

ANNUAL REPORT

2019/20



Ngwathe

MUNICIPALITY

The home of harmony, prosperity and growth

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CHAPTER 1

FOREWORD AND EXECUTIVE SUMMARY

Component A: Mayor's Foreword






The Ngwathe Local Municipality's Annual Report for the period 1 July 2019 to 30 June 2020 is presented in compliance with Treasury Regulations and according to section 121 of the Municipal Finance Management Act 56 of 2003 and read with section 46 of the Municipal Systems Act of 2000. The Annual Report serves as a communication tool for providing broad information on activities carried out and services provided, and for comparing actual service delivery with projected service delivery.

REALISING OUR VISION

Our vision statement indicates that we strive to provide excellent and sustainable services to improve the quality of life of our people. As we continue with our work towards the end of our political term of council, we are mindful of this vision statement of being open and transparent in discharging our duties, hence the presentation of this Annual Report to the masses of our people. It is not only compliance with legal statutory requirements, but also our moral high ground that we should account to our communities for our decisions and spending.

The Annual Report serves as a record of accounting mechanism to communities on the institution's achievements and challenges, as well as the mitigation and remedial measures implemented to address the latter. Whilst it reflects that progress has been made in service delivery, despite the many challenges the municipality is faced with such as low-income revenue collection, ageing infrastructure and increasing debtor's book, the municipality has maintained a satisfactory level of service delivery.

The municipality has tried to strengthen and streamline its operations to enable the institution to expand service delivery to the residents of Ngwathe Municipality; inter alia, the following interventions/actions have been achieved:

-  **stabilizing the administration by filling strategic vacancies**
-  **promoting financial discipline and management**
-  **maintaining of payment of service providers**
-  **improving and maintaining of portable drinking water**
-  **collection of refuse**

KEY SERVICE DELIVERY IMPROVEMENTS

The Municipality has progressed in terms of the assessment outcomes by office of the Auditor General, as we achieved a qualified audit opinion from, the disclaimer in the 2018/19 financial year.

Ngwathe Local Municipality strives to continuously improve its standards and performance, although under difficult financial circumstances and challenges, which includes amongst others the Eskom debt.

The dedicated participation of Councilors' in Council has been immensely beneficial to the implementation of the strategic objectives as stipulated in the IDP of the municipality. Council has strengthened its oversight role by ensuring that the executive is held accountable in the performance of

the departments through the Section 79 political monitoring committees and the Section 80 Portfolio committees.

The Municipality undertook the following capital projects during the year under review:

Phiritona: Installation of 1093 Residential Meters and 13 bulk Water Meters	100%
Refurbishment of old Parys Water Treatment Works (COVID-19)	100%
Kwakwatsi (Koppies) Construction of sports Complex	100%
Ngwathe (Edenville): Upgrading of Sports Ground	100%
Mokwallo: Installation of 2000 Water Residential Meters	100%
Tumahole Outfall Sewer	100%
Water quality Management in Parys	100%
Water Demand and Water Conservation Management in Parys	100%
Water Demand and Conservation in Koppies	100%
Mokwallo: Construction of Sports Complex Phase 2	100%

Public Participation

The Municipality employs various measures to reach out to, share with the community of Ngwathe, their programmes, and provide regular feedback on progress made.

The municipality has ensured that it kept apace and compliant of legislation and has several committees that assist the political management team to execute its oversight functions. These include amongst others: the MPAC, Finance Audit Committee and Performance Audit Committee.

PLANNED IMPROVEMENTS FOR 2019/20

- Installation of infrastructure network in newly established residential sites
- Improvement of water quality
- Launch of water laboratory sponsored by De Beers Mining
- Completion of Rata Maqheku Old Aged Home sponsored by De Beers Mining
- Municipal and Government Employees Arrears collections
- Staff Wellness Program
- Improved municipal reporting
- Revenue Enhancement
- Municipal and Government Employees Arrears collections
- PMS Policy Review
- Improvement of Internal Controls

CONCLUSION

The leadership of the institution remains undaunted in the face of mammoth tasks that lie ahead. We will continue to provide sustainable quality services to the residents of Ngwathe, listen without regard to social standing and as rapid responsive as we can be.

Whilst we acknowledge the progress made and very conscious about the fact that some segments of the communities are still living in depressing poverty, we remain committed and determined to persevere in realizing the key focus areas that Council adopted in the 2019/20. We wish to thank the community of Ngwathe Local Municipality as well as all other stakeholders for their will to participate in the affairs of the Municipality.

CLLR MJ MOCHELA
EXECUTIVE MAYOR

Component B: Executive Summary

1.2 Municipal Manager's Overview

Been a difficult year, weak financial position – Covid 19 Implications

Service Delivery Performance

Table: MIG Projects 2019/20

Project	Actual Expenditure during 2019/20 Financial Year	% Complete (Construction)	Completion Date
Vredefort: Extension of the Water treatment Plant	–	50%	21 November 2020
Phiritona/Sandersville: Construction of low level bridge in ward 1	–	5%	14 December 2021
Tumahole: Construction of 3Km Water Pipeline between Reservoir 4 and Pressure Tower	–	33.33%	12 December 2020
Heilbron: Upgrading Of waste water Treatment works	–	5%	25 February 2021
Phiritona: Installation of 1093 Residential Meters and 13 bulk Water Meters	R 2 520 948.98	100%	30 June 2020
Refurbishment of old Parys Water Treatment Works (COVID-19)	R 9 692 876.13	100%	12 December 2020
Kwakwatsi (Koppies) Construction of sports Complex	R 1 312 887.27	100%	30 April 2020
Ngwathe (Edenville): Upgrading of Sports Ground	R 77 132.51	100%	30 June 2020
Mokwallo: Installation of 2000 Water Residential Meters	R 2 542 267.87	100%	
Edenville: Construction of Low level bridge in ward 18	R 9 709 185.43	100%	
Mokwallo Sports Complex Phase 3	–	5%	30 June 2021
Kwakwatsi: Construction of Sports Complex Phase 2	–	5%	30 June 2022
Provision of Specialised Vehicles in Parys	–	5%	15 December 2021
Provision of Specialised Vehicles in Heilbron	–	5%	15 December 2021
Edenville Upgrading of Sports Complex Phase 2	–	5%	30 June 2022

Table: RBIG Project 2019/20

Project	Actual Expenditure during 2019/20 Financial Year	% Complete (Construction)	Completion Date
Refurbishment Koppies WTW and Construction of a Clear water Pump Station	R 18 679 419.84	89%	10 September 2020
Edenville Bulk Water supply- Pipeline to Edenville	R 6 865 605.59	30%	01 February 2021

Table: WSIG Project 2019/20

Project	Actual Expenditure during 2019/20 Financial Year	% Complete (Construction)	Completion Date
Tumahole Outfall Sewer	R 2 743 815.62	100%	October 2020
Water quality Management in Parys	R 2 484 207.00	100%	20 September 2020
Water Demand and Water Conservation Management in Parys	R 3 491 400.00	100%	20 September 2020
Water Quality Management in Koppies	R 1 839 328.61	90%	20 September 2020
Water Demand and Conservation in Koppies	R 2 317 284.04	100%	20 September

➤ **PRIORITY ISSUES RELATED TO FINANCIAL MANAGEMENT**

Overtime reduction

ESKOM debt management

Reduction of Rental – Yellow Fleet

Improved SCM compliance

Revenue Enhancement

Reduction of creditor's payment

BW KANNEMEYER

Municipal Manager

1.2.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Municipal Functions

In accordance with Section 155/156 of the Constitution and Chapter 3 of the Municipal Systems Act, the broad functions and powers of the Municipality are reflected in Appendix D

Access to services such as potable water, basic sanitation, safe energy sources and refuse removal services ensures that households enjoy a decent standard of living. To satisfy these basic requirements, the municipality contributed as reflected below during 2019/20;

Water: Access to potable water in Ngwathe was recorded at 94%

Sanitation: An estimate of 82% of households in Ngwathe has access to basic sanitation services

Energy: Ngwathe provides an access level of 95% to electricity

Refuse removal: The household access level to refuse removal in Ngwathe municipality was at 81.9%

Housing: 44.7% of households in Ngwathe have access to formal housing

Roads: A number of road construction projects by way of paving were undertaken in Ngwathe with a total of 6 kilometers of road constructed / paved.

Local Economic Development

Our municipality intended to undertake a formal local economic development program structured in accordance with a properly analyzed and mechanized Local Economic Development Strategy. Our hope to source support from FSCOGTA in this instance was not successful leaving us currently with little option but to source private support for the development of such a strategy.

This however did not hinder the municipality from undertaking a number of LED related projects that empowers individuals and groupings throughout the municipality with the support from various government departments and agencies. With the current institutional skills gap and general skills gap throughout the municipality area, numerous individuals were afforded opportunities to enhance their skills by way of training provided and or facilitated. The municipality continues to source from capacitated individuals and groups to address challenges related to;

The cleaning of side-walks in and around towns,

The repair of roads, by means of pot-hole filling,

The paving of roads and

A number other labor intensive projects to assist the unemployed market and provide possible income for indigent households.

The municipality continues to suffer not being able to access crucial data and information pertaining the job markets, economic growth centers, growth forecasts, regional economic data that influences migration and settlement patterns.

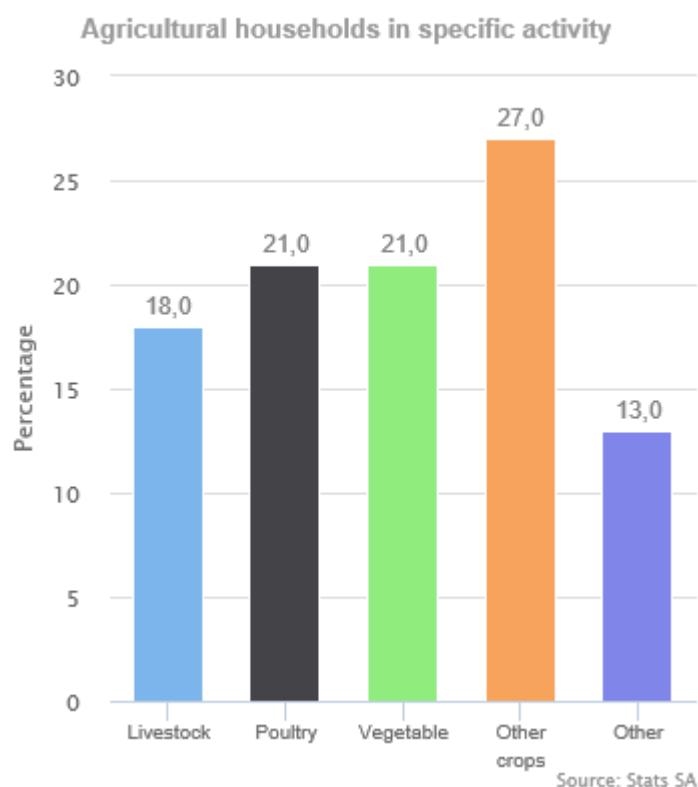
A strong research drive is required to continuously assess local capacity, development and potential growth opportunities.

Ngwathe, moving towards effectiveness efficiency and excellence

Economic Overview

The highest contributing sectors to the Growth Domestic Product (GDP) are:

- Agriculture



- Retail trade, catering and accommodation (11.5%)
- Tourism
- Finance, insurance, real estate and business services
- Transport, storage
- Building and Construction

Labour Profile

Statistics South Africa defines unemployment as those people aged between 15-65;

- who did not work during the 7 days prior to 10 October (when the census commenced);
- who want to work and are available to start work within a week of the interview; and
- who have taken active steps to look for work or to start some form of self-employment in the 7 days prior to commencement of the census.

Persons who have become discouraged from seeking work, or who no longer take active steps to find work, are not classified as unemployed. It is thus likely that unemployment figures, tabled below, are higher than that provided in these statistics. According to Statistics South Africa, the official unemployment figure for the Ngwathe area is estimated at 35.2%

Out of the population of 120 520, there are 39 555 economically active (employed or unemployed but looking for work) people and of the 20 204 economically active youth (15-35 years) in the area. It should be noted, however, that the "Other not economically active" participant's amounts to an overwhelming 42 423.04

In terms of youth unemployment, 45.1% of persons aged between 15-34 years within the Ngwathe area are unemployed

Demographics within the Ngwathe Municipality

The preferred languages for the people of the Ngwathe area is Sesotho 67%, Isixhosa 8.4% and Afrikaans 23.2% whilst other national languages all register below 3.5%.

According to the 2011 Statistics SA census survey Ngwathe demographics can be summarized as follows:

The total population size increased to 120 520 persons, to; reflecting 24.7% of the total population of the Fezile Dabi District municipal area.

Population Growth

The population growth based on the 2017 Community survey indicates a positive growth in relation to the negative growth of 0.3% recorded in 2011 census. Our current population was officially recorded at 118 907 in October of 2017.

Population Groups

Sex by Ratio

There are more females than males across all wards except wards 5 and 7 where 49.7% and 49% is registered whereas ward 8 shows an equal total of males and females.

Table: Sex by Ratio of Ngwathe

Province, District and Local Municipality	Gender		Total	Sex ratio (Males per 100 Females)
	Male	Female		
Free State	1 379 965	1 454 749	2 834 714	95
FEZILE DABI	245 985	248 792	494 777	99
Moqhaka	76 193	78 539	154 732	97
Ngwathe	56 425	62 482	118 907	90
Metsimaholo	85 531	78 033	163 564	110
Mafube	27 836	29 738	57 574	94

Data source: Statistics South Africa, Community Survey 2016

Functional Age Group

The majority of the population is made up of the functional age group in Ngwathe.

Table : Distribution of the population by functional age group in Ngwathe municipal area

Province, District and Local Municipality	0-14 Children	15-34 Youth	35-64 Adults	65+ Elderly	TOTAL	Dependency Ratio
Free State	797265	1 058948	732863	245638	2834714	58,2
FEZILE DABI	125 956	180 167	137 470	51 184	494 777	58,2
Moqhaka	37 929	54 322	44 398	18 082	154 732	55,8
Ngwathe	32 964	40 712	30 935	14 296	118 907	56,7
Metsimaholo	38 825	64 440	47 646	12 653	163 564	66,0
Mafube	16 238	20 692	14 491	6 153	57 574	45,9

Data source: Statistics South Africa, Community Survey 2016

School Attendance

Table : Indicates school attendance, non-attendance and unknown in Ngwathe municipal area.

Geography	School Attendance		
	Yes	No	Do not know
Free State	859361	1699444	2402
DC20: FEZILE DABI	129160	321460	347
FS201:Moqhaka	40085	101608	198
FS203: Ngwathe	30292	76656	70
FS204: Metsimaholo	42186	107449	31
FS205: Mafube	16597	35747	48

Data source: Statistics South Africa, Community Survey 2016

Highest Level of Education Attained

Table : Education Levels in Ngwathe municipal area

Education Levels	Totals
No schooling	4301
Grade 0	3432
Grade 1/Sub A/Class 1	3568
Grade 2/Sub B/Class 2	3244
Grade 3/Standard 1/ABET 1	4809
Grade 4/Standard 2	4927
Grade 5/Standard 3/ABET 2	5099
Grade 6/Standard 4	6059
Grade 7/Standard 5/ABET 3	5948
Grade 8/Standard 6/Form 1	7732
Grade 9/Standard 7/Form 2/ABET 4/Occupational certificate NQF Level 1	8313
Grade 10/Standard 8/Form 3/Occupational certificate NQF Level 2	11406
Grade 11/Standard 9/Form 4/NCV Level 3/ Occupational certificate NQF Level 3	9426
Grade 12/Standard 10/Form 5/Matric/NCV Level 4/ Occupational certificate NQF Level 3	21877
NTC I/N1	98
NTCII/N2	28
NTCIII/N3	166
N4/NTC 4/Occupational certificate NQF Level 5	333
N5/NTC 5/Occupational certificate NQF Level 5	153
N6/NTC 6/Occupational certificate NQF Level 5	273
Certificate with less than Grade 12/Std 10	43
Diploma with less than Grade 12/Std 10	195
Higher/National/Advanced Certificate with Grade 12/Occupational certificate NQF	493
Diploma with Grade 12/Std 10/Occupational certificate NQF Level 6	1426
Higher Diploma/Occupational certificate NQF Level 7	534
Post-Higher Diploma (Master's	304
Bachelor's degree/Occupational certificate NQF Level 7	1001
Honours degree/Post-graduate diploma/Occupational certificate NQF Level 8	565
Master's/Professional Master's at NQF Level 9 degree	176
PHD (Doctoral degree/Professional doctoral degree at NQF Level 10)	65
Other	230

Data source: Statistics South Africa, Community Survey 2016

Table 8: Unemployment rate in Ngwathe municipal wards

Unemployment rate	35,2%
Youth unemployment rate	45,1%

Data source: Statistics South Africa, Census 2011

1.3 SERVICE DELIVERY OVERVIEW

Basic Service Delivery Achievements

Source of water

94% of households within the Ngwathe area have access to municipal or service provider water, with the rest of the households sourcing water from dams, rivers, tankers, etc. Interventions to aid water security include continuous upgrades and maintenance to water purification plants in Ngwathe as well as other developments to supplement the water demand.

Main Source of Water

Source of Water	Fezile Dabi	Moqhaka	Metsimaholo	Ngwathe
Piped (tap) water inside the dwelling	83199	26054	38610	12474
Piped (tap) water inside yard	78495	24644	17840	24858
Piped water on community stand	3312	261	1801	1222
Borehole in the yard	1732	1027	216	447
Rain-water tank in yard	101	20	81	-
Neighbor's tap	737	402	55	190
Public/ Communal tap	2286	147	312	779
Water-Carrier / Tanker	495	151	12	167
Borehole outside the yard	1399	672	119	536
Flowing water / stream/ river	70	17	-	53
Well	-	-	-	-
Spring	15	15	-	-
Other	527	192	67	184
Total	172 370	53 601	59 113	40 910

Data source: Statistics South Africa, Community Survey 2016

Toilet Facilities

97% of households make use of a flush toilet that is connected to a sewerage system, while 3% makes use of pit latrines.

Table 9: Distribution of households by type of toilet facility in the Ngwathe municipal area.

District and Local Municipality	Main type of toilet facility used									
	Flush toilet connected to a public sewerage system	Flush toilet connected to a septic tank or conservancy tank	Chemical toilet	Pit latrine/toilet with ventilation pipe	Pit latrine/toilet without ventilation pipe	Ecological toilet (e.g. urine diversion; enviro loo; etc.)	Bucket toilet (collected by municipality)	Bucket toilet (emptied by household)	Other	None
Fezile Dabi	139501	1991	55	3469	10777	12	7814	1256	5593	1901
Moqhaka	48060	1145	18	1268	1804	-	138	253	95	819
Ngwathe	33124	314	37	1792	939	-	3362	188	502	652
Metsimaholo	43484	341	-	377	8006	12	1242	448	4939	264
Mafube	14832	191	-	31	28	-	3073	367	57	167
Total	235 810	3 681	73	5 137	20 624	24	12 427	1 902	6 147	2 641

Source: Statistics SA Community Survey 2016

Energy

A total of 99% of households within the Ngwathe municipal area have access to electricity for household purpose. 1% of households do not have access to electricity. The municipality has committed itself to energy efficiency within the municipal area, by focusing on the increase of capacity, upgrading of networks and replacement of outdated and faulty meters, to reduce electricity loss.

Table 10: Distribution of households using electricity for lighting, cooking and heating in Ngwathe municipal wards

District and Local municipality	Household access to electricity									
	In-house conventional meter	In-house prepaid meter	Connected to other source which household pays for (e.g. con	Connected to other source which household is not paying for	Generator	Solar home system	Battery	Other	No access to electricity	Total
Fezile Dabi	19814	135715	3148	452	11	212	19	1072	11926	172370
Moghaka	5771	44084	1738	189	-	75	19	184	1542	53601
Ngwathe	2959	35321	415	187	-	95	-	99	1835	40910
Metsimaholo	8196	41558	737	41	-	-	-	720	7862	59113
Mafube	2887	14753	259	36	11	43	-	69	687	18745

Source: Statistics SA Community Survey 2016

Table: Reduction in outages

Water		ELECTRICITY		SEWERAGE Challenges/Spillages		OTHER Roads	
2018/19	2019/20	2018/19	2019/20	2017/18	2018/19	2018/19	2019/20
169		311		276		0%	

Data: Ngwathe Technical Services department

Basic Service Delivery Challenges

Electricity and water losses experienced by the municipality over the last years are contributed to a number of factors, most of these factors or reasons for losses can be alleviated some at greater cost than others, whilst generally more awareness and consciousness of the public may assist the institution to manage such losses.

An initiative in collaboration with Eskom will address some of the losses the municipality experience in terms of collections relating to electricity, of which include the replacement of old dilapidated and faulty electricity meters. This collaborative effort will also deal with issues pertaining to current Eskom debt, which also hinders our ability to service the current account.

The serious shortage of staff, specifically in the Technical Services Department is not only a disadvantage but is a direct cause of our inability to respond positively to most basic services challenges. The lack of Master / Sector plans across the organization hinders our ability to do forecast planning and effectively plan specific long-term plans with anticipated growth considerations taken into account.

Table: Basic Service Delivery Challenges at March 2020

Informal settlement area	Challenges	Interventions necessary/initiated
Parys / Tumahole	<p>Yellow fleet in-case there is storm Throwing of wires into the network resulting in outages Overload of transformers</p> <p>Throwing of stones into sewer manholes Stormwater in Lusaka, Mandela</p> <p>Gravelling of roads</p>	<p>Provision of own yellow fleet Community awareness</p> <p>Community awareness regarding usage Community awareness regarding usage Investment in Stormwater Investment in the gravelling of roads</p>
Vredefort / Mokwallo	<p>Insufficient water in high lying areas (ward14 & 15)</p> <p>High mast lights that are not working due to lack of equipment to do maintenance(Double drum hoister and 2.1kw motor)</p>	<p>We are currently using jojo tanks and a water tanker to supply water in those areas. The WTW is also under refurbishment.</p> <p>Equipment has been procured and a program for fixing high mast lights will start on the 28/09/2020</p>
Heilbron / Phiritona	<p>Insufficient and inconsistent supply of water in extension 6 and 9 (Ward %)</p>	<p>Ngwathe Municipality and Rand Water working together to address the challenge with focus on water losses.</p>
Koppies / Kwakwatsi	<p>Yellow fleet in case of storm</p> <p>Throwing of wires/chains into the electrical network resulting outages</p> <p>Throwing stones/unnecessary material into sewer manholes</p> <p>Inadequate supply of portable water in high lying areas.</p> <p>Gravelling of roads</p> <p>High rate of vandalism/ theft of municipal properties</p> <p>Firefighting equipment</p>	<p>Provision of own yellow fleet</p> <p>Community awareness</p> <p>Community awareness/ education regarding usage water</p> <p>Provision of building extra pressure tower.</p> <p>Investment in the gravelling of roads</p> <p>Community awareness for vandalism/theft occurrences</p> <p>Provision of procuring the unit</p>
Edenville / Ngwathe	<p>Major water shortages and running dry of aquifers</p>	<p>Water Pipeline project from Koppies to Edenville</p>

Human Settlement

The Municipality has allocated sites to eligible beneficiaries in the financial year 2019/20 as follows and the recorded backlog thereof: -

Table:

PROJECT NAME	EXTENSION	NUMBER OF SITES ALLOCATED	NUMBER OF APPLICANTS	NUMBER OF DECLINED APPLICATIONS	SITE ALLOCATION BACKLOG
HEILBRON/PHIRITONA	10	1356	3664	88	2220
TUMAHOLE/PARYS	7	862	7000	209	5055
TUMAHOLE /PARYS	8, 9 & 10	874			
EDENVILLE/NGWATHE	5	495	1015	31	489
VREDEFORT/MOKWALLO	7	310	1815	60	960
VREDEFORT/MOKWALLO	MAPETLA SEC	485			
KOPPIES/KWAKWATSI	5 & 6	2044	2586	79	463
TOTAL		6426	16080	467	9187

The Department of Human Settlement has funded the connection of water and sewer network for the sites. In the financial year 2017/2018, contractors were appointed in Parys and Heilbron only, the other 3 towns – Vredefort, Koppies and Edenville still outstanding, the status remains the same for this financial year under review

Intervention necessary/initiated – Human Settlement

The process of new township establishment to deal with the backlog will be initiated in the new financial year 2019/20

1.4 FINANCIAL HEALTH OVERVIEW - The municipality financial position is as reflected below

Financial Overview – Year 2019/20			
Details	Original Budget R'000	Adjustment Budget R'000	Actual R'000
Taxes, Levies and tariffs	492 744 812	492 744 812	436 847 608
Rental of facilities	966 994	966 994	510 058
Interest Income	43 247 051	43 247 051	54 766 631
Fines and Licenses	1 300 000	1 300 000	352 476
Grants Operating	222 144 550	215 350 085	228 337 080
Other	30 817 780	10 817 780	1 318 263
Sub Total	791 221 187	764 426 722	722 132 116
Less Expenditure	834 605 264	782 786 948	857 864 094
Note surplus/deficit	-43 384 077	-18 360 226	-135 731 978

Data supplied by Financial Services Department

The following table some key financial management challenges experienced in 2019/20

Key Financial Challenges and Interventions	
Challenges	
Creditors growth	
Revenue under-collection / Cash flow liquidity	
Staff shortage	

Financial Health

Based on our operating ratios provided below the Municipality financial health is reflected as follows

Operating Ratios				
Details	%	Expected Norm	Variance from Norm	Comment
Employee Cost	28%	The norm for this ratio is between 25% and 37%	Within the norm	Employee Cost
Repairs & Maintenance	7%	3% of the total budget Expenditure	Within the norm	Repairs & Maintenance
Finance Charges & Impairment	24%			Finance Charges & Impairment

Data Supplied by Financial Services Department

Capital Expenditure

Details	2018/19 R'000	2019/20 R'000	Comments on variations between Actual and Adjustment Budgets
Original Budget	102 164 000	143 590 449	
Adjustment Budget	102 164 000	99 779 702	
Actual			Still on going

Data Supplied by Finance & PMU Department

Risk Assessment

The organizational risks for 2019/ were assessed and a Risk Register was developed. The Municipality's five top risks and mitigation measures follow below:

Five Top Risks and Mitigating Measures

Ranking	Description	Mitigation Strategies
1	Electricity Cable Theft	Appointed Security Services in all the towns of Ngwathe Local Municipality. Cameras have been installed in Parys and the roll-out plan for regions was developed. The challenge was affordability.
2	Distribution loss	Installed energy efficiency appliances and upgraded the infrastructure. Gradually replaced conventional meters and faulty (water and electricity) meters.
3	Low Revenue	Implemented Debt and Credit Control Policy and was able to engage the debt collection company on best collection mechanisms. Encouraged communities to pay for their services.
4	Poor Water Quality	Appointed water and sanitation manager to assist in processes of development of Water Services Master Plan. Department of Water and Sanitation provided the support to the municipality.
5	High Litigations	Adherence to legislative requirement in all areas of responsibilities was a challenge noting the vacant position of Legal Manager.

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

Ngwathe municipality subscribes to a view that says, Organizational development is an ongoing, systematic process of implementing effective organizational change.

Directorates

The institution is classified into the following directorates through which employment is housed;

- Political Offices (Mayor and Speaker)
- Municipal Manager's office
- Financial Services
- Technical Services
- Community Services
- Corporate Services

Regions

The municipality is composed of the following five (5) regions

- Parys,
- Heilbron,
- Koppies,
- Vredefort &
- Edenville.

Organogram

Organogram was adopted by Ngwathe Municipal Council on the 26 April 2017.

1.6 AUDITOR GENERAL REPORT

The Auditor-General awarded the municipality qualified Opinion for the 2019/20 financial year.

1.7 STATUTORY ANNUAL REPORT PROCESS

- ✓ Adapt for Covid-19 Disaster Management Regulations

Table: Annual Report Process

Annual Report Process		
No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan confirms in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 1 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit Performance Committee considers draft Annual Report of municipality and entities where relevant	August
7	Mayor tables unaudited Annual Report	
8	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
10	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
11	Municipalities receive and start to address the Auditor General comments	November
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor General Report	
13	Audited Annual Report is made public and representation is invited	
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight Report	December
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January

It is important to achieve the above deadlines, not only to achieve legislative compliance but to ensure the smooth running of municipal planning, budgeting, service delivery implementation and reporting cycles which all feed and depend on one another. The Municipal Annual Report also informs the planning process of other spheres of government, thus influencing our equitable share of future government grants.

The table below shows to what extent the municipality complied with legislative requirements and timeframes in terms of the Annual Report Process.

Table : Legislative Compliance of the 2019/20 Annual Report Process

Activity	Applicable Legislation	Comment
Annual Report tables to Council within 7 months after end of financial year	MFMA Section 121 (1)	Yes
Annual Report made public for public comment	MFMA Section 127 (5)	Yes
Annual Report placed on website within 5 days after tabling in Council	MFMA Section 75	Yes
Annual Report submitted to National Treasury	MFMA Section 127(5)	Yes

CHAPTER 2

GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO GOVERNANCE

Ngwathe Local Municipality was established in terms of Section 12 Notice of the Municipal Structures Act of 1998. In terms of Section 12 Notice, the Municipality is a Category B Municipality which operates within the Executive Mayoral Committee System combined with the Participatory Ward Governance in Ngwathe Local Municipality is composed of both the Political and Administrative Governance. Governance is the process of decision-making and the process by which decisions are implemented. Governance in the Municipality takes into account legal and constitutional accountability and responsibilities. The Political wing of the Municipality exercises their executive and legislative powers and function to govern the affairs of the municipality. The Administration wing is responsible for Corporate Governance as prescribed by various legislative frameworks,

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

Ngwathe local Municipality has two management teams: a Political and an Administrative team. Together they exist to provide a wide-range of services to residents and businesses. Municipal councils exercise both legislative and executive functions. This is intended to facilitate hands-on governance and synergy between elected representatives, the executive and the administration. The proximity is meant to facilitate a more vibrant and responsive municipality that would ultimately result in efficient service delivery. The political team made up of councillors and directed by the Mayor and EXCO Members, make strategic and policy decisions for the residents and businesses. The Administrative Team, supervised by the Municipal Manager and the Departmental Directors are to ensure that the decisions are put into effect.

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality

In terms of Chapter 7, section 151(2) of the Constitution of the Republic of South Africa, the legislative and executive functions of a municipality are vested within its Municipal Council. The Political leadership of the Municipality exercise their executive and legislative powers and functions to govern the affairs of the Municipality. The legislative function of the Council is vested within the full Council with the Speaker as its Chairperson. The passing of policies and By-laws remain the responsibility of Council.

The Executive Mayor: Cllr MJ Mochela has overarching strategic and political responsibility for Ngwathe local Municipality and also represents the Municipality at ceremonial functions. She receives reports from the Municipal Manager and presents these along with recommendations to Council.

The Speaker: Cllr NP Mopedi is the Chairperson of the Council. The Speaker presides over Council meetings ensuring that meetings are held regularly, maintaining order during Council meetings and that the rules and regulations of the meeting are adhered to.

The Section 79 committee is District shared Services namely: Audit Committee.

The Audit Committee is an independent shared committee constituted to review the control, governance and risk management within the Municipality. It is established in terms of section 166 of the Municipal Finance Management Act (MFMA). The Committee constitutes of members, who meet quarterly as per the schedule of meetings and provide recommendations on financial and nonfinancial processes of the Municipality.

Municipal Public Accounts Committee (MPAC) exercises oversight over the executive functionaries of Council and ensures good governance in the Municipality. Its functions include the analysis of the Annual Report, and submission of the Oversight Report on the Annual report to Council with recommendations. Once the Oversight Report has been considered and approved by Council, it is published in accordance with the MFMA requirements and guidance.

The council consist of 36 councilors belonging to different political parties represented in council. The Mayor and Speaker also form part of council and are both fulltime office bearers.

THE MAYOR AND SPEAKER OF NGWATHE MUNICIPAL COUNCIL



**CLLR MOTLALEPULE JOHANNA
MOCHELA**

MAYOR

Functions

To preside during the Executive meetings performs the duties, including any ceremonial functions, and exercises the powers delegated to the Mayor by the Council or Mayoral Committee



**CLLR NEHENG PAULINA
MOPEDI**

SPEAKER

Functions:

To preside during the Council meeting performs the duties and exercises the powers delegated to the Speaker in terms of Section 59 of the Local Government: Municipal System Act, No 32 of 2000
To ensure that Council meets quarterly
To maintain order during the Council meetings ensure compliance in the Council and Council committees with the Code of Conduct set out in Schedule 1
To ensure that Council meetings are conducted in accordance with Rules and Orders of the Council

Composition of the Municipal Council:

Political Party	Number of Seats
ANC	24
DA	8
EFF	3
FF+	1
TOTAL	36

NGWATHE MUNICIPAL COUNCIL – 2017



**WARD 1
CLLR MATROOS**



**WARD 2
CLLR P NDAYI**



**WARD 3
CLLR M MOFOKENG**



**WARD 4
CLLR S NTEO**



**WARD 5
CLLR M RAPULENG**



**WARD 6
CLLR M MAGASHULE**



**WARD 7
CLLR M GOBIDOLO**



**WARD 8
CLLR KGANTSE**



**WARD 9
CLLR M MBELE**



**WARD 10
CLLR M MOFOKENG**



**WARD 11
CLLR N TLHOELO**



**WARD 12
CLLR A VREY**



**WARD 13
CLLR H FIELAND**



**WARD 14
CLLR R MEHLO**



**WARD 15
CLLR M MOFOKENG**



**WARD 16
CLLR SOTSHIVA**



**WARD 17
CLLR M TAJE**



**WARD 18
CLLR M TOYI**

MAYORAL COMMITTEE

The Mayoral Committee (MAYCO), which is chaired by the Mayor and draws membership from the chairs of the following Municipal Portfolio Committees (Section 79/80 committees):



Back row from left: Cllr. ML Mofokeng – MMC Finance; Cllr M Mofokeng – MMC Social & Community
Cllr L Sotshiva – MMC Public Safety & Transport; Cllr M Mmusi – MMC Urban Planning & Rural Development;
Cllr K Serati – MMC Corporate Services
Front row from left: Cllr PR Ndayi – MMC Infrastructure & LED; Cllr M J Mochela – Executive Mayor; Cllr S Mbele – MMC Special Projects & IDP

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Note: MFMA section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality

The **Municipal Manager** as head of the administration is responsible and accountable for tasks and **functions** as provided for in, but not limited to the Local Government: **Municipal** Systems Act, No. 32 of 2000, Chapter 8 of the Local Government: **Municipal** Finance Management Act, No. 56 of 2003. The municipal manager is appointed by council. The Municipal Manager is the link between the council and the administration, of which he/she leads. The accounting officer is responsible for the municipality's income and expenditure, assets and other obligations such as proper adherence to all legislation applicable to municipalities. Subject to the municipal council's policy directions he ensures that an economically viable, effective, efficient and accountable administration is established and developed, that the IDP comes to fruition, that municipal services are delivered in a sustainable and balanced fashion, that a personnel corps is appointed, managed, developed and disciplined and that sound labour relations are maintained.

The Municipal Manager has to personally provide reasons to council for the way in which the financial affairs of the departments of council had been conducted, and this will be conducted with the assistance of the Finance Department.

The IDP and PMS Manager is a key Department within the Municipal Managers' office. It is responsible for the Integrated Development Plan (IDP) and Performance Management.


Internal Audit and Risk Manager are also located in the Municipal Manager's office and ensures compliance with municipal legislation. It also monitors that all departments adhere to the IDP, the municipal strategy, policies and Risk Management in the sector.

Ngwathe Local Municipality has three (4) Municipal Departments that report to the Municipal Manager. These Departments are directed by Directors who ensure that services are delivered to the people of Ngwathe. However note be taken that the Position of Director Corporate remains vacant.

The Municipal Manager and his team of Directors and Managers convene weekly meetings to discuss key strategic service deliverables, progress and guidance on achieving IDP goals, staff matters as well as the monitoring of the Municipal Budget and Projects

The Municipal Manager and Directors, together with keys managers, meet formally on a weekly basis to discuss key strategic issues which are then formulated into action plans for execution by mandated managers. The senior management team on scheduled basis engages with MAYCO to accelerate issues of importance which requires a political mandate or support.

The Macro structure of the municipality is currently as reflected below;

MACRO STRUCTURE OF NGWATHE MUNICIPALITY	
	<p>MUNICIPAL MANAGER</p> <p>Functions</p> <ul style="list-style-type: none"> • Provide strategic Direction to all 4 Directors • IDP • SDBIP • Performance Management • Local Economic • Tourism • Sector Plans • Audit Management • Risk Management • B2B
<p>MR. BW KANNEMEYER</p>	



MR. HI LEBUSA

CHIEF FINANCIAL OFFICER

Functions

- Revenue management,
- Expenditure management,
- Asset management,
- SCM management,
- Budget and Reporting



ME. FM MOKGOBU

DIRECTOR: CORPORATE SERVICES

Functions

- Human Resource Management
- Legal Services
- Admin and Records Management
- Property Management
- Information and Communication Technology
- Customer relations
- Training/Learning and Development
- Building Maintenance.
- Occupational Health and Safety.
- Labour Relations.
- Employment Equity

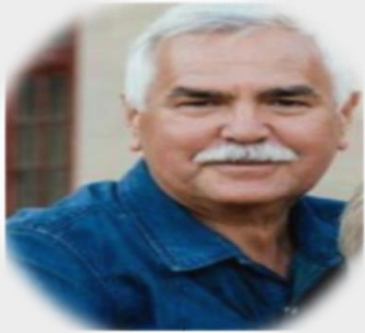


ME. PP NHLAPO

DIRECTOR: COMMUNITY SERVICES

Functions

- Town Planning, Land Use Management
- Basic Services
- Disaster management & Firefighting Services
- Sports, Arts and Culture
- Human Settlements
- LED.
- Commonages.
- Refuse Removal.
- Land fill Sites.
- Building Plans.
- Parks & Recreation.
- Mimosa.
- Environmental Health.



MR. HW COETZER

ACTING DIRECTOR: TECHNICAL SERVICES

Functions

- Roads and Storm Water Management
- Water and Sanitation
- Waste Management
- Electricity Management
- PMU

The total number of positions on the staff establishment is for the reporting period positions the status is as follows:

Positions	Number
Number of positions in the staff establishment	1,342
Total Number of new positions filled	3
Total number of critical vacant positions	236
Total number of vacant positions during the period	599
Vacant Section 56 Positions	2

Meeting the requirements for Political and Administrative Governance

This section reports on how the municipality met requirements of participation, rule of law, transparency, responsiveness, consensus, equity/inclusiveness, effectiveness/efficiency, accountability and sustainability with regard to handling its governance mechanisms/structures.

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

Productivity

The municipality's political and administrative governance structures remained productive throughout the 2019/2020 financial year and complied well with legislative requirements. The following meetings were held:

Table : Council and MAYCO Meetings held and attended in 2019/2020

Meetings	Meetings held	% Attendance
Mayoral Committee Meetings	31/07/2019	6 councilors attended
	23/08/2019	6 councilors attended
	30/08/2019	6 councilors attended
	30/10/2019	6 councilors attended
	03/12/2019	8 councilors attended
	22/01/2020	5 councilors attended
	30/01/2020	5 councilors attended
	20/02/2020	7 councilors attended
	24/03/2020	7 councilors attended
	07/05/2020	8 councilors attended
	11/06/2020	7 councilors attended
Council Meetings	31/07/2019	19 councilors attended
	30/08/2019	26 councilors attended
	31/10/2019	30 councilors attended
	08/11/2019	25 councilors attended
	08/12/2019	26 councilors attended
	12/12/2019	28 councilors attended
	30/01/2020	27 councilors attended
	27/02/2020	24 councilors attended
	07/05/2020	27 councilors attended
	26/06/2020	32 councilors attended

Table 20: Ward Committee Meetings held in 2019/20

Ward Committee	Chairperson	Number of Meetings
Ward 1,	Cllr. Matroos.A	21
Ward 2,	Cllr. Ndayi.R	21
Ward 3,	Cllr. Mofokeng.M.D	21
Ward 4,	Cllr.Nteo.S	21
Ward 5,	Cllr.Rapuleng,M	21
Ward 6,	Cllr. Magashule. M	21
Ward 7,	Cllr. Gobidolo. M	21
Ward 8	Cllr.Kgantse. R	21
Ward 9,	Cllr. Mbele.M	21
Ward 10,	Cllr.Mofokeng. M.L	21
Ward 11,	Cllr. Tlhobelo. N	21
Ward 12	Cllr.Vrey. A	21
Ward 13,	Cllr. Fieland. H	21
Ward 14	Cllr.Mehlo. R	21
Ward 15	Cllr.Mofokeng.MM.	21
Ward 16	Cllr.Sochiva.L.	21
Ward 17	Cllr.Taje. M	21
Ward 18	Cllr. Toyi. M	21

Table : Audit Committee Meetings and Attendance

Audit Committee Member	Number of Meetings 2019/20	Committee Members Attending	Date of appointment	Audit Committee Meetings Held 2019/20
ME. Mohlahlo	Chairperson	0 (Apologies - 2)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)
N Modisaesi	Member	2 (Apologies - 0)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)
GT. Banda	Member	0 (Apologies – 2)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)
MNG Mahlatsi	Member	2 (Apologies – 0)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)

MPAC Committee

The **MPAC** (Municipal Public Accounts Committee) has taken over the functions of the Oversight Committee.

No	Title	Name & Surname	Portfolio	Date MPAC Meetings Held
1	Cllr	Matjhini Toyi	Chairperson	21/082019 17/02/2020 19/03/2020 21/11/2020
2	Cllr	Victoria De Beer/Mthombeni	Member	
3	Cllr	Mosiuwa Mofokeng	Member	
4	Cllr	Rebecca Mehlo	Member	
5	Cllr	Arnold Schoonwinkel	Member	
6	Cllr	Malebo Magashule	Member	

Accountability, Transparency and Rule of Law

Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law. Transparency means that stakeholders are provided with information on decisions taken that directly affect them. Rule of law means that legal frameworks are enforced impartially.

The municipality's political and administrative governance structures are held accountable through various measures all of which are adhered to by the Ngwathe Municipality.

Table : Governance Structures and Accountability Measures

Governance Structure	Measure of Accountability
Council	To approve the budget and encourage culture of community participation to community. Ensure that administration provide support to Council and also to approve policies and by-laws
Mayoral Committee (MAYCO)	To present strategic plan to council and make recommendations to council
Ward Committees	To assist the Ward Councilors with community needs and make recommendations to Council. They also serve as link to Council and residents
Portfolio Committees	Discuss matters affecting portfolio and submit reports to EXCO
MPAC Committee	The Oversight Committee serves as an oversight committee - to determine the institutional functionality of the Municipal Council in terms of effectiveness. An Oversight Report is tabled to Council
The municipality reports its annual performance and financial statements to the Auditor General	The Auditor General delivers an AG Report and expresses an audit opinion
The municipality reports its financial status and performance to its communities annually	The approved Annual Report is made available to the public
Municipal structures, employees, operations, procedures and processes are ruled by legislation	Policies, Bylaws, Legislation, Regulations and Codes are available
Worker Representative Unions represent employees on organisational structures and observe the legality of labour practices procedures and processes	Unions serve as link between administration and labour. They assist labours in term of unfair labour practice by employer
Internal Auditing ensures the management of risk exposure and monitors adherence to legislation	The unit identifies municipal risk and generates a Municipal Risk Register Internal Auditing reports are generated and tabled to Council
The Audit Committee is responsible for the oversight of internal controls, financial reporting and Compliance with regulatory matters.	Audit Committee approves the Internal Audit Plan and reports to Council
Community participation in the development of Policies and Strategies	Participative processes are scheduled
IDP and Budgeting Participation	Participative processes are ensured with a Council approved Process Plan
Performance Management Committee	An evaluation panel, established in terms of Section 6.6 of the Performance Agreement, evaluates the performance of employees. Performance Agreements are signed on acceptance.
Organizational and Service Delivery Performance reporting to Council	Quarterly Performance Reports on the SDBIP are tabled to Council
Municipal Website promotes transparency	The Municipal website is updated as and when required. All current event news articles, as well as required legislative documents (including budgets, tenders and vacancies) are updated on the website. Around unique visitors browsed the municipal website on a monthly basis during the 2018/2019.

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal. In this instance, those governance structures and processes that ensure that the community needs are met, with the best use of resources

Table 23: Governance Structures and Measures of Effectiveness and Efficiency

Governance Structure	Measure of Effectiveness and Efficiency
Portfolio Committees monitors municipal service delivery and budget implementation	Quarterly Reporting to Council on the SDBIP
Executive Committee ensures the mid-term assessment of performance, spending and budget	Mid-Term Assessment Report tabled to Council Adjustment Budget Tabled to Council if needed Adjusted SDBIP tabled to Council if needed
Audit Committee ensures oversight of internal auditing and risk management processes	Internal Audit Plan Internal Audit Reports tabled to Council Risk Register Number of fraud cases reported and losses recovered
Performance Management Committee	Performance The Performance Management System is designed to reward superior performance. This linking increases overall organizational motivation and efficiency by focusing the executive management on the successful implementation of the IDP and Budget.)

Equity and Inclusiveness

Society's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

The political and administrative governance structures of Ngwathe Municipality reflect equitable representation of the area's population structure. Different Political Parties are well represented in Council.

Consensus orientated

Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.

Consensus on what is in the best interest of the whole community and how it can be achieved is a process that unfolds through the municipality's scheduled, consultative IDP, Budgeting and Ward Based Planning processes.

Responsiveness

Responsiveness means that institutions and processes try to serve all stakeholders within a responsible timeframe.

The governance structures of Ngwathe Municipality mainly adheres to set Council schedules, process plans approved by Council and reporting cycles determined by Provincial and National Government spheres. This is monitored through administrative compliance monitoring and oversight by the Audit Committee.

Participation

Participation can be direct and/or through legitimate intermediate institution or representatives.

Community participation in the governance structures of the Ngwathe Municipality is mainly achieved through the Ward Committees System and consultative meetings with the community and sectors in the scheduled IDP/Budget process. Community Participation in the development of Policies and Strategies has otherwise been achieved through scheduled consultation sessions and/or workshops and/or through website uploads for community review and comments.

Table 24: Website Uploads For Community Review and Comments 2019/20

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	Yes/No	Publishing Date
Current Annual and adjustment Budgets and all budget related documents	YES	Not Available
All current Budget related policies	YES	Not Available
The previous Annual Report 2018/19	YES	Not Available
The Annual Report (2018/19) published / to be published	YES	Not Available
All current performance agreements required in terms of section 57 (1)(b) of the MSA (2019/20)	YES	Not Available
All service delivery agreements	NO	
All long-term borrowing contracts	NO	
All supply chain management contracts above a prescribed value	NO	
Information statement containing a list of assets over a prescribed value that have been disposed of ito section 14(2)	NO	
Contracts agreed in 2019 to which subsection (1) of sectoion 33 apply, subject to subsection (3)	NO	
Public private partnerships agreements referred to in section 120 made in 2019	NO	
All quarterly reports tabled in the council in terms of section 52 (d) during 2019	NO	
<p>COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:</p> <p>The municipality appointed a service provider BBTECH to develop and update its website, also to ensure that the emails are changed from ngwathe.co.za to ngwathe.gov.za and also to connect the intranet. The position for Senior ICT Officer in line with the new organogram has been advertised.</p>		

COMPONENT B. INTER-GOVERNMENTAL RELATIONS

The Municipal Systems Act, Section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution Section 41.

Ngwathe municipality strives to uphold its legislative authority and co-operative governance as required by the Constitution and other relevant legislation. In doing so, the Municipality maintains good co-operative and inter-governmental relations with the District municipality, neighboring municipalities, Provincial and National Government and other government agencies. Maintaining good relations with other spheres of government makes it possible to benefit from the various contributions to service delivery offered by government, by aligning municipal planning to the development objectives and targets of provincial and national sector departments. Such contributions include various grants, skills development and capacity building roll-outs which strengthen local government in its quest to improve service delivery.

2.3 INTER-GOVERNMENTAL RELATIONS

Ngwathe Municipal staff and Management attends various engagements / sessions in - upholding good inter-governmental relations for the purpose of good governance, government - collaborated strategic direction, aligned planning, reporting, legislative compliance, accountability and Ngwathe's participation in government programs and roll-outs to benefit development of our Administration, local area and communities.

The table below illustrates the numbers of engagements held in the province and district to which municipal officials were invited and therefore attended to enhance institutional capacity and also access relevant dire funds or support which are sometimes offered at these engagements of government.

Table 25 : IGR Engagements by Ngwathe Municipality

IGR ENGAGEMENTS FOR THE OFFICE OF MUNICIPAL MANAGER			
Meetings/Forum	Attended on behalf of Ngwathe Municipality	Hosted in / Where	Date
IDP PROVINCIAL MANAGER'S FORUM	IDP/PMS OFFICER	Bloemfontein	19 July 2019
		Metsimaholo Local Municipality, Sasolburg	26 September 2019
		Phumelela Local Municipality, Vrede	28-29 November 2019
DISTRICT IDP MANAGERS FORUM		Fezile Dabi District Municipality, Sasolburg	26 November 2019
PROVINCIAL IDP SUPPORT MEETING	IDP/PMS OFFICER	Gariep Dam	30 October - 01 November 2019
PMS PROVINCIAL MANAGER'S FORUM	IDP/PMS OFFICER	CLARENS	05-06 December 2019
DISTRICT WATER & SANITATION FORUM	DIRECTOR TECHNICAL	Fezile Dabi District Municipality, Sasolburg	29 November 2019
B2B ENGAGEMENTS MEETINGS	IDP/PMS OFFICER	Ngwathe Lm, Parys	

COMPONENT C: Public Accountability and Community Participation

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

Ward Committees as a governance structure promotes public accountability and strengthens community participation. The Ward Committee System is fully institutionalized and capacitated within the Ngwathe Municipality.

Table 26: Ward Committees and Chairperson in 2019/20

Ward Name (Number)	Ward Committee	Chairperson
Ward 1	<ol style="list-style-type: none"> 1. MNGOMEZULU ANNA 2. ROETS MARVIN 3. ROETS CHRISENO 4. SMITH CHRISTOLINE 5. KOADIBANE MARTHA 6. MLANGENI KENNY 7. RALESAN NKAMOHENG 8. MPHORE THABO 9. MARELETSA MOFOKENG 10. MARELETSA 	CLLR ASHLY MATROOS
Ward 2	<ol style="list-style-type: none"> 1. DIKHOLE KELENETSE 2. MOKADI MAKOLOTI 3. CHAKANE THABO 4. MOLEKO TLHAPANE 5. NKONE REFILOE 6. XABA NOZILELO 7. MANUS CATHERINE 8. TSOTETSI BAIPATI 9. MALOKA MOLIEHI 10. SEELE ADELINE 	CLLR PHILLIMON NDAYI
Ward 3	<ol style="list-style-type: none"> 1. MOFOKENG BETTY 2. MAKHEMENG TEBHO 3. THABEDI MALEFANE 4. MAFALÉ OBAKENG 5. MOALOSI KARABELO 6. MOHOLO MOJANAGA 7. KHESA MORONGWE 8. SEKOBOLO MOTLALENTOA 9. THOBELA PAULINA 10. JACOB MOHOLO 	CLLR MOSIUWA MOFOKENG
Ward 4	<ol style="list-style-type: none"> 1. GABORONE PUGISHO 2. KHANYE LETIA 3. MNGOMEZULU NZODO 4. MOTSAPI MOKGO 5. MSIBI DICKSON 6. MOTAUNG CHRISTINA 7. LESEKA MACMILLAN 8. LEBAJOA HADIFELE 9. RANKILE SANA 10. MANTSO VICTOR 	CLLR SERAME NTEO
Ward 5	<ol style="list-style-type: none"> 1. BEYAPHI MANTSO 2. NHLAPHO LYDIA 3. SEFATSA NTETELLENG 4. MOEPI RANOKO 5. MSIMANGA TEBHO 6. MKHWANAZI MPHOSI 7. DLADLA LUCY 8. MATSIMELA MOLAHLEHI 9. MOSIA MADITABA 	CLLR MAHLOKO RAPULENG

Ward Name (Number)	Ward Committee	Chairperson
	10. SEFATSA JACOB	
Ward 6	1. DAVID RAMPOPO 2. LYDIA RASEYALO 3. SABELO NCULE 4. MORENA MAFIKA 5. LIZZY TAETSANE 6. LITABA SEKELEMANE 1. ELIZABETH MOLALOGI 2. NTHABISENG MOKOENA 3. THENJIWE BONTSE 4. MANTWA RADEBE	CLLR MALEBO MAGASHULE
Ward 7	1. MORETLO MQCINA 2. JEANETTE ROBERTS 3. GLORIA MOLOTO 4. SELLO SEBAKE 5. NOMSA MAFOKAZANA 6. TEFO MATLHAKU 7. LYDIA PLAATJIE 8. MOJALEFA SETHOKO 9. MAPASEKA MOPEDI 10. PRIESTA MBELE	CLLR MAFIKA GOBIDOLO
Ward 8	1. NKONOANE MARTIN 2. MALEHO LYDIA 3. PHATSISI TEBHOHO 4. KEBILE THENJIWE 5. PIETERSE BRENTON 6. VUMANI MORAKANE 7. OVERWACHT MADGALEEN 8. MOKITLANE TSOKU 9. MOLIBELI JEANETTE 10. VACANT POST	CLLR ROSIE KGANTSHE
Ward 9	1. WILLIAM MADIKILA 2. AGNES MOKOENA 3. NTHABISENG QETSO 4. NOMTHANDAZO KATI 5. VUYISILE VETEO 6. SALAMINAH TLADI 7. DANIEL MPINGA 8. KENNETH RASMENI 9. MALOAS RADEBE 10. DORCAS HLATHI	CLLR MHLOPHEKI MBELE
Ward 10	1. MIRRIAM RANTSAILLE 2. THABO MAHLABA 3. KEDIBONE NTHOROANE 4. ROSINAH NHLAPHO 5. FILDA MOLATA 6. MAGDALINE LETSABA 7. THAPELO MOFOKENG 8. MPHO MOGALE 9. MAGROOT 10. VACANT POST	CLLR MANNESE MOFOKENG
Ward 11	1. JAMES NKHI 2. SIPHO GANAFANA 3. SELLOANE MOLALOGI 4. LEAH RANTSAILA 5. PUSELETSO MABENA 6. ZACHARIA MTHIMKHULU 7. EVA THEKISO 8. MODIEHI MATOLO 9. CORNELIA WISSO 10. VACANT POST	CLLR NTHABISENG THLOBELO

Ward Name (Number)	Ward Committee	Chairperson
Ward 12	<ol style="list-style-type: none"> 1. JOHANN BOSMAN 2. ROY ULYATE 3. SONJA VAN RHYN 4. MURRAY MCMILLAN 5. NICOLINE PIENAAR 6. KEAGILE MOLOTSANE 7. INNOCENTIA KUTOANE 8. THATO SEABI 9. EDDIE VAN ZYL 10. LOUISE LOCK 	CLLR ANDRIES VREY
Ward 13	<ol style="list-style-type: none"> 1. SANDILE MAKELENI 2. SELLO SIPHETLO 3. SIMON NDZUNGA 4. JAMES KAMFER 5. SUSAN MOILOA 6. MASELLOANE MARELE TSA 7. DEBORAH NOVEMBER 8. MACDONALD MACHOTOLA 9. PONTSHO MABOEA 10. RACHEL KAMFER 	CLLR HENDRICK FIELAND
Ward 14	<ol style="list-style-type: none"> 1. FANSELE HOKOMANE 2. DIMAKATSO RATEMA 3. NTSOAKI SEKHAMPU 4. KOOS MOHONO 5. ELIAS LEBOKO 6. MAPULE MOHAPI 7. MOSIDI BOOKGOLANE 8. MANNANA LETSHELEHA 9. MOLEFE MOHOLO 10. DORAH MODISENYANE 	CLLR REBECCA MEHLO
Ward 15	<ol style="list-style-type: none"> 1. NGAKA LETSHUMA 2. MABOTE KGAJWANE 3. ANNA NTHOLENG 4. FEIKIE KGOTLE 5. MALEFU THABETHE 6. THAPELO MOSOEU 7. MAMOKETE LETSIPA 8. MODIEHI MOSOEU 9. TEBHO MOHOLO 10. VUYISILE NZELANI 	CLLR MALEFU MOFOKENG
Ward 16	<ol style="list-style-type: none"> 1. MALESHOANE PULE 2. DOMZODWA NONDALA 3. MOIPONE LEBONE 4. MODIEHI MSIMANGA 5. MOJABENG NTSALA 6. SELLO SERIFI 7. MARTHA RAMONANA 8. DIMAKATSO SOKIVA 9. MOHAPELOA MODIEHI 10. LEBONA SUZAN 	CLLR LEPONESA SOCHIVA
Ward 17	<ol style="list-style-type: none"> 1. JENNIFER MAHLANGU 2. SAMMY MAETSE 3. NTHABISENG MAJOE 4. MAKHALA SELEPE 5. MAKHETSANA SEROBE 6. PETRUS GOUT 7. MODIBEDI XABA 8. MAKHITSANE SEROBE 9. MAREKA MAHLATSI 10. JOSEPH MELANE 	CLLR MAHLOMOLA TAJE
Ward 18	<ol style="list-style-type: none"> 1. MOLEFI MOFOKENG 2. JOHN MOSITO 	CLLR TOYI MATJHINI

Ward Name (Number)	Ward Committee	Chairperson
	3. MOKWAISI MANTSO 4. MAMOLATO MAPHAKISA 5. MAKI RADEBE 6. MANTSHADI NKOMO 7. MATSHEDISO SEJAKE 8. PULENG MAILE 9. MADIBUSENG MASHIANE 10. MAMOLATO THELETSANE	

Accountability

Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law.

2.4 Community Participation in the Development of Legal Frameworks and Directives

The table below indicates the dates on which Ngwathe Municipality consulted with the community in the development of Municipal directives and documents in 2019/20, as advertised on the municipal website.

Table : Website Uploads for Community Review and Comments

WEBSITE UPLOADS FOR COMMUNITY REVIEW AND COMMENTS	
MUNICIPAL DIRECTIVE & ACTION	DATE
Inspection of valuation roll	Date not available
Annual Report 2018/2019	On website
Municipal Budget, Integrated Development Plan, Policies and determination of tariffs for the financial year	On Website
SDBIP 2019/20	On Website
IDP open for comment	On Website

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal.

Equity and Inclusiveness

Society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

Table 27: Ward Committee - Outreach Programs

DATE	TOPIC	PURPOSE / TARGET
03 August 2019 - March 2020	Registration of Indigents	Qualifying Indigent members of the community

PUBLIC PARTICIPATION MEETINGS ON REVIEW IDP AND BUDGET 2019/20

DATE	TOWN	WARD	VENUE	WARD COUNCILLOR	TIME
03/03/2020 TUESDAY	HEILBRON	1	SANDERSVILLE HALL	CLLR A. MATROOS	16H30
		2	PHIRIHADI HALL	CLLR R. NDAYI	16H30
		3	KEARABETSWE P. SCHOOL	CLLR M. MOFOKENG	16H30
	PARYS	6	MASTER NAKEDI SPORTS	CLLR M. MAGASHULE	16H30
		9	NTSWEPHEPHA P. SCHOOL	CLLR S. MBELE	16H30
04/03/2020 WEDNESDAY	HEILBRON	4	PIANO GROUND	CLLR S. NTEO	16H30
		5	BILLY OPEN SPACE	CLLR M. RAPULENG	16H30
	EDENVILLE	18	N.G. KERK	CLLR M. TOYI	16H30
05/03/2020 THURSDAY	HEILBRON	5	AIPORT	CLLR M. RAPULENG	16H30
	PARYS	7	MBEKI OPEN SPACE	CLLR M. GOBIDOLO	16H30
		10	TSWELOPELE CRECHE	CLLR M. MOFOKENG	16H30
		11	BOTJHABATSATSI. PS.	CLLR N THLOBELO	16H30
	HEILBRON	5	GREENFIELD	CLLR M. RAPULENG	16H30
10/03/2020 TUESDAY	PARYS	12	AME CHURCH	CLLR A VREY	16H30
		13	AHA – SE TJHABA SCHOOL	CLLR H. FIELAND	16H30
	KOPPIES	16	IPATLELENG P. SCHOOL	CLLR L. SOCHIVA	16H30
		17	KWAKWATSI HALL	CLLR M. TAJE	16H30
	HEILBRON	5	GREENFIELD	CLLR M. RAPULENG	16H30
11/03/2020 WEDNESDAY	VREDEFORT	8	MONTOELI HALL	CLLR R. KGANTSE	16H30
		14	KINGS MOTEL	CLLR R. MEHLO	16H30
		15	S.S. PAKI HIGH SCHOOL	CLLR M. MOFOKENG	16H30
	PARYS	6	GHADAFFI OPEN SPACE	CLLR M. MAGASHULE	16H30
		7	TAMBO SPORTS GROUND	CLLR M. GOBIDOLO	16H30
12/03/2020 THURSDAY	PARYS	9	BARNARD SCHOOL	CLLR S. MBELE	16H30
		10	MOSEPELI HALL	CLLR M. MOFOKENG	16H30
		12	PARYS SIDE HALL	CLLR A VREY	16H30
		13	SCHONKENVILLE HALL	CLLR H. FIELAND	16H30

2.5 IDP PARTICIPATION AND ALIGNMENT

Consensus orientated

Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.

Table 28: IDP Community Input Meetings in 2019/20

Ward	Date	Venue	Time
1 and 8	23 October 2019	Sandersville(Heilbron)	16h30
2	29 October 2019	Master Nakedi Sports Grounds	16h30
3	30 October 2019	Winnie Open Space	16h30
4	03 March 2020	Sandersville Hall	16h30
5	05 March 2020	Botjhabatsatsi P.S.	16h30
6	10 March 2020	Kwakwatsi Hall-Koppies	16h30
7	11 March 2020	Montoeli Hall-Vredefort	16h30

Transparency

Transparency means that stakeholders are provided with information on why decisions were made that directly affect them

Table 28: Ward Committee – Community (Feedback) Meetings

Public Meetings						
Nature and Purpose of meeting	Date of events	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community Members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
IDP & BUDGET	Feb/March	All	Management	3500 / 4100	Yes	Community inputs

Rule of Law

Rule of law means that legal frameworks are enforced impartially.

The Internal Audit Unit is responsible to ensure impartial enforcement of legal frameworks within the municipality.

COMPONENT D. Corporate Governance

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

2.6 Risk Management

Section 62 of the Municipal Finance Management Act (MFMA), no. 56 of 2003, states that the Accounting Officer should 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 as well as the effective, efficient and economical use of the resources of the municipality.

The Manager Risk Management oversees the risk management process in terms of the following as prescribed by NT Public Sector Risk Management Framework:

Of which the risk management responsibilities include:

- (a) Assisting management to develop the risk management policy, strategy and implementation plan;*
- (b) co-ordinating risk management activities;*
- (c) Facilitating identification and assessment of risks;*
- (d) Recommending risk responses to Management; and*
- (e) Developing and disseminating risk reports.*

Although the Risk management section facilitated the above, management took ownership of risks and the mitigation thereof. Ngwathe Municipality is making progress with risk assessment and risk management processes over the last year. Operational risk assessments were performed on a continuous basis during the 2017/2018 financial year, by the departments, as quarterly risk reporting on, amongst others, additional risks, deleted risks, changes to risk data, risks that materialised and risks that should be escalated for intervention was implemented. The departments also discussed the risks on a continuous basis at scheduled executive management and departmental meetings

(DID NOT HAPPEN FOLLOWING CHALLENGES OF COMMITMENT BY RISK OWNERS)

a) Risk Profile

The annual risk assessment reflected the following change in risk profile:

(Based on the above statement the unit is unable to categorise risks)

Table 29: Risk Profile

2019/20					
Residual %	Risk Categories	Inherent	Inherent %	Residual	Residual %
	High Rated				
	Medium Rated				
	Low rated				
	Total				

b) Top ten risks 2019/20

Top 10 Institutional Risks were reviewed and updated through a collaborative process with support from Provincial Treasury.

The updated list of Top 10 institutional risks are as follows:

Table 30: Top Ten Risks

Ranking	Description
1	High Electricity Cable Theft
2	High Expenditure Patterns
3	Low Revenue
4	Poor Water Quality
5	Weak internal Controls
6	Ageing Infrastructure
7	Distribution loss
8	Outdated maintenance Plans
9	High Litigations
10	Floods

2.7 Anti-Corruption and anti-fraud

"Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury."

Ngwathe Local Municipality has a **ZERO TOLERANCE** to Fraud and Corruption and thus has the intent to promote consistent organizational behaviour by providing guidelines and assigning responsibilities for the development of controls and conduction of investigations relating to fraud and corruption. The fraud prevention strategy and policy are such documents designed to align Ngwathe Local Municipality to the national priority of combating fraud and corruption. Anti-Corruption and Fraud

Section 62 (1) (c) (i) of the Municipal Finance Management Act (MFMA), no. 56 of 2003, states that the Accounting Officer should 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 as well as the effective, efficient and economical use of the resources of the municipality. Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (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. In terms of fraud preventative arrangements, Ngwathe Municipality has instituted:

- The promotion of an ethical culture
- Provision of training to employees
- Adoption of a policy on fraud and anti-Corruption
- Provision of physical security for municipal buildings and
- Procedures of employee vetting - executed before employees are appointed
- Procedures of employee vetting - executed before employees are appointed

a) Developed Strategies

Table 31: Strategies: Anti-corruption and Anti-fraud

Name of Strategy	Developed Yes/No	Date Adopted/Reviewed
Fraud Prevention Plan	Yes	Not approved
Anti-Fraud and Anti-Corruption Policy	Yes	Not approved
Anti-Fraud and Anti-Corruption Strategy	Yes	Not approved

The structural strategies according to the Anti-Fraud and Anti-Corruption Strategy and implementation plan include the establishment of an Anti-Fraud and Anti-Corruption Committee that will oversee the approach of the Municipality approach to fraud prevention, fraud detection strategies and response to fraud and corruption incidents reported by employees or other external parties. The Section 79 Finance Committee

Internal Audit and Audit Committee

Ngwathe Municipality has a fully functional Internal Audit Unit and a Shared Audit and Performance Committee instituted. Audit Committee has the authority to perform its oversight functions as legislated in section 166 of the Municipal Finance Management Act MFMA).

The audit committee advises the municipal council, the political office- bearers, the accounting officer and the management staff of the municipality on matters relating to:

- internal financial control and internal audits;
- risk management;
- accounting policies;
- the adequacy, reliability and accuracy of financial reporting and information;
- performance management;
- effective governance;
- compliance with the Act, the annual Division of Revenue Act and any other applicable legislation;
- performance evaluation; and
- any other issues referred to it by the municipality.

The Audit Committee has the responsibility to review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and

effectiveness and its overall level of compliance with the Act, the annual Division of Revenue Act and any other applicable legislation.

The audit committee consisted of the members listed hereunder, and two (2) meetings were held during the 2019/20 financial year. Logistical arrangements were as follows:

Scheduled meetings and attendance

Title	Name	Portfolio	Number of Meetings Attended
Mr	ME. Mohlahlo	Chairperson	0 (Apologies - 2)
Me	N Modisaesi	Member	2 (Apologies – 0)
Mr	GT Banda	Member	0 (Apologies – 2)
Mr	MNG Mahlatsi	Member	2 (Apologies – 0)

During 2019/20 the Audit Committee had (4) members and convened two (2) meetings for the financial year.

Table 12: Audit Committee Meetings and Attendance

Audit Committee Member	Number of Meetings 2019/20	Committee Members Attending	Date of appointment	Audit Committee Meetings Held 2019/20
ME. Mohlahlo	Chairperson	0 (Apologies - 2)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)
N Modisaesi	Member	2 (Apologies - 0)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)
GT. Banda	Member	0 (Apologies – 2)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)
MNG Mahlatsi	Member	2 (Apologies – 0)	26 May 2017	27 August 2019 (Special Meeting) 29 January 2020 (Special Meeting)

Anti-Corruption and Fraud

In terms of fraud preventative arrangements, the Ngwathe Municipality has instituted:

1. The promotion of an ethical culture – Conducted workshops informing employees the importance of upholding Code of Conduct of the Municipality
2. Provision of training to employees – Training programs conducted, where Fraud and Corruption information was shared with various departments.
3. Adoption of a policy on fraud and anti-Corruption – Awareness sessions were conducted that requested inputs from various departments for finalization of Fraud Prevention Plan. Inputs were received and the final documents was processed for approval.
4. Provision of physical security for municipal buildings – Physical Securities were appointed in all five towns of the municipality.
5. Procedures of employee vetting - executed before employees are appointed – It has been a challenge to process vetting of employees.

The following arrangements are institutionalizing the detection of fraud:

- Management takes steps against fraudulent actions.
- An Audit Committee approves the Internal Audit Plan

2.8 MPAC Committee

Ngwathe Municipality Oversight Committee, operates as a Municipal Public Accounts Committee (MPAC), consisting of Five (6) members appointed to strengthen and provide oversight within the municipality, in terms of the provision of S79 of the Local Government Municipal Structures Act 117 of 1998. MPAC is a committee of Council and its meeting schedule is therefore developed and managed in such manner.

No	Title	Name & Surname	Portfolio
1	Cllr	Matjhini Toyi	Chairperson
2	Cllr	Victoria De Beer/Mthombeni	Member
3	Cllr	Mosiuwa Mofokeng	Member
4	Cllr	Rebecca Mehlo	Member
5	Cllr	Arnold Schoonwinkel	Member
6	Cllr	Malebo Magashule	Member

The MPAC Committee primary responsibility is to serve as an oversight committee - to determine the institutional functionality of the Municipal Council in terms of effectiveness.

Equity and Inclusiveness

Society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

OVERVIEW SUPPLY CHAIN MANAGEMENT

MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

Ngwathe Municipality has a fully functional Supply Chain Unit. The Ngwathe Supplier Database has been updated in terms of supplier information in 2019/20, as to minimize the risk of supplier duplication.

Transparency

Transparency means that stakeholders are provided with information on why decisions were made that directly affect them.

Rule of Law

Rule of law means that legal frameworks are enforced impartially.

The impartial enforcement of legal frameworks is ensured by Ngwathe Municipality through the adoption and application of municipal policies and bylaws, of which the following have been adopted in 2008

2.10 POLICIES AND BYLAWS

Table : POLICIES AND BYLAWS ADOPTED

HR POLICIES AND PLANS				
	Name of Policy	Completed	Reviewed	Date adopted by Council or comment on failure to adopt
		%	%	
1.	Ngwathe Working Hours Policy	100	0	01/04/2008
2.	Ngwathe Voluntary Separation Policy	100	0	01/04/2008
3.	Ngwathe Use of Policy Manual	100	0	01/04/2008
4.	Ngwathe Use of Mayoral Vehicle and Official Journeys Policy	100	0	01/04/2008
5.	Ngwathe Use of Internet, Computer software and hardware and	100	0	01/04/2008
6.	Ngwathe use of external recruitment agencies Policy	100	0	01/04/2008
7.	Ngwathe Theft and Loss Policy	100	0	01/04/2008
8.	Ngwathe Succession Planning Policy	100	0	01/04/2008
9.	Ngwathe Substance Abuse (Alcohol and Drugs) Policy	100	0	01/04/2008
10.	Ngwathe Subsistence and Travelling Policy	100	0	01/04/2008
11.	Ngwathe Smoking Policy	100	0	01/04/2008
12.	Ngwathe Skills Development Policy	100	0	01/04/2008
13.	Ngwathe Sexual and Racial Harassment Policy	100	0	01/04/2008
14.	Ngwathe Salary advances Policy	100	0	01/04/2008
15.	Ngwathe Resignation Policy	100	0	01/04/2008
16.	Ngwathe Relocation Expenditure Policy	100	0	01/04/2008
17.	Ngwathe Recruitment and Selection Policy	100	0	01/04/2008
18.	Ngwathe Protective Clothing and Uniforms Policy	100	0	01/04/2008
19.	Ngwathe Protected Disclosure Policy	100	0	01/04/2008
20.	Ngwathe Promotion Policy	100	0	01/04/2008
21.	Ngwathe Policy Manual Index	100	0	01/04/2008
22.	Ngwathe Policy Manual Front cover	100	0	01/04/2008
23.	Ngwathe Placement Policy	100	0	01/04/2008
24.	Ngwathe Performance Management Policy	100	0	01/04/2008
25.	Ngwathe Payroll Deductions Policy	100	0	01/04/2008
26.	Ngwathe Overtime Template	100	0	01/04/2008
27.	Ngwathe Organisational Rights Policy	100	0	01/04/2008
28.	Ngwathe Operational Requirements Policy	100	0	01/04/2008
29.	Ngwathe Official Housing Policy	100	0	01/04/2008
30.	Ngwathe Occupational Health and Safety Policy	100	0	01/04/2008
31.	Ngwathe Membership of Professional Societies Policy	100	0	01/04/2008
32.	Ngwathe Medical Examination Policy	100	0	01/04/2008
33.	Ngwathe Medical Aid Policy	100	0	01/04/2008
34.	Ngwathe Long Service Policy	100	100	28/02/2013
35.	Ngwathe Leave policy	100	0	01/04/2008
36.	Ngwathe Leave Encashment Policy	100	0	01/04/2008
37.	Ngwathe Language Policy	100	0	01/04/2008
38.	Ngwathe Job Evaluation Policy	100	0	01/04/2008
39.	Ngwathe Induction Policy	100	0	01/04/2008
40.	Ngwathe Incapacity Policy	100	0	01/04/2008
41.	Ngwathe Housing and Rental Allowance Policy	100	0	01/04/2008
42.	Ngwathe Home Owners Policy	100	0	28/02/2013
43.	Ngwathe HIV AIDS Policy	100	0	01/04/2008
44.	Ngwathe Group Life Policy	100	0	01/04/2008
45.	Ngwathe Grievances Policy	100	0	01/04/2008
46.	Ngwathe Firearms and Dangerous Weapons Policy	100	0	01/04/2008
47.	Ngwathe Extraneous Employment (Moonlighting) Policy	100	0	01/04/2008
48.	Ngwathe Exit Management and Staff Retention Policy	100	0	01/04/2008
49.	Ngwathe Entertainment Policy	100	0	01/04/2008
50.	Ngwathe Employment Equity Policy	100	0	01/04/2008
51.	Ngwathe Employee Use of Assets Policy	100	0	01/04/2008
52.	Ngwathe Employee Assistance and Wellness Policy	100	0	01/04/2008
53.	Ngwathe Disciplinary Code Policy	100	0	01/04/2008
54.	Ngwathe Conflict of Interest Policy	100	0	01/04/2008
55.	Ngwathe Confidentiality of Information Policy	100	0	01/04/2008
56.	Ngwathe Code of Conduct Policy	100	0	01/04/2008
57.	Ngwathe Cellular Phone Policy	100	0	01/04/2008
58.	Ngwathe Career Pathing Policy	100	0	01/04/2008
59.	Ngwathe Bursaries Policies	100	0	01/04/2008
60.	Ngwathe Appointment in an Acting Position Policy	100	0	01/04/2008
61.	Ngwathe Allowances Policy	100	0	01/04/2008

BY-LAWS

By-laws Introduced during Year 2019/20					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted * (Yes/No)	Date of Publication
Credit Control and Debt Collection By-Law	No	Yes	25 – 29/06/2012	Yes	17 May 2013
Informal settlement	No	Yes	25 – 29/06/2012	Yes	
Control of street vendors, peddlers or Hawkers	No	Yes	25 – 29/06/2012	Yes	
Electricity Supply	No	Yes	25 – 29/06/2012	Yes	
Fire and emergency Services	No	Yes	25 – 29/06/2012	Yes	

COMMENT ON BY-LAWS:

Note: MSA 2000 s11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.

CHAPTER 3

ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: MUNICIPAL WORKFORCE

Number of Employees

The following reflects the number of staff per category for the last three financial years:

Table : Staff per category

Category	No of Employees (2017/18)	No of Employees (2018/19)	No of Employees (2019/20)
Legislators, senior officials, and managers	26	46	31
Clerks	53	316	316
Technicians and associate professionals	1	25	44
Craft and related trade workers	0	44	6
Elementary occupations	203	338	346
Total:	283	769	743

Table : Staff Category per Directorate

Directorate	Total	Legislators, Senior Officials and Managers	Clerks	Technicians and Associate Professionals	Craft and related Trade Workers	Elementary Occupations
Legislators	19	4	13	1	0	1
Technical & Community Services	546	10	16	9	71	440
Finance	115	7	101	7	0	0
Corporate Services	49	5	13	7	0	24
Municipal Manager Office	14	9	1	4	0	0
Total: 2019/20	743	35	144	28	71	465

Personnel Services form an integral part of the Corporate Services departments and Ngwathe Municipality's service delivery success. Professionalism and operational efficiency is of utmost importance, especially on the management of the department and how it functions. The department is responsible for the key areas discussed below

Employee Wellness Recruitment and Selection

Table : Recruitment and Selection

Category	Target 2018/19	Actual 2018/19	Target	Actual 2019/20
Africans	N/A	3	N/A	18
Whites	0	0	0	0
Coloured / Asian	0	1	0	0
Employees with Disabilities	1	0	0	0

Ngwathe Municipality has a Human resources section that drives the Employee Wellness Program attending to employees' social, mental, and physical health needs.

Some of the interventions by the department include:

- Free medical tests by medical fund institutions;
- Debt counseling, garnishee orders and financial planning sessions;
- Promotional Health Talk on Circumcision.

The vacancy rate increased to 236 in the 2019/20 financial year.

Table : Vacancies per Job Category 2019/20

Directorate	Total	Legislators senior officials managers	Clerks	Technicians associate professionals	Craft and related trade workers	Elementary occupations
Technical Services and community services	204	3	11	22	68	100
Chief Financial Officer	8	0	8	0	0	0
Corporate Services	23	1	6	1	0	15
Municipal Manager's Office	1	0	0	0	0	0
Total:2019/20	236	4	25	19	67	115

Employment Equity

The municipality's Employment Equity Policy is designed to:

- Promote equal opportunities and fair treatment to all in the workplace by eliminating unfair discrimination;and
- Implement affirmative action measures to redress the disadvantages in employment experienced by members from designated groups in the past.

The Draft Employment Equity Plan was developed, and the Employment Equity Report submitted 11 January 2020

Table 31: Total Employment Equity Statistics per Directorate as at 30 June 2020

Directorate	African	Coloured	Indian	White	Total	Female	Male
Technical Services and community services	519	10	0	13	543	163	380
Chief Financial Officer	107	0	0	2	109	84	25
Corporate Services	57	0	0	1	58	30	28
Municipal Managers Office	12	1	0	1	14	6	8
Political,Office	20	0	0	0	19	2	17
Total: 2019/20	715	11	0	17	743	285	458

BY-LAWS ADOPTED	COUNCIL RESOLUTION
Advertising	14/12/2016
Impoundment of Animals	14/12/2016
Standard Street Trading By-Law	14/12/2016
Environmental Health by law	14/12/2016
Child care services	14/12/2016
Credit control and debit collection	13/04/2012
Indigent support bylaw	13/04/2012
Property rates	13/04/2012
Water Restriction	13/04/2012
SPLUMA	14/10/2017

Promotions

The information below compares the number of employees that have been promoted during the past three financial years:

Employees at the Ngwathe Municipality are not promoted automatically. All internal employees must apply for posts as advertised.

Pension Funds

The Ngwathe Municipality makes use of the following Pension and/or Retirement Funds:

- SALA Pension Fund
- Consolidated Retirement Fund
- Free State Pension Fund / Provident Fund
- SAMWU Provident Fund
- Municipal Employees Pension Fund

Medical Aid Schemes

Employees are able to choose from the following Medical Aid Funds:

- BONITAS
- HOSMED

- Key Health
- LA Health
- SAMWUMED

Labor Relations

This department has the function of managing labor relations matters and dealing with occupational health and safety in the municipality.

Table 32: Labor Relations issues recorded/investigated during 2019/20

Labor Relations issue	Number of Cases:2017/18	Number of Cases: 2018/19	Number of Cases 2019 / 20
Misconduct	1	2	6
Dismissals	0	0	0
Suspensions	1	0	4
Total Cases	1	2	6

Occupational Health and Safety

The department is also responsible to ensure that operations and activities within the municipality comply with the provisions of the Occupational Health and Safety Act, 1993 as well as the different Regulations promulgated in terms of the said Act. Incident/accident investigations are conducted promptly in order to determine in respect of which activities work instructions and safe work procedures should be developed and implemented, to prevent the reoccurrence of incidents in the workplace. Furthermore, Health and Safety Committee Meetings are arranged on a monthly basis to address all health and safety issues raised at such meetings.

Table: Incidents/accidents recorded and/or investigated during 2019/20

Directorate		Personal injury	Disease	Death
Technical Services		1	0	0
Community Services		0	0	0
Corporate Services		0	0	0
Municipal Manager's Office		0	0	0
Total 2019/20		1	0	0
Number and period of suspension				
Position	Nature of suspension	Days of suspension	Details of disciplinary action taken or status of case and reasons why not finalised	Date finalised
Electrician	With pay	9 months	Finalised	24 July 2020

Electrician	With pay	10 months	Submitted closing remarks	N/A
Committee Officer	With pay	6 months	Hearing still to proceed	N/A
Process Controller	With pay	6 months	Hearing still to proceed	N/A

Disciplinary action taken on cases of financial misconduct			
Position	Nature of alleged misconduct and rand value of any loss to the municipality	Disciplinary action taken	Date finalised
None	None	None	N/A

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Section 57 Performance Evaluation

The performance evaluation for Section 57 managers forms the basis for evaluating performance in relation to set targets as outlined in the signed performance agreements of executive managers. Performance evaluation takes place on a quarterly basis and reported to the Mayor.

Improved Performance Management

The municipality adopted a performance framework within the organization, to date only officials appointed in terms of section 56 and section 57 are measured for performance against signed performance agreement.

Implementation and monitoring thereof will be a targeted and continued focus in 2019/20 Financial year.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Skills Development & Training

As prescribed by legislation, the combined Workplace Skills Plan (WSP) was compiled through the process of skills audit and submitted on 30 April 2020

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Creation of skills development opportunities for the Councilors, Employees and Communities. To conduct and update the credible skills audit and compile the Workplace Skills Plan (WSP). To implement the WSP in the form of skills programs, Learnerships, Artisanship, Internships and Bursaries

For the year under review (2019/20), Ngwathe Municipality has trained 35 employees. Including internship program

Bursary allocated 06 Councilors and 06 Officials

Table : Training per Job Category:

Directorate	Total	Senior Officials and Managers	Clerks	Technicians	Craft and Related Trade Workers & interns	Elementary Occupations	Councilors
Technical Services	8	0	0	2	4	2	0
Finance	6		1	0	5	0	0
Corporate Services	5	0	2	1	0	2	0
Community services	5	0		0	1	4	
MM Office	4	2	1	1	0	0	0
Office of Speaker	6	0	0	0	0	0	6
Office Of Mayor	1	0	1	0	0	0	0
Total:2019/20	35	2	5	4	10	8	6

Skills Development Budget

The information below indicates the quantum of municipal budget allocated to skills development and the percentage spent

Table: Skills Development Budget against Expenditure

Financial Year	Budget	Expenditure
2019/2020	R 2.7m	R 668 475 75

MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, 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, in collaboration with 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."

A total of 22 employees were identified to obtain the abovementioned qualification and prescribed competencies and awaiting for statement of results from LGSETA,

Financial Competency Development: Progress Report				
Description	Total number of officials employed i.t.o. Regulation 14(4)(a) and (c)	Competency assessments completed i.t.o. 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 i.t.o. Regulation 14(4)(e)
Financial Officials				
Accounting Officer	1	Competent	1	1
Chief Financial Officer	1	Competent	1	1
Director Corporate Services	1	Competent	1	1
Director Community Services	1	Competent	1	1
Director Technical Services	1	Competent	1	1
Senior Managers	5	Competent	5	5
Any other financial officials	42	Competent	N/A	N/A
Supply Chain Management Officials				
Head of Supply Chain Management Unit	1	Competent	N/A	N/A
Supply Chain Management Senior Managers	1	Competent -	N/A	N/A
TOTAL	49	Competent	5	5

Table: below provides details of the financial competency development progress as required by the notice:

Learnership

A total of 10 (employed) learners were recorded to have received training through learnerships in 2019/2020.

Table : Bursaries per Directorate

Directorate	Number of Beneficiaries 2017/18	Number of Beneficiaries 2018/19	Number of Beneficiaries 2019/20
Technical Services	1	1	10
Chief Financial Officer	1	2	0
Corporate Services	1	0	0
Municipal Manager's Office	1	1	0
Mayoral Office	1	1	0
Speakers Office	8	5	0
Total	13	10	10

COMPONENT D: MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Personnel Expenditure

Table : Trends of Personnel Expenditure compared to Operating Expenditure:

Financial Year	Salaries	Expenditure	Percentage
2019/20	235 996 000	770 961 399	31%

CHAPTER 4

ANNUAL PERFORMANCE REPORT



The home of harmony, prosperity and growth

SECTION 46 REPORT 2019/20

OFFICE OF THE MAYOR															
IDP/REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
IDP 001	Municipal Transformation	Celebrate national and local days of importance / commemoration; Human Right's Day, Worker's / May Day, Youth Day, Flower Festival, Mandela Day	Number of national and local days of commemoration celebrated	8	3	3	2	2	2	1	1	0	Programs/ Invitations & Attendance Registers	8	
IDP 002	Radical Social and Economic Development	Create HIV and AIDS Awareness - Planning and launching of Ward/Local /District HIV and AIDS Councils / Launch Men's Dialogue program	Number of awareness programs launched	4	1	2	1	2	1	2	1	0	Programs/ Invitations & Attendance Registers	3	
IDP 003	Good governance and Public Participation	Communicate municipal information with public by conducting radio and newspaper interviews	Number of Radio and Newspaper interviews conducted by Mayor	4	1	7	4	8	1	2	4	4	Interview Schedule (One per Quarter)	4	
IDP 004	Radical Social and Economic Development	Initiate quarterly social support programs to poverty stricken communities; Bursary support, food parcels and rural sports programs	Number of social support programs launched to address poverty in identified communities	4	1	1	1	1	1	4	1	1	Programs/ Invitations & Attendance Registers	4	
IDP 005	Municipal Transformation and Organisation Development	Initiate Women and Children's Rights programs	Number of Women and Children Rights programs launched	2	1	1	N/A	N/A	1	1	N/A	N/A	Programs/ Invitations & Attendance	2	

OFFICE OF THE MAYOR															
IDP/REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
													e Registers		
IDP 006	Radical Economic Transformation	Initiate Youth development and Empowerment programs in Ngwathe	Number of Youth Empowerment programs launched	4	1	2	1	3	1	1	1	1	Programs/ Invitations & Attendance Registers	1	
IDP 007	Municipal Transformation and Organisation Development	Initiate Disabled Indaba	Number of Disabled Indabas launched	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	Programs/ Invitations & Attendance Registers	0	
IDP 008	Good Governance	Compile and submit Communication Strategy to MAYCO for approval by end September 2019	Communication Strategy submitted to MAYCO for approval by end September 2019	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	MAYCO Minutes	0	
IDP009	Good Governance	External and Internal Newsletters compiled and issued	Number of external and internal newsletters issued (12 external and 12 internal) by 30 June 2020	24	6	0	6	6	6	6	6	6	Copies of Newsletters issued	New KPI	

*N/A – Not Applicable – Meaning there is no target set for the quarter

OFFICE OF THE SPEAKER															
IDP/REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End of June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
IDP 010	Good governance & Public Participation	Facilitate regular meetings for All stakeholders i.e. Civics, NGOs, CBOs	Number of stakeholder meetings held for all wards	216	54	0	54	54	54	54	54	0	Programs/ Invitations & Attendance Registers	216	
IDP 011	Good governance & Public Participation	Facilitate workshop to assist with development of ward plans for all Ward Committees	Number of workshops held	1	1	1	N/A	N/A	N/A	1	N/A	N/A	Programs/ Invitations & Attendance Registers	1	
IDP 012	Good governance & Public Participation	Launch and sign-off all Ward Based Plans	Number of ward based plans signed-off	18	18	0	N/A	N/A	N/A	0	N/A	N/A	Launch Program/Attendance registers/Signed ward plan	0	
IDP 013	Good governance & Public Participation	Schedule and facilitate monthly Ward meetings in all Wards	Number of ward meetings held	216	54	54	54	54	54	54	54	0	Programs/ Invitations & Attendance Registers	216	
IDP 014	Good governance & Public Participation	Facilitate the Best Ward Committee Awards ceremony	Number of Best Ward Committee Awards ceremony	1	N/A	N/A	1	0	N/A	N/A	N/A	N/A	Programs/ Invitations & Attendance Registers	New KPI	
IDP 015	Good governance & Public Participation	Develop and Launch a Citizen Charter after consultation with all Sectors of Community	Number of Citizen's Charter developed and Launched	2	1	0	1	1	N/A	N/A	N/A	N/A	Programs/Invitations & Copy of Citizen Charter	New KPI	

*N/A – Not Applicable – Meaning there is no target set for the quarter

OFFICE OF THE MUNICIPAL MANAGER															
IDP/REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
IDP 016	Good Governance	Audit Committee recommendations accepted by Council	% of Audit Committee recommendations and adopted by Council	100%.	100%	100%	100%	0%	100%	0%	100%	0%	Council Minutes	100%	
IDP 017	Good Governance	Monitor the implementation of all Council and MAYCO resolutions	Number of Council and MAYCO resolutions reported	100%	100%	50%	100%	100 %	100%	50%	100%	50%	Register of Council Resolutions	100%	
IDP 018	Putting People First	Monitor formal public complaints attended to by departments	100% of complaints attended to by departments within 30 days of receipt	100%	100%	50%	100%	100 %	100%	0%	100%	0%	Complaints Register	100%	
IDP 019	Good Governance	Investigation of all formally reported fraud, theft and corruption cases	% of formally reported fraud, theft and corruption investigations initiated within 30 days after receipt	100%	100%	100%	100%	0%	100%	0%	100%	0%	Incidents Register	0	
IDP 020	Putting People First	Strategic Annual Stakeholder Consultation	No of Wards and Stakeholder engagements held annually (18 Wards & 4 Stakeholder meetings)	40	N/A	N/A	20	20	N/A	N/A	20	0	Attendance Registers	36	
IDP 021	Sound Financial Management	Spend Departmental Operating budget revenue as per approved budget	% of total operating budget expenditure spent by 30 June 2020	95%	20%	0%	95%	0%	60%	55%	95%	70%	Report 52 (d) Report	1	
IDP 022	Sound Financial Management	Spend at least 95% of approved Capital Budget for the Municipality by 30 June (MFMA S10©)	95% of Approved Capital Budget spent by Municipality by 30 June 2020	95%	25%	45%	95%	60%	60%	55%	95%	81%	Section 52 (d) Report	95%	

OFFICE OF THE MUNICIPAL MANAGER															
IDP/REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
IDP 023	Institutional Development & Building Capacity	Submit the Mid-Year S72 report to the Mayor	Number of Mid-year reports submitted to the Mayor by 25 January 2020	1	1	1	N/A	N/A	1	1	N/A	N/A	Proof of Submission to the Executive Mayor	1	
IDP 024	Sound Financial Management	Raise/Collect operating budget revenue as per approved budget	90% of total operating budget revenue raised / received by 30 June 2020	90%	25%	25%	50%	40%	70%	40%	90%	50%	Section 71 Report		
IDP 025	Institutional Development & Building Capacity	Performance Management Assessment held	Number of Performance assessment held by 30 June 2020	2	N/A	N/A	1	1	N/A	N/A	1	0	Performance Assessment Report	0	
IDP 026	Good Governance	Submit the IDP/ Budget Schedule to Council by 31 August 2019	IDP/Budget Schedule submitted to Council for approval by 31 August 2019	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	Council Minutes	1	1
IDP 027	Good Governance	Develop and Submit the Draft and Final IDP to Council for approval by 31 March 2020 and 31 May 2020 respectively	Council approved Draft and Final IDP by end March and end May 2020	2	N/A	N/A	N/A	N/A	1	1	1	1	Council Minutes	2	2

***N/A** – Not Applicable – Meaning there is no target set for the quarter

CORPORATE SERVICES

IDP/REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2019/20 Target	2019/20 Actual
IDP 028	Good Governance	Distribute all MAYCO and Council Resolution	100% implementation of MAYCO and Council resolution in accordance with due dates	100%	100%	100%	100%	100%	100%	100%	100%	100%	Register of Council Resolutions	100%	100%
IDP 029	Institutional Development & Building Capacity	Initiate an Organisation Structure review for approval by Council aligned with departmental analysis, Task analysis, Powers & functions	Reviewed Organisational Structure	0	N/A	N/A	1	1	-	-	-	-	Council Approved Review Organisational Structure	New KPI	
IDP 030	Institutional Development & Building Capacity	Institute Council Committee Administration System	Number of Council Committee Administration system instituted	0	N/A	N/A	1	1	-	-	-	-	Instituted Council Committee System	New KPI	
IDP 031	Institutional Development & Building Capacity	Review policies and by-laws	100% of policies and by-laws reviewed by 30 June 2020	100%	100%	0%	100%	45%	100%	0%	100%	0%	Policies under review	80%	45%
IDP 032	Good Governance	Participation in formal District and Provincial meetings	100% of attendance of formal District and Provincial meetings by 30 June 2020	100%	100%	100%	100%	100%	100%	100%	100%	100%	Attendance registers	100%	100%
IDP 033	Institutional Development & Building Capacity	Number of people from EE target groups employed in three highest levels of management in compliance with municipality's approved EE Plan	Report on number of people from employment equity groups employed in three highest levels of management submitted to OMM 30 June 2020	1	1	0	N/A	N/A	N/A	N/A	1	1	Report	1	1
IDP 034	Putting People First	Spent Training budget to develop skills of staff	85% of training budget spent by 30 June 2020	85%	20%	50%	40%	60%	60%	60%	85%	60%	Report	1	1
IDP 035	Institutional Development & Building Capacity	Draft and submit to Council a Scarce Skills Policy	Scarce Skills policy submitted to council for approval by 30 June 2020	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	Draft Scarce Skills policy developed, still to be	New KPI	

													submitted to Council for approval		
IDP 036	Institutional Development & Building Capacity	% of municipality budget actually spent on implementation of WSP	Report on % of municipality budget spent on implementation of WSP	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	Report	1	1
IDP 037	Institutional Development & Building Capacity	Development and implementation of Time and Attendance System for Ngwathe LM	% of Time and Attendance System implemented	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	Report	0	
IDP 038	Institutional Development & Building Capacity	Develop Systems and Procedures/Mechanisms to manage Time and Attendance of all Employees	% of Time and Attendance System developed	4	1	0	1	0	-	-	-	-	Time and Attendance system developed	0	
IDP 039	Institutional Development & Building Capacity	Report on the time and attendance of all employees at different departments to Municipal Manager	% of Time and Attendance Report submitted	12	4	1	4	0	4	1	-	-	Manual time and attendance reports submitted	New KPI	1
IDP 040	Institutional Development & Building Capacity	Report on the filling of Organisation-wide vacancies	%Of Organisation-wide vacancies filled	12	4	0	4	2	4	2	4	2	Number of interviews and appointment reports on vacancies filled	New KPI	1
IDP 041	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	5	5	0	N/A	N/A	N/A	N/A	N/A	N/A	Minutes of Management & Portfolio Committee meetings	New KPI	
IDP 042	Institutional Development & Building Capacity	Develop and present Standard Operating Procedure Register	Register of Standard Operating Procedures	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	Register of Standard Operating Procedure	New KPI	

***N/A** – Not Applicable – Meaning there is no target set for the quarter

FINANCIAL SERVICES

IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
IDP 043	Sound Financial Management	Submit Financial Plan for inclusion in IDP for approval by Council by 31 March (Draft) and final approval by 31 May 2020	Financial Plan approved by Council by 31 March and 31 May 2020	1	N/A	N/A	N/A	N/A	1	0	1	0	Council Minutes	New KPI	
IDP 044	Sound Financial Management	Submit MTREF aligned to IDP to Council for approval 31 March and final 31 May 2020	MTREF approved by Council by end March and end May 2020	2	N/A	N/A	N/A	N/A	1	1	1	1	Council Minutes	2	
IDP 045	Sound Financial Management	Submit Adjustment Budget to Council for approval by 28 February	Adjustment Budget submitted to Council by 28 February 2020	1	N/A	N/A	N/A	N/A	1	1	N/A	N/A	Council Minutes	1	
IDP 046	Sound Financial Management	Compile Capital Project Implementation Plan and submit to MM for approval by 30 June 2020	Capital Project Implementation Plan developed and submitted to MM by end June 2020	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	Proof of Submission to MM (Acceptance letter / signature)	1	
IDP 047	Sound Financial Management	GRAP Compliant Fixed Asset Register as at 30 June 2020	Compilation of GRAP compliant Fixed Asset Register as at 30 June 2020	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	GRAP Compliant Fixed Asset Register	1	
IDP 048	Sound Financial Management	Collect all Billed Revenue to ensure sufficient cash is generated to meet Ngwathe Debt and Operating commitments as per Section 71 report to Municipal Manager	Net Debtors Days Ration (Gross Debtors=Bad Debt Provision)/ Billed Revenue)) x 365	12	3	3	3	0	3	0	3	0	Section 71 Report	12	
IDP 049	Sound Financial Management	Disclose in Annual Financial Statements all monthly reported deviations condoned by Council	Disclose in Annual Financial Statements all monthly reported deviations condoned by Council	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	Annual Financial Statements	1	

FINANCIAL SERVICES

IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											2018/19 Target	2018/19 Actual
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence				
IDP 050	Sound Financial Management	Annual Financial Statements submitted by 31 August 2020	AFS submitted by 31 August 2020	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	Acknowledgem ent of receipt of AFS by AG	1			
IDP 051	Sound Financial Management	Financial viability measured in terms of available cash to cover fixed operating expenditure	Report on Cost coverage ratio (Available cash + investments)/Month ly fixed operating expenditure)	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	Annual Financial Statements	0			
IDP 052	Sound Financial Management	Update Indigent Register	99% of all qualifying indigent applications processed by 30 June 2020	99%	99%	99%	99%	99%	99%	99%	99%	99%	Annual Financial Statements				
IDP 053	Sound Financial Management	Provide Free Basic Services to all Indigents	Report by 30 June on % of HH earning less than 2Xsocial grants plus 25% per month with access to free basic services	12	3	3	3	3	3	3	3	3	Billing Report	1			
IDP 054	Sound Financial Management	Number of formal residential properties that receive piped water, electricity (excluding Eskom areas), waste water sanitation/sewerage, (credit and pre-paid water) that is connected to municipal water, electricity infrastructure network, including refuse removal once per week and billed for service as at 30 June 2020	Number of formal residential properties which are billed for water or have pre-paid meters as at 30 June 2020	12	3	3	3	3	3	0	3	0	Billing Report	12			
IDP 055	Sound Financial Management	Provide free basic services; water, electricity, sanitation	Report on % of HH earning less than 2Xsocial grant plus	12	3	3	3	3	3	3	3	3	Billing Report	1			

FINANCIAL SERVICES

IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
		and refuse removal to indigent households	25% per month with access to FBS												
IDP 056	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	Minutes of Management & Portfolio Committee meetings	New KPI	
IDP 057	Good Governance	Achieve Improved Audit Opinion for 2018/19 FY	Improved Audit Opinion achieved for 2018/19 Financial Year	1	N/A	N/A	1	1	N/A	N/A	N/A	N/A	Audit Outcome Letter	New KPI	

***N/A – Not Applicable** – Meaning there is no target set for the quarter

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
IDP 058	Basic Services and Infrastructure	90% compliance to general standards with regard to waste water outflow by 30 June	90% compliance to general standards by 30 June 2019	90%	90%	0%	90%	0%	90%	99.9%	90%	99.9%	Certificate of analysis from laboratory	New KPI		
IDP059	Basic Services and Infrastructure	Spend 96% of capital budget for fleet/equipment by 30 June	96% of Capital Budget Spent by 30 June	96%	20%	0%	40%	0%	60%	Not achieved No budget provision	96%	Not achieved No budget provision	Report	96%		
IDP060	Basic Services and Infrastructure	Limit Electricity losses to less than 50% annually (preceding 11 months+reporting month's units purchased)	% Average electricity losses by 30 June	50%	50%	30%	50%	0%	50%	Not achieved Inability to measure	50%	Not achieved Inability to measure	Report	50%		
IDP061	Basic Services and Infrastructure	Implement all electricity capital projects measured quarterly in terms of approved Electricity Capital Budget spent	96% of approved Capital Budget spent by 30 June	96%	20%	0%	40%	20%	60%	96%	96%	100%	Report – Evaluati on and Adjudica tion reports, and as well as appoint ment letters for each project.	96%		
		Replacement of 47 retro high mast fittings LED		95% Complete, 5% retention to be paid in 2020/21FY	0%	0%	50%	0%	100%	100%	100%	100%	Appoint ment letter			
		New substation in Koppies		95% complete, 5% retention to be paid in	0%	0%	50%	0%	10%	10%	25%	25%	Appoint ment letter			

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
				2020/21FY95 %												
		Building of new overhead line from Lusaka substation to the main substation		95% complete , 5% retention to be paid in 2020/21FY	0%	0%	50%	0%	100%	100%	100%	100%	Appoint ment letter			
IDP062	Basic Services and Infrastructure	Implement all Roads, Storm water infrastructure capital projects measured quarterly in terms of approved Capital Budget spent	96% of approved Capital Budget spent by 30 June	96%	20%	0%	40%	100%	100%	96%	96%	100%	Report	96%		
		Tumahole: Upgrading of 1km paving internal road and storm water channels in Schonkenville (MIS:268924)	5% of approved capital budget spent by 30 June 2020	5% (5% Retention Amount)	0%	0%	5%	5%	100%	100%	100%	100%	Retentio n stage, Close out reports with last payment certificat e			
		Edenville: Construction of a low level bridge in Ward 18	5% of approved capital budget spent by 30 June 2020	5% (5% Retention Amount)	0%	0%	5%	5%	100%	100%	100%	100%	Retentio n stage- Close out report with last payment certificat e			
		Tumahole: Upgrading of 1km paving internal road and storm water channels (ward 13) (MIS:268920)	5% of approved capital budget spent by 30 June 2020	5% (5% Retention Amount)	0%	0%	5%	5%	100%	100%	100%	100%	Retentio n stage – Close out report and last payment certificat e			

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
		Edenville/Ngwathe: Upgrading of 1km paved internal access road and storm water channel in ward 18 (MIS:269131)	5% of approved capital budget spent by 30 June 2020	5% (5% Retention Amount)	5%	5%	5%	5%	100%	100%	100%	100%	Close Out Report			
		Phiritona/Sandersville: Construction of low- level bridge in ward 1 (MIS:279725)	45% of the approved capital budget spent by end June 2020	45%	0%	0%	0%	10%.	N/A	N/A	N/A	N/A	The project is at Adjudica tion stage, Evaluati on report ready waiting for Adjudica tion committ ee to seat.			
IDP 063	Basic Services and Infrastructure	Spend 96% of approved Capital Budget on rehabilitation of streets (Pot-hole fixing) (Actual expenditure and commitments divided by approved Capital Budget)	96% of approved Capital Budget spent by 30 June	96%	20%	0%	40%	40%	60%	86%	96%	96%	Report	96%		
IDP 064	Basic Services and Infrastructure	Implement all Water Services Infrastructure capital projects measured quarterly in terms of approved Capital Budget Spent	96% of approved Capital Budget spent by 30 June	96%	20%	11%	40%	100%	60%	67%	96%	96%	Report	96%		
		Phiritona: Installation of 1093 residential meters		54% of the available 2019/20		23%		0%	100%	100% Complete	100%	100%	MIG Impleme ntation			

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
		and 13 bulk water meters (MIS:279654) (Implemented in 3 financial years)		budget the project (R3,208,709.87), from the approved overall project budget of R 5.9 million Note: R 2,520,948.98 was spent in 2018/19 FY									Plan with the exact monthly expenditure with progress report			
		Mokwallo: Installation of 2000 residential meters and 15 bulk water meters (MIS:286524) (Implemented in 3 financial years)		71% of the available budget the project (R 6,376,462.22), approved budget for 2019/20 is (R 8,918,730.09) Note: R 2,542,267.87 was spent 2018/19 FY		34%		31.7% on expenditure	100%	100% Complete	100%	100%	MIG Implementation Plan with the exact monthly expenditure with progress report			
		Vredefort: Extension of the Water Treatment Plant (MIS:257557) (To be implemented in 2 financial years)		96% of the available budget the project (R 10,653,077.19), approved budget for 2019/20 is		0%		36.9% achieved on expenditure	60%	65%	65%	65%	Evaluation and Adjudication reports with appointment letters of both Contractor and			

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
				(R 11,523,306.6 7)									Consulta nt. Also payment certificat es for payment s.			
		Heilbron: Upgrading of Waste Water Treatment Works (MIS:268105)		96% of the available budget the project (R 9.379,863.00) , approved budget for 2019/20 is (R 16,807,501.5 6)				39% from Q2 expen diture	100%	70%	80%	85%	Evaluati on and Adjudica tion reports with appoint ment letters of both Contract or and Consulta nt, Also payment certificat es for payment s			
		Refurbishment of Koppies WTW and Construction of clear water pump station		92% of the available budget the project (R 23,764,095.3 2), approved budget for 2019/20 is (R 25,600,185.3 2) Note: R1,836,090.0		9%		12.9% expen diture on Q2	100%	80% Practical completi on	85%	85%	RBIG Impleme ntation plan for exact monthly expendit ure with progress report			

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
				0 was spent in 2018/19 FY												
		Construction of pipeline from Koppies to Edenville		19% of the available budget the project (R 14,235,904.6 8), approved budget for 2019/20 is (R 72,399,814.6 8)		0%		0% in terms of expen diture	60%	85% on Practical Completi on stage	85%	85%	Appoint ment letter of the Consulta nt			
IDP065	Basic Services and Infrastructure	Implement all Waste Water Services infrastructure capital projects measured quarterly in terms of approved Capital Budget Spent	96% of capital budget spent by 30 June	96%	20%	2%	40%	0%	60%	100%	96%	100%	Report	96%		
		Tumahole Outfall Sewer		30% of the available budget the project (R 6,073,896.43) , approved budget for 2019/20 is (R19,772,090 .13) Note: R13,698 193.7 was spent in 2018/19 FY		4%		50.1%	100%	Final retention and the remaining balance R 843 000 due to be paid 15 of Novembe r 2020	100%	100%	Close out report,			

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
		Koppies Outfall Sewer		2.5% of the available budget the project (R 602,041.21), approved budget for 2019/20 is (R 18,149,635.04) Note: R 1,7547,583.8 was spent in 2018/19 FY		0%		0%	100%	The project is 100% Complete and the must captured in the Asset Register	100%	100%	Retention stage to be paid out in the 3 rd Quarter			
		Water Quality Management in Parys		100% of the available budget the project (R 2,495,500.00) , approved budget for 2019/20 is (R 2,495,500.00)		0%		5% based on appointment	100%	The Project is100% Complete	100%	100%	Appointment Letter			
		Water Demand and Water Conservation Management in Parys		100% of the available budget the project (R 3,500,000.00) , approved budget for 2019/20 is (R 3,500,000.00)		0%		5%	100%	The Project is100% Complete	100%	100%	Appointment Letter			

TECHNICAL SERVICES

TECHNICAL SERVICES																
IDP/ REF NO	KPA Key Focus Area	Indicator (Activity/ Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020											
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual	
		Water Quality Management in Koppies		100% of the available budget the project (R 3057414.34), approved budget for 2019/20 is (R 3,057,414.34)		0%		5% based on appointment	100%	The Project is 100% Complete	100%	100%	Appointment Letter			
		Water Demand and Water Conservation Management in Koppies		100% of the available budget the project		0%		5% based on appointment	100%	The Project is 100% Complete	100%	100%	Appointment Letter			
IDP066	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	Minutes of Management & Portfolio Committee meetings	New KPI		
IDP067	Basic Services and Infrastructure	Implement all solid waste infrastructure capital projects measured quarterly in terms of approved capital budget spent	96% of capital budget spent by 30 June 2020	96%	20%	0%	40%	0%	60%	The Project is 100% Complete and the retention has been paid	96%	100%	Report	96%		

***N/A** – Not Applicable – Meaning there is no target set for the quarter

COMMUNITY SERVICES															
IDP/REF NO	KPA Key Focus Area	Indicator (Activity/Project/ Key actions)	Unit of Measurement	Annual Target 2019/20	Year to Date as at End June 2020										
					Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Proof of Evidence	2018/19 Target	2018/19 Actual
IDP 068	Institutional Development & Building Capacity	Review the Spatial Development Framework and submit to council by 30 September 2019	Reviewed Spatial Development Framework submitted to Council by 30 September 2019	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	Council Minutes	1	
IDP 069	Institutional Development & Building Capacity	Develop and submit Integrated Human Settlement Plan to Council for approval by 30 September 2019	Developed and submitted Integrated Human Settlement Plan to Council for approval 30 September 2019	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	Council Minutes	New KPI	
IDP 070	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2019	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	Minutes of Management & Portfolio Committee meetings	0	
IDP071	Radical Socio Economic Development	Review the LED Strategy and submit to Council by 31 May 2020	Review LED Strategy submitted to Council for approval by 31 May 2020	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0	Council Minutes	1	
IDP 072	Deliver Basic Services	Conduct scheduled refuse removal services to all formal and informal housing areas throughout Ngwathe at least once per week	Number of formal and informal Households whose refuse was removed at least once per week	37102	37102	37102	37102	37102	37102	37102	37102	37102	Work Schedules of Refuse Removal Sections signed-off	37102	

*N/A – Not Applicable – Meaning there is no target set for the quarter

CHAPTER 5

FINANCIAL PERFORMANCE

AFS



Ngwathe Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity

executive and legislative authority.

An organ of state within the local sphere of government exercising

Nature of business and principal activities

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

Executive Mayor

Mochela J

Members of the Mayoral Committee

Mochela J (Exco member)

Mbele MA (Exco member)

Mmusi MG (Exco member)

Mofokeng ML (Exco member)

Mofokeng MM (Exco member)

Mopedi NP (Exco member)

Molaphene PM (Exco member)

Ndayi PR (Exco member)

Serathi M (Exco member)

Serfontein C (Exco member)

Sotshiva LP (Exco member)

Councillors

DE Beer VE

Ferendale RS

Fieland H

Gobidolo SM

Kgantse R

LA Cock PJ

Magashule IM

Matroos AS

Mehlo LR

Miyen MC

Mmusi MG

Mofokeng MD

Mvulane L

Nteo S

Radebe S

Rapuleng MD

Schoonwinkel A

Sehume NA

Taje M

Tete CF

Thene BS

Toyi MS

Tlhobelo NP

Van Der Merwe PP

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

General Information

Vermaak SM

Vrey AP

Grading of local authority

Local Medium Capacity Municipality (Grade 3)

Accounting Officer

Kannemeyer BW

Chief Finance Officer (CFO)

Lebusa IS

Registered office

12 Liebenbergs Trek

Parys

9585

Business address

12 Liebenbergs Trek

Parys

9585

Postal address

PO Box 359

Parys

9585

Bankers

ABSA

Attorneys

A full list of attorneys used during the year is available at the municipal offices.

Enabling legislation

Constitution of the Republic of South Africa, 1996 (Act No 108 of

1996)

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Municipal Property Rates Act, 2004 (Act No. 6 of 2004)

Municipal Structures Act, 1998 (Act No. 117 of 1998)

Municipal Systems Act, 2000 (Act No. 32 of 2000)

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Index

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

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DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

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

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

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 endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour 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 2021 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 set out on pages 5 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:

Accounting Officer
Mr. Kannemeyer BW

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities Main

business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in the Ngwathe area, Free State Province and operates principally in South Africa.

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.

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R (147,238,468) and that the municipality's total liabilities exceed its assets by R (147,238,468).

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 accounting officer continue to procure funding for the ongoing operations for 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

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name

Kannemeyer BW

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

		2020	2019
	Note(s)	R	Restated* R
Assets			
Current Assets			
Inventories	9	3,622,916	5,680,374
Receivables from exchange transactions	12	121,804,301	87,004,958
Receivables from non-exchange transactions	11	30,909,645	32,307,064
VAT receivable	10	231,740,651	217,768,186
Other receivables	8	1,661,686	1,625,413
Cash and cash equivalents	7	19,993,789	39,678,198
		409,732,988	384,064,193
Non-Current Assets			
Investment property	3	145,482,564	140,562,864
Property, plant and equipment	4	1,289,158,371	1,281,010,964
Intangible assets	5	2,449,222	3,249,314
Other financial assets	6	954,874	1,056,728
		1,438,045,031	1,425,879,870
Total Assets		1,847,778,019	1,809,944,063
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	1,666,904,421	1,450,723,789
Consumer deposits	14	5,039,185	5,115,160
Employee benefit obligation	17	3,405,117	3,193,721
Unspent conditional grants and receipts	15	22,510,580	41,309,028
Provisions	16	135,165,219	125,281,915
		1,833,024,522	1,625,623,613
Non-Current Liabilities			
Employee benefit obligation	17	30,485,923	33,058,134
Provisions	16	131,506,042	146,042,716
		161,991,965	179,100,850
Total Liabilities		1,995,016,487	1,804,724,463
Net Assets		(147,238,468)	5,219,600
Accumulated surplus		(147,238,468)	5,219,601

* See Note 43

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

		2020	2019
	Note(s)	R	Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	19	366,464,694	313,539,300
Rental of facilities and equipment	20	510,058	698,369
Other income	21	1,318,263	1,433,217
Interest received	22	54,766,631	54,132,497
Total revenue from exchange transactions		423,059,646	369,803,383
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	87,260,076	79,697,474
Transfer revenue			
Government grants and subsidies	25	308,289,862	258,332,664
Fines, penalties and forfeits	24	352,476	2,094,297
Donation received	26	1,726,450	-
Total revenue from non-exchange transactions		397,628,864	340,124,435
Total revenue	18	820,688,510	709,927,818
Expenditure			
Employee related costs	27	(238,746,051)	(219,472,703)
Remuneration of councillors	28	(15,524,176)	(14,912,669)
Depreciation, amortisation and impairments	29	(55,361,687)	(63,505,553)
Finance costs	31	(55,836,992)	(37,860,034)
Debt Impairment	32	(170,546,804)	(189,564,085)
Impairments of assets	30	(153,345)	-
Bulk purchases	33	(257,673,030)	(240,591,681)
Contracted services	34	(25,839,453)	(16,955,862)
General expenses	35	(114,298,215)	(88,487,365)
Repairs and maintenance	36	(47,546,580)	(37,764,176)
Total expenditure		(981,526,333)	(909,114,128)
Operating deficit		(160,837,823)	(199,186,310)
Fair value adjustments	37	4,818,280	2,895,261
Actuarial gains / (losses)	17	3,676,195	(2,903,862)
Inventories surplus / (losses)		(114,723)	(218,032)
		8,379,752	(226,633)
Deficit for the year		(152,458,071)	(199,412,943)

* See Note 43

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	185,454,500	185,454,500
Adjustments		
Correction of errors - note 46 & 47	19,178,047	19,178,047
Balance at 01 July 2018 as restated*	204,632,546	204,632,546
Changes in net assets		
Changes in the net assets	9,188,861	9,188,861
Net income (losses) recognised directly in net assets	9,188,861	9,188,861
Deficit for the year	(208,601,806)	(208,601,806)
Total recognised income and expenses for the year	(199,412,945)	(199,412,945)
Total changes	(199,412,945)	(199,412,945)
Restated* Balance at 01 July 2019	5,219,603	5,219,603
Changes in net assets		
Deficit for the year	(152,458,071)	(152,458,071)
Total changes	(152,458,071)	(152,458,071)
Balance at 30 June 2020	(147,238,468)	(147,238,468)
Note(s)		

* See Note 43

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

		2020	2019 Restated*
	Note(s)	R	R
Cash flows from operating activities			
Receipts			
Cash receipt from customers		302,564,259	245,688,401
Grants		289,491,414	283,685,500
Interest income		1,978,414	1,655,377
Other receipts		2,144,524	4,225,636
		<u>596,178,611</u>	<u>535,254,914</u>
Payments			
Employee costs		(231,961,840)	(212,992,356)
Suppliers		(307,524,849)	(231,488,957)
		<u>(539,486,689)</u>	<u>(444,481,313)</u>
Net cash flows from operating activities	38	56,691,922	90,773,601
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(73,182,610)	(54,105,884)
Disposal of financial assets		-	19,074
Net cash flows from investing activities		(73,182,610)	(54,086,810)
Cash flows from financing activities			
Employee benefit obligation payment		(3,193,724)	(3,240,000)
Finance lease payments		-	(42,418)
Net cash flows from financing activities		(3,193,724)	(3,282,418)
Net increase/(decrease) in cash and cash equivalents		(19,684,412)	33,404,373
Cash and cash equivalents at the beginning of the year		39,678,198	6,273,825
Cash and cash equivalents at the end of the year	7	19,993,786	39,678,198

* See Note 43

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	398,701,000	-	398,701,000	366,464,694	(32,236,306)	53.01
Rental of facilities and equipment	967,000	-	967,000	510,058	(456,942)	53.02
Interest received	1,684,000	-	1,684,000	1,978,414	294,414	53.03
Other income	30,818,000	(20,000,000)	10,818,000	1,318,263	(9,499,737)	53.04
Interest received - outstanding receivables	41,563,000	-	41,563,000	52,788,217	11,225,217	53.03
Total revenue from exchange transactions	473,733,000	(20,000,000)	453,733,000	423,059,646	(30,673,354)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	94,045,000	-	94,045,000	87,260,076	(6,784,924)	53.05
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Fines, penalties and forfeits

Government grants and subsidies	331,017,000	(18,794,000)	312,223,000	308,289,862	(3,933,138)	53.06
Fines, penalties and forfeits	1,300,000	-	1,300,000	352,476	(947,524)	53.07
Donation received	-	-	-	1,726,450	1,726,450	53.43

Total revenue from non-exchange transactions	426,362,000	(18,794,000)	407,568,000	397,628,864	(9,939,136)	
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Total revenue	900,095,000	(38,794,000)	861,301,000	820,688,510	(40,612,490)	
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Expenditure

Employee related costs	(229,937,000)	-	(229,937,000)	(238,746,051)	(8,809,051)	53.05
Remuneration of councillors	(16,331,000)	-	(16,331,000)	(15,524,176)	806,824	53.05
Depreciation and amortisation	(73,441,000)	55,081,000	(18,360,000)	(55,361,687)	(37,001,687)	53.08
Finance costs	(106,000)	(16,894,000)	(17,000,000)	(55,836,992)	(38,836,992)	53.10
Debt impairment	(17,934,000)	(80,615,000)	(98,549,000)	(170,546,804)	(71,997,804)	53.09
Impairments of assets	-	-	-	(153,345)	(153,345)	
Repairs and maintenance	(85,671,000)	26,130,000	(59,541,000)	(47,546,580)	11,994,420	53.11
Bulk purchases	(249,846,000)	10,096,000	(239,750,000)	(257,673,030)	(17,923,030)	53.12
Contracted services	(33,507,000)	9,604,000	(23,903,000)	(25,839,453)	(1,936,453)	53.13
Transfers and Subsidies	(18,267,000)	7,669,000	(10,598,000)	-	10,598,000	53.44
General expenses	(107,463,000)	38,650,000	(68,813,000)	(114,298,215)	(45,485,215)	53.16

Total expenditure	(832,503,000)	49,721,000	(782,782,000)	(981,526,333)	(198,744,333)	
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Operating deficit	67,592,000	10,927,000	78,519,000	(160,837,823)	(239,356,823)	
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Fair value adjustments	-	-	-	4,818,280	4,818,280	53.17
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Actuarial gains	-	-	-	3,676,195	3,676,195	53.18
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Inventories surplus/(losses)	-	-	-	(114,723)	(114,723)	53.19
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	-	-	-	8,379,752	8,379,752	
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Deficit for the year	67,592,000	10,927,000	78,519,000	(152,458,071)	(230,977,071)	
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Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments on comparable basis actual	Final Budget	Actual amounts	Difference between final budget and	Reference
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	67,592,000	10,927,000	78,519,000	(152,458,071)	(230,977,071)	
Reconciliation						

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	791,000	-	791,000	3,622,916	2,831,916	53.20
Receivables from non-exchange transactions	353,246,000	-	353,246,000	30,909,645	(322,336,355)	53.21
VAT receivable	-	-	-	231,740,651	231,740,651	53.22
Receivables from exchange transactions	-	-	-	121,804,301	121,804,301	53.21
Other receivables	-	-	-	1,661,686	1,661,686	53.23
Cash and cash equivalents	6,600,000	-	6,600,000	19,993,789	13,393,789	53.24
	360,637,000	-	360,637,000	409,732,988	49,095,988	

Non-Current Assets

Investment property	27,546,000	-	27,546,000	145,482,564	117,936,564	53.25
Property, plant and equipment	1,056,559,000	(43,311,000)	1,013,248,000	1,289,158,371	275,910,371	53.26
Intangible assets	6,098,000	(500,000)	5,598,000	2,449,222	(3,148,778)	53.27
Other financial assets	-	-	-	954,874	954,874	53.28
	1,090,203,000	(43,811,000)	1,046,392,000	1,438,045,031	391,653,031	

Total Assets

	1,450,840,000	(43,811,000)	1,407,029,000	1,847,778,019	440,749,019	
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Liabilities

Current Liabilities

Payables from exchange transactions	1,254,403,000	-	1,254,403,000	1,666,904,421	412,501,421	53.29
Consumer deposits	-	-	-	5,039,185	5,039,185	53.30
Employee benefit obligation	-	-	-	3,405,117	3,405,117	53.31
Unspent conditional grants and receipts	-	-	-	22,510,580	22,510,580	53.32
Provisions	419,980,000	-	419,980,000	135,165,219	(284,814,781)	53.33
	1,674,383,000	-	1,674,383,000	1,833,024,522	158,641,522	

Non-Current Liabilities

Other financial liabilities	43,660,000	-	43,660,000	-	(43,660,000)	53.34
Employee benefit obligation	-	-	-	30,485,923	30,485,923	53.31
Provisions	-	-	-	131,506,042	131,506,042	53.33
	43,660,000	-	43,660,000	161,991,965	118,331,965	

Total Liabilities

	1,718,043,000	-	1,718,043,000	1,995,016,487	276,973,487	
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Net Assets

	(267,203,000)	(43,811,000)	(311,014,000)	(147,238,468)	163,775,532	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	(267,203,000)	(43,811,000)	(311,014,000)	(147,238,468)	163,775,532	--
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Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	392,899,000	-	392,899,000	302,564,259	(90,334,741)	53.35
Grants	331,017,000	(42,155,000)	288,862,000	289,491,414	629,414	53.01
Interest income	26,622,000	-	26,622,000	1,978,414	(24,643,586)	53.36
Other receipts	24,814,000	-	24,814,000	2,144,524	(22,669,476)	53.37
	775,352,000	(42,155,000)	733,197,000	596,178,611	(137,018,389)	

Payments

Employee costs	-	-	-	(231,961,840)	(231,961,840)	53.38
Suppliers and employee costs	(666,067,000)	25,042,000	(641,025,000)	(307,524,849)	333,500,151	53.38
Finance costs	-	(17,000,000)	(17,000,000)	-	17,000,000	53.39
	(666,067,000)	8,042,000	(658,025,000)	(539,486,689)	118,538,311	

Net cash flows from operating activities **109,285,000** **(34,113,000)** **75,172,000** **56,691,922** **(18,480,078)**

Cash flows from investing activities

Purchase of property, plant and equipment	(108,872,000)	12,000,000	(96,872,000)	(73,184,610)	23,687,390	53.40
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Cash flows from financing activities

Employee benefit obligations	-	-	-	(3,193,724)	(3,193,724)	53.41
Net increase/(decrease) in cash and cash equivalents	413,000	(22,113,000)	(21,700,000)	(19,686,412)	2,013,588	
Cash and cash equivalents at the beginning of the year	4,182,000	35,496,000	39,678,000	39,678,198	198	53.42
Cash and cash equivalents at the end of the year	4,595,000	13,383,000	17,978,000	19,991,786	2,013,786	

Reconciliation

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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 (Act 56 of 2003) (MFMA).

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. All figures are rounded to the nearest Rand.

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

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

These accounting policies are consistent with the previous period.

1.1 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 / held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments 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 municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 key 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.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

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

Provisions

Provisions were raised and management determined an estimate based on the information available. An additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality.

Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

On 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 receivables 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 services 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 recognised at cost. Transaction costs are included in the initial measurement. Subsequent to initial measurement.

Investment property is measured at cost.

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.

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.

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.

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

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

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 nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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 are initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Subsequent measurement:

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 are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Airport	Straight line	15 to 20 years
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	5 to 10 years
Infrastructure	Straight line	3 to 100 years

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Property, plant and equipment (continued)

IT equipment	Straight line	3 to 6 years
Land	Straight line	Indefinite
Motor vehicles	Straight line	3 to 20 years
Office equipment	Straight line	3 to 6 years
Plant and machinery	Straight line	5 to 15 years

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

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

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

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.

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.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years
Servitudes		Indefinite

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 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.

Identification

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

Value in use

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.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

Cash-generating units

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

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

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

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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1.7 Impairment of cash-generating assets (continued)

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.8 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.

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1.8 Impairment of non-cash-generating assets (continued)

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.

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.

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.

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.

Reversal of an impairment loss

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

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

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

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

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1.8 Impairment of non-cash-generating assets (continued)

Redesignation

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

1.9 Financial instruments

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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1.9 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets of financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class

Other financial assets
Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalents
Other receivables

Category

Financial asset measured at fair value
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Payables from exchange transactions
Consumer deposits
Unspent conditional grants and receipts

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referenced to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

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

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost :

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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1.9 Financial instruments (continued)

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 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.

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 municipality 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.

Accrued interest

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1.10 Statutory receivables (continued)

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

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 receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable 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); and
- 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, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

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

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment 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 municipality:
 - derecognises the receivable; and
 - recognises 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 municipality 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.

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1.11 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) method. 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.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Value Added Tax (VAT)

The municipality accounts for VAT on cash basis. The municipality is liable to account for VAT at a standard rate of 15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of supply of goods and services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

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Accounting Policies

1.14 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.

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 services 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:

- 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 cell phones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the 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 municipality has no realistic alternative but to make the payments.

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Accounting Policies

1.14 Employee benefits (continued)

The entity recognises 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.

Other long-term employee benefits

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

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Accounting Policies

1.15 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.

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.

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 (deficit).

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence and non-occurrence of one or more uncertain future events not wholly within the control of the entity; or - a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation; or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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:

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.

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

1.16 Accumulated surplus

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

1.17 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.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

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 services performed to date as a percentage of total services to be performed.

Interest and dividends

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 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.

Control of an asset arises 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.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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, the 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.

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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.

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.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Property rates

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

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

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

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

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 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.

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1.21 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

Operating leases - lessee

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

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 41&43.

1.23 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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Accounting Policies

1.24 Unauthorised expenditure (continued)

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.

1.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. 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.

1.26 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:

(i) Municipal Finance Management Act, Act 56 of 2003, and its regulations;

(ii) Municipal Systems Act, Act 32 of 2000, and its regulations;

(iii) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and

(iv) The municipality's supply chain management policy, and any by-laws giving effect to that policy in the current financial year.

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.

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Accounting Policies

1.26 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

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.

1.27 Budget information

Municipality is 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 a municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2019 to 30/06/2020.

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.

1.28 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.

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

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

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

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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1.30 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.31 Unspent conditional grant and receipts

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

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Notes to the Annual Financial Statements

	2020	2019
	R	R

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	2020	2019
	R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

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2. New standards and interpretations

(continued) GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2021/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

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2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The impact of this standard is currently being assessed.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality has adopted the guideline for the first time in the 2019/2020 annual financial statements.

The impact of the guideline is set out in note Changes in Accounting Policy.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2. New standards and interpretations

(continued) GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent and Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the interpretation is not material.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the interpretation is not material.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has adopted the interpretation for the first time in the 2019/2020 annual financial statements

The impact of the interpretation is not material.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2020		2019			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	145,482,564	-	145,482,564	140,562,864	-	140,562,864

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	140,562,864	4,919,700	145,482,564

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	137,751,607	2,811,257	140,562,864

Pledged as security

No investment property is pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020	2019
	R	R

3. Investment property

(continued) Details of valuation

The effective date of the revaluations was 30 June 2020. Revaluations were performed by an independent valuer, Mr P Ramlall [PR Eng], of AB Projects . P Ramlall is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	510,058	698,369
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Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	282,035,278	-	282,035,278	306,135,304	-	306,135,304
Buildings	61,965,790	(29,392,930)	32,572,860	61,917,284	(25,218,601)	36,698,683
Machinery and equipment	4,155,146	(2,719,488)	1,435,658	3,858,863	(2,420,902)	1,437,961
Furniture and fittings	9,993,868	(9,064,854)	929,014	9,900,357	(8,662,533)	1,237,824
Motor vehicles	20,374,138	(16,439,377)	3,934,761	17,302,648	(14,493,375)	2,809,273
Office equipment	1,168,265	(997,338)	170,927	1,168,265	(924,167)	244,098
Computer equipment	5,492,960	(4,445,501)	1,047,459	5,119,510	(3,951,615)	1,167,895
Infrastructure	1,756,230,679	(789,198,265)	967,032,414	1,673,151,548	(741,871,622)	931,279,926
Total	2,141,416,124	(852,257,753)	1,289,158,371	2,078,553,779	(797,542,815)	1,281,010,964

Ngwathe Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	306,135,304	-	(24,100,026)	-	-	282,035,278
Buildings	36,698,683	48,506	-	(4,174,329)	-	32,572,860
Machinery and equipment	1,437,961	296,283	-	(298,586)	-	1,435,658
Furniture and fittings	1,237,824	93,511	-	(402,321)	-	929,014
Motor vehicles	2,809,273	3,071,490	-	(1,946,002)	-	3,934,761
Office equipment	244,098	-	-	(73,171)	-	170,927
Computer equipment	1,167,895	373,451	-	(493,887)	-	1,047,459
Infrastructure	931,279,926	83,079,132	-	(47,173,299)	(153,345)	967,032,414
	1,281,010,964	86,962,373	(24,100,026)	(54,561,595)	(153,345)	1,289,158,371

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	305,582,719	552,585	-	-	306,135,304
Buildings	40,893,895	-	(4,195,212)	-	36,698,683
Machinery and equipment	1,608,562	113,097	(283,698)	-	1,437,961
Furniture and fittings	2,029,235	-	(791,411)	-	1,237,824
Motor vehicles	4,259,976	-	(1,450,703)	-	2,809,273
Office equipment	259,358	106,501	(121,761)	-	244,098
Computer equipment	1,498,945	193,264	(524,314)	-	1,167,895
Infrastructure	913,348,646	73,539,701	(55,473,392)	(135,029)	931,279,926
	1,269,481,336	74,505,148	(62,840,491)	(135,029)	1,281,010,964

Pledged as security

None of Property, Plant and Equipment were pledged as security.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure Buildings	Included within Infrastructure Roads and stormwater	Included within Infrastructure Water and sanitation	Included within Infrastructure Electricity	Included within Infrastructure	Total
Opening balance as at 01 July 2018	16,310,684	1,102,186	22,809,463	-	-	40,222,333
Additions current year	2,392,695	159,058	58,454,963	1,945,248	4,500,347	67,452,311
Capitalised	(15,154,361)	(159,058)	(23,961,632)	-	-	(39,275,051)
	3,549,018	1,102,186	57,302,794	1,945,248	4,500,347	68,399,593

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure Buildings	Included within Infrastructure Roads and stormwater	Included within Infrastructure Water and sanitation	Included within Infrastructure Electricity	Total
Opening balance as at 01 July 2018	10,923,601	32,573,230	37,038,682	-	80,535,513
Additions	5,898,656	22,226,662	23,340,112	2,640,454	54,105,884
Capitalised	(511,574)	(53,697,706)	(37,569,332)	(2,640,454)	(94,419,066)
	16,310,683	1,102,186	22,809,462	-	40,222,331

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

Office equipment	923,898	363,786
Furniture and fittings	793,128	865,676
Infrastructure	37,997,675	30,462,761
Land and buildings	1,231,391	238,597
Material supplies	4,096,128	5,160,080
Motor vehicle	1,794,520	1,213,758
Machinery and equipment	709,840	168,850
	47,546,580	38,473,508

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020			2019		
	R			R		
5. Intangible assets						
	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,000,460	(2,872,438)	1,128,022	4,000,460	(2,072,346)	1,928,114
Servitudes	1,321,200	-	1,321,200	1,321,200	-	1,321,200
Total	5,321,660	(2,872,438)	2,449,222	5,321,660	(2,072,346)	3,249,314

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	1,928,114	(800,092)	1,128,022
Servitudes	1,321,200	-	1,321,200
	3,249,314	(800,092)	2,449,222

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	2,728,206	(800,092)	1,928,114
Servitudes	1,321,200	-	1,321,200
	4,049,406	(800,092)	3,249,314

Pledged as security

No intangible assets were pledged as security.

Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Arthur Lelosa of Manna Holdings. Manna Holdings are not connected to the municipality and have recent experience in location and category of the intangible assets being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

The carrying value of the revalued assets could not be determined due to a lack of supporting documentation prior to 1 July 2007.

6. Other financial assets

Designated at fair value

Sanlam shares 393,837 522,265 6682 shares @ R58.94 Trading at (2019:R78.16)

At amortised cost

Heilbron Sanlam policy 507,861 480,854 Policy number - 040571573X1

Ngwathe Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
6. Other financial assets		
(continued) FNB deposit - 71038146801	53,176	53,609
Investment serves as guarantee for Saambou Bank and bears interest at 15%		
	561,037	534,463
Total other financial assets	954,874	1,056,728
Non-current assets		
Designated at fair value	393,837	522,265
At amortised cost	561,037	534,463
	954,874	1,056,728

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1

Class 2	393,837	522,265
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Level 2

Class 2	569,784	538,404
	963,621	1,060,669

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	224,611	149,652
Bank balances	409,115	1,265,750
Short-term deposits	19,360,063	38,262,796
	19,993,789	39,678,198

Ngwathe Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA BANK - Cheque account - 405-2707-733	409,115	1,260,330	4,181,999	409,115	1,265,750	4,178,790
ABSA BANK - Call account - 925-3832-988	5,116,730	69,028	604,254	5,116,730	69,028	604,254
ABSA BANK - account - 925-3833-502	2,983,676	37,861,479	785,560	2,983,676	37,861,479	785,560
ABSA BANK - Call account- 925-3833-764	7,013,643	6,578	486,186	7,013,643	6,578	486,186
ABSA BANK - Call account - 925-3835-643	1,125	1,088	1,037	1,125	1,088	1,037
ABSA BANK - Call account - 928-6271-086	3,998,977	87,199	108,325	3,998,977	87,199	108,325
ABSA BANK - Call account - 928-6271-167	245,911	237,424	15,432	245,911	237,424	15,432
Total	19,769,177	39,523,126	6,182,793	19,769,177	39,528,546	6,179,584

8. Other receivables

Sundry receivables	1,661,686	1,625,413
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No Other receivables were pledged as security for overdraft facilities.

Ngwathe Local Municipality

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
9. Inventories		
Water for distribution	198,689	182,012
Stores and material	3,424,227	5,498,362
	3,622,916	5,680,374
Inventory pledged as security		
No Inventory was pledged as security for overdraft facilities		
10. VAT receivable		
VAT	231,740,651	217,768,186
The municipality is registered for VAT on the payment basis.		
11. Receivables from non-exchange transactions		
Property rates	185,432,440	161,766,885
Allowance for impairment - rates	(154,522,795)	(129,459,821)
	30,909,645	32,307,064
Receivables from non-exchange transactions pledged as security		
None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.		
Credit quality of receivables from non-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:		
Fair value of receivables from non-exchange transactions		
The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.		
Receivables from non-exchange transactions past due but not impaired		
Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 13,867,473 (2019: R 12,297,299) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	273,048	429,831
2 months past due	269,198	2,901,272
3 months past due	13,325,227	8,966,196
	13,867,473	12,297,299
Rates aging		
Current (0 -30 days)	8,177,980	6,918,926
31 - 60 days	6,625,408	4,635,391
61 - 90 days	5,812,469	4,189,386
91 - 120 days	5,621,581	3,964,851
121 - 365 days	37,216,870	30,237,331
> 365 days	121,978,135	105,462,208
Less: Allowance for impairment	(154,522,795)	(129,459,821)
	30,909,648	25,948,272

Ngwathe Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
11. Receivables from non-exchange transactions (continued)		
Receivables from non-exchange transactions impaired		
As of 30 June 2020, receivables from non-exchange transactions of R 154,522,795 (2019: R 129,459,821) were impaired and provided for.		
The following factors were considered in determining the impairment:		
- Aging of the outstanding debt.		
- Whether or not any payment was received during the year.		
- Whether the account is active or inactive.		
- Whether the account is that of an owner or a tenant.		
12. Receivable from exchange transactions disclosure		
Gross balances		
Consumer debtors - Electricity	159,824,335	125,915,803
Consumer debtors - Waste	103,696,947	82,991,473
Consumer debtors - Waste water	169,149,874	147,203,872
Consumer debtors - Sundry receivables	5,839,070	7,256,068
Consumer debtors - Water	250,716,241	206,631,648
	689,226,467	569,998,864
Less: Allowance for impairment		
Consumer debtors - Electricity	(88,921,648)	(84,066,233)
Consumer debtors - Waste	(92,636,027)	(75,427,026)
Consumer debtors - Waste water	(155,835,985)	(138,394,186)
Consumer debtors - Sundry receivables	(5,583,570)	(7,105,921)
Consumer debtors - Water	(224,444,936)	(178,000,540)
	(567,422,166)	(482,993,906)
Net balance		
Consumer debtors - Electricity	70,902,687	41,849,570
Consumer debtors - Waste	11,060,920	7,564,447
Consumer debtors - Waste water	13,313,889	8,809,686
Consumer debtors - Sundry receivables	255,500	150,147
Consumer debtors - Water	26,271,305	28,631,108
	121,804,301	87,004,958
Electricity		
Current (0 -30 days)	19,655,121	12,202,810
31 - 60 days	7,344,142	5,087,859
61 - 90 days	6,078,362	4,054,968
91 - 120 days	8,620,316	3,344,039
121 - 365 days	31,466,353	39,050,998
> 365 days	86,660,042	62,175,129
Less: Impairment	(88,921,648)	(84,066,233)
	70,902,688	41,849,570

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Notes to the Annual Financial Statements

	2020 R	2019 R
12. Receivable from exchange transactions disclosure (continued)		
Waste		
Current (0 -30 days)	3,644,794	3,356,394
31 - 60 days	3,342,868	3,007,216
61 - 90 days	3,237,856	2,755,117
91 - 120 days	5,332,353	2,717,308
121 - 365 days	19,644,912	20,412,423
> 365 days	68,494,165	50,743,016
Less: Impairment	(92,636,027)	(75,427,026)
	11,060,921	7,564,448
Waste water		
Current (0 -30 days)	4,372,425	4,027,846
31 - 60 days	3,918,823	3,473,425
61 - 90 days	3,778,297	3,185,743
91 - 120 days	3,736,023	3,124,172
121 - 365 days	24,859,013	23,734,347
> 365 days	128,485,293	109,658,339
Less: Impairment	(155,835,985)	(138,394,186)
	13,313,889	8,809,686
Sundry receivables		
Current (0 -30 days)	77,801	89,977
31 - 60 days	75,218	111,183
61 - 90 days	79,253	75,212
91 - 120 days	80,945	71,896
121 - 365 days	602,811	582,634
> 365 days	4,923,039	6,325,166
Less: Impairment	(5,583,570)	(7,105,921)
	255,497	150,147
Water		
Current (0 -30 days)	26,087,599	28,046,246
31 - 60 days	7,899,145	10,531,790
61 - 90 days	6,286,369	6,511,052
91 - 120 days	7,163,992	6,420,501
121 - 365 days	49,072,745	59,359,378
> 365 days	154,206,391	95,762,681
Less: Impairment	(224,444,936)	(178,000,540)
	26,271,305	28,631,108

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Notes to the Annual Financial Statements

	2020 R	2019 R
12. Receivable from exchange transactions disclosure (continued)		
Summary of receivables by customer classification (exchange and non-exchange transactions)		
Consumers		
Current (0 -30 days)	22,001,472	18,235,414
31 - 60 days	18,060,362	16,893,237
61 - 90 days	15,340,787	14,108,106
91 - 120 days	530,578,356	435,155,333
	<u>585,980,977</u>	<u>484,392,090</u>
Less: Allowance for impairment	(544,678,533)	(468,284,103)
	<u>41,302,444</u>	<u>16,107,987</u>
Business, Industrial and commercial		
Current (0 -30 days)	26,062,582	8,680,452
31 - 60 days	7,776,919	3,864,139
61 - 90 days	6,568,870	3,504,142
91 - 120 days	110,070,905	78,699,758
	<u>150,479,276</u>	<u>94,748,491</u>
Less: Allowance for impairment	(104,544,660)	(79,378,334)
	<u>45,934,616</u>	<u>15,370,157</u>
Farms and Agriculture		
Current (0 -30 days)	2,058,504	1,603,768
31 - 60 days	1,869,552	1,421,720
61 - 90 days	1,797,157	1,396,989
91 - 120 days	70,087,008	55,733,924
	<u>75,812,221</u>	<u>60,156,401</u>
Less: Allowance for impairment	(72,129,572)	(58,945,791)
	<u>3,682,649</u>	<u>1,210,610</u>
Indigents		
Current (0 -30 days)	582,127	2,173,639
31 - 60 days	23	2,546,581
61 - 90 days	20	44,955
91 - 120 days	10,026	1,080,322
	<u>592,196</u>	<u>5,845,497</u>
Less: Allowance for impairment	(592,196)	(5,845,497)
	<u>-</u>	<u>-</u>
National and Provincial Government		
Current (0 -30 days)	2,596,487	2,062,746
31 - 60 days	1,498,748	2,154,334
61 - 90 days	1,565,772	1,717,286
91 - 120 days	50,418,681	48,704,070
	<u>56,079,688</u>	<u>54,638,436</u>

Receivables from exchange transactions pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of receivables from exchange transactions

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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12. Receivable from exchange transactions disclosure (continued)

The credit quality of receivables from 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.

Renegotiated terms:

None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Fair value of receivables from exchange transactions:

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 38,116,980.01 (2019: R48,704,070) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows

1 month past due	1,292,724	1,528,962
2 month past due	2,755,504	12,965,540
3 month past due	34,068,752	34,209,568
	38,116,980	48,704,070

Receivables from exchange transactions past due but not impaired

As of 30 June 2020, receivables from exchange transactions of R 567,422,166 (2019: R 482,993,906) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

13. Payables from exchange transactions

Trade payables	184,052,551	127,252,280
Payments received in advanced	34,435,127	36,027,627
Accrued leave pay	20,954,284	17,864,158
Accrued bonus	5,076,914	4,752,314
Deposits received	195,632	195,632
Other payables	4,511,913	3,298,286
Eskom	1,234,165,648	1,085,074,589
Department of Water Affairs	124,386,948	108,592,158
Salary suspense account	39,366,730	21,618,936
Unallocated receipts	5,182	5,182
Retention	4,616,997	4,460,511
Guarantee	15,136,495	41,582,116
	1,666,904,421	1,450,723,789

14. Consumer deposits

Rates, Electricity and water	5,039,185	5,115,160
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Notes to the Annual Financial Statements

	2020 R	2019 R
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Intergrated National Electrification Program (INEP)	254,262	15,162
Provincial Treasury Subsidy (MSP)	-	5,000,000
Co-operative Governance and Traditional Affairs (COGTA)	28,590	28,590
Water Infrastructure Grant (WIG)	1,706,000	-
Municipal Infrastructure Grant (MIG)	6,288,442	-
Energy Efficiency and Demand side Management grant (EEDG)	214,577	-
COVID19 Support Grant	277,758	-
Regional Infrastructure Grant (RBIG)	13,649,443	7,471,507
Water Services Infrastructure Grant (WSIG)	91,508	28,793,769
	22,510,580	41,309,028
Movement during the year		
Balance at the beginning of the year	41,309,028	15,956,192
Additions during the year	289,491,414	283,685,498
Income recognition during the year	(308,289,862)	(258,332,662)
	22,510,580	41,309,028

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.

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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16. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	271,324,631	19,446,656	(24,100,026)	266,671,261

Reconciliation of provisions - 2019

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	242,556,130	24,674,392	4,094,109	271,324,631
Non-current liabilities			131,506,042	146,042,716
Current liabilities			135,165,219	125,281,915
			266,671,261	271,324,631

Environmental rehabilitation provision

The purpose of this provision is to determine the closure costs for the waste disposal sites in the Ngwathe Municipal area. The sites under consideration are the Edenville, Heilbron, Koppies, Parys and Vredefort disposal sites.

South African solid waste legislation has been going through a thorough metamorphosis during the past few years and continues to do so, affecting all aspects of solid waste management through this process. Almost all aspects of the waste life cycle have been addressed and, more to the point of this report, the issue of landfill designs. New base liner designs for different landfill classes have been detailed, however, no new landfill capping designs for rehabilitation have been detailed since the Minimum Requirements (2nd Edition, 1998) issued by the Department of Water Affairs and Forestry (DWAF) at the time. There were however recent suggestions by the Department of Water and Sanitation (DWS) in a Record of Decision issued to D:EA for the licence applications for the closure of 192 landfill facilities under the National Outcome 10 Project.

However, the Minimum Requirements was used in the past as guideline for the design of the capping layers as well as the capacity of the storm water drainage system and to subsequently calculate rehabilitation cost estimates, which was industry standard. The closure and rehabilitation of a landfill involves firstly the application for a closure licence during which a Basic Assessment and specialist studies are conducted specific to the landfill in question. From this application, it becomes clear as to the specific requirements to properly rehabilitate the landfill and render it environmentally suitable to its proposed end use. If a landfill was issued with an operating permit/licence, a closure design would have been proposed before the issuing of the permit, only now requiring modification (if necessary) rather than a new design.

However, with most landfills being unlicensed/unpermitted, no designs have been done or approved. Historically, a rehabilitation engineering design which included the proposed capping layers was then presented to DWA (now DWS) for approval. After obtaining approval, the landfill was rehabilitated according to the approved design. No closure licences which stipulate capping designs have been issued to date for the Ngwathe Municipality. The closure cost estimates of this provision have therefore been based on the proposed requirements for capping layers by DWS which are similar to stipulated requirements in recently issued closure licences in other Municipalities.

Disposal site 2020	Opening balance	changes in the net discount rate	Movement	Closing balance
Edenville	19,647,579	-	5,428,825	25,076,404
Heilbron	70,937,212	-	3,239,588	74,176,800
Koppies	29,287,653	(4,032,144)	1,917,851	27,173,360
Parys	116,755,063	(20,067,882)	7,645,501	104,332,682
Vredefort	34,697,125	-	1,214,891	35,912,016
	271,324,632	(24,100,026)	19,446,656	266,671,262

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Notes to the Annual Financial Statements

			2020 R	2019 R
16. Provisions (continued)				
Disposal site	Opening balance	Changes in the net discount rate	Movement	Closing balance
2019				
Edenville	17,906,200	-	1,741,379	19,647,579
Heilbron	64,650,000	-	6,287,212	70,937,212
Koppies	25,927,322	694,748	2,665,583	29,287,653
Parys	102,452,609	3,399,362	10,903,092	116,755,063
Vredefort	31,619,999	-	3,077,126	34,697,125
	242,556,130	4,094,110	24,674,392	271,324,632
17. Employee benefit obligations				
The amounts recognised in the statement of financial position are as follows:				
Carrying value				
Present value of the defined benefit obligation-wholly unfunded			(19,235,185)	(22,423,722)
Present value of the defined benefit obligation-partly or wholly funded			(14,655,855)	(13,828,133)
			(33,891,040)	(36,251,855)
Non-current liabilities			(30,485,923)	(33,058,134)
Current liabilities			(3,405,117)	(3,193,721)
			(33,891,040)	(36,251,855)
Changes in the present value of the employee benefit obligation are as follows:				
Opening balance			36,251,855	32,363,755
Net expense recognised in the statement of financial performance			(2,360,815)	3,888,100
			33,891,040	36,251,855
Net expense recognised in the statement of financial performance				
Current service cost			1,145,867	1,237,000
Interest cost			3,363,234	2,987,238
Actuarial (gains) losses			(3,676,195)	2,903,862
Expected return on plan assets			(3,193,721)	(3,240,000)
			(2,360,815)	3,888,100
Calculation of actuarial gains and losses				
Actuarial (gains) losses – Long service awards			51,965	347,133
Actuarial (gains) losses – Medical aid			(3,728,160)	2,556,729
			(3,676,195)	2,903,862

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	2020	2019
	R	R

17. Employee benefit obligations

(continued) Post-retirement medical aid plant

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolutions 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which state that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement

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

- Bonitas
- Hosmed
- Discovery
- Key Health
- LA Health
- Samwumed.

Long Service benefits.

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonus are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 24 - 45 Years	6%	15 days

Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	4.25 %	6.48 %
CPI (Long service awards)	3.49 %	4.87 %
Discount rate (medical aid)	9.40 %	10.68 %
Discount rate (Long service award)	8.02 %	8.10 %
Medical aid inflation (Medical aid)	5.78 %	8.48 %
Salary increase rate (Long service awards)	4.49 %	5.87 %
Net discount rate (Medical aid)	3.45 %	2.03 %
Net discount rate (Long service awards)	3.38 %	2.11 %
Continuation percentage	100.00 %	100.00 %

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Notes to the Annual Financial Statements

	2020 R	2019 R
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17. Employee benefit obligations

(continued) Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Employer's accrued liability (Long service awards)	15,512,777	13,870,772
Current service cost (Long service awards)	1,228,483	1,092,136
Interest cost (Long service awards)	1,173,882	1,042,193
Employer's accrued liability (Medical aid)	20,827,968	17,741,799
Current service cost (Medical aid)	1,889,246	1,590,387
Interest cost (Medical aid)	36,195	27,565

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	33,891,040	36,251,855	32,363,755	55,365,000	54,325,000

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	2,360,815	3,888,100
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Notes to the Annual Financial Statements

	2020 R	2019 R
18. Revenue		
Service charges	366,464,694	313,539,300
Rental of facilities and equipment	510,058	698,369
Other income - (rollup)	1,318,263	1,433,217
Interest received - investment	54,766,631	54,132,497
Property rates	87,260,076	79,697,474
Government grants & subsidies	308,289,862	258,332,664
Fines, Penalties and Forfeits	352,476	2,094,297
Other transfer revenue 1	1,726,450	-
	820,688,510	709,927,818
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	366,464,694	313,539,300
Rental of facilities and equipment	510,058	698,369
Other income - (rollup)	1,318,263	1,433,217
Interest received - investment	54,766,631	54,132,497
	423,059,646	369,803,383
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	87,260,076	79,697,474
Transfer revenue		
Government grants & subsidies	308,289,862	258,332,664
Fines, Penalties and Forfeits	352,476	2,094,297
Other transfer revenue 1	1,726,450	-
	397,628,864	340,124,435
19. Service charges		
Sale of electricity	210,608,306	156,574,186
Sale of water	75,641,408	88,166,180
Sewerage and sanitation charges	40,908,461	36,329,255
Refuse removal	39,306,519	32,469,679
	366,464,694	313,539,300
20. Rental of facilities and equipment		
Premises		
Buildings and housing	483,271	372,265
Camps	4,710	4,710
Premises	182	298,812
Venue hire	21,895,22,731	
	510,058	698,518

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	2020 R	2019 R
21. Other income		
Building plans and inspections	68,290	91,368
Clearance certificates	67,254	73,306
Grave plots	559,667	525,869
Reconnection / connection fees	309,098	262,469
Sale of land	31,714	115,937
Sundry income	24,842	19,916
Tender deposits	257,398	344,352
	1,318,263	1,433,217

22. Interest received

Interest revenue

Other financial asset	1,978,414	1,655,377
Interest charged on trade and other receivables	52,788,217	52,477,120
	54,766,631	54,132,497

23. Property rates

Rates received

Property rates	87,260,076	79,697,474
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Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Agriculture	4,794,047,000	3,463,315,597
Business	684,720,000	492,020,136
Churches	89,075,000	81,352,940
Government	542,790,000	332,811,581
Industrial	66,230,000	37,542,500
Municipal	21,028,200	36,678,460
Other	1,111,700	99,000
Public Service Infrastructure	72,516,000	21,890,000
Residents	6,016,126,800	4,362,841,202
Schools	3,100,000	39,153,850
	2,290,744,700	8,867,705,266

The new general valuation will be implemented on 01 July 2019.

Valuations on land and buildings are performed every five years. The last general valuation roll came into effect on 1 July 2019, and is based on market-related values.

Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

The first R 30,000 of the valuation of residential property is exempted from property rates.

24. Fines, penalties and forfeits

Fines - tampered meters	351,976	2,092,747
Fines - traffic	500	1,550
	352,476	2,094,297

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Notes to the Annual Financial Statements

	2020	2019
	R	R
25. Government grants and subsidies		
Operating grants		
Equitable share	204,644,000	174,303,027
COVID19 Support Grant	467,243	-
Energy Efficiency and Demand Side Management Grant (EEDG)	4,785,423	-
Expanded Public Works Programme (EPWP)	1,377,000	-
Provincial Treasury subsidy (Audit fees)	500,000	-
Local Government Sector Education and Training Authority Grant (LGSETA)	258,414	184,498
Local Government Finance Management Grant (FMG)	2,680,000	2,282,947
Provincial Treasury Subsidy (waste water)	-	20,577,300
Water Infrastructure Grant (WIG)	8,625,000	-
Water Infrastructure Grant	5,000,000	-
Provincial Treasury Subsidy (EPG)	-	75,887
	228,337,080	197,423,659
Capital grants		
Department of Mineral and Energy Grant (INEG)	5,745,900	2,984,838
Municipal Infrastructure Grant (MIG)	35,682,558	41,164,000
Regional Bulk Infrastructure Grant (RBIG)	25,544,325	4,231,674
Water Service Infrastructure Grant (WSIG)	12,979,999	12,528,493
	79,952,782	60,909,005
	308,289,862	258,332,664
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	102,920,206	258,383,548
Unconditional grants received	205,369,656	174,487,525
	308,289,862	432,871,073
Equitable Share		
Current year receipts	169,629,000	174,340,000
Transfer to revenue	(204,644,000)	(174,340,000)
Grants withheld	35,015,000	-
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure Grant (MIG)

Current-year receipts	41,971,000	41,164,000
Conditions met - transferred to revenue	(35,682,558)	(41,164,000)
	6,288,442	-

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Department of Mineral and Energy Grant (INEG)

Ngwathe Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
25. Government grants and subsidies (continued)		
Balance unspent at beginning of year	15,162	-
Current-year receipts	6,000,000	3,000,000
Conditions met - transferred to revenue	(5,745,900)	(2,984,838)
Grant withheld - transferred to equitable share	(15,000)	-
	254,262	15,162

Conditions still to be met - remain liabilities (see note 15).

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	7,471,507	10,308,147
Current-year receipts	13,000,000	20,000,000
Conditions met - transferred to revenue	(12,979,999)	(12,579,368)
Grant withheld	(7,400,000)	(10,257,272)
	91,508	7,471,507

Conditions still to be met - remain liabilities (see note 15).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	28,793,769	2,398,322
Current-year receipts	38,000,000	33,000,000
Conditions met - transferred to revenue	(25,544,325)	(4,206,231)
Grant withheld	(27,600,000)	(2,398,322)
	13,649,444	28,793,769

Conditions still to be met - remain liabilities (see note 15).

The purpose of the overall regional bulk programme is to develop an oversight function that will ensure the construction of enabling infrastructure and of operations and maintenance of regional bulk infrastructure in the water sector.

Local Government Finance Management Grant (FMG)

Balance unspent at beginning of year	-	67,947
Current-year receipts	2,680,000	2,215,000
Conditions met - transferred to revenue	(2,680,000)	(2,282,947)
	-	-

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,377,000	-
Conditions met - transferred to revenue	(1,377,000)	-
	-	-

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	2020	2019
	R	R

25. Government grants and subsidies (continued)

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

COVID19 Support Grant

Current-year receipts	745,000	-
Conditions met - transferred to revenue	(467,243)	-
	<u>277,757</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

The grant is used to assist the municipality with the fight against COVID-19 Pandemic in the 2019/2020 financial year.

Local Government Sector Education and Training Authority(LGSETA)

Current-year receipts	258,414	184,498
Conditions met - transferred to revenue	(258,414)	(184,498)
	<u>-</u>	<u>-</u>

LGSETA grant is used for the skills development of the municipal employees as per the skills work plan.

Cooperative Governance and Traditional Affairs(COGTA)

Balance unspent at beginning of year	<u>28,590</u>	<u>28,590</u>
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Conditions still to be met - remain liabilities (see note 15).

Cogta grant relate to a subsidy for the payment of accounting consulting fees.

Provincial Treasury subsidy (water and audit fees)

Current-year receipts	500,000	-
Conditions met - transferred to revenue	(500,000)	-
	<u>-</u>	<u>-</u>

Provincial Treasury paid R500,000 on behalf of Ngwathe as part of their outstanding audit fees owing to the Auditor General in April 2020.

Provincial Treasury subsidy (electricity)

Balance unspent at beginning of year	-	75,887
Conditions met - transferred to revenue	-	(75,887)
	<u>-</u>	<u>-</u>

This grant relates to a subsidy for the purchase and installation of electricity meters.

Provincial Treasury subsidy (sewerage)

Balance unspent at beginning of year	-	3,077,300
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	2020 R	2019 R
25. Government grants and subsidies (continued)		
Current-year receipts	-	17,500,000
Conditions met - transferred to revenue	-	(20,577,300)
	<u>-</u>	<u>-</u>

This grant intended to support the municipality on the maintenance of sewerage plants and sanitation infrastructure.

Energy Efficiency and Demand Side Management Grant (EEDG)

Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(4,785,423)	-
	<u>214,577</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

This grants relates to municipal expenditure on the provision of electricity on new and residential establishments.

Provincial Treasury Grant (MSP)

Balance unspent at beginning of year	5,000,000	-
Current-year receipts	(5,000,000)	5,000,000
	<u>-</u>	<u>5,000,000</u>

Conditions still to be met - remain liabilities (see note 15).

The grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Water Infrastructure Grant (WIG)

Current-year receipts	10,331,000	-
Conditions met - transferred to revenue	(8,625,000)	-
	<u>1,706,000</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

The grant is used to assist the municipalities to provide the communities with clean drinking water, repair and provide new additional infrastructure.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Donations received

Government garage (Free State)	1,726,450	-
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	2020 R	2019 R
27. Employee related costs		
Basic	139,238,220	120,575,366
Bonus	11,929,374	10,085,122
Car allowance	7,334,865	6,466,972
Medical aid - company contributions	12,847,810	11,334,150
Unemployment insurance fund (UIF)	1,347,025	1,227,479
Other payroll levies	1,818,494	1,909,099
Overtime payments	26,641,462	26,743,268
Other allowances	8,781,761	15,859,498
Leave pay provision charge	4,538,351	3,966,748
Group life insurance	2,151,892	1,610,773
Contributions paid - employee benefits	(1,761,536)	(1,715,000)
Pension fund contributions	23,678,994	20,515,179
Housing benefits and allowances	485,657	427,890
Long-service awards	(286,318)	466,159
	238,746,051	219,472,703

Remuneration of Municipal Manager (Kannemeyer BW)

Annual Remuneration	1,154,196	999,519
Car Allowance	368,536	482,195
Contributions to UIF, Medical and Pension Funds	15,200	15,689
	1,537,932	1,497,403

Remuneration of Chief Finance Officer (Lebusa IS)

Annual Remuneration	974,314	970,600
Car Allowance	270,000	240,000
Contributions to UIF, Medical and Pension Funds	12,862	13,454
	1,257,176	1,224,054

Remuneration of Director Community Services (Nphapo PP)

Annual Remuneration	833,377	800,679
Car Allowance	456,000	453,339
Contributions to UIF, Medical and Pension Funds	12,917	13,460
	1,302,294	1,267,478

Director Community Services (Nhlapo PP), joint the services of the municipality on 01 January 2018.

Remuneration of Director Corporate Services (Mokgobu MF)

Annual Remuneration	781,595	611,400
Car Allowance	444,000	332,941
Contributions to UIF, Medical and Pension Funds	32,583	20,100
	1,258,178	964,441

Director Corporate Services (Mokgobu MF), joint the services of the municipality on 01 October 2018.

Remuneration of Acting Director Corporate Services (Majivolo ZJ)

Annual Remuneration	-	841,321
Car Allowance	-	133,858

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	2020 R	2019 R
27. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	-	186,373
	-	1,161,552

Mr Majivolo has been acting as Director Corporate Services in the 2018/2019 financial year.

Remuneration of Director Corporate Services (Thobela NB)

Annual Remuneration	694,478	755,198
Car Allowance	270,477	455,832
Contributions to UIF, Medical and Pension Funds	9,413	13,025
	974,368	1,224,055

Director Technical services (Thobela NB), has left the services of the municipality on 31 January 2020.

Remuneration of Director of Technical Services (Coetze HW)

Annual Remuneration	821,370	-
Car Allowance	232,628	-
Contributions to UIF, Medical and Pension Funds	205,271	-
	1,259,269	-

Director Technical services (Coetze HW), has left the services of the municipality on the 28 February 2020.

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	2020 R	2019 R
28. Remuneration of councillors		
Executive Major	891,700	859,444
Councillors	8,259,348	7,908,649
Mayoral Committee Members	5,658,049	5,457,001
Speaker	715,079	687,575
	15,524,176	14,912,669

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office, laptop, cell phone and secretarial support at the cost of the Council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles and driver for official duties.

The Mayor has one full-time bodyguard.

Salaries, allowances and benefits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution.

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Notes to the Annual Financial Statements

			2020 R	2019 R
28. Remuneration of councillors (continued)				
Councillors 30 June 2020	Annual remuneration and backpay	Allowances	Company Total contributions	
De Beer VE	211,345	115,925	-	327,270
Ferendale RS	220,761	106,509	-	327,270
Fieland H	220,761	106,509	-	327,270
Gobidolo SM	220,761	106,509	-	327,270
Kgantse R	220,761	106,509	-	327,270
LA Cock	220,761	106,509	-	327,270
Magashule IM	220,761	106,509	-	327,270
Matroos AH	220,761	106,509	-	327,270
Mbele MA	510,813	203,974	-	714,787
Mehlo LR	220,761	106,509	-	327,270
Miyen MC	220,761	106,509	-	327,270
Mmusi MG	510,813	203,974	-	714,787
Mochela MJ	619,271	225,985	46,445	891,701
Mofokeng ML	510,813	203,974	-	714,787
Mofokeng MM	510,813	203,974	-	714,787
Mofokeng MD	220,760	106,509	-	327,269
Molaphane PM	220,760	106,509	-	327,269
Mopedi NP	569,078	146,000	-	715,078
Mvulane L	211,345	115,925	-	327,270
Ndayi PR	510,813	203,974	-	714,787
Nteo S	220,762	106,509	-	327,271
Radebe S	220,762	106,509	-	327,271
Rapuleng MD	220,763	106,509	-	327,272
Schoonwinkel A	217,333	92,662	16,300	326,295
Sehume NA	220,762	106,509	-	327,271
Serathi M	510,813	203,974	-	714,787
Serfontein C	220,762	106,509	-	327,271
Sotshiva LP	510,813	203,974	-	714,787
Taje M	220,760	106,509	-	327,269
Tete CF	220,760	106,509	-	327,269
Thene BS	220,762	106,509	-	327,271
Toyi MS	294,196	113,221	-	407,417
Tlhobedi NP	220,760	106,509	-	327,269
Van Der Merwe PP	220,760	106,509	-	327,269
Vermaak SM	217,333	92,662	16,300	326,295
Vrey AP	223,461	103,209	-	326,670
	10,775,035	4,670,096	79,045	15,524,176

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Notes to the Annual Financial Statements

			2020 R	2019 R
28. Remuneration of councillors (continued)				
Councillors 30 June 2019	Annual remuneration and backpay	Allowances	Company Total contributions	
DE Beer VE	204,540	111,851	-	316,391
DE Jager SHF	49,855	26,627	-	76,482
Ferendale RS	209,882	106,508	-	316,390
Fieland H	209,882	106,508	-	316,390
Gobidolo SM	209,882	106,508	-	316,390
Kgantse R	209,882	106,508	-	316,390
LA Cock	209,882	106,508	-	316,390
Mabena JS	20,395	10,892	-	31,287
Magashule IM	209,882	106,508	-	316,390
Matroos AH	209,882	106,508	-	316,390
Mbele MA	491,029	197,974	-	689,003
Mehlo LR	209,882	106,508	-	316,390
Miyen MC	209,882	106,509	-	316,391
Mmusi MG	491,029	197,974	-	689,003
Mochela MJ	605,790	208,219	45,434	859,443
Mofokeng ML	209,882	106,509	-	316,391
Mofokeng MM	491,029	197,974	-	689,003
Mofokeng MD	491,029	197,974	-	689,003
Mopedi NP	554,282	133,294	-	687,576
Mvulane L	200,465	115,925	-	316,390
Ndayi PR	491,029	197,974	-	689,003
Nteo S	209,882	106,508	-	316,390
Molaphene PM	212,582	105,009	-	317,591
Radebe S	209,882	106,508	-	316,390
Rapuleng MD	211,222	106,508	-	317,730
Schoonwinkel A	206,294	92,662	15,472	314,428
Sehume NA	209,882	106,508	-	316,390
Serathi M	491,029	197,974	-	689,003
Serfontein C	209,882	106,508	-	316,390
Sotshiva LP	491,029	197,974	-	689,003
Taje M	209,882	106,508	-	316,390
Tete CF	209,882	106,508	-	316,390
Thene BS	209,882	105,008	-	314,890
Toyi MS	276,674	109,865	-	386,539
Tlhobedi NP	137,208	62,130	-	199,338
Van Der Merwe PP	209,882	106,508	-	316,390
Vermaak SM	206,294	92,662	15,472	314,428
Vrey AP	179,822	78,681	-	258,503
	10,280,502	4,555,789	76,378	14,912,669
29. Depreciation, amortisation and impairment				
Property, plant and equipment			54,561,595	62,705,461
Intangible assets			800,092	800,092
			55,361,687	63,505,553
30. Impairment				
Impairment of assets			153,345	-

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	2020	2019
	R	R
31. Finance costs		
Trade and other payables	42,910,406	21,304,121
Provision (Landfill site)	9,563,352	13,568,675
Employee benefits	3,363,234	2,987,238
	55,836,992	37,860,034
32. Debt impairment		
Contributions to debt impairment provision	170,546,804	189,564,085
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(612,453,726)	(572,398,249)
Debt impairment written off against the allowance	69,722,879	154,022,048
VAT provision on impairment	(8,667,309)	(4,513,444)
Contribution to provision	(170,546,804)	(189,564,081)
	(721,944,960)	(612,453,726)
33. Bulk purchases		
Electricity - Eskom	222,789,006	205,162,004
Water	34,884,024	35,429,677
	257,673,030	240,591,681
34. Contracted services		
Presented previously		
Commission paid	5,638,885	4,870,266
Specialist Services	67,974	1,334,339
Contractors		
Other Contractors	15,391,552	9,322,125
Safeguard and Security	4,741,042	1,429,132
	25,839,453	16,955,862

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	2020 R	2019 R
35. General expenses		
Accommodation cost	990,985	994,396
Advertising	2,105,397	2,459,818
Auditors remuneration	6,036,227	5,139,812
Bank charges	1,241,461	1,478,471
Cleaning	631,749	755,310
Consumables	21,173,657	8,577,436
Donations	180,000	185,000
Entertainment	111,719	218,295
Hire	37,234,900	22,957,037
Insurance	3,117,976	3,424,008
Fuel and oil	2,739,852	3,311,347
Postage and courier	1,286,475	2,169,048
Printing and stationery	1,059,152	1,883,717
Protective clothing	380,288	583,627
Financial systems (BCX)	3,057,694	1,594,316
Subscriptions and membership fees	2,764,103	20,292
Telephone and fax	6,641,603	6,848,138
Transport and freight	506,739	953,003
Training	375,863	2,021,002
Travel - local	1,880,132	2,565,886
Chemicals	6,525,495	5,585,358
Employee wellness	25,860	64,400
Youth development	690,207	210,191
Licenses	139,210	568,832
Rehabilitation cost - landfill site	9,883,304	11,105,716
Other expenses	3,518,167	2,812,909
	114,298,215	88,487,365
36. Repairs and maintenance		
Repairs and maintenance	47,546,580	37,764,176
37. Fair value adjustments		
Investment property	4,919,700	2,811,258
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(128,428)	48,368
• Other financial assets (At amortised cost)	27,008	35,635
	4,818,280	2,895,261

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Notes to the Annual Financial Statements

	2020 R	2019 R
38. Cash generated from operations		
Deficit	(152,458,071)	(199,412,943)
Adjustments for:		
Depreciation and amortisation	55,361,687	63,505,553
Gain on sale of assets and liabilities	114,723	218,032
Fair value adjustments	(4,818,280)	(2,895,261)
Finance costs - Trade and other payables	42,910,406	21,199,825
Interest received on receivables	(52,788,217)	(52,477,120)
Debt impairment	170,546,804	189,564,085
Impairment of assets	153,345	135,029
Movements in retirement benefits and employee provisions	1,145,867	1,237,000
Movements in provisions	19,446,656	24,674,392
Actuarial gains / losses	(3,676,195)	2,903,862
Employee benefit obligations - Finance cost	3,363,234	2,987,237
Donations received	(1,726,450)	-
Changes in working capital:		
Inventories	1,942,735	(548,959)
Receivables from exchange transactions	(133,275,303)	(115,893,713)
Receivables from non-exchange transactions	(17,885,208)	(31,654,660)
Other receivables	(36,274)	(246)
Payables from exchange transactions	161,217,351	234,614,092
VAT	(13,972,465)	(72,701,318)
Unspent conditional grants and receipts	(18,798,448)	25,352,836
Consumer deposits	(75,975)	(34,122)
	56,691,922	90,773,601

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	140,531,712	46,761,396
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Total capital commitments

Already contracted for but not provided for	140,531,712	46,761,396
---	-------------	------------

Total commitments

Total commitments

Authorised capital expenditure	140,531,712	46,761,396
--------------------------------	-------------	------------

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cash resources, MIG allocations during the year and funds internally generated.

40. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
At fair value		
Other receivables	-	1,661,686

Ngwathe Local Municipality

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Notes to the Annual Financial Statements

		2020 R	2019 R
40. Financial instruments disclosure (continued)			
Receivables from non-exchange transaction	-	30,909,645	30,909,645
Receivables from exchange transaction	-	121,804,301	121,804,301
Other financial assets	393,837	561,037	954,874
Cash and cash equivalents	-	19,993,789	19,993,789
	393,837	174,930,458	175,324,295

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,666,904,421	1,666,904,421
Unspent conditional grants and receipts	22,510,580	22,510,580
Consumer deposit	5,039,185	5,039,185
	1,694,454,186	1,694,454,186

2019

Financial assets

	At fair value	At amortised cost	Total
Other receivables	-	1,625,413	1,625,413
Receivables from non-exchange transactions	-	32,307,064	32,307,064
Receivables from exchange transactions	-	87,004,958	87,004,958
Other financial assets	522,265	534,463	1,056,728
Cash and cash equivalents	-	39,678,198	39,678,198
	522,265	161,150,096	161,672,361

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,450,723,789	1,450,723,789
Unspent conditional grants and receipts	41,309,028	41,309,028
Consumer deposits	5,115,160	5,115,160
	1,497,147,977	1,497,147,977

41. Comparative figures

Comparatives figures were restated due to prior period errors and reclassifications as and when the need arise.

For a detailed list on errors refer to prior period error note.

42. Related parties

Relationships

Members of key management

Members of the council

Refer to note 27

Refer to note 28

Ngwathe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

- 1) Payables were restated due to prior year accruals that were reversed and additional expenditure that was not accounted for in the 2019 financial year.
- 2) Finance costs were restated by R (104,296.17) due to the accruals 2019 financial year that were reversed.
- 3) Other receivables and other payables were restated by R 1,443,080.00 due to incorrect classification that was identified in the prior financial year audit.
- 4) Repairs and maintenance, Contracted and General expenses were restated due to invoices/transactions that were not accounted for in the 2018/2019 financial year.
- 5) Inventories and bulk purchases were restated due to a journal that was processed incorrectly resulting in incorrect adjustment on the system.
- 6) Receivables from exchange and non-exchange transactions were restated due to municipal debtors that were incorrectly included in the age analysis.
- 7) Debt impairment was restated due to VAT on impairment that was incorrectly accounted for in the income statement and not in the balance sheet.
- 8) VAT receivables was restated due to prior year accruals that were reversed and VAT on provision for debt impairment that was incorrectly included in the income statements.

Statement of financial position

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	9	5,636,903	43,471	-	5,680,374
Other receivables	8	182,333	-	1,443,080	1,625,413
VAT receivables	10	169,915,971	47,852,215	-	217,768,186
Payables from exchange transactions	13	(1,441,974,726)	(7,120,080)	(1,628,080)	(1,450,722,886)
Receivables from non-exchange transactions		31,594,356	712,708	-	32,307,064
Receivables from exchange transactions		87,532,283	(527,324)	-	87,004,959
Investment property		135,235,600	5,327,264	-	140,562,864
Property plant and equipment		1,298,746,407	(17,735,442)	-	1,281,010,965
Provisions (short term portion)		(127,214,691)	-	1,932,776	(125,281,915)
Provisions (long term portion)		(144,109,940)	-	(1,932,776)	(146,042,716)
		15,544,496	28,552,812	(185,000)	43,920,521

Statement of financial performance

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43. Prior-year adjustments (continued)

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Repairs and maintenance		54,903,302	(543,848)	(16,595,277)	37,764,177
Bulk purchases	29	240,635,152	(43,471)	-	240,591,681
Contracted services	34	4,037,870	(1,492,016)	14,410,009	16,955,863
General expenditure	35	93,044,262	(6,933,163)	2,376,267	88,487,366
Other Income		(1,442,814)	9,600	-	(1,433,214)
Interest received		(54,568,388)	435,891	-	(54,132,497)
Property rates		(83,414,440)	3,716,967	-	(79,697,473)
Employee related cost		219,478,698	-	(5,995)	219,472,703
Service charges		(313,685,058)	145,758	-	(313,539,300)
Debt impairment		194,077,525	(4,513,441)	-	189,564,084
Depreciation and amortisation		64,711,548	(1,205,994)	-	63,505,554
Fair value adjustments		(3,945,115)	1,049,855	-	(2,895,260)
Surplus for the year		413,832,542	(9,373,862)	185,004	404,644,522

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	5,039,185	-	-	-
Trade and other payables	1,666,904,421	-	-	-
Unspent conditional grants and receipts	22,510,580	-	-	-
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	1,450,723,789	-	-	-
Unspent conditional grants and receipts	41,309,028	-	-	-
Consumer deposits	5,115,160	-	-	-

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44. Risk management

(continued) Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Other financial assets	954,874	1,056,728

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.

45. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R (147,238,468) and that the municipality's total liabilities exceed its assets by R (147,238,468).

The financial statements indicates that the municipality incurred a net loss of R152 458 071 during the year ended 30 June 2020. As of that date, the municipality was in a net current liability position of R1,423 291 534 means that current liabilities exceed current assets and indicates that the municipality may struggle to meet their current obligations as they become due and payable.

This is further evidenced in the creditor's payment period which increased to 156 days from 126.6 days in the previous financial year. In addition, the municipality owed Eskom R1234 165 648(2019: R1085 074 589) and the Department of Water Affairs R124 386 948(2019: R108 592 158) as at 30 June 2020 which is long overdue. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

46. Events after the reporting date

Management is not aware of any events that happened after the reporting date that requires disclosure.

47. Unauthorised expenditure

Opening balance as previously reported	733,568,581	564,253,499
Add: Unauthorised - Current year	197,716,696	169,315,082
Opening balance as restated	931,285,277	733,568,581
Closing balance	931,285,277	733,568,581

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48. Fruitless and wasteful expenditure

Opening balance as previously reported	261,039,463	239,840,267
Add: Prior period error	-	(104,296)
Opening balance as restated	261,039,463	239,735,971
Auditor General of South Africa (AGSA)	463,540	247,315
Eskom	28,242,659	9,597,987
Eskom NMD	1,253	1,029
Rand water	114,228	31,694
OFS pension fund	1,293	6,789
Department of Water Affairs	8,414,023	6,949,768
SALA Pension fund	10,603	7,327
SAMWU provident fund	19,095	347
SARS - EMP (Interest and penalties)	5,249,003	3,840,315
SARS - VAT (Interest and penalties)	303,797	450,336
Telkom	50,869	86,085
NFMW	39,935	5,510
Councillors pension fund	107	101
Lebea Attorney	-	78,889
Closing balance	303,949,868	261,039,463

Fruitless and wasteful was restated by R (104,296.17) due to accruals that were reversed.

49. Irregular expenditure

Opening balance	381,533,961	356,973,824
Add: Irregular Expenditure - current year	5,035,786	18,885,528
Opening balance as restated	386,569,747	375,859,352
Add: Irregular Expenditure - non-compliance with bid committee composition	-	35,849,706
Less: Amounts written off (2017)	-	(18,114,811)
Less: Amounts written off (2018)	(83,528,112)	(6,684,216)
Less: Amounts written off (2019)	(35,849,706)	(5,376,070)
Closing balance	267,191,929	381,533,961

Incidents/cases identified in the current year include those listed below:

	Disciplinary proceedings	steps taken/criminal	
Procurement regulations not followed for purchases below R2000	None	-	7,376
Procurement regulations not followed for purchases between R2001 and R10 000 and no deviation documented.	None	56,611	407,596
Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	None	597,127	1,251,067
Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	None	3,486,158	10,155,472
Procurement regulations not followed for purchases more than R200 000 and no deviation documented.	None	895,890	7,064,018
		5,035,786	18,885,529

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50. Additional disclosure in terms of Municipal Finance Management

Act Contributions to organised local government

Opening balance	2,450,955	2,328,751
Current year subscription / fee	2,754,068	2,381,574
Amount paid - current year	-	(2,259,370)
Amount paid - previous years	(2,374,369)	-
	2,830,654	2,450,955

Audit fees

Opening balance	4,393,025	1,729,518
Current year subscription / fee	6,930,081	6,351,000
Interest charges	463,540	247,315
Amount paid - current year	(3,725,290)	(2,303,543)
Amount paid - previous years	(1,661,480)	(1,631,265)
	6,399,876	4,393,025

PAYE, UIF and SDL

Opening balance	17,721,566	7,290,717
Current year subscription / fee	36,826,518	33,771,788
Interest	1,864,932	500,801
Penalties	3,384,071	3,339,514
Amount paid - current year	(10,713,134)	(7,290,717)
Amount paid - previous years	(17,721,566)	(19,890,537)
	31,362,387	17,721,566

Pension and medical aid deductions

Opening balance	4,480,391	2,845,940
Current year subscription / fee	58,338,546	51,354,440
Interest and Penalties	71,034	20,032
Amount paid - current year	(50,405,364)	(46,894,081)
Amount paid - previous years	(4,480,390)	(2,845,940)
	8,004,217	4,480,391

VAT

VAT receivable	231,740,651	217,768,186
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50. Additional disclosure in terms of Municipal Finance Management Act

(continued) Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Fieland H	408	-	408
Gobidolo SM	1,191	-	1,191
Magashule IM	1,781	-	1,781
Mehlo L R	1,054	-	1,054
Mochela MJ	624	-	624
Mofokeng ML	666	-	666
Mofokeng J	1,737	-	1,737
Mopedi NP	372	-	372
Mvulane L	415	-	415
Ndayi PR	46	-	46
Schoonwinkel AM	686	-	686
Sehume NA	429	-	429
Serathi M	254	-	254
Sotshiva LP	155	-	155
Toyi MS	17	-	17
Vermark SM	1,478	-	1,478
	11,313	-	11,313

* These councillor's accounts are only outstanding for current period.

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ferendale DA	1,301	16,406	17,707
Fieland H	822	4,438	5,260
Mabena JS	1,010	2,538	3,548
Sothiva LP	311	-	311
	3,444	23,382	26,826

During the year the above Councillors' had arrear accounts outstanding for more than 90 days.

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51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

30 June 2020	Sole suppliers 434,560	Emergency 24,493,075	Impractical -	Strip and quote 488,968
30 June 2019	Sole suppliers 184,323	Emergency 39,029,648	Impractical -	Strip and quote 631,121

52. Accumulated surplus

53. Budget differences

Material differences between budget and actual amounts

Management considers any variances above 10% to be significant

53.1 - Municipality collected less than what was budgeted for, this might be due to changes in the systems that started in the 2020 financial year.

53.2 - The municipality collected 50% less on the rental of facilities in the 2020 financial year, municipality is unable to collect rent on some of municipal properties due to unemployment

53.3 - More was collected on the 2020 financial year investments that were made with financial institutions, furthermore the municipality billed more interest on outstanding debtors due to non-collection of debtors in the prior and current financial year.

53.4 - Management anticipated to collect 80% more on other income without taking in to account the fact that there are no revenue enhancement strategies in the 2020 financial year.

53.5 - The variance is less than 10%, therefore it is immaterial.

53.6 - The variance is less than 10%, however it is negative growth as the municipality received less of its equitable share in the 2020 financial year.

53.7 - The municipality budgeted more on fines and penalties based on growing number of debtors with illegal connections.

53.8 - Municipality budgeted less on depreciation with the intention of keeping the budget under control.

53.9 - Management budgeted 70% less, without taking in to account the fact that there is no credit control and collection strategies in place or arrangements for long outstanding receivables as at 30 June 2020, and that the community has high number of indigents applicants

53.10 - Management budgeted less on finance cost without taking in to account the payables book value of R1 billion inclusive of Eskom and DWA.

53.11 - Management managed to spend less than what was budgeted with the goal of cost saving and spending according to the repairs and maintenance plan.

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53. Budget differences (continued)

53.12 - Management budgeted more based on what was actually incurred in the 2019 Financial year, the rise in electricity increase that were proposed by NERSA.

53.13 - Management budgeted less on contracted services with the intention of keeping the expenditure under control and ensuring that less of municipal daily activities being outsourced.

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53. Budget differences (continued)

53.14 - This line item was budgeted under general expenses, however the increase was in line with annual accounting fees increases.

53.15 - Management did not budget for this line item. (Impairments)

53.16 - Management budgeted less with the intention of spending less on its day to day operations of the municipality.

53.17 - Municipality does not budget for this line items. (Fair Value adjustment)

53.18 - Municipality does not budget for this line items. (Actuarial gains)

53.19 - Municipality does not budget for this line items. (Inventory surplus)

53.20 - Management budgeted significantly less for inventories with the intention of using all the available materials where possible.

53.21 - The municipality budgeted for both types of receivables on one line item "receivables from non-exchange", the variance is 10% which is immaterial for both exchange and non-exchange.

53.22 - Municipality did not budget for this line items. (VAT receivable).

53.23 - Municipality did not budget for this line items. (Other receivables).

53.24 - Municipality budgeted less with the intention of having to spend on all the approved projects at the end of the financial year.

53.25 - Budgeted less as they did not take in to account the new valuation roll that became effective July 2019 showing new and improved market values.

53.26 - The municipality budgeted less as they were not expecting to have additional assets completed in the 2020 financial year.

53.27 - The municipality budgeted more on this line item with the intention of acquiring more.

53.28 - Municipality did not budget for this line items. (Other financial assets).

53.29 - The municipality budgeted less with the intention of meeting its obligations when they are due, Eskom and DWA are the most material creditors in value.

53.30 - Municipality did not budget for this line items. (Consumer deposits)

53.31 - Municipality did not budget for this line items. (Employee benefit obligation)

53.32 - Municipality did not budget for this line items. (Unspent conditional grant)

53.33 - The Municipality has budgeted more on landfill site. The intention is to reach a desirable compliance status in the next few financial years.

53.34 - The municipality budgeted for long term financial liabilities however there is no actual financial liabilities in current financial year.

53.35 - The Municipality expected to receive more cash on the receivables and other revenue producing assets.

53.36 - Only the actual cash portion was taken in to account, hence the 100 Variance.

53.37 - The Municipality's cash producing assets and other revenue streams were expected to bring in more revenue.

53.38 - Employee cost were budgeted under suppliers and employee cost, employee cost and suppliers payments were

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53. Budget differences (continued)

budgeted as one line item, management has managed to stay well below the Budget by 35%.

53.39 - Management budgeted for actual payment of financial liability of which no obligation exit.

53.40 - Municipality budgeted to pay cash on finance charges however the actual expenditure was included in cash generated from operations note.

53.41 - Only assets that were already paid for by cash were taken in to account for cash flow purposes, hence the variance is high.

53.42 - Only the cash component of the employee benefits obligation was taken in to account, this item was not budgeted by the municipality.

53.43 - Municipality did not expect to receive the donations made by the Free State Government garage.

53.44 - The actual expenditure for this line item was included under repairs and maintenance.

CHAPTER 6

AUDITOR GENERAL AUDIT FINDINGS

6.1 Report of the auditor-general to the Free State Legislature and the council on the Ngwathe Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Ngwathe Local Municipality set out on pages ... to ... which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Ngwathe Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 16 of 2019 (Dora).

Basis for qualified opinion

Investment property

3. The municipality did not recognise investment property in accordance with GRAP 16, *Investment property*. Some items could not be traced to the investment property register and the fair value of investment property was not accurately calculated. Consequently, investment property in note 3 to the financial statements was understated by R439 053 179 (2019: R95 980 916). Additionally, there was an impact on the fair value adjustment, deficit for the period and the accumulated surplus.

Property, plant and equipment

4. The municipality did not recognise property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Property, plant and equipment were incorrectly componentised and incorrectly classified. Completed infrastructure assets were capitalised in the incorrect period. Some property, plant and equipment could not be verified and not all items that met the definition of an asset were recognised as property, plant and equipment. A number of assets were found to have an incorrect description in the fixed assets register resulting in these assets being depreciated at the incorrect useful lives. Consequently, property, plant and equipment in note 4 to the financial statements was overstated by R191 232 909 (2019 understated: R371 987 296). Additionally, there was an impact on the depreciation expense, deficit for the period and the accumulated surplus.

Commitments

5. The municipality did not have adequate systems to maintain complete records of commitments. This resulted in commitments being understated by R11 242 537. In addition, I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as commitments. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments, stated at R140 531 712 (2019: R46 761 396) in note 39 to the financial statements.

Service charges

6. The municipality did not account for revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Differences were identified between the billed water and electricity and the recalculation performed. The municipality also did not have adequate systems to estimate the billing of water and electricity, which resulted in differences between the estimated consumption billed and the recalculation performed. Consequently, the sale of water and electricity in note 19 to the financial statements was understated by R17 598 205 (2019 overstated: R381 078 846). Additionally, there was an impact on the receivables from exchange transactions, deficit for the period and the accumulated surplus.

Depreciation, amortisation and impairments

7. I was unable to obtain sufficient appropriate audit evidence that depreciation had been properly accounted for, due to the unavailability of the acquisition date for some assets in the fixed asset register. I was unable to confirm depreciation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to depreciation on property, plant and equipment, stated at R55 361 687 (2019: R63 505 553) in note 29 to the financial statements.

Distribution losses

8. The municipality did not disclose water and electricity losses as required by section 125(2)(d)(i) of the MFMA as the actual conventional sales report was not reliable enough to enable a calculation of the distribution losses. I was unable to determine the full extent of the misstatement of distribution losses for the current and prior year as it was impracticable to do so.

Contingent liabilities

9. I was unable to obtain sufficient appropriate audit evidence for contingent liabilities as management did not disclose any contingent liabilities in the financial statements, due to the status of the accounting records. I was unable to confirm contingent liabilities by alternative means. Consequently, I was unable to determine whether any adjustments to contingent liabilities was necessary to the financial statements.

Context for the opinion

10. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
11. 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.
12. 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

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.
14. Note 45 to the financial statements indicates that the municipality incurred a net loss of R152 458 071 during the year ended 30 June 2020 and, as of that date, the municipality's current liabilities exceeded its current assets by R1 423 291 534. The creditor's payment period increased to 156 days from 127 days in the previous financial year. In addition, the municipality owed Eskom R1 234 165 648 (2019: R1 085 074 589) and the Department of Water Affairs R124 386 948 (2019: R108 592 158) as at 30 June 2020, which was long overdue. These events or conditions, along with other matters as set forth in note 45, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matter

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

Restatement of corresponding figures

16. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2020.

Unauthorised expenditure

17. As disclosed in note 47 to the financial statements, unauthorised expenditure of R197 716 696 (2019: R169 315 082) was incurred due to overspending of the municipality's budget.

Fruitless and wasteful expenditure

18. As disclosed in note 48 to the financial statements, fruitless and wasteful expenditure of R42 910 405 (2019: R21 303 492) was incurred due to interest and penalty charges on late payments.

Irregular expenditure

19. As disclosed in note 49 to the financial statements, the municipality incurred irregular expenditure of R5 035 786 (2019: R18 885 528), due to non-compliance with SCM requirements.

Material losses and impairment

20. As disclosed in note 32 to the financial statements, material losses of R69 722 879 (2019: R154 022 048) was incurred as a result of a write-off of irrecoverable trade debtors.
21. As disclosed in notes 11 and 12 to the financial statements, receivables from non-exchange transactions and receivables from exchange transactions were impaired by R721 944 961 (2019: R612 453 727).

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

24. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
25. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

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

27. 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 key performance areas (KPAs) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
28. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
29. 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 KPA presented in the municipality's annual performance report for the year ended 30 June 2020:

KPA	Pages in the annual performance report
KPA – infrastructure development and basic services	x – x

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

KPA – infrastructure development and basic services

Various indicators

31. The following findings were identified on the indicators listed in the table below:
32. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions for the indicators listed below. This was due to insufficient measurement definitions and processes. As a result, I was also unable to obtain sufficient appropriate audit evidence for the achievements

reported in the annual performance report and the reasons for the variances between the planned targets and these reported achievements of the listed indicators. I was unable to validate the existence of the systems or to confirm the reasons for the variances and the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and reasons for the variances.

33. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection to be used when measuring the actual achievement for the indicators listed below. This was due to a lack of measurement definitions and processes. I was unable to test whether the indicator was well-defined by alternative means.
34. A comparison between the actual performance of the year under review and previous year for the indicators listed below were not included in the annual performance report.

Indicator description	Planned target	Report achievement
Limit electricity losses to less than 50% annually	50%	Not achieved
Implement all electricity capital projects measured quarterly in terms of the approved electricity capital budget spent.	96%	100%
Implement all roads, storm water infrastructure capital projects measured quarterly in terms of approved capital budget spent	96%	100%
Spend 96% of the approved capital budget on rehabilitation of streets (pot-hole fixing) (actual expenditure and commitments divided by approved capital Budget)	96%	96%
Implement all water services infrastructure capital projects measured quarterly in terms of approved capital budget spent	96%	96%
Implement all waste water services infrastructure capital projects measured quarterly in terms of approved capital budget spent	96%	100%
Implement all solid waste infrastructure capital projects measured quarterly in terms of the approved capital budget spent	96%	100%
Conduct scheduled refuse removal services to all formal and informal housing areas throughout Ngwathe at least once per week	37 102	37 102

Various indicators

35. The reported indicators and targets listed below did not agree with the planned indicators and targets as per the approved service delivery budget implementation plan (SDBIP).

Indicator description	Planned target	Reported achievement
Replacement of 47 retro high mast fittings LED	95%	100%

Indicator description	Planned target	Reported achievement
	Complete, 5% retention to be paid in 2020-21FY	
New substation in Koppies	95% Complete, 5% retention to be paid in 2020-21FY	25%
Building of new overhead line from Lusaka substation to the main substation	95% Complete, 5% retention to be paid in 2020-21FY	100%
Tumahole: upgrading of 1 km paving internal road and storm water channels in Schonkenville (MIS:268924)	5% (5% retention amount)	100%
Edenville: construction of a low level bridge in ward 18	5% (5% retention amount)	100%
Tumahole: upgrading of 1 km paving internal road and storm water channels (ward 13) (MIS:268920)	5% (5% retention amount)	100%
Ngwathe: upgrading of 1 km paved internal access road and storm water channel in ward 18 (MIS:269131)	5% (5% retention amount)	100%
Phiritona/Sandersville: construction of low-level bridge in ward 1 (MIS:279725)	45%	N/A
Phiritona: installation of 1 093 residential meters and 13 bulk water meters (MIS:279654) (implemented in 3 financial years)	54% of the available 2019-20 budget spent on the project (R3 208 709,87), from the approved overall project budget of R5,9 million Note: R2 520 948,98 was spent in the 2018-19FY	100%
Mokwallo: installation of 2 000 residential meters and 15 bulk water meters (MIS:286524) (implemented in 3 financial years)	71% of the available budget spent on the project (R6 376 462,22); approved budget for 2019-20 is R8 918 730,09 Note: R2 542 267,87 was spent in the 2018-19FY	100%
Vredefort: extension of the water treatment plant (MIS:257557) (to be implemented in 2 financial years)	96% of the available budget spent on the project (R10 653 077,19); approved budget for 2019-20 is R11 523 306,67	65%

Indicator description	Planned target	Reported achievement
Heilbron: upgrading of waste water treatment works (MIS:268105)	96% of the available budget spent on the project (R9 379 863,00); approved budget for 2019-20 is R16 807 501,56	85%
Refurbishment of Koppies WTW and construction of clear water pump station	92% of the available budget spent on the project (R23 764 095,32); approved budget for 2019-20 is R25 600 185,32 Note: R1 836 090,00 was spent in the 2018-19FY	85%
Construction of pipeline from Koppies to Edenville	19% of the available budget spent on the project (R14 235 904,68); approved budget for 2019-20 is R72 399 814,68	85%
Tumahole outfall sewer	30% of the available budget spent on the project (R6 073 896,43); approved budget for 2019-20 is R19 772 090,13 Note: R13 698 193,70 was spent in the 2018-19FY	100%
Koppies outfall sewer	2,5% of the available budget spent on the project (R602 041,21); approved budget for 2019-20 is R18 149 635,04 Note: R17 547 583,80 was spent in the 2018-19FY	100%
Water quality management in Parys	100% of the available budget spent on the project (R2 495 500,00); approved budget for 2019-20 is R2 495 500,00	100%
Water demand and water conservation management in Parys	100% of the available budget spent on the project (R3 500 000,00); approved budget for 2019-20 is R3 500 000,00)	100%
Water quality management in Koppies	100% of the available budget spent on the project (R3 057 414,34); approved budget for 2019-20 is R3 057 414,34)	100%
Water demand and water conservation management in Koppies	100% of the available budget spent on the project	100%

Limit electricity losses to less than 50% annually

36. The reported target of 50% did not agree with the planned target of <50% as per the approved in the SDBIP.

Limit electricity losses to less than 50% annually

37. The planned target was to limit electricity losses to less than 50%, but the reported achievement referred to was "Not achieved".

Various objectives

38. The planned strategic objectives listed below as per the approved integrated development plan were not included in the SDBIP and the annual performance report.

Strategic objectives
To ensure that 100% of households in formal settlements in the Ngwathe Municipal Area have area access to high water quality by 2022
To eliminate water losses and leakages
To improve water quality by improving on the blue drop and be able to provide safe drinking water to the community
Improvement of water conservation and water demand management, using all the necessary requirements and skills development
To ensure that 100% of households in formal settlements in the Ngwathe Municipal Area have area access to descent sanitation water by 2022
To ensure that all identified internal roads and storm water facilities in Ngwathe are maintained and/or upgraded to facilitate economic and social activity required for the sustainable development of the municipality, considering the limitations facing the municipality by 2022
To increase clean water supply in Ngwathe and to improve revenue collection and eliminate water leaks.
To provide residents of Ngwathe Local Municipality with roads and decent mobility access
To install additional high mast lights in the required areas
To improve service delivery to the residents

Other matters

39. I draw attention to the matters below.

Achievement of planned targets

40. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 32 to 38 of this report.

Adjustment of material misstatements

41. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA –infrastructure development and basic services. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Strategic planning and performance management

44. The performance management system and related controls were inadequate as significant control deficiencies have been identified in the performance planning, monitoring, measurement, review and reporting processes required by municipal planning and performance management regulation 7(1).
45. The local community was not consulted on drafting and implementing the integrated development plan, as required by section 29(1)(b)(ii) of the Municipal Systems Act 32 of 2000 (MSA) and municipal planning and performance regulation 15(1)(a)(i).
46. The local community was not afforded the opportunity to comment on the final draft of the integrated development plan before adoption, as required by section 42 of the MSA and municipal planning and performance management regulation 15(3).
47. The integrated development plan did not reflect the key performance indicators and targets as required by sections 26(i) of the MSA and municipal planning and performance management regulation 2(1)(e).
48. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.
49. Key performance indicators were not set for each of the development priorities and objectives, as required by section 41(1)(a) of the MSA and municipal planning and performance management regulation 9(1)(a).
50. Performance targets were not set for each of the key performance indicators for the financial year, as required by section 41(1)(b) of the MSA and municipal planning and performance management regulation 12(1).
51. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

Annual financial statements

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

Expenditure management

53. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
54. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R42 910 405, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties for late payments of suppliers.
55. Reasonable steps were not taken to prevent unauthorised expenditure of R197 716 696, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the approved budget.

Reasonable steps were not taken to prevent irregular expenditure amounting to R5 035 786 as disclosed in note 49 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 the SCM regulations.

Revenue management

56. An adequate management, accounting and information system that accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.
57. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

Asset management

58. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Procurement and contract management

59. Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
60. The preference point system was not applied to the procurement of goods and services above R30 000, as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 . Similar non-compliance was also reported in the prior year.
61. Some of the bid documentation for procurement of commodities designated for local content and production did not stipulate 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.

62. Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the MSA and the code of conduct for staff members issued in terms of the MSA.

Consequence management

63. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
64. Irregular expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
65. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

66. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected KPA presented in the annual performance report that has been specifically reported in this auditor's report.
67. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
68. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected KPA presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
69. 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

70. 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 performance report and the findings on compliance with legislation included in this report.

71. Management did not address the shortcomings within the internal control environment relating to financial reporting. The consultants were appointed to perform year-end accounting work, to address the prior year issues and to compile the financial statements; however, not all shortcomings were addressed, which resulted in repeat material findings in the audit.
72. Management did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings. This was due to a lack of consequence management as officials were not held accountable for non-compliance.
73. Weaknesses in the processes and controls for asset management were not adequately addressed. The lack of regular monitoring and reconciliation of asset information resulted in the asset register not being reliable. These weaknesses gave rise to material misstatements in the annual financial statements.
74. Controls were inadequate to ensure proper record keeping, which resulted in material limitations to the audit.

Material irregularities

75. 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 in progress

76. I identified material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were not yet due. These material irregularities will be included in the next year's auditor's report.

Bloemfontein

28 February 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

6.2 AUDIT ACTION PLAN