b>	<b>538 611</b>	<b>18 594</b>	<b>4 738 864</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 44. Related parties (continued)

#### 2021

Name	Basic salary	Cell and data allowance	Subsistence allowance	Total
MS Toto	806 066	44 400	834	851 300
SE Humphries	255 091	44 400	139	299 630
MA Sestile	327 367	44 400	417	372 184
MR Kafi	327 367	44 400	-	371 767
VP Harmse	338 909	44 400	-	383 309
W Minnie	327 367	44 400	-	371 767
ND Staffa	255 091	44 400	-	299 630
NJ Batties	255 091	44 400	139	299 491
JP Matthee	255 091	44 400	-	299 491
SK Brown	255 091	44 400	-	299 491
CM Williams	127 545	20 400	-	147 945
	<b>3 530 076</b>	<b>464 400</b>	<b>1 529</b>	<b>3 996 005</b>

### Executive management

#### 2022

Name	Basic salary	Performance bonuses	Car allowance	Acting allowance	Contribution to UIF	Total
AC Mpela	1 135 567	179 139	144 000	-	2 125	1 460 831
TD Tshikundu	633 416	135 663	266 481	-	2 065	1 037 625
S Nkcithiso	752 117	97 000	120 000	-	2 125	971 242
BJ Kapp	1 124 430	180 947	155 530	37 272	2 125	1 500 304
	<b>3 645 530</b>	<b>592 749</b>	<b>686 011</b>	<b>37 272</b>	<b>8 440</b>	<b>4 970 002</b>

#### 2021

Name	Basic salary	Performance bonuses	Car allowance	Contribution to UIF	Total
AC Mpela	1 135 567	179 139	144 000	1 932	1 460 638
TD Tshikundu	736 752	101 747	232 268	1 932	1 072 699
S Nkcithiso	752 117	96 945	120 000	1 932	970 994
BJ Kapp	1 086 878	173 937	155 530	1 932	1 418 277
	<b>3 711 314</b>	<b>551 768</b>	<b>651 798</b>	<b>7 728</b>	<b>4 922 608</b>

### 45. Risk management

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 45. Risk management (continued)

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality'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.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 45. Risk management (continued)

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.

The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.

The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.

Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

### Market risk

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 45. Risk management (continued)

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

### Price risk

The municipality does not hold any shares.

### 46. Prior period 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

##### 2021

	Note	As previously reported	Correction of error	Restated
Other receivables from exchange transactions	4	1 703 706	6 472 972	8 176 678
Cash and cash equivalents	7	5 172 398	(2 371 398)	2 800 999
Property, plant and equipment	9	511 418 202	(2 751 286)	508 666 916
Payables from exchange transactions	13	(37 378 063)	1 069 045	(36 309 018)
Accumulated surplus		(524 371 647)	(2 419 333)	(526 790 980)
		<b>(43 455 404)</b>	<b>-</b>	<b>(43 455 405)</b>

#### Statement of financial performance

##### 2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	19	(61 972 225)	(29 550)	347 115	(61 654 660)
Interest received	23	(6 227 953)	(49 563)	-	(6 277 516)
Availability charges	25	-	-	(347 115)	(347 115)
Contracted Services	37	(3 418 375)	-	(2 089 476)	(5 507 851)
Repairs and maintenance	31	-	-	(3 503 633)	(3 503 633)
Consulting and professional fees	38	(3 733 586)	-	3 731 882	1 708
Entertainment	38	(102 217)	-	28 664	73 553
Fuel and oil	38	(1 271 472)	-	(167 822)	(1 439 294)
Computer expense	38	(866 701)	-	866 701	-

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand			2022	2021
<b>46. Prior period adjustments (continued)</b>				
Outsourced services	38	(1 133 684)	-	1 133 684
Department of Transport, Safety and Liasion		(719 458)	-	(23 239)
Transaction fee		(23 239)	-	23 239
<b>Surplus for the year</b>		<b>(79 468 910)</b>	<b>(79 113)</b>	<b>- (78 654 808)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 46. Prior period adjustments (continued)

#### Errors

The following prior period errors adjustments occurred:

#### Trade payable incorrectly provided for

During the current year it was discovered that the municipality incorrectly provided for a trade payable during the financial year ended 30 June 2020. This payable was incorrectly carried forward and resulted in the overstatement of the Payables from exchange transactions. The error was corrected retrospectively.

The effect of the correction is as follows:

#### Statement of financial position:

(Increase) decrease in Payables from exchange transactions	730 729	730 729
(Increase) decrease in Accumulated surplus	(730 729)	(730 729)
	<hr/>	<hr/>
	-	-

#### Eskom deposit balance not previously recognised

It was discovered that the municipality holds significant interest-bearing deposits with Eskom, which was omitted from its financial records. The necessary statements were obtained from Eskom and the deposits balance and interest was recognised and accounted for retrospectively.

The effect of the correction is as follows:

#### Statement of financial position:

Increase (decrease) in Other receivables from exchange transactions	1 307 886	1 307 886
(Increase) decrease in Accumulated surplus	(1 307 886)	(1 258 323)

#### Statement of financial performance:

(Increase) decrease in Interest received	-	(49 563)
	<hr/>	<hr/>
	-	-

#### Conlog debtor not accounted for correctly

In the prior financial year, a debtor for Conlog pre-paid electricity sales for June was not correctly accounted for. This error was subsequently corrected.

The effect of the correction is as follows:

#### Statement of financial position:

Increase (decrease) in Other receivables from exchange transactions	29 550	29 550
(Increase) decrease in Accumulated surplus	(29 550)	-

#### Statement of financial performance:

(Increase) decrease in Service charges	-	(29 550)
	<hr/>	<hr/>
	-	-

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 46. Prior period adjustments (continued)

#### Bank reconciliations reperformed

The bank reconciliation were reperformed for the financial year ended 30 June 2021 and the necessary adjustments were made prospectively.

The effect of the correction is as follows:

#### Statement of financial position:

Increase (decrease) in Other receivables from exchange transactions	5 135 536	5 135 536
Increase (decrease) in Cash and cash equivalents	(2 371 399)	(2 371 399)
(Increase) decrease in Accumulated surplus	(2 764 137)	(2 764 137)
	<u>-</u>	<u>-</u>

#### Correction of difference in the opening balance of property, plant and equipment

A difference between the property, plant and equipment opening balances and those of the fixed asset register was carried forward from 1 July 2019. This difference has been corrected retrospectively.

The effect of the correction is as follows:

#### Statement of financial position:

Increase (decrease) in Property, plant and equipment	(2 751 286)	(2 751 286)
(Increase) decrease in Accumulated surplus	2 751 286	2 751 286
	<u>-</u>	<u>-</u>

#### Correction of error in Unallocated Deposits

Identified in the Unallocated deposits transactions were receipts that were included in the incorrect financial year .

The effect of the correction is as follows:

#### Statement of financial position:

Increase (decrease) in Unallocated Deposits	(338 317)	(338 317)
(Increase) decrease in Accumulated surplus	338 317	338 317
	<u>-</u>	<u>-</u>

#### Reclassifications

No change in accounting policies occurred during the year under review.

#### Reclassification 3

For purposes of the presentation and disclosure of the annual financial statements, the availability charges in respect to water, electricity and sewerage has been reclassified from receivables from exchange transactions to receivables from non-exchange transactions.

The effect of the reclassification is as follows:

(Increase) decrease in Availability charges (revenue from non-exchange transactions)	-	2 554 982
Increase (decrease) in Electricity (revenue from exchange transactions)	-	(1 177 334)
Increase (decrease) in Water (revenue from exchange transactions)	-	(1 018 964)
Increase (decrease) in Sewerage (revenue from exchange transactions)	-	(358 684)
	<u>-</u>	<u>-</u>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 46. Prior period adjustments (continued)

#### Reclassification of expenditure transactions

For purposes of the presentation and disclosure of the annual financial statements, certain expenditure line items were reclassified to separately disclose these items in accordance with GRAP 1.

The effect of the reclassification is as follows:

(Increase) decrease in Contracted Services	-	(2 089 476)
(Increase) decrease in Repairs and maintenance	-	(3 503 633)
(Increase) decrease in Consulting and professional fees	-	3 731 882
(Increase) decrease in Entertainment	-	28 664
(Increase) decrease in Fuel and oil	-	(167 822)
(Increase) decrease in Computer expense	-	866 701
(Increase) decrease in Outsourced services	-	1 133 684
	-	-

#### Reclassification

For purposes of the presentation and disclosure of the annual financial statements, the availability charges in respect to water, electricity and sewerage has been reclassified from revenue from exchange transactions to revenue from non-exchange transactions.

#### Statement of financial performance:

(Increase) decrease in Service charges (revenue from exchange transactions)	-	347 115
(increase) decrease in Availability charges (revenue from non-exchange transactions)	-	(347 115)
	-	-

### 47. Comparative figures

Certain comparative figures have been reclassified.

### 48. Unauthorised expenditure

Opening balance	56 787 904	28 969 086
Add: Unauthorised expenditure - current year	-	27 818 818
	<b>56 787 904</b>	<b>56 787 904</b>
Vote 1 - Government and administration	-	-
Vote 2 - Finance & admin	-	10 844 816
Vote 3 - Community services	-	16 973 994
Vote 4 - Technical services	-	-
	-	<b>27 818 810</b>

There was no fruitless and wasteful expenditure incurred in the current period. Included in the payments made in advance is an amount of R 202 126.50 that was paid by the municipality for the supply of paving bricks. This matter is still being investigated by the municipality if the paving bricks will be delivered or if the transaction should be classified as fruitless and wasteful expenditure.

### 49. Fruitless and wasteful expenditure

Add: Current year	569 874	-
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Included in the payments made in advance is an amount of R404,253 that was paid by the municipality for the supply of paving bricks. This matter is still being investigated by the municipality if the paving bricks will be delivered or if the transaction should be classified as fruitless and wasteful expenditure.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Fruitless and wasteful expenditure (continued)

The remaining transactions totaling R 569 874 is due to interest levied on overdue creditor accounts.

### 50. Irregular expenditure

Opening balance	12 950 136	7 436 735
Add: Irregular Expenditure - current year	2 167 323	3 212 812
Add: Irregular Expenditure (additionally identified). The additional irregular expenditure will be investigated next financial year	14 775 774	7 503 660
Less: Amounts condoned	-	(5 203 071)
	<b>29 893 233</b>	<b>12 950 136</b>

Full extent of irregular expenditure identified during the audit will be fully investigated by senior management of the municipality.

### 51. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year fee	684 440	620 691
Amount paid - current year	(677 235)	(620 691)
	<b>7 205</b>	<b>-</b>

#### Audit fees

Opening balance	1 112 762	-
Current year fee	3 522 571	3 134 160
Amount paid - current year	(1 376 178)	(2 021 398)
Amount paid - previous year	(1 112 762)	-
Interest on overdue creditor	65 235	-
	<b>2 211 628</b>	<b>1 112 762</b>

#### PAYE, UIF and SDL

Current year payroll deductions	9 003 128	8 404 417
Amount paid - current year	(9 003 128)	(8 404 417)
	<b>-</b>	<b>-</b>

#### Pension and medical aid deductions

Current year contributions	10 762 290	10 409 436
Amount paid - current year	(10 762 290)	(10 409 436)
	<b>-</b>	<b>-</b>

#### VAT

VAT payable	11 476 927	13 728 194
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Distribution losses

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity	9 023 538	8 907 499
Water	9 723 521	9 489 410
	<b>18 747 059</b>	<b>18 396 909</b>

#### Electricity losses

The municipality purchased 25 303 188.15 (2021: 225 669 795) units during the financial year. It sold / billed 19 115 580.86 (2021: 18 475 865) units during the year and has calculated its distribution losses to be an estimated 24.452% (2021: 28.02%) at an average cost of R1.4583 (2021: R1.1454) per unit.

The main reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

#### Water losses

The municipality pumped 1 924 289.00 (2021: 2 367 1555) units during the financial year. It sold / billed 1 106 215.00 (2020: 965 086) units during the year and has calculated its distribution losses to be an estimated 42.52% (2021: 59.23%) at an average cost of R11.8830 (2020: R1.9179) per unit.

These losses occur due to inter alia, leakages, the tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for less than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MS Toto	2 047	1 836	3 883
MR Kafi	1 302	5 849	7 151
E Humphries	1 453	(1 364)	89
W Minnie	1 672	5 365	7 037
VP Harmse	1 386	1 522	2 908
CM Williams	56	8 756	8 812
SK Brown	1 181	(787)	394
NJ Batties	2 480	34 943	37 423
	<b>11 577</b>	<b>56 120</b>	<b>67 697</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MS Toto	2 091	2 643	4 734
MR Kafi	1 311	2 794	4 105
E Humphries	1 738	927	2 665
MA Sestile	1 360	212	1 572
W Minnie	1 606	5 486	7 092
VP Harmse	1 411	1 454	2 865
CM Williams	516	7 866	8 382
SK Brown	372	-	372
JP Mathee	1 358	-	1 358
NJ Batties	2 557	27 874	30 431
	<b>14 320</b>	<b>49 256</b>	<b>63 576</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2022	Highest outstanding amount	Aging (in days)
MS Toto	1 836	90
MR Kafi	5 849	90
E Humphries	89	30
W Minnie	5 365	90
VP Harmse	1 522	90
CM Williams	8 756	90
SK Brown	394	90
JP Mathee	3 150	30
NJ Batties	34 943	90
	<b>61 904</b>	<b>690</b>

30 June 2021	Highest outstanding amount	Aging (in days)
MS Toto	1 245	180
MR Kafi	1 679	330
E Humphries	822	30
MA Sestile	612	180
W Minnie	797	180
VP Harmse	516	180
CM Williams	1 047	330
SK Brown	371	30
JP Mathee	3 267	180
NJ Batties	1 465	120
	<b>11 821</b>	<b>1 740</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### 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 meeting of the council and includes a note to the annual financial statements.

The expenses incurred as listed hereunder have been condoned.

#### Incident

Three quotations not obtained	150 761	-
Special procurement	50 339	-
Exceptional cases	2 806 940	2 143 258
Sole provider	758 381	555 824
Emergency cases	654 372	1 096 814
	<b>4 420 793</b>	<b>3 795 896</b>

### 52. Principal-Agent arrangements

#### Principal in Principal-Agent arrangement

The municipality is the Principal in the Principal-Agent arrangement with Conlog. Conlog undertakes pre-paid electricity sales through the use of third-party vendors on behalf of Umsobomvu Local Municipality. No significant judgements were applied in determining if the municipality was the principal. No changes have been made to the terms and conditions for the arrangement during the reporting period. No significant risks and benefits associated with the arrangement have been identified.

#### Compensation paid for agency activities

##### Statement of Financial Performance

Commission income paid	243 890	272 789
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##### Statement of Financial Position

Conlog debtor included in trade and other receivables	-	1 038 992
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Umsobomvu Local Municipality paid 4.2% commission and other administrative cost to Conlog for acting as the agent on its behalf during the financial year.

Resources under custodianship of the agent, nor have they been recognised as such. All resources provided to third party vendors are that of the agent and not the municipality. There is no direct resource or cost implications for the principal if the principal-agent arrangement is terminated, however this will directly impact on service delivery continuity and revenue generation negatively, due to the reduction in service points.

#### Agent in Principal-Agent arrangement

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with various personal insurance companies, unions and legal firms. The municipality deduct specified amounts from salaries of municipal employees on behalf of the principals in exchange for commission of 2.50% and 2.87%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. There have been no significant changes in the terms and conditions of the arrangements during the reporting period. There are no significant risks and benefits associated with the principal-agent arrangements.

The Umsobomvu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of the Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Principal-Agent arrangements (continued)

#### Compensation received for agency activities

##### Statement of Financial Performance

Commission (Payroll deductions)	243 890	118 872
Commission (Department of Transport, Safety and Liaison)	59 910	44 409
	<b>303 800</b>	<b>163 281</b>

### 53. Budget differences

#### Material differences between budget and actual amounts

Material differences are deemed material where the differences differ with 10% or more of the final budget.

#### Statement of financial performance

**Rental of facilities and equipment:** The budget was based on prior year income, this figure was less than what would have been expected in a normal year because of the covid pandemic and the capacity restrictions that were imposed.

**Agency services:** This is attributable to the increase in collection of license fees. Licences and permits were budgeted as a separate line item but the actual amount was included in Agency services on the financial statements.

**Other income:** Management expected an increase in other income, unfortunately the anticipated increase was not achieved.

**Interest received:** The increase in interest received is due to the fact that the municipality raised interest on debtors accounts for a certain number of months in the prior year and not the full year, interest were levied every month on the debtors accounts in the current year. This is also indicated by the increase in the consumer debtors.

**Fines, penalties and interest:** This amount budgeted was based on prior year income, the increase in fines, penalties and interest are attributed to the restrictions on traveling that were lifted in the current year as the country reached the end of the Covid- 19 Pandemic.

**Property rates:** The budget amount does not take into consideration the implementation of the new valuation roll and the additional property rates that would be received from residential and agriculture units because of the increase in value of these properties.

**Loss on disposal of an asset:** This amount was not budgeted for since this is not a cashflow item.

**Auditors remuneration:** Management over-estimated the expenditure relating to auditors remuneration due to the fact that they did not take into account the discount received from the Auditor General

**Remuneration of councillors:** The municipality made provision for an increase in councillors remuneration for the current period but there was never a Government Gazette issued to indicate that the councillors remuneration is to be adjusted and thus stayed consistent from the prior period.

**Fines and penalties:** Due to the cashflow constraints experienced in the current year the municipality incurred fines and penalties on creditor accounts that were not considered when calculation the budget.

**General expenses:** Management increased the budget from the prior year to prepare for unforeseen expenditure, however during the current period the general expenditure decreased.

**Finance cost:** Due to cashflow constraints experienced during the period the municipality incurred interest on creditor accounts that were not budgeted for.

**Debt impairment:** Increase in impairment of debtors is due to the increase in aging of customer debtor accounts that are not being settled by customers. Management also ensured that all fines issued have been accounted for in terms of iGRAP 1 and have provided for the portion deemed irrecoverable, which was not budgeted for.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 53. Budget differences (continued)

**Availability charges:** Due to the fact that the split of debtors and revenue from availability charges is a new GRAP requirement, Management did not budget separately for the debtors and revenue from availability charges. This is the reason for the variances

**Repairs and maintenance:** Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

**Impairment loss:** Management did not budget for the impairment on assets due to the fact that this estimation is done at year-end by the Asset Consultants when physical verification is done. Management did not have a sufficient information at the date of budgeting to estimate for asset impairment

**Bulk purchases:** Management over-budgeted for the expenditure relating to the bulk purchases

**Contracted services:** Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

**Travel and subsistence:** Management budgeted for travel and subsistence under general expenditure

**Depreciation and amortisations:** Management over-budgeted the amounts for depreciation expenditure based on prior year amounts

### Statement of financial position

**Inventory:** The municipality based the budgeted amount on bulk water purchases from the Department of Water Association, however the Department failed to invoice the municipality for water usage in the past 2 years.

**Other receivables from non-exchange transactions:** The budgeted amount was based on prior year figures. The significant increase is due to the financial difficulty in the community that leads to old debt rolling over to the current year's balance and new debt being raised on debtor accounts, therefore debtors are struggling to settling their outstanding debt.

**Cash and cash equivalents:** Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

**Intangible assets:** The budgeted amount was based on the prior year disposal of Intangible assets, however the municipality did not dispose any intangible assets in the current year

**Trade payables:** Due to the cashflow constraints experienced during the period the creditor accounts could not be settled in the required period of 30 days and thus the Trade payables amount increased

**Finance lease obligation:** The finance lease obligation budget amount was based on the present value minimum lease payments of the prior year. The final liability decreased due to payments being made. In addition the budgeted amount includes the current liability portion and the non current portion that is disclosed as a separate line items on the financial statement.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand

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### 53. Budget differences (continued)

**VAT payable:** Not budgeted for separately.

**Provisions:** Due to the fact that this is a non cash flow item that is not calculated by the municipality the budgeted amount was incorrect. The budgeted amount for provisions of Landfill sites, Employee benefit obligations and long service awards include both the current and non current portion that is disclosed as a separate line item on the financial statement.

**Other debtors from exchange transactions:** Management did not budget for over-and- under banking

**Consumer debtors:** Management did not budget separately for statutory receivables from non-exchange transactions, this is budgeted for with consumer debtors

**Statutory receivables from non-exchange transactions:** Management did not budget separately for statutory receivables from non-exchange transactions, this is budgeted for with consumer debtors

**Receivables from availability charges:** Due to the fact that the split of debtors and revenue from availability charges is a new GRAP requirement, Management did not budget separately for the debtors and revenue from availability charges. This is the reason for the variances

**Consumer deposits:** Management over estimated the deposits that have been made by consumers for electricity and water

**Employee benefit obligation (Current):** Management over-budgeted for the current portion of the employee benefit obligation and under- budgeted for the non-current portion of the employee benefit obligation

**Unspent conditional grants and receipts:** The municipality anticipated that all grants received will be utilised for the year, therefore no amount was budgeted for.

**Employee benefit obligation (Current):** Management over-budgeted for the current portion of the employee benefit obligation and under- budgeted for the non-current portion of the employee benefit obligation

**Provisions:** Due to the fact that this is a non-cash flow item, management incorrectly did not include the effect of the movement in the provision

#### **Cash flow statement:**

**Sale of goods and services:** Due the financial difficulty within the community, outstanding debt is not recovered as quickly as expected.

**Interest income:** Due the decrease in cash and cash equivalents the interest income decreased as well.

**Suppliers and Employee costs:** Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

**Finance costs:** Management under-budgeted for finance costs due to the fact that they have payment arrangements with suppliers to limited the levy of finance charges on outstanding accounts, Management however did not budget for defaulting on supplier payment arrangements due to financial difficulty

**Purchase of property, plant and equipment:** Due to the municipality's financial difficulties and due to cost cutting measures, the expected budget was not achieved

**Cash and Cash Equivalents at the beg of the year:** Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

**Cash and Cash Equivalents at the end of the year:** Due to cashflow constraints experienced during the period, management had to utilize most of their cash reserve in their investment account. The reason behind this is due to the recovery of debtors did not occur as planned.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 54. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

### 55. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 511 841 757 and that the municipality's total assets exceed its liabilities by R 511 841 757.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management considered the following matters relating to the going concern assumption:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- Deficit of R14 948 743 (2021: surplus of R 21 923 907) was realised, Government grants and subsidies contributed R84 370 466 (2021: R 86 864 096).
- The municipality's unspent conditional grants for the current year amounted to R 6 752 681 (2021: R11 545 447). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R 223 632 712 (2021: R174 374 222) has been disclosed in the financial statements.
- As at 30 June 2020 the municipality's current liabilities amounted to R 65 752 622 (2021: R64 666 125 ), whilst the current assets amounted to R 83 732 225 (2021: R 87 734 753 ).
- The current and acid test ratios are below the required ratio of 1.11:1 and 1.00:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Umsobomvu Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2022 financial year, the allocated Equitable Share allocation amounts to R 56 140 000 and the Financial Management Improvement Grant to R 1 920 000 .

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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Figures in Rand

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### 55. Going concern (continued)

- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2022 furthermore disclosed government's proposed allocation of the 2023 and 2024 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2022.

### 56. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Social Services, Energy Sources, Executive Council, Finance and Administration, Road Transport, Waste Water Management, Water Management, Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 56. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2022

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>Revenue</b>									
Agency services	-	-	-	-	873 957	-	-	-	873 957
Fines, Penalties and Forfeits	766	4 073	-	-	29 336 678	-	-	-	29 341 517
Government Grants and Subsidies	1 400 000	-	56 140 000	1 920 000	17 909 766	7 000 700	-	-	84 370 466
Interest received	-	14 616 827	-	67 426	-	-	-	-	14 684 253
Other Income	35 459	101 814	429 640	544 351	39 089	1 944	11 838	-	1 164 135
Rental of Facilities and Equipment	-	-	-	101 439	4 692	-	-	-	106 131
Service charges	-	35 283 945	79 163	-	-	10 710 617	17 205 056	6 650 816	69 929 597
Property Rates	-	-	-	15 393 349	-	-	-	-	15 393 349
Availabiliy charges	-	143 183	-	225 807	-	-	-	-	368 990
<b>Total segment revenue</b>	<b>1 436 225</b>	<b>50 149 842</b>	<b>56 648 803</b>	<b>18 252 372</b>	<b>48 164 182</b>	<b>17 713 261</b>	<b>17 216 894</b>	<b>6 650 816</b>	<b>216 232 395</b>
<b>Entity's revenue</b>									<b>216 232 395</b>

# Umsobomvu Local Municipality

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	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>56. Segment information (continued)</b>									
<b>Expenditure</b>									
Bulk purchases	-	36 908 221	-	-	-	-	215 776	-	37 123 997
Contracted services	-	-	1 760 905	4 485 841	-	109 246	71 024	-	6 427 016
Debt Impairment	-	79 899	-	75 412 784	-	27 393	45 966	45 355	75 611 397
Finance costs	-	-	2 120 615	569 874	-	-	-	271 502	2 961 991
Employee Related Costs	8 091 023	3 221 131	5 370 697	17 950 749	9 277 283	4 002 704	6 282 200	2 720 372	56 916 159
Fines and penalties	-	-	-	-	125 144	-	-	-	125 144
General expenses	150 685	1 057 881	5 043 618	1 953 233	1 462 895	532 737	1 760 619	272 775	12 234 443
Remuneration of Councillors	-	-	4 738 864	-	-	-	-	-	4 738 864
Auditors remuneration	-	-	-	2 679 316	-	-	-	-	2 679 316
Deprecation and amortisation	-	-	-	20 332	-	26 736 978	-	-	26 757 310
Travel and substance	7 883	5 487	784 235	264 965	110 606	-	6 319	-	1 179 495
Loss on disposal of assets and liabilities	-	-	-	66 510	-	-	-	-	66 510
Impairment of assets	-	-	-	290 598	-	-	-	-	290 598
Repairs and Maintenance	65 927	1 322 161	-	119 591	1 627 899	207 542	496 676	229 099	4 068 895
<b>Total segment expenditure</b>	<b>8 315 518</b>	<b>42 594 780</b>	<b>19 818 934</b>	<b>103 813 793</b>	<b>12 603 827</b>	<b>31 616 600</b>	<b>8 878 580</b>	<b>3 539 103</b>	<b>231 181 135</b>
<b>Total segmental surplus/(deficit)</b>									<b>(14 948 740)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>56. Segment information (continued)</b>									
<b>Assets</b>									
Cash and cash equivalents	-	-	-	1 966 494	-	-	-	-	1 966 494
Intangible Assets	-	-	-	44 484	-	-	-	-	44 484
Inventory	-	-	-	370 300	-	-	50 889	-	421 189
Investment Property	-	-	-	16 698 999	-	-	-	-	16 698 999
Property, plant and equipment	(49 770 142)	(59 059 312)	-	(64 813 212)	44 810 432	22 659 234	607 417 567	103 500	501 348 067
Receivables from exchange transactions	-	1 648	(8 990)	9 384 663	-	-	-	-	9 377 321
Receivables from non-exchange transactions	-	-	-	40 149 585	-	-	-	-	40 149 585
Statutory receivables from exchange transactions	-	-	-	48 023 716	(27 937 479)	-	-	-	20 086 237
Other receivables from exchange transactions	-	-	-	8 836 857	-	-	-	-	8 836 857
Receivables from availability charges	-	-	-	2 894 542	-	-	-	-	2 894 542
<b>Total segment assets</b>	<b>(49 770 142)</b>	<b>(59 057 664)</b>	<b>(8 990)</b>	<b>63 556 428</b>	<b>16 872 953</b>	<b>22 659 234</b>	<b>607 468 456</b>	<b>103 500</b>	<b>601 823 775</b>
<b>Total assets as per Statement of financial Position</b>									<b>601 823 775</b>
<b>Liabilities</b>									
Accounts Payable	(16 146)	-	-	315 523 337	(360 672 886)	-	-	(12 567)	(45 178 262)
Payables from non-exchange transactions	-	-	-	(147 946)	-	-	-	-	(147 946)
Finance lease obligations	-	-	-	(2 519 283)	-	-	-	-	(2 519 283)
Employee benefit obligation	-	-	-	(12 583 460)	-	-	-	-	(12 583 460)
Provision	-	-	-	(10 614 822)	-	-	-	-	(10 614 822)
VAT Payable	-	-	1 614 205	6 538 448	-	-	(19 629 580)	-	(11 476 927)
Unspent grants	-	-	-	(6 752 681)	-	-	-	-	(6 752 681)
Consumer deposits	-	-	-	(708 638)	-	-	-	-	(708 638)
<b>Total segment liabilities</b>	<b>(16 146)</b>	<b>-</b>	<b>1 614 205</b>	<b>288 734 955</b>	<b>(360 672 886)</b>	<b>-</b>	<b>(19 629 580)</b>	<b>(12 567)</b>	<b>(89 982 019)</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>56. Segment information (continued)</b>									
<b>Total liabilities as per Statement of financial Position</b>									<b>(89 982 019)</b>

2021

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>Revenue</b>									
Agency services	-	-	-	-	719 458	-	-	-	719 458
Fines, Penalties and Forfeits	194	10 156	-	-	20 779 193	-	-	-	20 789 543
Government Grants and Subsidies	1 300 000	8 017 944	61 680 000	1 900 000	1 000 000	8 360 167	4 605 985	-	86 864 096
Interest received	-	6 078 619	-	198 898	-	-	-	-	6 277 517
Other Income	25 953	47 203	402 958	462 565	42 985	2 301	3 765	-	987 730
Rental of Facilities and Equipment	-	-	-	20 230	3 228	-	-	-	23 458
Service charges	-	29 756 159	614 396	-	-	10 099 576	14 535 654	6 648 874	61 654 659
Property Rates	-	-	-	14 389 005	-	-	-	-	14 389 005
Public contributions and donations	-	-	-	-	7 688 112	-	-	-	7 688 112
Fair value adjustment	-	-	-	4 554 100	-	-	-	-	4 554 100
Availability charges	-	-	-	347 115	-	-	-	-	347 115
<b>Total segment revenue</b>	<b>1 326 147</b>	<b>43 910 081</b>	<b>62 697 354</b>	<b>21 871 913</b>	<b>30 232 976</b>	<b>18 462 044</b>	<b>19 145 404</b>	<b>6 648 874</b>	<b>204 294 793</b>
<b>Entity's revenue</b>									<b>204 294 793</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Segment information (continued)

#### Expenditure

Bulk purchases	-	31 787 593	-	-	-	-	328 196	-	32 115 789
Contracted services	-	1 153 095	(6 000)	52 304	3 720 328	419 760	103 376	64 988	5 507 851
Debt Impairment	-	-	-	32 765 897	-	-	-	-	32 765 897
Depreciation	-	-	-	32 359	128 819	29 354 653	-	-	29 515 831
Employee Related Costs	7 682 881	3 050 304	4 132 904	20 043 416	9 291 916	3 918 262	6 181 337	2 428 124	56 729 144
Finance cost	-	-	1 632 627	118 166	-	-	-	343 298	2 094 091
General expenses	(2 081 536)	979 667	6 778 970	6 087 274	(1 969 922)	302 276	1 818 871	357 168	12 272 768
Remuneration of councilors	-	-	3 996 005	-	-	-	-	-	3 996 005
Auditors remuneration	-	-	-	3 134 160	-	-	-	-	3 134 160
Fines and penalties	-	-	-	-	186 752	-	-	-	186 752
Travel and substance	-	4 785	286 879	227 240	23 907	181	5 971	-	548 963
Repairs and Maintenance	-	-	-	3 503 633	-	-	-	-	3 503 633
<b>Total segment expenditure</b>	<b>5 601 345</b>	<b>36 975 444</b>	<b>16 821 385</b>	<b>65 964 449</b>	<b>11 381 800</b>	<b>33 995 132</b>	<b>8 437 751</b>	<b>3 193 578</b>	<b>182 370 884</b>
<b>Total segmental surplus/(deficit)</b>									<b>21 923 909</b>

#### Assets

Cash and cash equivalents	-	-	-	2 801 000	-	-	-	-	2 801 000
Intangible Assets	-	-	-	64 816	-	-	-	-	64 816
Inventory	-	-	-	370 300	-	-	34 968	-	405 268
Investment Property	-	-	-	16 698 999	-	-	-	-	16 698 999
Property, plant and equipment	-	5 108 635	-	174 313 501	188 188 727	27 628 111	113 324 441	103 500	508 666 915
Receivables from exchange transactions	-	-	-	59 580 167	-	-	-	-	59 580 167
Receivables from non-exchange transactions	-	-	-	2 117 223	-	-	-	-	2 117 223
Statutory receivables from non-exchange transactions	-	-	-	14 654 417	-	-	-	-	14 654 417
Other receivables from exchange transactions	-	-	-	8 176 678	-	-	-	-	8 176 678
Operating lease asset	-	-	-	274	-	-	-	-	274
<b>Total segment assets</b>	<b>-</b>	<b>5 108 635</b>	<b>-</b>	<b>278 777 375</b>	<b>188 188 727</b>	<b>27 628 111</b>	<b>113 359 409</b>	<b>103 500</b>	<b>613 165 757</b>
<b>Total assets as per Statement of financial Position</b>									<b>613 165 757</b>

# Umsobomvu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Community and Social Services	Energy Sources	Executive and Council	Finance and Admin	Road Transport	Waste Water Management	Water Management	Waste Management	Total
<b>56. Segment information (continued)</b>									
<b>Liabilities</b>									
Accounts Payable	-	-	-	36 309 493	-	-	-	-	36 309 493
Payables from non-exchange transactions	-	-	-	977 942	-	-	-	-	977 942
Other Financial Liabilities	-	-	-	3 171 206	-	-	-	-	3 171 206
Provisions	-	-	-	8 211 388	-	-	-	-	8 211 388
Unspent Grants	124 919	-	-	11 420 528	-	-	-	-	11 545 447
VAT Payable	-	-	-	13 728 194	-	-	-	-	13 728 194
Consumer deposits	-	-	-	745 124	-	-	-	-	745 124
Employee benefits	-	-	-	11 686 460	-	-	-	-	11 686 460
<b>Total segment liabilities</b>	<b>124 919</b>	<b>-</b>	<b>-</b>	<b>86 250 335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86 375 254</b>
<b>Total liabilities as per Statement of financial Position</b>									<b>86 375 254</b>

**ANNEXURE B:**  
**AG REPORT**

# Report of the auditor-general to Northern cape Provincial Legislature and the council on Umsobomvu Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Umsobomvu Local Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matter 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 Umsobomvu Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

### Basis for qualified opinion

#### Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for infrastructure asset included in property, plant and equipment due to the status of the accounting records. The municipality did not have adequate systems of internal control for the unbundling of completed assets. I was unable to confirm infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to infrastructure assets, stated at R440 371 447 in note 9 to the financial statements.

#### Cash and cash equivalents

4. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I could not confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R1 966 494 (2021: R2 800 998) in note 7 of the financial statements.

## Service charges

5. The municipality did not accurately recognise sale of electricity that has accrued in accordance with GRAP 9, *Revenue from exchange transactions*. As the municipality did not maintain accurate records of services rendered, I was unable to determine the full extent of the overstatement of sale of electricity included in service charges and electricity consumer debtors included in receivables from exchange transactions and VAT payable for the current year as it was impracticable to do so. Since revenue from sale of electricity is included in the determination of net cash flows from operating activities reported in the cash flow statements, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R131 522 852 in the financial statements.

## Interest received

6. The municipality did not recognise interest received accurately, that has accrued in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not bill consumers in the council approved interest rate. I was unable to determine the full extent of the understatement of interest received included in revenue from exchange transactions for the current year as it was impracticable to do so. Since revenue from interest received is included in the determination of net cash flows from operating activities reported in the cash flow statement, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R131 522 852 in the financial statements.

## Receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for water consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm water consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to water consumer debtors, stated at R94 552 509 in note 5 of the financial statements.
8. I was unable to obtain sufficient appropriate audit evidence for refuse consumer debtors included in receivables from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm refuse consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to refuse consumer debtors, stated at R53 928 911 in note 5 of the financial statements.

## Other debtors from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for under (over) banking included in other debtors from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm under (over) banking by alternative means.

Consequently, I was unable to determine whether any adjustment was necessary to under (over) banking, stated at R6 380 974 in note 4 to the financial statements.

#### Allowance for impairment

10. I was unable to obtain sufficient appropriate audit evidence for allowance for impairment included in receivables from exchange and non-exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm allowance for impairment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to allowance for impairment, stated at R223 632 712 in note 9 to the financial statements.

#### Debt impairment

11. I was unable to obtain sufficient appropriate audit evidence for bad debts written off included in debt impairment due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm bad debts written off by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to bad debts written off, stated at R 24 701 996 in note 35 to the financial statements.

#### Payables from exchange transactions

12. I was unable to obtain sufficient appropriate audit evidence for unallocated deposits included in payables from exchange transactions due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm unallocated deposits by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unallocated deposits, stated at R6 132 186 in note 12 to the financial statements.

#### Payables from non-exchange transactions

13. The municipality did not recognise consumer debtors meeting the definition of payables from non-exchange transactions in accordance with GRAP 1, *Fair presentation of financial statements*. Consequently, consumer debtors with credit balances were understated by R4 927 725.

#### Prior period adjustments

14. I was unable to obtain sufficient appropriate audit evidence for prior period adjustments relating to cash and cash equivalents as well as other receivables from exchange transactions included in prior period adjustments due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I was unable to confirm these prior period adjustments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to prior

period adjustments, stated at R2 371 399 and R5 135 536, respectively in note 46 to the financial statements.

## Depreciation

15. The municipality did not recognise depreciation in accordance to GRAP 17, Property, plant and equipment. As the municipality did not account for all depreciation relating to other property, plant and equipment. Consequently property, plant and equipment was overstated. I was unable to determine the full extent of the understatement of depreciation included in expenditure for the current year as it was impracticable to do so

## Context for the opinion

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

## Material uncertainty relating to going concern

19. I draw attention to the matter below. My opinion is not modified in respect of this matter.
20. I draw attention to note 55 to the financial statements, which indicates that as at 30 June 2022 the municipality experienced a deficit of R14 948 743. Furthermore, in note 55, the municipality struggled to pay its creditors within 30 days, which indicates that the municipality does not have sufficient cash flow to pay for their debts as and when they become due. These events or conditions, along with the other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

## Emphasis of matters

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

## An uncertainty relating to the future outcome of exceptional litigation

22. With reference to note 43 to the financial statements, the municipality is the defendant in a number of claims against them. The municipality is opposing the claims, as it is believed that the claims are unjustified. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

### **Material losses – Electricity**

23. As disclosed in note 51 to the financial statements, material electricity losses of R9 023 538 (2021: R8 907 499) were incurred, which represent 24.45% (2021: 28.02%) of total electricity purchased. These losses were due to dissipation when electricity flows through the conductors, illegal connections, meter tampering and under-charging.

### **Material losses – Water**

24. As disclosed in note 51 to the financial statements, material water losses of R9 723 521 (2021: R9 489 410) were incurred, which represent 42.52% (2021: 59.23%) of total water purchased. These losses occur due to, inter alia, leakages, the tampering of meters and illegal water connections.

### **Debt impairment**

25. As disclosed in notes 35 to the financial statements, material impairments for receivables from exchange transactions and receivables from non-exchange transactions to the amount of R75 611 396 (2021: R32 765 896) respectively were incurred as a result of a write-off and impairment of irrecoverable trade debtors.

### **Other matter**

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

### **Unaudited disclosure notes (MFMA 125)**

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

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

28. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
29. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

30. 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.
31. 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

32. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
33. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
34. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
Objective 5 – Ongoing maintenance of municipal infrastructure.	x – x
Objective 6 – Provide appropriate services to all households.	x – x
Objective 7 - Provide quality and sustainable municipal infrastructure within available resources.	x – x

35. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
36. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

**Objective 6 - Provide appropriate services to all households.**

**TL60: Provide free basic energy to indigent households as at 30 June 2022.**

37. I was unable to obtain sufficient appropriate audit evidence for the achievement of 461 reported against target: Provide free basic energy to indigent households as at 30 June 2022 in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

**Other matters**

38. I draw attention to the matter/s below.

**Achievement of planned targets**

39. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) x to x of this report.

**Adjustment of material misstatements**

40. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Objective 5 – Ongoing maintenance of municipal infrastructure, Objective 6 – Provide appropriate services to all households and Objective 7 – Provide quality and sustainable municipal infrastructure within available resources. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified opinion paragraphs.

**Report on the audit of compliance with legislation**

**Introduction and scope**

41. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters

in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

#### **Annual financial statements and annual reports**

43. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

#### **Expenditure management**

44. Reasonable steps were not taken to prevent irregular expenditure amounting to R16 943 097 as disclosed in note 50 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non compliance with supply chain management regulations.

45. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

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

46. Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management regulation 3(6)(a).

#### **Procurement and contract management**

47. Sufficient appropriate audit evidence could not be obtained that some goods and services with a transaction value of below R200 000 were procured using price quotations as required by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

48. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year.

49. 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).

50. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Supply and delivery of water waste.

51. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act and its regulations.
52. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.
53. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

### Consequence management

54. 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.
55. 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.

### Other information

56. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, the other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
57. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
58. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
59. 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

60. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
61. The municipality did not effectively exercise their oversight responsibility in respect of financial, performance reporting and compliance with applicable legislation by ensuring that daily and monthly reports are prepared and adequately reviewed to ensure credibility of financial statements and the annual performance report.
62. The municipality developed an audit plan to address issues that were raised by the internal and external auditors in the prior financial year, however, management did not adequately address prior year issues. This is evident from repeat findings identified in the current year in the financial statements as well as compliance with legislation.
63. Management has not effectively implemented daily and monthly controls to prevent, detect and correct misstatements before financial statements and annual performance report are submitted for audit. As a result, numerous material misstatements were identified between the financial statements, annual performance report and schedules in support of financial statements and achievements reported in the annual performance report.
64. The municipality did not have a proper record management system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information. This resulted to material differences between achievements reported in the annual performance report and evidence supporting the reported achievements.
65. The municipality did not have a financial management system that allowed reconciliations between the information presented and disclosed on the financial statements and the information as per financial system.
66. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

## Material irregularities

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

## Material irregularities identified during the audit

### Internal capacity not developed to prepare annual financial statements resulting in over reliance on consultants

68. I identified a material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in the next year's auditor's report.
69. The municipality appointed consultants for preparation of financial statements and asset management due lack of capacity and skills of municipal officials. However, the municipality did not develop, implement and monitor consultancy reduction plan to capacitate municipal officials and therefore reduce reliance on consultants as required by municipal cost containment regulation 5(5).

*Auditor General*

Signature

Kimberley

30 November 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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

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

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Umsobomvu Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

