



2019/20 Annual Report



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CHAPTER 1: MAYOR'S FOREWORD & EXECUTIVE SUMMARY



COMPONENT A: MAYOR'S PREFACE

This is the fourth report of the political administration that was elected in 2016 Local Government Elections. It is arguable true that Maruleng is a better place to live in than it was in 2000. Although we have done better, we cannot say our work is complete when unemployment, inequality and poverty still reign supreme in our everyday life as articulated in both the National Development Plan (NDP) and Limpopo Development Plan (LDP) respectively. The Local Government: Municipal Financial Management Act (no. 56 of 2003) subjects all municipalities to prepare and adopt the **Annual Report** which aims to: provide a record of all activities of the Municipality during financial year to which the report relates; provide a performance account and promote accountability to local community(see RSA, 2003: S121 (1). The Local Government: Municipal Systems Act (no.32 of 2000) Section 46 also requires the municipality to prepare **Annual Performance Report** for each financial year which must reflect the following:

- (a) the performance of the municipality and each of the external service provider;
- (b) a comparison of the performance with the previous financial year; and
- (c) measures taken to improve performance

This report is a sincere attempt to comply with performance legislations. Chapter three (03) details the performance of the MLM. A synopsis of Service Provider's Performance will be found in Appendix A. This report is tailored in such a way that it outlines measures taken to improve performances in a designated column. A high level comparisons of performance of 2018/19 and 2019/20 is also indicated in Chapter three (03).It is against this background that this report presents the **annual performance record** of the MLM for the financial year 2019/20.

The Report will focus on the achievements against the targets set for the period under review, 2019/20 financial year. By so doing, it embodies and epitomizes governance precepts and requirements set in King III Report. The Mayor's foreword also reflects on our **vision, key policy developments, future actions, agreements/partnerships and key service delivery improvements.**

COVID -19 SOCIO-ECONOMIC IMPACT ON THE MUNICIPALITY

Like the rest of the world the municipality was negatively affected by COVID-19 pandemic which broke up during the last quarter of the year under review. The lockdown measures had profound economic as well social implications. The following are the notable impacts amongst others:

- Reduction of revenue collection from 72% to 56%
- Low economic growth in all municipal sectors
- Disruption of SCM processes which negatively impacted infrastructure development
- Loss of jobs
- Burden on government relief programmes

On positive the COVID-19 the massive enhancement of usage of technology which will the order during “**the new normal**” which ushered in the following amongst others:

- Virtual meetings
- Less travel which serves municipal coffers
- Massive usage of media as an alternative mass gatherings and public participations

The municipality has recorded very cases of COVID-19.

A.VISION

The MLM's vision is “To be the powerhouse of socio-economic development through sustainable and integrated agriculture and tourism”.

B. MISSION.

The vision is set to be achieved by carrying out our mission: “Maruleng Local Municipality is committed to the accelerated provision of quality basic services and promotion of socio-economic development through the harnessing of all resource endowments in an integrated and sustainable manner”.

C. Key Policy Developments

In pursuit of achieving its vision, the municipality has adopted the Integrated Development Plan (IDP) within the legal timeframe, May 2019. The IDP conducts the community needs analysis, set priorities, strategies, projects, budget and relevant sector plans in alignment with the district, provincial and national strategic thrust i.e. National Spatial Development Perspective (NSDP), National Development Plan (NDP), New Growth Path, Limpopo Development Perspective (LDP) which guides the municipality in long term planning and implementation. The impact of these strategies and sector plans could be seen in the context of the **six performance areas** of municipal government namely: Spatial Rationale, Basic Service Delivery and Infrastructure Development, Local Economic Development, Financial Viability, Good Governance and Public Participation and Municipal Transformation and Organizational Development. This led the municipality to adopt its strategic objectives as thus: (1) Plan for the future; (2) Improve community well-being through accelerated service delivery; (3) Build effective and efficient organization; (4) Become financially viable; (5) Develop partnership; (6) Grow the economy and provide livelihood support; (7) Develop and retain skilled and capacitated workforce; and (8) Effective and efficient community involvement.

The projects contained in the Service Delivery and Budget Implementation Plan (SDBIP) contribute towards attainment of these objectives. Also worth noting is that during under review at least 10 finance related policies were either reviewed or developed namely; credit and debt collection policy, Revenue enhancement policy, tariff policy, inventory and asset management policy, supply chain management policy, banking and investment policy, rates policy, indigent policy, inventory and asset management policy, budget management and virement policy, write-off policy and travel and subsistence policy. Appendix B contains an indication of Human Resource Policies and Plans.

Future Actions

The municipality has the following future plans:

<ul style="list-style-type: none"> ● Filling of Senior Management positions within 3 months of being vacant
<ul style="list-style-type: none"> ● Extending refuse collection to all rural villages (households)
<ul style="list-style-type: none"> ● Facilitating the construction of two shopping centers (The Oaks and Makhutswe CPA)
<ul style="list-style-type: none"> ● Gradual replacement of ageing infrastructure and Expansion of revenue base and massive development in Hoedspruit

D. Agreements/Partnerships

The municipality has a partnership with K2C Biosphere in order to protect the biodiversity within its boundaries by regulating internal land use. The municipality provides resources for this cause. The municipality funds two projects namely, environmental monitors & river restoration programmes.

E. Key Service Delivery Improvements/ Achievements

1. The municipality has spent 100% of its MIG allocation .This reflects that the municipality is indeed committed towards provisioning of basic services as it is a constitutional mandate.
2. The Municipality has received unqualified audit opinion for the third time in a row (2018/19 with few matters of emphasis compared to previous years)
3. The Municipality has received the SALGA best award on compliance in convening Council meetings.
4. The Municipality has appointed the Municipal Manager who resumed duties effective 1st July 2019.
5. The Municipality has purchased service delivery fleet for effective service delivery
6. Metz shopping center which is constructed by private sector is operational.
7. Despite COVID-19 pandemic the municipality has recorded an overall of 61.9% performance rating.

F. Conclusion.

Given the infrastructural challenges we are faced with and the limited resources available, we have done well and much need to be done to address the three challenges being underdevelopment, poverty, inequality and unemployment. We need to work hard to mobilize resources to deal with poverty. Let me take this opportunity to call upon all stakeholders to make valuable inputs in this Draft Report.

COMPONENT B: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview



As the Council's Administration Head, the Municipal Manager is responsible and accountable for organizational development including appointment of staff, other than those referred in Section 56 (A) of The Municipal Systems Act, subject to Employment Equity Act (no. 55 of 1998). Article 55 of the Systems Act read with Articles 60 to 70 of the Local Government: Municipal Finance Management Act lay down the responsibilities of Accounting Officer i.e. to advise political structures, political office bearers and officials of the municipality (s60), fiduciary responsibility (61), general financial management (s62), asset and liability management (63), revenue management (64), expenditure management (65), budget preparations (68), budget implementation (69), shortfalls, overspending & overdrafts (70), reports and reported matters (71), mid-year budget & performance assessment (s72), Protection (s76) and top management (77) – almost the entire Chapter 8 of the MFMA.

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Appendix E: will be able to outline the municipal Powers and Functions. The population distribution by age categories and gender of the Municipality is presented in figure 3 and table 8, it is clear that the percentage of females increase along with age, implying that women live longer in the age group 0-4 years the percentage of males and females are fairly even, compared to the age group 35-65 and older where female constitute 54 % of the population.

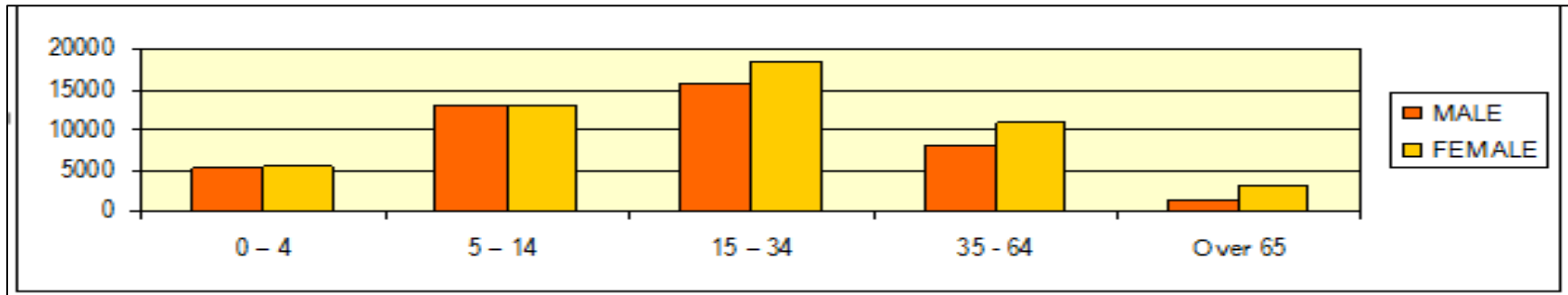
Population Trends

The reconciled total population of Maruleng Municipality is as follows in Table 4 below:

POPULATION			HOUSEHOLDS		
Census 2001	Census 2011	Community survey 2016	Census 2001	2011	Community survey 2016
94383	94 857	99 605	19 668	24 470	28 777
% increased	0.49 (474 persons)	5% (4748 persons)	% increased	24.4% (4 802 households)	17.6% (4 307 households)

Source: Statistics South Africa, 2011 & Community Survey 2016

Figure 3: Estimated population by age and gender



Source: Statistics South Africa, 2001

Table 7: Estimated population by age and gender

	0 - 4		5 - 14		15 - 34		35 - 54		55-65		Over 65	Total
	No	%	No	%	No	%	No	%	No	%	No	
MALE	6 039		10 446		16 525		6 864		2 189		1 513	43 576
FEMALE	5 997		10 107		18 528		10 502		2 972		3 175	51 281
TOTAL	12036	12.6	20553	21.6	35053	36.9	17366	18.3	5161	5.4	4688 (4.9)	94 857

Source: Statistics South Africa, 2011

Population age structure

Table 8: Population age structure

Population Under 15	Population 15 To 64	Population over 65
34.40%	60.30%	5.30%

Source: STASSA 2011

The table above indicates the population distribution according to the age structure where most of the population group is at the age between 15 to 64, this age constitute 60.30% of the population, followed by under 15 years at 34.40% and over 65 years at 5.30%. This shows a need for the economic strategy to identify development thrusts that would address the need of the economically active people.

An overview of environmental management indicates that the MLM has one licensed, authorized landfill site i.e. Worcester. The Municipality is responsible for its maintenance. The Maruleng Municipal Area is faced with environmental risks and trends that lead to environmental degradation, a situation that draws a stark attention for the municipality to develop Environmental Management Plan. Maruleng is relatively rich in water as there are four major river systems that transverses the municipality namely Ga-Selati, Makhutswe, Olifants and Klaseria river. In terms of climate conditions, large parts of the municipality are identified as a semi-arid zone which means that the municipal area receives low annual rainfall, roughly 401-600mm rainfall per annum.

The southern parts towards the Drakensberg escarpment does not experience dry climate when compared to the entire municipal area, as rainfall is estimated to be from 600mm and can even exceed 100mm per annum. The Municipal Area and surroundings represent some pristine Protected Areas and Conservation Areas, including the Kruger National Park, Timbavati Game Reserve and Blyde River Canyon Nature Reserve to the south. Most of the rain in the municipal area is received during summer (75%). The temperature ranges from a high average of 21 degrees Celsius to a very high average of 25 degrees Celsius. A wetland was identified in Makgaung are and if properly-managed, could be of economic importance to the local community. The Maruleng environment influences economic opportunities in the area, as well as the living conditions of its inhabitants,

1.3. SERVICE DELIVERY OVERVIEW

The achievements of MLM during the performance year under review are illustrated in the table below:

Key Performance Area (KPA)	Achievements
KPA 1: Spatial Rationale	About R 18m was set aside for the acquisition of land in Hoedspruit for residential purposes. All SPLUMA requirements compiled with Spatial Development Framework, Spatial Planning and Land Use Management By-Law and Land Use Scheme are SPLUMA compliant. 31 land use applications and 98 building applications approved. 71 occupational certificates issued.
KPA 2: Basic Service Delivery and Infrastructure Development	The following infrastructure projects were completed: Metz internal road, and Finale access roads. The following roads are between 80% and 100%, Worcester access road, Rehabilitation of Kampersrus road, New-Line Ga-Fanie access road, Willows access road, Madeira access road, Butswana access road, Bismarck access road, Hoedspruit internal street, Balloon access road and Santeng access road. 11 206 households have access to refuse removal (9162 rural households).
KPA 3: Local Economic Development	About 1200 job opportunities were created through municipal LED initiatives.
KPA 4: Financial Viability	MSCOA processes under way and timelines adhered to. Most critical finance policies were developed. None-reliance on loans. Most critical positions filled e.g. Senior Accountants.
KPA 5: Good Governance and Public Participation	<p>The year under review the municipality conducted its participation through media as the result of COVID-19 from the 09/04 to 28/05/2020 and has received more public inputs compared to all the years using direct community contacts in the form public participation mass meetings. The municipal governance structures were intact and functional as per the legislative requirements i.e. 04 (ordinary council sitting), 10 (special sittings, 12 EXCO meetings, 08 Audit Committee Meetings; 13 MPAC meetings.</p> <p>Municipality utilizing its own Audit Committee. The municipality received unqualified audit opinions for the past previous financial years, 2016/17, 2017/18 and 2018/19 respectively. SALGA Award on the best municipality in convening council meetings (compliance)</p>
KPA 6: Municipal Transformation and Organization Development	The IDP/Budget (8 th Review) was adopted within the prescribed legal timeline (i.e. May 2019), Performance reviews for S56 Managers was conducted. Most strategic positions were filled.

1.4. FINANCIAL HEALTH OVERVIEW

The Budget and Treasury Office manages the corporate financial affairs of the Municipality to ensure that the best possible services are rendered with the available funds. The Department provides strategic financial management and financial services to internal clients and is responsible for compiling the annual municipal budget and financial statements and managements reports, to safeguard the assets of the municipality and to ensure that accurate and reliable information is produced.

The strategic objectives of the Budget and Treasury Office are to:

To ensure sound and proper financial management processes and controls are implemented and maintained in accordance with the MFMA, GRAP, Municipal Property Rates Act and other related regulations in order to safeguard the assets of the municipality, to ensure effective and efficient use of resources of the municipality and to provide the management and other stakeholders with relevant, accurate and reliable information on a timely basis to enable users to make better decisions.

The main functions of the Budget and Treasury Office are as follows:

- ✓ Revenue Management - billing of municipal services (e.g. refuse) and collection of revenue
- ✓ Budget Control and Reporting- financial reporting and budget preparations and monitoring
- ✓ Expenditure Management- creditors payments, cash and investment management
- ✓ Supply Chain Management- procurement of goods and services
- ✓ Asset Management- management of municipal properties
- ✓ Fleet Management effective and efficient municipal fleet management

Financial Policies Approved

There are number of financial policies which are relevant to the powers and functions of the municipality which were developed and implemented. These policies are inter alia supply chain management, credit control and debt policy, (which determines that municipal accounts must be paid on the date indicated on the account and none payment will result in debt collection, fixed asset policy (to govern the fixed assets of the municipality, banking and investment policy (to ensure that the municipality's cash resources are managed effectively and efficiently) , indigent policy (to ensure that households who qualified to be indigents have access to at least basic municipal services)

FINANCIAL OVERVIEW

Financial Overview: Year 2019/20			
R'000			
Details	Original budget (operating)	Adjusted budget	Actual
Income:			
Grants	154 317 024	154 470 939	154 471 111
Taxes, levies and tariffs	82 416 420	87 349 055	89 780 193
Sub Total	236 733 444	241 819 994	244 251 304
Less: Expenditure	220 803 909	230 917 317	190 695 333
Net Total	15 929 535	10 902 677	53 555 971
Operating Ratios			
Detail	%		
Employee Cost	35%		
Repairs and Maintenance	1,1%		
Finance Charges (Borrowing)	0%		

COMMENT ON OPERATING RATIOS:

Employee cost is 35% of the total operating cost and is within the acceptable norm which is between 25% and 40%. Repairs and maintenance constitute 1% and is below the norm of 8%.

Total Capital Expenditure R'000			
Detail	2018	2019	2020
Original Budget	81 666 000	94 945 020	115 346 480
Adjusted Budget	84 329 000	116 600 000	121 390 700
Actual	51 689 425	93 528 847	92 554 927
% of Budget implemented	61%	80%	76%

COMMENT ON CAPITAL EXPENDITURE:

During the financial year under review the original capital budget was adjusted to R121 390 700. 80% of the capital budget was implemented. From 17 projects, 7 projects were completed and 10 projects are still in progress.

FINANCIAL HEALTH STATUS

The municipality had total revenue of R 259 071 342 in 2018/19 when compared to R 276 696 723 in 2019/20. This marked an increase of R17 625 381 (6.4%) when compared to the 2018/19. The municipal revenue is categorized into internal and external sources. The internal sources of revenue contributed R 25 638 008 which is 40% of the total revenue while external sources contributed 60% of the total revenue at R276 696 723 i.e. R127 65492 (operational revenue) and R266 919 (capital revenue).

Total expenditure for the 2019/20 stood at R190 695 333 which illustrate a decrease of R683 666 (0.35%) when compared to R191 378 999 in 2018/19. The distribution of expenditure is R66 304 445 (35%) for employee's related costs, R44 119 685 (23%) on general cost while councilors' remuneration stood at R11 101 437(5%). The overall expenditure led to a surplus of R190 695 333 comparison to a surplus of R86 001 390 in 2018/19 financial year. It is further recommended that this section be read together with the Unaudited Annual Financial Statements.

The above information depicts a healthy financial status for the municipality

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

MLM functioned with five (05) main departments, namely; Budget and Treasury Office, Corporate Services, Community Services, Technical Services and Spatial Planning and Development. The Office of the Municipal Manager provided the overall monitoring and strategic support to all these departments. The MLM had an approved organogram of 180 posts. Of these 159/180 (i.e. 88.33%) were filled as at 30th June 2019, vacant posts included Director Community Services, Chief Finance Officer and SPED.

1.6. AUDITOR GENERAL REPORT: A TREND ANALYSIS

The audit opinion for the 2014/15 financial year demonstrates a regress from an unqualified opinion in 2013/14 financial year to qualified opinion in 2014/15. A trend analysis of the audit opinion over the last eight (08) years or so is indicated in the following table:

2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Unqualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified	Pending

The table above has a telling story. The performance of Municipality to achieve good audit report is dependent on a number of factors that include internal control systems namely; Budget, IDP, SDBIP and compliance to GRAP standard. The AGSA Report also determines the extent to which municipalities are delivering services in an efficient, effective and economic manner. The Municipal has received the overall unqualified audit opinion during 2012/2013, 2013/14, 2015/16, 2016/17, 2017/18, 2018/19 financial years.

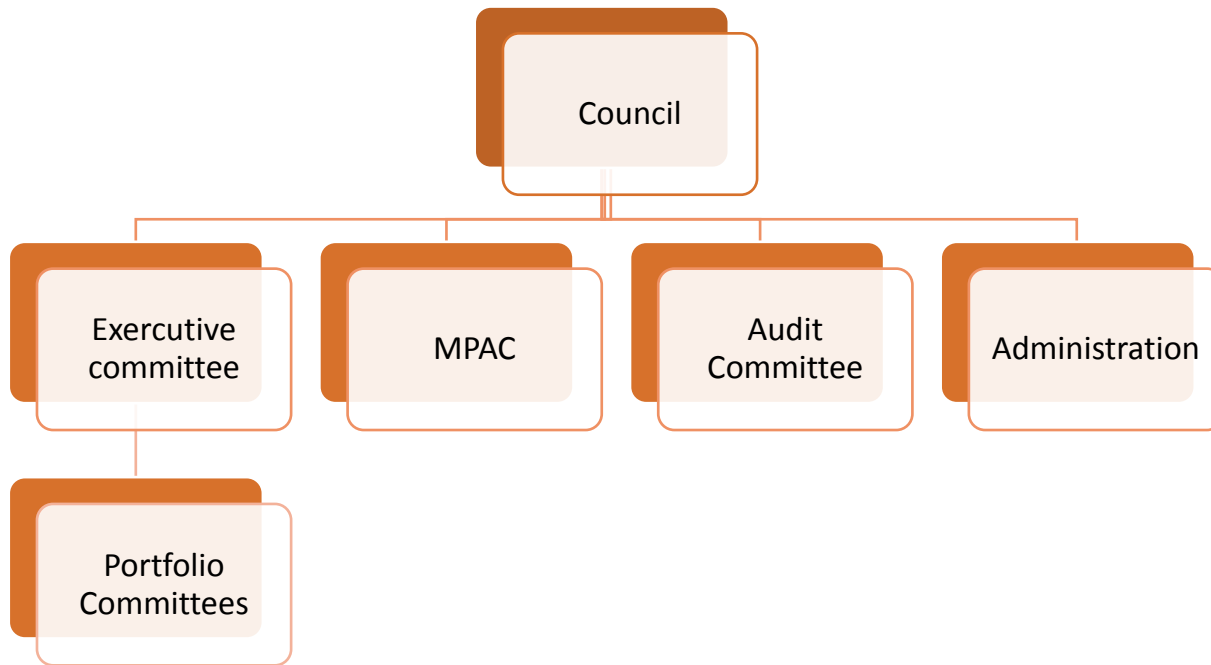
1.7. STATUTORY ANNUAL REPORT PROCESS

It is common cause that the development of this Draft Annual Report is guided by Section 46 of the Local Government: Municipal Systems Act (no.32 of 2000) read with Section 121 of the Local Government: Municipal Finance Management Act (no.56 of 2003) requiring every municipality to prepare an annual report for each financial year. All the material statutory processes requiring to deal with non-financial Performance Report within the prescribed legislative timelines were complied with. **See below table for actual dates:**

No.	Activity	Timeframe	Actual Dates (where applicable)
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm 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	31/05/2019 (IDP/Budget process adopted by Council)
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).		
3	4 th quarter Report for previous financial year		
4	Submits draft Annual Report to Internal Audit and Auditor-General	August	Pending
5	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase		
6	Auditor General audits draft Annual Report including consolidated Annual Financial Statements and Performance data	September – October	Pending
7	Municipalities receive and start to address the Auditor General findings		
8	Commencement of draft Budget/IDP finalization for next final year. Annual and Oversight Reports to be used as input		
9	Receive management letter and provide final comments on findings	November	Pending
10	General submit audit opinion.		
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January	Pending
12	Audited Annual Report is made public and representation is invited	February	Pending
13	Oversight Committee assesses Annual Report		

14	Council adopts Oversight report	March	Pending
15	Council table next financial year Budget/IDP and invite public representation		
16	Oversight report is made public	April	

CHAPTER 2: GOVERNANCE



The above are the Key MLM's governance structure. They enabled the municipal Council and especially the Mayor as envisaged in s52 of the MFMA (NO.56 OF 2003) to provide political guidance over fiscal and general governance affairs of the MLM. The Audit Committee provides opinions and recommendations in Performance, Financial processes, and Annual and Oversight reports. The MLM's Audit Committee comprises independent experts in various fields. MPAC which plays an oversight role of council was also established in terms of MSA, 1998.



Worship: The Mayor Cllr. M.H Thobejane

Functions and Powers: The mayor of the Municipality:

- (a) Presides at the meetings of the Executive Committee;
- (b) Performs duties including ceremonial functions;
- (c) Exercises the powers delegated to the Mayor by the Council and Executive Committee (MSA, Act 1998)
- (d) Tables in the municipal council a process outlining key deadlines for preparation, tabling and approval of IDP/Budget (MFMA 2003: s21 (b));
- (e) Co-ordinates the processes for preparing the annual budget and reviewing the Municipality's Integrated Development Plan (IDP) and budget related policies any revisions of the IDP and budget related policies to ensure that they are mutually consistent and credible (MFMA 2003 :s21 (a));
- (f) Manages the drafting of the municipality's IDP (MSA 200:s30 (a) with effect from 1st July; and
- (g) Tables the Draft IDP/Budget to the municipal council for adoption (MSA 200: s30 (c) read with MFMA 2003: s16 (2).



The Speaker: Cllr. Mahlo M.J

Functions of the Speaker: the Speaker of the Municipality:

- (a) Presides at meetings of council
- (b) Performs the duties and exercise the powers delegated to the speaker in terms of section 59 of MSA, 32 of 2000
- (c) Ensures that the council meets at least quarterly
- (d) Must ensure compliance in the council and council committee with code of conduct set out in Schedule 5; and
- (e) Ensures that council meetings are conducted in accordance with the rules and orders of the council in terms of section 37 of MSA, 119 of 1998



The Chief Whip: Cllr. M.L Mongadi

The Chief Whip's delegation: although the position of the Chief Whip and by extension its function(s) is not legislated, the following are the Chief Whip's delegation in terms of the Council Resolution:

- (a) Maintains sound relations between the municipal governing party and various political parties;
- (b) Ensure that relations are constructive and focused on key issues at hand;
- (c) Attends to dispute between political parties;
- (d) Ensure political accountability of councilors to ward committees;
- (e) Ensure quorum at council meetings;
- (f) Advises councilors belonging to various parties to convene party causes as to determine party positions on specific items/motions on the Council's agenda;
- (g) Generally, organizing the work of councilors in the causes; and
- (h) Collaborates on regular basis with the Council Speaker in relation to issues of discipline and conduct of councilors

EXECUTIVE COMMITTEE

The Executive committee comprise of five (5) members and the Mayor serves as the chairperson of Executive committee. The MLM is the category B Municipality with a collective executive system, combined with a ward participatory system.

Functions and powers: The Executive Committee

- ✓ The principal Committee of the Municipal Council which receives reports from other committees of the Council and forward these reports together with recommendations to Council when it cannot dispose of the matter in terms of its delegated powers;
- ✓ Identifies the needs of the municipality;
- ✓ Review and evaluate those needs in order of priority;
- ✓ Recommend strategies, programmes and services to address priority needs through the IDP and revenue estimates and expenditure;
- ✓ Identify key performance indicators (KPI) which are specific to the Municipality and common to local government in general;
- ✓ Evaluate progress against KPI;
- ✓ Review the performance of the Municipality in order to improve the economic efficiency and effectiveness, efficiency of credit control, revenue and debt collection services and implementation of municipal by-laws

The roles of section 79/80 committees

Members of Executive Committee serves as the chairpersons of various portfolio committees. The role of S79/80 committees is to play the oversight on behalf of council.

The following committees are in place:

- ✓ Corporate & Finance Committee
- ✓ Audit committee
- ✓ Municipal public Account committee
- ✓ Ethics Committee
- ✓ Sports Art and culture
- ✓ Community services
- ✓ Economic development ,Spatial planning and planning
- ✓ Infrastructure development and road services

Councilors

The MLM has a total of 27 Councilors. Of these 14 are ward councilors, while 13 have been appointed on the basis of proportional representation (PR). There are also traditional leaders who participate in the Municipal Council in terms of the government gazette. **Below is the fully list of Ward Councilors from Ward 01-14 respectively and PR list.**

WARD	WARD COUNCILLOR	GENDER
Ward 1	Cllr Du. Preez E.C	Female
Ward 2	Cllr Mongadi M.J	Male
Ward 3	Cllr Shikwane V.M	Male
Ward 4	Cllr Shokane S.C	Male
Ward 5	Cllr Malepe M.R	Female
Ward 6	Cllr Mathipa M.S	Male
Ward 7	Cllr Shaai L.V	Male
Ward 8	Cllr Mongadi T	Female
Ward 9	Cllr Modiba M	Female
Ward 10	Cllr Popela M.D	Male
Ward 11	Cllr Mogale T.D	Male
Ward 12	CllrMorema J.T	Male
Ward 13	Cllr Mahlo S.F	Male
Ward 14	Cllr Maahlo M.J	Female

PROPOTIONAL COUNCILLORS			
	COUNCILLOR	GENDER	PARTY
1	Cllr Thobejane MH	Female	ANC
2	Cllr Shaai E	Male	DA
3	Cllr Maakamela M.R	Male	ANC
4	Cllr Rakgwale M.J	Female	ANC
5	Cllr Lewela N.M	Male	EFF
6	Cllr Mohlabe B	Male	Warriors
7	Cllr Mkansi S.L	Male	DA
8	Cllr Komane M.M	Female	EFF
9	Cllr Madike F.M	Female	EFF
10	Cllr Sebela D.M	Male	EFF
11	Cllr Kgohlwane M.S	Male	EFF
12	Cllr Mathaba A.M	Female	ANC
13	Cllr Mahlo M.P	Male	Warriors

Political Decision Making

The Council of the MLM has during the period under review, complied with the requirements of the Municipal Structures ACT, 1998 by ensuring that various council committees are set, functional and effective. The Council is ultimate decision making-body. Decisions of Council were taken in compliance to the applicable law of the Republic of South Africa. 100% of the decisions taken by the Council for the year under review were implemented

TOP MANAGEMENT STRUCTURE

MUNICIPAL MANAGER

MR. MAGABANE THABO GELLIOT

CHIEF FINANCE OFFICER

(VACANT)

DIRECTOR: TECHNICAL SERVICES

MR. MACHUBENE MOHALE CHAMP

DIRECTOR: COMMUNITY SERVICES

(VACANT)

DIRECTOR: SPATIAL PLANNING AND ECONOMIC DEVELOPMENT

(VACANT)

DIRECTOR: CORPORATE SERVICES

MR. MALATJI KHOMOTSO ELGA

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.2 INTERGOVERNMENTAL RELATIONS

The MLM is required to exercise its executive and legislative authority within the constitutional system of co-operative governance contemplated in s41 of the Constitution (RSA, 200:S3). A performance review of the 2019/20 reveals that the municipality facilitated **5 IGR sessions** in the form of IDP /Budget Representative Forums. The municipality further participated in other IGR sessions within the district and the province of Limpopo.

These sessions involved inter alia: Provincial Development Planning Forum meetings, consultative sessions, District and Provincial IGR etc. These sessions helped a great deal for alignment purposes. They also provided a platform to address issues of mutual interest with the district, province and national government. As the results of these sessions the municipality is housing a number of Sector Departments and other stakeholders at its **Multi-Purpose Centre**.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION.

2.3 PUBLIC MEETINGS.

The municipality prides itself regarding communication and stakeholders' participation structures. The municipality has a communication strategy which indicates who communicates to who, when and how. The municipality held seven IDP/Budget/PMS public participation meetings. The municipal website is also a useful tool which the municipality employs to communicate with its stakeholders to cover the cyber space community. The municipal newsletter published four quarterly editions to communicate municipal programmes

Other forms of communication and public participation during the 2019/20 financial year included the usage of ward public meetings for the 14 wards wherein ward councilors provided feedback and progress report to ward members.

The municipal website is also used as another mechanisms employed to communicate and engage with the local communities. For example, documents such as the Draft IDP/Budget were and are usually placed on the municipal website for public comments. **These public meetings by and large inform municipal planning.**

The table below gives detailed information regarding some of the public participation meetings that were held:

DATE	PURPOSE/ACTIVITY	METHOD	TARGETED PEOPLE	INPUTS
09 April to 28/05/2020	IDP/Budget Public Participation	MEDIA (print & electronic)	Community members	About 400 inputs received

2.4 IDP PARTICIPATION AND ALIGNMENT

The IDP is reviewed annually and in-house. The 202/21 revised IDP was approved by council on the 28 May 2020 via virtual council sitting. IDP is reviewed in line with required standard and template and is aligned to the budget. The IDP Process Plan is developed and approved by council as the road map for the review of the IDP and Budget. The IDP Steering Committee is responsible for the review of the IDP/Budget. The draft IDP/Budget is tabled before the council for public participation process to unfold for the purpose of community accessibility and inputs. The IDP representative forum where all stakeholders are represented is also conducted to interrogate the IDP document. All inputs and comments are consolidated and the report is developed based on inputs. The process of prioritization takes place taking in to account the available resources and capacity of the municipality.

IDP PARTICIPATION AND ALIGNMENT	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 54 & 56 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D: CORPORATE GOVERNANCE

2.5 RISK MANAGEMENT

The municipality regards risk management as one of the pillars required for the sustainability and corporate management. In compliance to with MFMA which is S62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management. The municipality has a dedicated risk unit. Risk assessment sessions were conducted with the assistance of the Provincial and COGHSTA through the municipal Risk Management Committee to help the municipal management with the identification and profiling of risks within the municipality. The MLM developed both operation and strategic risk registers. From the strategic risk perspective, the following **top ten (10) (strategic) identified risk were identified:**

No.	Risk Category	Risk Description	Inherent Risk	Actions to improve/manage risk	Risk Owner
1	Spatial Planning and Economic Development	Failure to exploit investment opportunities	High	<ul style="list-style-type: none"> ✓ Job creation through EPWP. ✓ Assisting SMME's to market their products and services at tourism events ✓ Provide support to community work projects ✓ Marketing the municipality ✓ Completion of phase two (2) of branding of Hoedspruit 	Municipal Manager
2	Technical Services	Failure to provide basic services	High	<ul style="list-style-type: none"> ✓ Implementation of WSP agreement ✓ Coordination of bulk water supply 	Municipal Manager
3		Deterioration of municipal roads	High	<ul style="list-style-type: none"> ✓ Upgrading of municipal roads ✓ MISA to assist the municipality in developing the Road Master Plan 	Municipal Manager
4	Spatial Planning and Economic Development	Poor coordination between the municipality and community land use	High	<ul style="list-style-type: none"> ✓ Review of the LUMS ✓ Implementation of SPLUMA 	Municipal Manager
5	Community Services	Inadequate public participation/community involvement	High	<ul style="list-style-type: none"> ✓ Mayor's tournament ✓ Review and implementation of Public Participation Strategy 	Municipal Manager

				✓ Review and implementation of Communication Strategy	
6	Spatial Planning and Economic Development	Inaccessibility of land for development	High	✓ Acquire land ✓ Prioritizing and redirecting development to other municipal growth points	Municipal Manager
7	Corporate Services	Inadequately trained workforce	High	✓ Implementation of the Work Skills Plan ✓ Review of the Work Skills Plan	Municipal Manager
8	Information Technology	Ineffective and inadequate information technology infrastructure	High	✓ Development of Disaster Recovery Plan ✓ Implementation of the Disaster Recovery Plan	Municipal Manager
9	Budget and Treasury	Inability to enhance revenue	High	✓ Implementation of Credit Control By-law ✓ Implementation of Revenue Enhancement Strategy	Municipal Manager
10		Fraud and corruption	High	✓ Filling of vacancies ✓ Implementation of SCM policies ✓ Training of SCM personnel ✓ Ensure adherence to timeline procurement plan ✓ Fraud awareness workshops	Municipal Manager

2.6 ANTI-CORRUPTION & FRAUD

The MLM has reviewed the Fraud Prevention Strategy. The Strategy contain Fraud and Corruption Prevention Plan. The Strategy is founded upon the principle of intolerance to unethical conduct, fraud and corruption. The key risk areas are:

Abuse of leave/authorized leave
Fraudulent subsistence and travel claims
Bribery and gifts
Theft of municipal assets

However, the municipality has developed mechanisms to mitigate these risks. The work done by the Internal Audit Unit to review processes and compliances also serve as a deterrent. In addition the MLM has an Audit Committee which provides independent assurance and oversight. Practices within the MLM attained the standards set out in s117 of the MFMA in which councilors did not form part of the municipal bidding committees.

2.7 SUPPLY CHAIN MANAGEMENT

The MLM has developed the SCM policy and currently implementing Municipal Supply Chain Policy in line with the requirements of Section 112 of the MFMA. The municipal SCM policy is aligned with the key principles enshrined in the SCM Regulations as well as updates to various circulars issued by the National Treasury. As part of practical implementation of SCM Policy, the MLM has put in place mechanisms to ensure that the Committees that preside over procure are independent from one another. Furthermore, the municipality has implemented effective system of contract and performance management to safeguard any possible deficiencies in the supply chain system. Councilors are not sitting in any committees, however, they receive reports on SCM implementation on quarterly basis as part of statutory oversight reporting mechanisms to Council. The municipality reviews the supply chain management policy on an on-going basis to mitigate against any weakness that may emerge also incorporate any changes in the legislation.

2.8 By-Laws

The municipality has introduced only one by-law: credit and debt management by-law.

2.9 WEBSITES.

The municipal website remains one of the tools for communication with community members and key stakeholders. As at 30th June 2019, the following are some of the information published on the municipal website:

<ul style="list-style-type: none">● Final Annual Report 2018/19;
<ul style="list-style-type: none">● Final IDP/Budget 2019/20;
<ul style="list-style-type: none">● Final/Adjusted/Quarterly SDBIP 2019/20;
<ul style="list-style-type: none">● Monthly Budget Report Statements (s71);
<ul style="list-style-type: none">● Senior Managers Performance Agreements;
<ul style="list-style-type: none">● Tenders. etc.

2.10. PUBLIC SATISFACTION ON MUNICIPAL SERVICES

No formal public participation surveys were conducted during the period under review. The municipality relied on public participation sessions referred to above, as well as the usage of the Premier and the Presidential Hotlines to gauge the level of satisfaction/dissatisfaction with municipal services. The issues raised or received are responded to. Majority of complaints are around water provision, which is a district competency.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

3.1 WATER AND WASTE WATER (SANITATION) PROVISION

Mopani District Municipality is the Water Service Authority whilst the local municipality is the Water Service Provider. It is the responsibility of the district municipality to implement all major projects on water and sanitation. The local municipality is only responsible for maintenance once the projects are operation.

Basic Service	2018//19 backlogs	2019/20 planned interventions	Actual Performance	Comment
Water	7 808	Mametja –Sekororo RWS & upgrading of water reticulation and extension,	The plant is at 98% complete and Bulk supply line and reservoir is still at 70% complete	Only 5 villages have been reticulated but they have no bulk water supply
Sanitation	1 487	0	0	The district did not plan any project in the municipality for 2018/19

3.2 ELECTRICITY

Basic Service	2018/19 8backlogs	2019/20planned interventions	Actual Performance	Comment
Electricity	2 303	Turkey 1& 2 ext 24 Balloon 61 Willows 61 Worcester/ Bismark 72 Molalane/Santeng 61 Metz 63 Tickeyline/Mahlomelong/Sofaya 160 Bochabelo ext 167	759	195 connections completed

3.3 WASTE MANAGEMENT

Basic Service	2018/19 Backlog	2019/20 planned interventions	Actual Performance	Comment
Refuse removal	17 733	9000	9162	Refuse removal extended to 9162 rural households

3.4 HOUSING

Basic Service	2018/19 backlogs	2019/20 planned interventions	Actual Performance	Comment
Housing	1 054	440 RDP houses	235	Delay due to slow progress of the contractor

Housing is the competency of the Department of Cooperative Governance, Human Settlement and Traditional Affairs (COGHSTA)

3.5 FREE BASIC SERVICES AND INDIGENT SUPPORT

Basic Service	2018/19 backlogs	2019/20 planned interventions	Actual Performance	Comment
Free Basic Electricity	1 961	1961	312	Unavailability of the qualifying indigents during the registration of the FBE Different beneficiary lists – Municipality v/s ESKOM

COMPONENT E: ROAD AND TRANSPORT

3.6 ROADS, STORM WATER DRAINAGE AND TRANSPORT

The municipality is responsible for municipal roads while there are roads assigned to the District, Province and National government. Public transport is the responsibility of both provincial and national governments.

Service	2018/19 backlogs	2019/20 planned interventions		Actual Performance	Comment
Roads	184.75km gravel road (39.5%) - but all strategic roads tarred	12.835m tarred roads Balloon access road (3km) Hoedspruit internal street (4km) Designs of 6 km (gravel to tar) The Oaks internal street (835m)	Santeng graveyard access road (400m) Butswana access road (1km) Willows access road (1.5km) Madeira access road (1km) Newline- Ga- Fanie access road (1km)	10.835 roads tarred Designs of 6km completed	Quality roads completed The remaining 2km road to be completed by 31/12/2020

Detailed report is presented in Chapter 3 under the SDBIP performance report

COMPONENT D: PLANNING AND DEVELOPMENT

3.7 PLANNING

The MLM through Spatial Planning and Economic Development (SPED) is responsible for overall spatial planning and land use management within the municipal jurisdiction.

3.8 LOCAL ECONOMIC DEVELOPMENT

Promoting local economic development is a material function and object of the MLM according to the directive from the provisions of s152 (c) of the Constitution (RSA, 1996)

KEY PERFORMANCE AREA	NO.OF PROJECTS	NO.OF TARGETS	ACHIEVED	NOT ACHIEVED	EVALUATION PER KPA
Local Economic Development+	05	05	04	01	80%

311 jobs were created against the targeted 150 jobs.

COMPONENT E: COMMUNITY & SOCIAL SERVICES

3.9 LIBRARIES, ARCHIVES, MUSEUMS, GALLARIES, COMMUNITY FACILITIES AND OTHER

SERVICE	2018/19 backlogs	2019/20 planned interventions	Actual Performance	Comments
Libraries	2	None	None	Insufficient budget coupled with insufficient study materials at the two existing libraries
Community halls	14	01	01	Lorraine community hall completed

3.10 CEMETERIES

SERVICE	2018/19 backlogs	2019/20 planned interventions	Actual Performance	Comments
Fencing of cemeteries	12	5	4	4 cemeteries fenced and 1 will be fenced in the next financial

3.11. CHILD CARE, AGED CARE & SOCIAL PROGRAMMES

The Municipality could not implement the following Special Programmes / initiatives in the 2019/20 financial year due to the National Treasury's cost containment measures :

Indicator	Planned 2019/20 interventions	Actual Progress
No. of HIV/AIDS initiatives	0	0
No. of Youth development initiatives	0	0
No. of Children initiatives	0	0
No. Disable people initiatives	0	0
No. Gender Support Programmes	0	0
No. of Elderly Programmes	0	0
No. of Women initiatives	0	0

COMPONENT F: ENVIRONMENTAL PROTECTION

3.12. POLLUTION CONTROL

The municipality in partnership with K2C initiative implemented environmental monitors and river restoration projects in an attempt to mitigate environmental pollution.

COMPONENT G: HEALTH

3.13. CLINICS AND AMBULANCE SERVICES

There are 10 clinics and 1 hospital in the municipality. The municipality has approximately 75% of communities situated within a 20km radius of a clinic. This means that the municipality has 1 clinic for every 6 841 people. The municipality participates in the programmes initiated by the department. The rate of HIV/AIDS according to 2013/14 information from the Department has increased from 8.4% in 2013/14 to 11.7% in 2019/20 financial years respectively. This is not pleasing and requires urgent attention. The Emergency Medical Services function remains with the Mopani District Municipality.

3.14 HEALTH INSPECTION

The function remains with the District Department of Health. The local health inspectors are located at local clinics in the municipal area.

COMPONENT H: SAFETY AND SECURITY

3.15. SAFETY AND SECURITY

The function resides with the Provincial government in the province.

COMPONENT I: SPORTS AND RECREATION

3.16. SPORTS AND RECREATION

SERVICE	2018/19 backlogs	2019/20 planned interventions	Actual Performance	Comments
Provisioning of sports and recreation facilities	3	Construction of Maruleng indoor sports Centre (100%) Calais sports center (60%)	92% complete 60% complete	Project is on hold pending the approval of the V.O Progress as planned

COMPONENT J: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.17. FINANCIAL SERVICES

The Budget and Treasury Department is responsible for the financials of the municipality.

3.18. HUMAN RESOURCES SERVICES

MLM functioned with five (05) main departments, namely; Budget and Treasury Office, Corporate Services, Community Services, Technical Services and Spatial Planning and Development. The Office of the Municipal Manager provided the overall monitoring and strategic support to all these departments. The Municipal Manager was appointed on the 1st July 2019 bringing an end of the era of lots acting Municipal Managers. The MLM had an approved organogram of 196 posts. Of these 159/196 (i.e. 79.6%) were filled as at 30th June 2020, vacant posts included Director Community Services, Chief Finance Officer and director Spatial Planning and Economic Development.

3.19. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

The Information and Communication Technology Unit is entrusted with the responsibility to ensure smooth functioning of the information systems in all municipal buildings. The ICT Unit has managed to develop critical IT documents required by AGSA such as IG Governance Framework, IT Strategy Plan and currently in the process of developing Disaster Recovery Plan. In addition, the ICT Committee was established.

COMPONENT K: CUMULATIVE 2019/20 FOURTH QUARTER PERFORMANCE REPORT

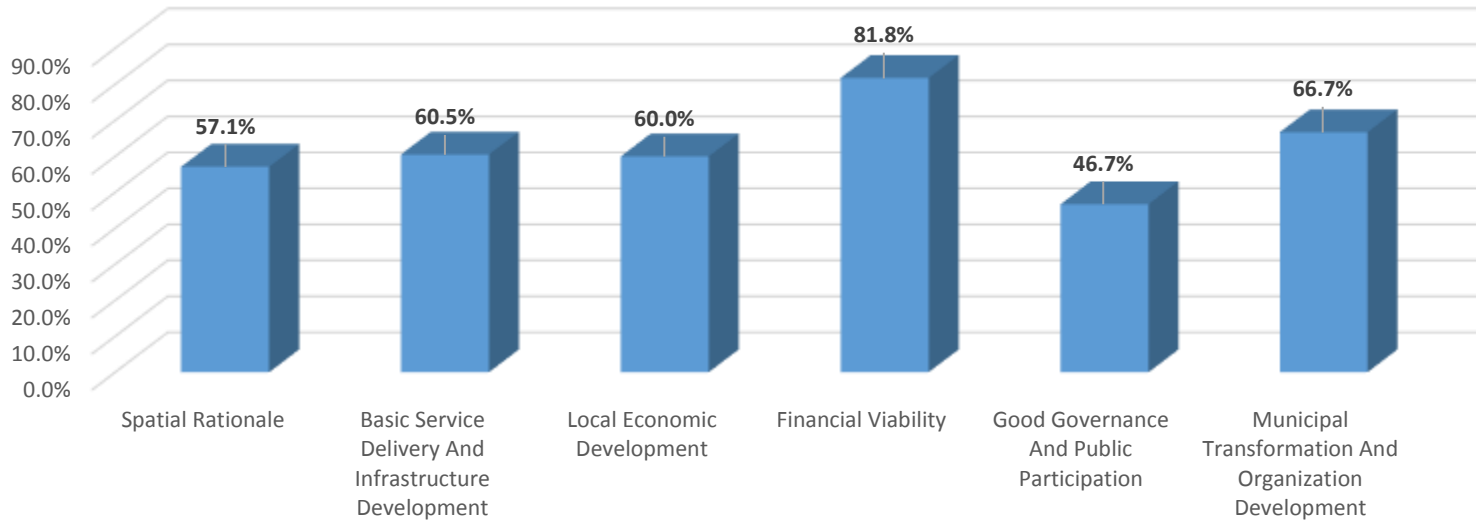
The table serves as an executive Summary of the Performance Report of the non- financial information has contained in the Service Delivery and Budget Implementation Plan (SDBIP) in line with the MFMA Circular 63 of the National Treasury (2012).

A SUMMARY OF ANNUAL PERFORMANCE 2019/20 FY

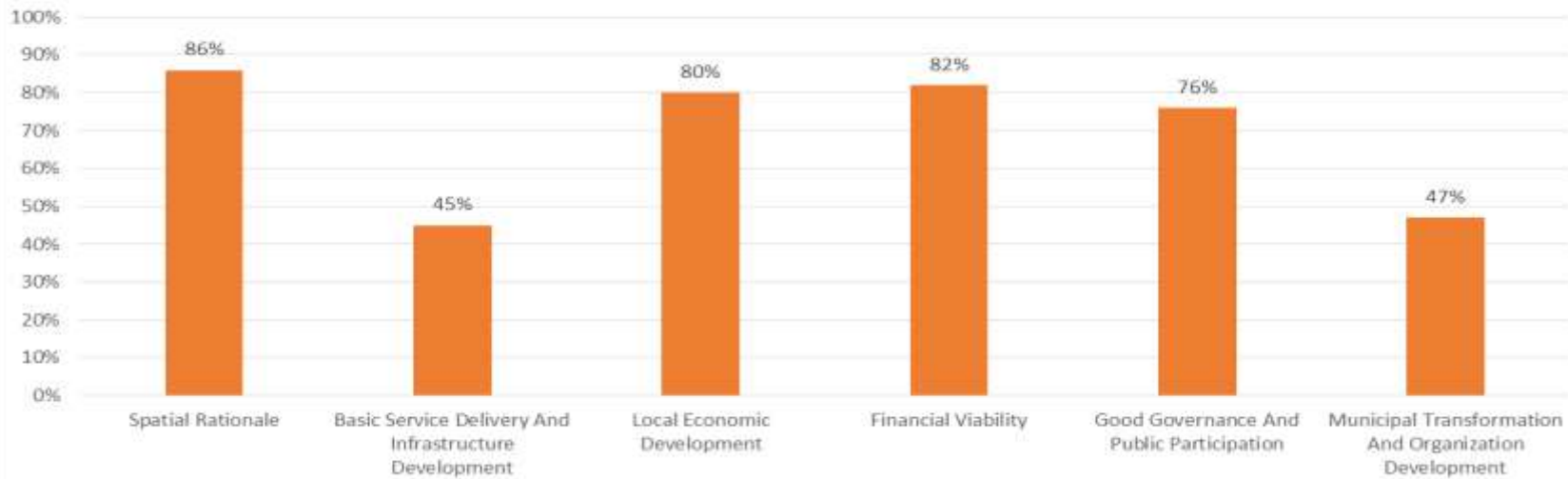
No:	KEY PERFORMANCE AREA	NO.TARGETS	ACHIEVED	NOT ACHIEVED	EVALUATION PER KPA
1	Spatial Rationale	7	4	3	57.1%
2	Basic Service Delivery And Infrastructure Development	38	23	15	60.5%
3	Local Economic Development	5	3	2	60%
4	Financial Viability	22	18	4	81.8%
5	Good Governance And Public Participation	30	14	16	46.7%
6	Municipal Transformation And Organization Development	24	16	8	66.7%

7	Total	126	78	48	61.9
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Annual 2019/20 Performance

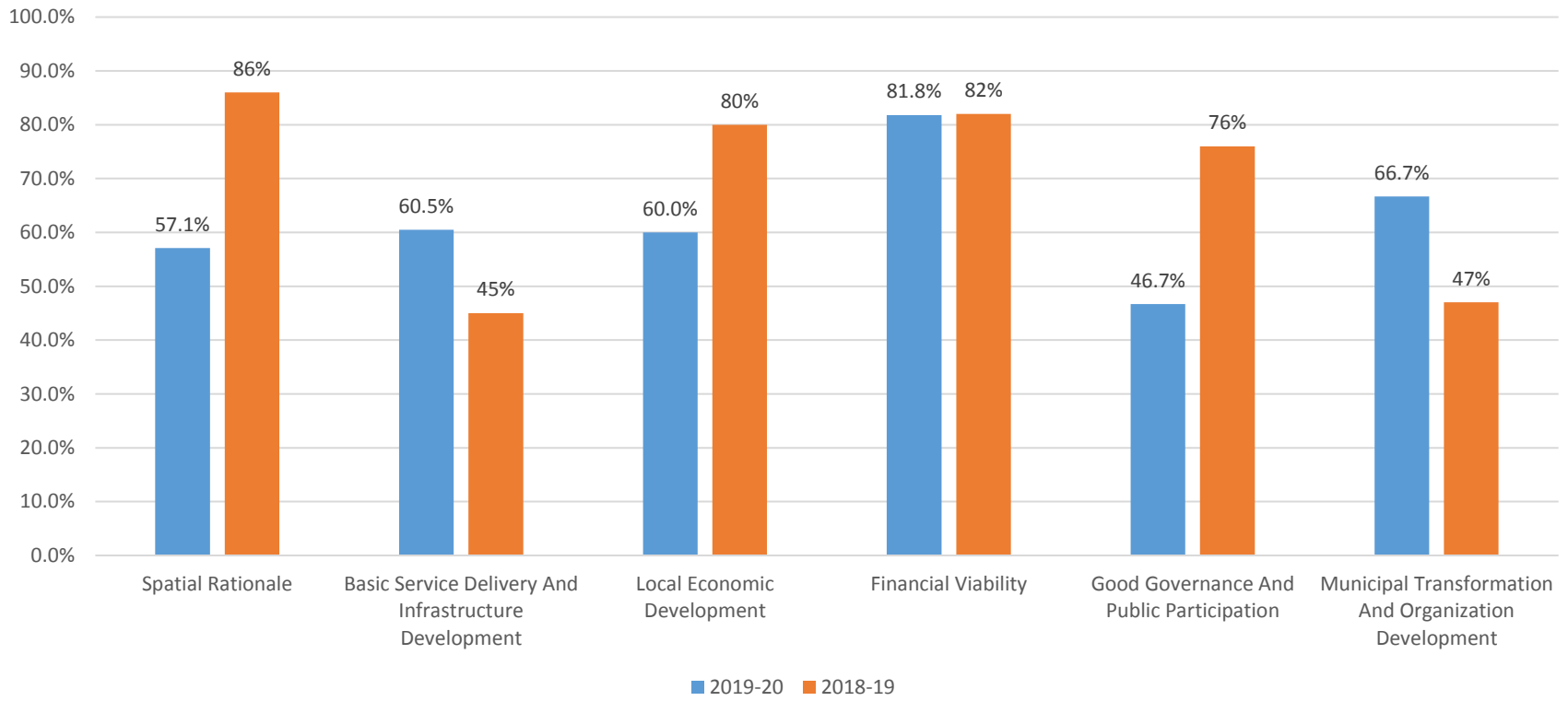


Annual 2018/19 Performance



In terms of comparative overview, the following appeared in the cumulative annual performance report of the prior year, 2019/20;

2018/19 vs 2019/20



A SUMMARY OF ANNUAL PERFORMANCE 2018/19 FY

No:	KEY PERFORMANCE AREA	NO.OF PROJECTS	NO.TARGETS	ACHIEVED	NOT ACHIEVED	ACHIEVED %	NOT ACHIEVED %
1	Spatial Rationale	6	7	06	01	86%	14%
2	Basic Service Delivery And Infrastructure Development	39	40	18	22	45%	55%
3	Local Economic Development	05	05	04	01	80%	20%
4	Financial Viability	14	22	18	04	82%	18%
5	Good Governance And Public Participation	35	49	37	12	76%	24%
6	Municipal Transformation And Organization Development	14	19	09	10	47%	53%
7	Total	113	142	92	50	65%	35%

Comparison of 2018/19 and 2019/20 KPIs Performance

KPA 1: SPATIAL RATIONALE

Project	KPI	2018/19 Target	2018/19 Actual Progress	2019/20 Target	2019/20 Actual Progress
Spatial Development Framework	Spatial Development Framework implemented	Spatial Development Framework implemented	Spatial Development Framework implemented	Spatial Development Framework implemented	Spatial Development Framework implemented
Update of LUMS	Turnaround time in processing land applications from the date received ²	All applications received and approved within 30 days of receipt	122 Building plans received:98 plans approved within 30days	All applications received and approved within 30 days of receipt	31/31 applications received and approved within 30 days of receipt
Update of LUMS	Turnaround time in processing building plans from the date submitted	31 Applications approved within 90days	90 days	98/99 building plans were approved within 90 days of receipt	1 building plan not approved
Update of GIS	Turnaround time in uploading municipal data (asset register/properties) on GIS delivery (completion date ³	4	4	4	13
SPLUMA campaigns	Number of SPLUMA campaigns are held	4	4	4	2
LUMS campaigns	Number of LUMS campaigns are held	4:	6	4	2
Land acquisition	Amount (R) set aside for the acquisition of land	15,000,000	3,000,000	3,000,000	3,000,000

KPA 2: BASIC SERVICES

Project	KPI	2018/19 Target	2018/19 Actual Progress	2019/20 Target	2019/20 Actual Progress
The Oaks internal street	Number of kilometres of the Oaks Internal streets paved	1km	0.965km	0,835km	0,835km
Santeng Access road	Number of metres of Santeng graveyard access road paved	500m	0m	400m	400m
Calais internal street	Number of kilometres of Calais internal street paved	-	-	Appointment of a contractor	Completion of designs.
Hlohlokwe access road	Number of km of hlohlokwe access road	1.2km	1.1km paved	No target	No target
Balloon access road	Number of kilometres of Balloon access road surface	1km	0.20km	1km	1km
Lorraine Bellville road	Number of kilometres of Lorraine Bellville road tarred	1km surfacing	1km surfaced	-	-
Bismarck access road	Number of meters of box cutting completed	1km	0km	500m base layer	500m base layer
Rehabilitation of Hoedspruit internal street	Number of meters of Hoedspruit internal street surfaced	1km	0km	500m	500m
Rehabilitation of Kampersurs road	Number of meters of kamperus road rehabilitated	500m	0m	600m	0m
Maruleng low level bridges	Number of low level bridges constructed	0	0	Designs completed	Designs completed
Madeira access road	Number of kilometres of Madeira access road paved	1km	1km	1km	1km

Sofaya-Mahlomelong access road	Number of kilometres of Sofaya access road	No target	No target	0.5km	0km
Rehabilitation of Ga-sekororo access road	Designs for 2KM road	No target	No target	Designs	Designs
Worcester access road	Number of kilometre of Worcester access road paved	500m	0m	1.5k	1.5km
Butswana access road	Number of kilometres of Butswana access road paved	500m	0	1.1 km	1.1km
Madeira access road	Number of kilometres of Madeira access road paved	1km	1km	1km	1km
Willows access road	Number of Kilometres of willows access road paved	1km	0.4km	1.5km	1.5km
Newline –Ga Fanie access road	Number of kilometres of newline-Ga fanie access road paved	500m	0m	1km	1km
Refuse removal	Number of households with basic waste removal/collection by 30/06/20	11 206	11 206	11 206	11 206
	Number of commercial, institutional and industrial centres with access to solid waste removal services	50	50	50	61
Fencing of cemeteries	Number of cemeteries fenced	5	4	5	5
Fencing of London landfill site	Number of landfill site fenced	No target	No target	1	0
Maruleng indoor sports centre	% of indoor sports centre completed	100% completion	93% completion	100% completion	92% completion

Calais sports field	% completion construction work of Calais sports field	20.04%	20.02%	60%	60%
Lorraine community hall	Designs of community hall completed	No target	No target	Designs completed	Designs Completed
Electricity	Number of electrical equipments maintained	300	439	No target	No target
street lighting	Number of street lights maintained	148	36	148	0
Roads and bridges	KM roads and bridges maintained	308km	369.71km	308km	203km
Buildings	Number of municipal buildings maintained	13	13	13	13
Routine maintenance of vehicles	Number of vehicles maintained	10	10	10	10
Machines	Number of municipal heavy machines maintained	3	3	3	0
Road master plan	Number of road master plans developed	1	0	No target	No target
Restoration of municipal buildings	Number of municipal buildings renovated	1	0	No target	No target
Municipal building repaired	Number of municipal building repaired	1	0	No target	No target
High mast lights	Number of high mast lights erected	4	0	No target	No target
Thusong learner centre classroom	Number of Thusong learner centre class upgraded	1	0	No target	No target
Speed machines	Number of speed machines maintained	2	2	No target	No target
Parks and gardens	Number of parks and gardens maintained	4	6	6	6
Office furniture	Number office furniture purchased	5 tables and 10 chairs	2 tables & 600 chairs	20 tables & 70 chairs procured	0

Office equipments	Number of office equipment's purchased	5	4	5	0
IT equipment's	Number of IT equipment purchased	5 laptops & 10 desk top computers	16 laptops	100	50
Software	Software upgrade	Software upgraded	Software not upgraded	Software upgraded	Software not upgraded
Access control	Number of access control equipment's upgrade	2	0	2	2
Plant and equipment	Number of lawn mowers purchased	2	2	10	0
Water cooler	Number of water cooler purchased	10	0	No target	No target
Vehicles	Number of vehicle purchased	5	14	3	1 grader,3 cars
Server room upgrade	Number of server rooms upgraded	1	0	No target	No target
Air conditioners	Number of air conditioners purchased	3	30	5	2
Two way radios	Number of two way radio purchased	2	0	2	0
Road traffic signs	Number of road traffic signs needed	5	0	No target	No target
Maintenance of electricity	Number of high mast lights maintained	4	0	30	0

KPA 3: LOCAL ECONOMIC DEVELOPMENT

Project	KPI	2018/19 Target	2018/19 Actual Progress	2019/20 Target	2019/20 Actual Progress
K2C support	Number of K2C programs supported	4	3	4	4
LED programs	Number of LED programs supported	8	109	8	868
LED forums	number of LED forums supported	4	1	2	0
Tourism	Number of existing tourism activities supported	3	7	3	2
EPWP	Number of jobs created through EPWP	150	270	150	311

KPA 4: FINANCIAL VIABILITY

Project	KPI	2018/19 Target	2018/19 Actual Progress	2019/20 Target	2019/20 Actual Progress
Supplementary valuation roll	Number of supplementary taxes implemented	1	1	1	1
Revenue enhancement strategy	Number of revenue enhancement strategies reviewed	1	1	1	1
Asset and inventory management	% compliance to asset standard (GRAP 17)	100%	100%	100%	100%
Asset and inventory management	Number of assets update schedule	12	12	12	12
Supply chain management	% compliance to SCM regulations	100%	100%	100%	100%

Supply chain management	Number of compliant in-year report submitted to council and treasury	12	12	12	12
Cost coverage	Number of acceptable months for municipality sustainability	3	3	3	6
Revenue collection	% revenue collected monthly	70%	56%	80%	40%
Debt coverage	% debt coverage ratio	0%	0%	0%	0%
MSCOA	% compliance to MSCOA	100%	100%	100%	100%
MFMA implementation	Number of MFMA compliance reports submitted as per legislations	40	40	40	40
Expenditure management	% compliance to MIG expenditure	100%	100%	100%	100%
	% of personnel budget spent	100%	74%	100%	85%
	% of maintenance budget spent	100%	49%	100%	28%
	% capital budget spent	100%	80%	100%	63%
Fleet management	Number of quarterly reports submitted on fleet management	12	12	12	12

KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Project	KPI	2018/19 Target	2019/20 Actual Progress	2019/20 Target	2019/20 Actual Progress
External auditing	% compliance to AG audit action plan	100%	68%	100%	85%
	% of AG queries resolved	100%	68%	100%	85%
Internal auditing	% of internal audit findings resolved	100%	100%	100%	83%
	Number of quarterly internal audit reports with recommendations submitted to council	4	4	4	4
	% of audit and performance committee resolutions implemented	100%	82%	100%	90%
	Number of PMS reports audits conducted	4	4	4	4
Audit committee	Number of audit committee meetings held	4	10	4	7
MPAC	% of MPAC resolutions implemented	100%	100%	100%	70%
Fraud and corruption	Number of fraud and corruption cases investigated	All reported cases	0	All reported cases	0
Public participation	Number of public participation meetings held	4	6	4	3
Ward committees	Number of functional ward committees	14	14	14	14
Communication strategy	Communication strategy reviewed and implemented	Communication strategy reviewed and implemented	Communication strategy reviewed and implemented	Communication strategy reviewed and implemented	Communication strategy reviewed and implemented
Complaints management	% of complaints resolved	100%	100%	100%	100%
Council support and function	Number of council and portfolio committees sittings supported	24	52	24	37

Risk management	% implementation of identified risks mitigations	100%	100%	100%	50%
Disaster management	Number of disaster risks management campaigns held	4	6	4	4

KPA 6: MUNICIPAL TRANSFORMATION AND ORGANIZATIONAL DEVELOPMENT

Project	KPI	2018/19 Target	2019/20 Actual Progress	2019/20 Target	2019/20 Actual Progress
IDP review	IDP/Budget adopted by council by 31 May	IDP/Budget adopted by council by 31 May	IDP/Budget adopted by council by 31 May	IDP/Budget adopted by council by 31 May	IDP/Budget adopted by council by 31 May
IDP/PMS strategic planning session	Number of IDP/PMS strategic planning sessions held	1	1	1	1
PMS	Number of senior managers with signed performance agreements	6	2	6	3
	Number of formal assessments conducted for senior managers	2	0	2	0
	Number of other officials other than S56 with Performance plans	20	0	20	0
	Number of in-year performance reports submitted to council	4	4	4	4
Employment equity plan	Number of people from EEP target group employed in the three highest	3	3	2	2

	levels of the municipality				
	Number of staff complement with disabilities	5	4	5	5
Workplace skills plan	Amount actual spent on implementation of workplace skills plan	1 800,000	755, 755.20	2, 800,000	2,500,000
	Number of employees and councillors capacitated in terms of work place skills plan	70	24	70	38
Payroll management	% accuracy on payroll information	100%	100%	100%	100%
Overtime management	% compliance to overtime regulations	100%	100%	100%	100%
Legal services	Number of labour grievances resulting in lawsuit against the municipality	0	0	0	0
	Number of service providers with signed Service Level Agreement	20	25	20	25
Local labor forum	Number of local labour forum meetings held	4	4	4	1
OHS	Number of compliance reports generated	4	4	4	4

The tables above narrate a story of MLM's non-financial performance in comparative perspective. The performance for the 2019/20 Financial Year is 61.9% compared to 65% of the prior year 2018/19. The overall performance represents decrease of 3.1% for the year under review when compared to the prior year. It is a matter of performance record and comparison that the expenditure of Municipal Infrastructure Grant (MIG) for the 2018/19 financial year increased from 100% to

100% compared to the prior year 2019/20. The outbreak of COVID-19 was one of the contributory factors regarding decline performance when compared with previous financial year.

2019/20 PERFORMANCE OF EXTERNAL SERVICE PROVIDERS.

Performance of External Service Providers is included in the report. It is attached as part B page 121

2018/19 PERFORMANCE OF NATIONAL KEY PERFORMANCE INDICATORS (KPIs)

The table below gives status quo of access of basic services which are National Targets.

BASIC SERVICES

BASIC SERVICES	ACCESS (Households)	%
Water	16 662/24 470	68%
Sanitation	22 983/24 470	93.9%
Electricity	22 297/24 470	91.1%
Refuse removal	11206/24 470	45.7%
Housing	24 016/24 470	98.1%

FREE BASIC SERVICES

BASIC SERVICES	ACCESS (Households)	%
Water	2 405/3 700	65%
Sanitation	3 213/3 700	86.8%
Electricity	2016/3 700	54.5%
Refuse removal	11206/3 700	100%



MARULENG LOCAL MUNICIPALITY

**SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)
PERFORMANCE REPORT**

2019/2020 FINANCIAL YEAR (30TH JUNE 2020)

STRATEGIC OVERVIEW

VISION

“TO BE THE POWERHOUSE OF SOCIO-ECONOMIC DEVELOPMENT THROUGH SUSTAINABLE AND INTEGRATED AGRICULTURE AND TOURISM”

MISSION

“MARULENG LOCAL MUNICIPALITY IS COMMITTED TO THE ACCELERATED PROVISION OF QUALITY BASIC SERVICES AND PROMOTION OF SOCIO-ECONOMIC DEVELOPMENT THROUGH THE HARNESSING OF ALL RESOURCE ENDOWMENTS IN AN INTEGRATED AND SUSTAINABLE MANNER”

BACKGROUND AND OVERVIEW

The enactment of the Local Government: Municipal Finance Management Act (no.56 of 2003) introduced additional requirements for the municipal planning, budgeting and performance monitoring into the local government legislative framework. Chief amongst the management reforms introduced by the MFMA is the requirement that municipalities must develop “SERVICE DELIVERY AND BUDGET IMPLEMENTATION (SDBIP)”. Regarding SDBIP, Section 53 (c) (ii) of the MFMA (no.56 of 2003) states as follows: “the Mayor of the Municipality must take reasonable steps so that the municipality’s Service Delivery and Budget Implementation Plan is approved by the Mayor within 28 days after the approval of the budget”.

The SDBIP must be submitted to the Mayor by the Municipal Manager within 14 days after the adoption of the budget by the Municipal Council. The SDBIP basically operationalizes the IDP/Budget. It is developed in compliance with the MFMA read with s40 of the Local Government: Municipal Systems Act (32 of 2000). The above sums up the legislative requirements of the SDBIP. The SDBIP is also aligned to the MLM’s Performance Management System Framework. The Municipal’s SDBIP was also informed by **the National Treasury’s Framework for Managing Programme Performance Information** dated May 2007. **Section 54 (1) of the MFMA, Act 56 Of 2003, further requires the adjustment of the SDBIP in line with the Adjusted Budget.**

THE MUNICIPAL PRIORITIES AND DEVELOPMENT OBJECTIVES

The MLM's development objectives are two- fold, long-term developmental objectives and medium-term objectives. The following table highlights the municipal strategic development priorities and long-term development objectives as extracted from the IDP/Budget (2019/20 financial year)

Priority Area	Development Objectives
1. Spatial Rationale	1.Promote integrated human settlements ad agrarian reforms
2. Basic Service Delivery	1. Improve community well-being through accelerated service delivery
3. LED	1. Promote local economic development 2. Develop partnerships
4. Municipal Financial Viability and Management	1. Sound financial management
5.Good Governance and Public Participation	1.Putting people first 2. Promote inter-governmental function and coordination
6.Municipal Transformation and Organization Development	1.Build capable institution and administration

Source MLM IDP (2019/20: 92)

PERFORMANCE OVERVIEW

For the financial year under review the municipality had a total of 90 projects/programs and 128 indicators at the beginning of the year but during budget adjustment 23 projects/programs were removed as per the directive of the National Treasury circular no. 317 of 2019 on Municipal Cost containment measures. A general regard is given to narration of quantitative (especial where percentage are seemingly indispensable- indicator description). Targets are largely cumulative (except for few instances where this may not be amendable. Projects are listed according to KPAs as captured in the IDP/Budget, SDBIP read together with the Adjustment SDBIP and Mid-year SDBIP Report. The adjustments effected during the Mid-year SDBIP adjustment exercise herein pertain to a wide range of performance information such as review of targets, indicators, activities and to some extent the PoE (Portfolio of Evidence). As spelled out in Local Government: Municipal Planning and Performance Management Regulations (RSA, 2001, s09) read with Local Government: Municipal Systems Act (no.32 of 2000), targets and indicators are set out in the relevant sections of the 2019/20 IDP/Budget read together with the SDBIP. The SDBIP is developed annually to monitor the implementation and performance of both the IDP and budget. Of the 128 indicators the municipality managed to achieve 84 indicates which translates to 64.8%. 44 indicators were not achieved which translates to 35.2% and main contributing fact was the outbreak of COVID-19 pandemic during later of the third quarter and very few activities took place in the fourth quarter. Below is the detail account of performance of the period under review:

KPA 1: SPATIAL RATIONALE

STRATEGIC OBJECTIVE: “Promote integrated human settlements and agrarian reform”

PROJECT 1.1: Spatial Development Framework

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that planning and development is informed by the SDF	Spatial Development Framework implemented ¹	Spatial Development Framework implemented	Spatial Development Framework implemented	Spatial Development Framework implemented	None	None	None	Achieved	Reports on the implementation of SDF
Budget (R)		OPEX							

¹All land developments done as per SDF

Project 1.2: Update of LUMS

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that Land Use Management Scheme is updated	Turnaround time in processing land applications from the date received ²	122 Building plans received:98 plans approved within 30days	All applications received and approved within 30 days of receipt	31/31 applications received and approved within 30 days of receipt	None	None	None	Achieved	Building plans updated reports
	Turnaround time in processing building plans from the date submitted	31 Applications approved within 90days	90 days	98/99 building plans were approved within 90 days of receipt	1 building plan not approved	Awaiting engineering certificate (post construction)	Fast-track the engineering certification processes	Not achieved	LUMS updated reports
Budget (R)			OPEX						

²Processing and finalization of all land development applications and changes of land rights in line with Land Use Management Scheme

Project 1.3 Update of GIS

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that GIS is updated	Turnaround time in uploading municipal data (asset register/properties) on GIS delivery (completion date ³)	4	4 updates conducted annually	13 updates conducted annually	9 updates conducted	Sector departments provided additional information through department of Rural Development	None	None	GIS quarterly reports
Budget (R)		OPEX							

Loading of all new developments information in the system

Project1.4 SPLUMA Campaigns

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that SPLUMA campaigns are held to educate communities about this act	Number of SPLUMA campaigns are held	4 (land use campaigns conducted)	4	2	2	Campaigns not conducted due to cost containment measures	Future campaigns to be conducted during week days and to be limited at traditional authorities at no cost to	Not achieved	Invitations & attendance register

							the municipality.		
Budget (R)		OPEX							

Project 1.5 Land Use Management Scheme Campaigns

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that LUMS campaigns are held to educate communities about Land usage	Number of LUMS campaigns are held	6 land use and SPLUMA campaign conducted:	4	2	2	Campaigns not conducted due to cost containment measures	Future campaigns to be conducted during week days at no cost to the municipality	Not achieved	Invitations & attendance register
Budget (R)		OPEX							

STRATEGIC OBJECTIVE: “Promote integrated human settlements and agrarian reform”

PROJECT 1.6: Land Acquisition for Development

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Setting aside an amount for the acquisition of land	Amount (R) set aside for the acquisition of land	15,000,000	3,000,000	3,000,000	None	None	None	Achieved	Investment register
Budget (R)			3,000,000	3,000,000					

KPA 2: BASIC SERVICE DELIVERY

STRATEGIC OBJECTIVE: “Improve community well-being through accelerated service delivery”

Project 2.1: THE OAKS INTERNAL STREETS

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of kilometers of The Oaks internal streets paved	0.965km paved	835m (adjusted)	835m	None	None	None	Achieved	Completion certificate
Budget (R)			4 552 494(Adjusted)	3 949 152	603,342				Invoices

Project 2.2: SANTENG GRAVEYARD ACCESS ROAD

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of metres of Santeng graveyard access road paved	Gravel road	440m (Adjusted)	440m	None	None	None	Achieved	Completion certificate

Budget (R)			4 149 998	3 364 951	785 046.7				Invoices
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Project 2.3: Calais Internal Street

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Appointment of a contractor	Gravel road	Appointment of a contractor	Contractor not appointed	Appointment of a contractor	Due to Covid-19 pandemic, processes of procurement were disrupted	Project will be advertised on the first quarter of 2020/21 financial year	Not achieved	Appointment Letter
Budget (R)			750 000	749 709	290.72				Invoices

Project 2.4: Balloon access road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to asphalt road	Number of kilometers of Balloon access road surfaced	0.20km	1km	1.1km	0.1k	The contractor did more work with the available budget	None	Achieved	Completion Certificate
Budget (R)			14 175 012	12 510 293	1 664 719				Invoices

Project 2.5: Rehabilitation of Hoedspruit internal streets

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To rehabilitate a road	Number of meters of Hoedspruit internal streets surfaced	2km constructed	500M	500M	None	None	None	Achieved	Completion Certificate
Budget (R)			7 499 997 (Adjusted)	4 551 297	2 948 700				Invoices

Project 2.6: Bismarck Access Road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to tarred road	Number of meters of box cutting completed	Gravel road	500m base layer	500m base layer	None	None	None	Achieved	Completion certificate
Budget (R)			3 999 999 (Adjusted)	3 405 735	594 263.8				Invoices

Project 2.7: Maruleng low level bridges

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Construction of low-level bridges	Number of low level bridges constructed	New	Design	Design	None	None	None	Achieved	Designs
Budget (R)			1 499 998 (Adjusted)	1 499 462	535.91				Invoices

Project 2.8: Butswana access road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of Kilometres of Butswana access road paved	1.2km	1.1km (Adjusted)	1.1km	None	None	None	Achieved	Completion certificate
Budget (R)			(6 000 000 Adjusted)	5 864 946	135 054.5				Invoices

Project 2.9: Madeira access road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of kilometres of Madeira access road paved	1km paving completed	1KM	1KM	None	None	None	Achieved	Completion Certificate
			4,593,373(Adjusted)	4 256 329	337 044				Invoices

Project 2.10: Willows access road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of kilometers of willows access road paved	0.4km paved but not commissioned	1.5KM (adjusted)	0KM	1.5KM	Dispute between the municipality and the contractor	An independent adjudicator appointed to mediate the dispute	Not achieved	Completion Certificate
Budget (R)			4 999 999 (Adjusted)	4 948 916	51 083.3				Invoices

Project 2.11: NEW LINE-GA-FANIE ACCESS ROAD

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of kilometres of Newline-Ga-Fanie access road paved	Gravel road	1KM	1.6KM	0.6KM	Contractor did more work with the available budget	None	Achieved	Completion certificate
Budget (R)			8 999 998 (Adjusted)	8 960 194.07	39 803.93				Invoices

Project 2.12: Kampersus access road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To rehabilitate a road	Number of meters of Kampersus road rehabilitated	Designs	600M	0M	600M	Due national lockdown, the contractor could not work in the month of April which cause a delay in progress.	Extension of time was granted and the project will be completed in the second quarter of 2020/21 FY.	Not Achieved	Completion Certificate
Budget (R)			7 500 000 (Adjusted)	3 560 520.21	3 939 480				Invoices

Project 2.13: Worcester Access road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of Kilometer of Worcester access road paved	500m road bed	1.5KM	1.5KM	None	None	None	Achieved	Completion Certificate
Budget (R)			6 500 004	6 354 191	145 812.7				Invoices

Project 2.14: Sofaya Mahlomelong Access Road

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Number of Kilometers of Sofaya Mahlomelong access road	Designs	designs	Designs	None	None	None	Achieved	Appointment Letter
Budget ®			5 000 000 (Adjusted)	5 000 000	0.0				Invoices

Project 2.15: REHABILITATION OF GA-SEKORORO ACCESS ROAD

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To upgrade a road from gravel to paved road	Designs	Pot-holed road	Designs	Designs	None	None	None	Achieved	Designs
Budget ®			499 998	499 078.6	919.37				Invoices

Project 2.16: Refuse Removal from Households to the Landfill site in Worcester

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure the provision of refuse removal services	Number of households with basic waste removal by 30.06.19	2044	11 206	11 206	None	None	None	Achieved	Quarterly reports
	Number of commercial, institutional and industrial centers with access to solid waste removal services	50 business	50 business establishment	61 business establishment	11 businessmen establishment	Additional businesses	None	Achieved	Quarterly reports
Budget (R)			8 000 000 (Adjusted)	7,967,957.76	32 042.24				Invoices

* 30.06.19 should read 30.06.20

Project 2.17: Maruleng indoor sports centre

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure the construction of indoor sports centre	% of indoor sports centre completed	90% on completion	100% Completion	92% completion	8% completion	Budget was exhausted on the third quarter. The Contractor will resume work on the first quarter on 2020/21 financial year	Additional funding in 2020/21 financial year	Not Achieved	Completion Certificate
Budget (R)			7 722 255(Adjusted)	5 998 365	1 723 890				Invoices

Project 2.18: Lorraine community hall

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure the construction of community hall	Designs of community hall completed	New	Designs completed	Designs Completed	None	None	None	Achieved	Designs
Budget (R)			500 000(Adjusted)	4 987 639	1 236.11				Invoices

Project 2.19: Calais Sports Field

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to	Verified Actual Performance	Portfolio of Evidence
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							improve performance		
Ensure the construction of Sports Field	% completion construction work of Calais Sports Field	20.02%	60 % sports field constructed	60% sports field constructed	none	none	none	Achieved	Quarterly progress report
Budget (R)			16 325 544 (Adjusted)	14 519 945	1 805 599				invoices

Project 2.20: MAINTENANCE OF ELECTRICITY

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure that municipal electrical assets are maintained (high mast lights)	Number of high mast lights maintained	New	30	0	30	Lack of resources (equipments) for the team to work at the height	The require equipments will be procured in the first quarter of 2020/21 financial year	Not Achieved	Quarterly maintenance report

Budget (R)			200 000	0					Invoices
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Project 2.21: MAINTENANCE OF STRRET LIGHTING

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure appropriate maintenance of street lighting	Number of street lights maintained	36	148	0	148	Lack of resources (equipments) for the team to work at the height	The require equipments will be procured in the first quarter of 2020/21 financial year	Not Achieved	Quarterly maintenance report
Budget (R)			300 000	0.0					Invoices

Project 2.22: MAINTENANCE OF ROADS AND BRIDGES

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
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Ensure appropriate maintenance of roads and bridges	Number of KM municipal roads and bridges maintained	369.71km	308KM	203KM	105KM	Delay in procurement of material	Materials will be procure on the first quarter of 2020/21 financial year	Not Achieved	Quarterly Maintenance reports
Budget (R)			350 000(Adjusted)	127 501.66	222 498.34				Invoices

Project 2.23: MAINTENANCE OF BUILDINGS

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure appropriate maintenance of buildings	Number of municipal buildings maintained	13	13	13	None	None	None	Achieved	Quarterly Maintenance reports
Budget (R)			350 000(Adjusted)	140 201.08	209 798.92				Invoices

Project 2.24: Routine Maintenance of Vehicles

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure appropriate maintenance of vehicles	Number of Vehicles maintained	10	10	10	None	None	None	Achieved	Quarterly Maintenance reports

Budget (R)			1 000 000	803 540.55	196 459.65				Invoices
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Project 2.25: Machines

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure appropriate maintenance of machines	Number of municipal heavy machines maintained	3	3	0	3	None (no need for maintenance of machines as they are new and operated less due to COVID-19 pandemic)	None	Achieved	Quarterly Maintenance reports
Budget (R)			2 000 000(Adjusted)	1 035 294.83	964 705.17				Invoices

Project 2.26: Parks and gardens

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
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Ensure parks and gardens maintained	Number of parks and gardens maintained	6	6	6	None	None	None	Achieved	Quarterly maintenance report
Budget (R)			150 000	149 196.70					Invoices

Project 2.27: Fencing of cemeteries

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure that cemeteries are fenced	Number of cemeteries fenced	4	5	5	None	None	None	Achieved	Completion Certificate
Budget (R)			2 000 000	316 030	1 683 970				Invoices

Project 2.28: Fencing of London Landfilled Site

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure that cemeteries are fenced	Number of Landfill site fenced	New	1	0	1	Due to Covid-19 pandemic, processes of procurement were delayed	Project will be advertised on the first quarter of 2020/21 financial year	Achieved	Completion certificate

Budget (R)			4,000,000	0	4 000 000				Invoices
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Project 2.29: Office furniture

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To purchase office furniture	Number Office furniture purchased	2Executive Tables,3 Ordinary chairs ,65 High back chairs	20 tables and 70 chairs	0 tables and 0 chairs	20 tables and 70 chairs	COVID-19 disrupted procurement processes	Project moved to the next financial	Not Achieved	Invoices
Budget (R)			1,000,000	0	1 000 1000				Invoices

Project 2. 30: IT equipment's

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
To purchase IT equipment's	Number of IT equipment purchased	16 laptops	100 laptops	50 laptops	50 laptops	Delay in procurement processes due to COVID -19	50 laptops to be procured in the next financial year	Not Achieved	Delivery receipt
Budget (R)			999 999 (Adjusted)	499 528.9	500 470.1				Invoices

Project 2.31: Software upgraded

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure the software is upgraded	Software upgraded	No software upgrade	Software upgraded	No Software upgraded	Software upgraded	Delay in procurement processes due to COVID -19	Project moved to the next financial	Not Achieved	Invoices
Budget (R)			800 000	26 080	773 924				Invoices

Project 2.32: Access control

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Ensure the upgrading of the existing access control equipment's	Number of access control equipment's upgraded	0	2	2	None	None	None	Achieved	Invoices
Budget (R)			500 000	64 910 .59	435 093.4				Invoices

Project 2.35: Lawn mowers

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Purchasing lawn mowers	Number of lawn mowers purchased	0 lawn mowers	10 lawn mowers	0 lawn mowers	10 lawn mowers	Delay in SCM processes due to COVID -19	It will be procured in the next financial year	Not Achieved	Invoice
Budget (R)			250,000	6 866.09	243,141.19				Invoices

Project 2.36: Air conditioners

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Purchasing and repair of air conditioners	Number of air conditioners Purchased	30	5	2	3	Delay in SCM processes due to COVID -19	It will be procured in the next financial year	Not Achieved	Invoice

Budget (R)			800 000	750	799 254				Invoices
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Project 2.37: Two way radios

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Purchasing of two way radios	Number of two way radios purchased	0	2	0	2	Delay in SCM processes due to COVID - 19	It will be procured in the next financial year	Not Achieved	Delivery note
Budget (R)			600 000	0	600 000				Invoices

Project 2.38: Vehicles

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
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Purchasing of municipal vehicles	Number of vehicles purchased	14(1 waste truck and other 7 bakkies 2 sedans 1 taxi, 3 trucks vehicles)	3 (Grader, cherry picker and TLB)	1 (grader)	2 (Cherry picker and TLB)	Delay in SCM processes due to COVID -19	It will be procured in the next financial year	Not Achieved	Delivery notes
Budget (R)			7 850 000 (Adjusted)	5 212 716.79	2 637 283.21				Invoice

Project 2.40: Purchasing of office equipment

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Measures taken to improve performance	Verified Actual Performance	Portfolio of Evidence
Purchasing of office equipment	Number of office equipments purchased	4	5	0	5	Delay in SCM processes due to COVID -19	It will be procured in the next financial year	Not Achieved	Invoice and delivery notes
Budget (R)			350 000	4 187.07	345 816.9				Invoice

PROJECT 3.2: LED programmes

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
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Ensure that LED programmes are supported	Number of LED programmes supported	109	8	868	860	Increased in business support request by local communities / Issuing of Covid-19 trading permits	Increase annual target to 200	Achieved	Quarterly reports
Budget (R)			150 000	8 400					Expenditure report

PROJECT 3.3: LED Forums

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that LED Forums are convened	Number of LED Forums convened	1	2	0	2	Awaiting review of LED Strategy	Forums to resume once LED Strategy has been reviewed (appointment of Service Provider scheduled for September 2020)	Not achieved	Invitations and attendance register
Budget (R)			OPEX						

PROJECT 3.4: TOURISM

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure the promotion of tourism in the municipal area	Number of existing tourism activities supported	7	3	2	1	Tourism shows suspended due to cost-containment measures	National Department of Tourism to outline way-forward	Not achieved	Quarterly reports
Budget (R)			150,000						Expenditure report

PROJECT 3.5 EPWP

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure the creation of jobs through Expanded Public Works Programme	Number of jobs created through EPWP (NKPI)	270	150	311	161	More jobs were created than anticipated	None	Achieved	Quarterly reports
Budget (R)			2 213 004 (Adjusted)	1 620 372					Expenditure report

KPA 4: FINANCIAL VIABILITY

STRATEGIC OBJECTIVE: “Sound Financial Management”

PROJECT 4.1: SUPPLEMENTARY VALUATION ROLL

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure credible valuation roll in place by 30 June 2020	Number of supplementary taxes implemented	1	1	1	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECT 4.2: REVENUE ENHANCEMENT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To enhance revenue	Number of revenue enhancement strategy reviewed	1	1	1	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECT 4.3: ASSET AND INVENTORY MANAGEMENT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure compliance to asset and inventory management policy (GRAP 17)	% compliance to Asset standard (GRAP 17)	100 % compliance	100% compliance to Asset standard (GRAP 17)	100% compliance to Asset standard (GRAP 17)	None	None	None	Achieved	Quarterly reports
	Number of assets update schedules	12	12	12	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECT 4.4: SUPPLY CHAIN MANAGEMENT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To fully comply with SCM Regulations and National Treasury guide on procurement processes	% compliance to SCM regulations	80 % compliance	100% compliance to SCM regulations	100% compliance to SCM regulations	None	None	None	Achieved	Quarterly reports
	Number of compliant in-year SCM reports submitted on time to Council and Treasury	12	12	12	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECT 4.5: COST COVERAGE

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Improved financially viability	Number of acceptable months for municipal sustainability	3 months	3 months	6 months	3Months	Over-performance due to sound expenditure control	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECT 4.6: REVENUE COLLECTION

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Improved financially viability	% of revenue collected monthly	56%	80%	40%	40%	The municipality is still experience challenges with payment for rates and taxes from the farms		Not achieved	Quarterly reports
Budget (R)			OPEX						

PROJECT 4.7: DEBT COVERAGE

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Improved financially viability	% of debt coverage ratio	0%	0%	0%	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECT 4.8: MSCOA

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that budget management is line with MSCOA	% compliance to MSCOA (uniform reporting for municipalities)	100%	100%	100%	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECTS 4.9: MFMA IMPLEMENTATION

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To ensure compliance with budget and	Number of S71 reports submitted to the mayor and provincial treasury within 10 working	12 MFMA reports	12	12	None	None	None	Achieved	Quarterly reports

reporting regulations	days of start of the month								
	Number of S52 reports submitted to Council within 30 days of the end of each quarter	4 MFMA statutory reports	4	4	None	None	None	Achieved	Quarterly reports
	Number of S72 reports submitted to Council and provincial treasury after assessment by the accounting officer by 25 January	1 Mid-year report (S72)	1	1	None	None	None	Achieved	Mid-year report
	Number of Adjustment Budget reports submitted to Council in terms of S28	1 Budget Adjustment Report	1 Budget Adjustment Report	1 Budget Adjustment Report	None	None	None	Achieved	Council Resolution
	Number of MFMA reports submitted to council	compliance to MFMA reporting	20 Reports	20 Reports	None	None	None	Achieved	Quarterly Reports
	Submission of annual financial statements to the A-G within the prescribed timeframes	Submitted within prescribed timeframes	AFS submitted to A-G 31/08/19	AFS submitted to A-G on 31/08/19	None	None	None	Achieved	Proof of submission DAFS
	Draft Annual Performance report	Submitted within	Draft Annual Performance	Draft Annual Performance	None	None	None	Achieved	Proof of submission DAPR

	submitted within regulated time	prescribed timeframes	report to AG by 31/08/19	report to AG on 31/10/20					
Budget (R)			OPEX						

PROJECT 4.10: EXPENDITURE MANAGEMENT (PERSONNEL BUDGET SPENT)

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Improved managed of municipal spending grants	% of personnel budget spent	74%	100%	85%	15%	High vacant rate on S56 management	Vacant S56 Positions to be filled by 30 November 2020	Not Achieved	Quarterly financial reports
Budget (R)			84 170519 (Adjusted)	69 234 566	14 935 953				Payroll

PROJECT 4.11: EXPENDITURE MANAGEMENT (MIG)

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	PoE
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Ensure compliance to MIG expenditure	% compliance to MIG Expenditure	100%	100%	100%	None	None	None	Achieved	Quarterly financial reports
Budget (R)			26,182,000	26 182 000	0.0				MIG expenditure report

¹²Capture spending on MIG projects. Compile spending reports in terms of s71 reports

PROJECT 4.12: EXPENDITURE MANAGEMENT (MAINTENANCE BUDGET SPENT)

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Improved allocation of maintenance budget	% of maintenance budget spent	49%	100%	28%	72%	Few maintenance done on the period under review	Maintenance to be prioritized in the next financial year	Not Achieved	Quarterly Financial Report
Budget (R)			4 430 000(Adjusted)	2 439 538	1 990 462				Expenditure report

PROJECT 4.13: EXPENDITURE MANAGEMENT (CAPITAL BUDGET SPENT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Improved expenditure on capital budget	% of capital budget spent	80%	100%	63%	27%	Contractors could not be appointed due to the outbreak of COVID-19 pandemic	Most own funded capital projects moved to 2020/21 financial year	Not Achieved	Financial quarterly reports
Budget (R)			94 575 777(Adjusted)	59 203 979	35 371 798				Expenditure report

PROJECT 4.14: FLEET MANAGEMENT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure effective and efficient utilization of fleet	Number of quarterly reports submitted on fleet management	12	12	12	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

STRATEGIC OBJECTIVE: “Build capable institution and administration”

PROJECTS 5.1: EXTERNAL AUDITING

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure improved audit opinion	Number of improved audit opinion	Unqualified audit opinion(Wit h findings)	Unqualified audit opinion	Unqualified audit opinion	None	None	None	Achieved	Audit Report
	% compliance to AG Audit Action Plan (external auditing)	68%	100%	85%	25%	Year- end disclosures	Implement year end disclosures	Not achieved	AG audit Action Plan progress report
	Submit AG Action Plan to Council by 31 January	90%	Submit AG Action Plan to Council by 31 January	Action plan submitted in February 2020	Late submission by 1 month	Action plan was finalized in the 3rd quarter of 2019/20. The report had to be reviewed by the COGHSTA, Provincial Treasury and AGSA	To ensure the action plan is finalized days after the issuance of the audit report (2 nd quarter) so that submission will be made on time	Not achieved	AG audit Action Plan
	% of A-G queries resolved	68%	100%	85%	15%	Most of the Remaining findings to be addressed at year	Address year end findings by 31 August 2020	Not achieved	Implementation Report
Budget (R)				4 266 813	4 987 100	- 720 287			Expenditure report

¹³compile the action plan. Submit to audit committee and council. Monitor the performance of the action plan and report progress to management, audit committee and council and follow-up on areas of lack of progress.

PROJECT 5.2: INTERNAL AUDITING

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To promote good governance	Number of quarterly internal audit reports with recommendations submitted to Council	4	4	4	None	None	None	Achieved	Quarterly reports
	% internal audit findings resolved	100%	100%	83%	17%	Follow up report updated as and when reports are issued	Continuous monitoring of the action plan	Not Achieved	Implementation Report
	% of Audit and Performance Committee resolutions implemented	100%	100%	90%	10%	Resolution register updated upon each meeting	Continuous monitoring of the resolution register	Not Achieved	AC Resolution Register
	Number of PMS audits conducted	4	4	4	None	None	None	Achieved	Quarterly reports
Budget (R)			800 000	78 899	721 101				Expenditure report

PROJECTS 5.3: AUDIT COMMITTEE

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To promote good governance	Number of audit committee held	10	4	07	03	Additional Special AC Meetings	None	Achieved	Quarterly reports
Budget (R)			1 000 000(Adjusted)	1 057 726	057 726				Expenditure report

PROJECT 5.4: FRAUD AND CORRUPTION

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To minimize corrupt activities	Number of fraud and corruption cases investigated	0	All reported cases	No reported cases	None	None	None	Achieved	Quarterly reports
Budget (R)			OPEX						

PROJECTS 5.5: RISK BASED INTERNAL PLAN

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To promote good governance	Annual review of strategic risks plan	Risk Based internal Plan	1 Strategic Risk reviewed	1 Strategic Risk reviewed	None	None	None	Achieved	Risk Reports
	% implementation of identified risks mitigations	Risk Based internal Plan	100%	50%	50%	Management not effectively implementing the agreed action plan	Management is encouraged to implement the agreed action to mitigate the risk	Not Achieved	Progress report on Action Plan
	Number of risk assessments conducted	2	2	0	2	Covid-19 lockdown affected the workshop to conduct the risk assessments	Risk assessments will be done during the 1st quarter of the next financial year.	Not Achieved	Quarterly reports
	Number of institutional Risk Management Committee meetings held	4	4	3	1	Covid-19 lockdown affected the risk management committee meetings schedule	Risk management committee meeting will be held in the first quarter 20/21 FY	Not Achieved	Quarterly Reports

Budget (R)			OPEX						
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PROJECT 5.6: MPAC

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To promote good governance	% of MPAC resolutions implemented	100%	100%	70%	30%	Delay by council in implementing the reports	Council committed to implement those resolutions effective from the 1 st July 2020	Not Achieved	Quarterly reports
	Number of MPAC meetings held	16	4	13	09	Additional scope of work	None	Not Achieved	Quarterly Reports
Budget (R)				429 012					Expenditure report

PROJECTS 5.7: COUNCIL FUNCTION AND SUPPORT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure effective and efficient functioning of Council	Number of council sitting supported	16	4	10	6	Number of special meetings held due to pressing needs	None	Achieved	Quarterly reports
	Number of schedule Executive	15	4	12	8	Number of special Exco meetings held	None	Achieved	Quarterly reports

	committee meetings held					due to pressing needs			
	Number of schedule portfolio committees meetings held	21	16	15	1	Portfolio were not held due to the fact that only essential workers were on duty as per COVID-19 regulations	None	Not Achieved	Progress report on Action Plan
Budget (R)			OPEX						

STRATEGIC OBJECIVE: “Putting people first”

PROJECTS 5.8: PUBLIC PARTICIPATION,

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To promote community participation and accountability	Number of public participation meetings (imbizos) held	6	4	3	1	Public participation meetings could not be held due to COVID-19 regulations	Public participation meetings to be held once the government relaxes the regulations	Not achieved	Quarterly reports
	Number of community feedback meetings held	49	56	42	14	Feedback meetings could not be held due to COVID-19 regulations	Regularly feedback meetings to be held once the government	Not achieved	Quarterly reports

							relaxes the regulations		
Budget (R)			650,000	263 120		386 880			Expenditure report

PROJECT 5.9: COMPLIANTS MANAGEMENT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
To promote community participation and accountability	% of complaints resolved	100%	100%	100%	None	None	None	Achieved	Quarterly reports (complaints management register)
Budget (R)			OPEX						

PROJECTS 5.10: WARD COMMITTEES SUPPORT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure effective and efficient functioning of ward committees	Number of functional ward committees	Number of functional ward committees	14	14	None	None	None	Achieved	Quarterly Reports
	Number of monthly ward committees reports submitted	Number of monthly ward committees reports submitted	148	106	42	Few feedback meetings held due to outbreak of COVID-19	Monthly ward committee meetings to be held once government relaxes regulations	Not Achieved	Quarterly Reports
Budget (R)			3 807 000	2 491 500	1 315 500				

									Expenditure report
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PROJECT 5.11: COMMUNICATION

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure effective and efficient communication	Communication strategy reviewed and implemented annually	2018/19 Communication Strategy	Communication strategy reviewed and implemented annually	Communication strategy reviewed and implemented	None	None	None	Achieved	Quarterly reports
Budget (R)			65 580 (Adjusted)	42 545	23 033				Expenditure report

PROJECT 5.12: MAYORAL BUSARY FUND

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Provide requisite support to needy learners-	Number of learners supported	4	4	6	2	Two more learner where added to study for a scare skills	None	Achieved	Quarterly reports
Budget (R)			650000	207 389	442 611				Invoices

PROJECT 5.13: TRADITIONAL LEADERS ALLOWANCE

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
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Ensure that traditional leaders receive allowance for attending council meetings	Number of traditional leaders receiving allowance for attending council meetings and activities	4	4	2	2	Council dates clashes with the traditional deals calendar	Circular of council schedule meetings to traditional leaders at the beginning of the financial year and meeting individual leaders to ascertain reasons for non-attendance	Not Achieved	Quarterly reports
Budget (R)			12000	5 942	6 058				Expenditure report

PROJECTS 5.14: DISASTER MANAGEMENT (PLAN, CAMPAIGNS & STRATEGIC SESSION)

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure appropriate response to disaster management	Review of Disaster Risk Management Plans reviewed	2018/19 DRM plan	1	1	None	None	None	Achieved	Council resolution
	Number disaster risks management strategic planning session held	0	1	0	1	Delay in adoption of the disaster risk management plan which guides all activities	The session to be held in the next financial year	Not achieved	Invitations and attendance register
	Number disaster risks management awareness campaigns held	6	4	4	None	None	None	Achieved	Quarterly reports

Budget (R)			400 000(Adjusted)	9 300	390 700				Expenditure report
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KPA 6: MUNICIPAL TRANSFORMATION AND ORGANIZATION DEVELOPMENT

STRATEGIC OBJECTIVE: "Build capable institutions and administration"

PROJECT 6.1: IDP REVIEW

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that IDP/Budget are done within the legislated framework	IDP/Budget adopted by Council by 31 May	Adopted by Council by 31 May 2019	IDP/Budget adopted by Council by 31 May	Final IDP /Budget approved by council by 29 May 2020	None	None	None	Achieved	Council Resolution
Budget (R)			800,000	27 600					Expenditure report

PROJECT 6.2: IDP/PMS STRATEGIC PLANNING SESSION

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that IDP strategies are reviewed	Number of strategic planning sessions held	1	1	1	None	None	None	Achieved	Invitations, attendance register
Budget (R)			290 000 (Adjusted)	274 728	15 272				Invoices

STRATEGIC OBJECTIVE: “Build capable institution and administration”

PROJECT 6.3: PMS

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Sustain management of performance for S54 &56 Managers	Number of senior managers (section 54 and S56) with signed performance agreements within prescribed timeframe	4	6	3	3	Delay in filling S56 positions.	Filling vacant S56 positions 90 days of becoming vacant	Not achieved	Performance Agreements
	Number of formal assessments conducted (S54 & 56)	2	2	0	2	Assessment were scheduled for the month of April but not held due to the national lockdown	Assessment to be held in the first quarter of 2020/21 financial year	Not achieved	Assessment Reports
Promote institutional accountability and compliance to PMS framework	Number of other officials other than S 56 managers with Performance Plans	0	20	0	20	No Official to deal with the development of the Performance Plans	The official to be appointed in the first quarter of 20/21 FY	Not achieved	Signed performance plans
	Number of in-year performance management	4	4	4	None	None	None	Achieved	Quarterly Reports

	reports submitted to Council								
	Number of Annual and oversight reports adopted within stipulated timeframes	Annual and oversight reports adopted on the 25 March 2019	1	1	None	None	None	Achieved	Council Resolution
Budget (R)			OPEX						

STRATEGIC OBJECTIVE: “Build capable institution and administration”

PROJECT 6.4: WORKPLACE SKILLS PLAN

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure capacitated work force	Number of employees and councillors capacitated in terms of Workplace Skills plan	78	70	38	32	Few trainings were done due to the outbreak of COVID-19 pandemic	More trainings to be done in the next financial year	Not Achieved	Training reports
Ensure that municipalities appoint people with the necessary skills that will enable them to accelerate the delivery of basic services	Number of municipal personnel with technical skills/capacity (technicians and engineers)	3	2	2	None	None	None	Achieved	Quarterly reports
	Number of municipal personnel with capacity/skills on spatial planning	4	1	1	None	None	None	Achieved	Quarterly reports

Strengthen the effectiveness and efficient of municipal minimum competency requirements	Number of municipal personnel with financial minimum competency requirements	7	9	0	9	Program interrupted by COVID-19 pandemic	9 officials to complete programme by 30 September 2020	Not achieved	Quarterly reports
Ensure that people from equity target are appointed in the three highest levels of the municipal management	Number of staff complement with disability	5	5	5	None	None	None	Achieved	Employment Equity report

PROJECT 6.5: EMPLOYMENT EQUITY PLAN (NKPI)

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure that people from equity target are appointed in the three highest levels of the municipal management in compliance with the approved EEP	Number of people from employment equity target group employed in the three highest levels of the municipality (National indicator)	3	2	2	None	None	None	Achieved	EEP report
Budget (R)			OPEX						

¹⁴ Ensure that all leaves, bonuses and wages are captured by the 20th of every month. Authorize and sign payroll list and sent it to finance to release payment.

PROJECT 6.6: WORKPLACE SKILLS PLAN

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure capacitated work force	Amount actual spent(1 % of the salary budget of municipality) on implementing workplace skills plan (National Indicator)	755755,28	2 800 000(Adjusted)	2 542 710	257 290	COVID-19 interrupted training programmes	More trainings to be held in the next year	Not achieved	Quarterly financial reports
Budget (R)			2 800 000(Adjusted)	2 542 710	257 290				Invoices

PROJECT 6.7: PAYROLL MANAGEMENT

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Maximize efficiency of payroll management	% accuracy on payroll information	Payroll system in place	100%	100%	None	None	None	Achieved	Payroll report
Budget (R)			77 758 474 (Adjusted)	69 234 566					Payroll report

PROJECT 6.8: HR MANAGEMENT (OVERTIME MANAGEMENT)

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure compliance to overtime regulation	% compliance to overtime regulation	100%	100%	100%	None	None	None	Achieved	Overtime reports
Budget (R)			3 246 036(Adjusted)	3 879 147					Overtime expenditure report

PROJECT 6.9: LEGAL SERVICES

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Provide requisite legal support	Number of labour grievances resulting in law suit against the municipality	0	0	0	None	None	None	Achieved	Reports
Ensure that the municipality has SLA with all service providers	Number of service providers with signed Service Level Agreement	20	25	24	1	SASSA moved out from Thusong center	To recruit more tenants	Not achieved	Service Level Agreements
Budget (R)			1 900 000 (Adjusted)	1 408 465	491 535				Expenditure report

PROJECT 6.10: LOCAL LABOUR FORUM

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure sound labour practice	Number of Local Labour Forum meetings held	4	4	1	3	None attendance by management and councilors	LLF prioritized in the next financial year	Not Achieved	Quarterly Reports
Budget (R)		OPEX							

PROJECT6.11: OHS

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Ensure safety and healthy working environment	Number of compliance reports generated	4	4	4	None	None	None	Achieved	Quarterly Reports
Budget (R)			250 000	193 889	56 111				Expenditure report

PROJECT 6.12: POLICY DEVELOPMENT, BY-LAWS & REVIEWS

Measurable Objectives	Performance Indicator	2018/19 Baseline	2019/20 Target	Actual Performance	Variance	Reasons for variance	Corrective Measures	Verified Actual Performance	Portfolio of Evidence
Providing and improving compliance to municipal regulatory environment	Number of by-laws developed/ reviewed	15 (rates & building regulations)	2	2	None	None	None	Achieved	Policy register
Ensure implementation of law-enforcement	Number of by-laws promulgated	1	1	1	None	None	None	Achieved	Gazette
To ensure that policy workshop is held	Number of policy workshops held	1	1	1	None	None	None	Achieved	Invitations & attendance register
Providing and improving compliance to municipal regulatory environment	Number of policies developed/reviewed	57	15	50	35	The changing circumstance in the municipality demanded the development of more policies-*	None	Achieved	Policy and by-law register
Budget (R)		290 000		0					Expenditure report

COMPONENT L: RE -ADJUSTED/REMOVED PROJECTS TAS PER TREASURY CIRCULAR 317

Below is the list of projects that were removed from the SDBIP during budget adjustment done in terms of section 28 of the MFMA as per the directive of the National Treasury circular number 713 of 2019 on municipal cost containments measures.

No.	Program	KPI	Baseline	Budget	Annual Target	Directorate
1	Maruleng 16 Days of Activism	Number of Maruleng 16 days of activism events held	1	40,000	1	Community Services
2	HIV/Aids program	Number of HIV/Aids events held	4	120,000	4	Community Services
3	Gender program	Number of gender events held	4	150,000	4	Community Services
4	Women's month program	Number of women's month events held	1	58,855	1	Community Services
5	New Born Baby	Number of hospital visited	1	20,000	1	Community Services
6	Maruleng Youth program	Number of youth events held	4	250,000	4	Community Services
7	Mayoral sports tournament	Number of Mayoral sports tournament held	1	600,000	1	Community Services
8	Disability program	Number of disability held	4	70,000	4	Community Services
9	Award to best performing schools	Number of best performing schools given awards	3	1000,000	3	Community Services
10	Arts & culture support	Number of arts and cultural events supported	4	300,000	4	Community Services
11	Educational program	Number of career exhibition events held	1	130,000	1	Community Services
12	Arrive alive	Number of arrive alive campaigns held	2	50,000	2	Community Services

No.	Program	KPI	Baseline	Budget	Annual Target	Directorate
13	Greening program	Number of greening programs held	1	60,000	2	Community Services
14	Educational awareness campaigns on waste management	Number of educational awareness on waste management held	1	100,000	1	Community Services
15	Driver of the year	Number of the driver of year events held	New	10,000	1	Community Services
16	Energy Forum	Number of energy forums held	1	35,000	4	Technical Services
17	Library Awareness Campaigns	Number of library awareness campaigns held	4	101,855	4	Community Services
18	Go Lomisa Morula	Number of Go Lomisa Morula events held	1	1,200,000	1	SPED
19	Cleanliest Village	Number of cleanliest village campaigns held	1	30,000	1	Community Services
20	Strategic planning ethics	Number of team building sessions held	New	100,000	1	Corporate Services
21	Elderly program	Number of Events held	4	100,000	4	Community Services
22	SAIMISA	Number of events held	1	1,000,000	1	Community Services
23	HR working group	Number of HR working group meetings held	New	50,000	4	Corporate Services
TOTAL BUDGET		4, 616,913,855				

COMPONENT M: CORRECTIVE MEASURES FOR 2018/19 NONE-PERFORMED AREAS

The municipality developed Audit Action Plan clear timeframes and responsible officials to address gaps identified in the 2018/19 A-G report.

CHAPTER 4: ORGANIZATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

The MLM registered a growth of organogram from **156** in 2018/19 to 196 in 2019/20. MLM functioned with five (05) main departments, namely; Budget and Treasury Office, Corporate Services, Community Services, Technical Services and Spatial Planning and Development. The Office of the Municipal Manager provided the overall monitoring and strategic support to all these departments. The MLM had an approved organogram of 196 posts. Of these 159/196 (i.e. 79.6%) were filled as at 30th June 2020, vacant posts including Chief Finance Officer, Director Community Services and SPED.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2 POLICIES

The below are the municipal Human Resource policies in place and reviewed as and when a need arise:

● HR policies, Placement policy and Procedures
● Staff Retention Policy
● Employee Assistance Policy
● Bursary Policy
● Employee Equity Policy
● Travel and Subsistence Allowance Policy
● OHS Policy
● Cellphone policy
● Recruitment and selection policy
● Leave policy
● Training and development policy
● Community bursary policy
● Employee bursary policy
● Succession planning policy
● HR committee policy
● Personnel and protective policy and procedure

<ul style="list-style-type: none"> Record management policy
<ul style="list-style-type: none"> Fleet management policy
<ul style="list-style-type: none"> Employee performance management policy
<ul style="list-style-type: none"> Public participation strategy

4.3 INJURIES, SICKNESS AND SUSPENSION

Item	2019/20 Report
Injuries	00
Sickness	0
Suspension	01

4.4 PERFORMANCE REWARDS

No assessment conducted for 2019/20 financial year, due to the outbreak of COVID-19 pandemic but assessments will be conducted by 31/11/20.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.5 SKILLS DEVELOPMENT AND TRAINING.

Below is the training report for the 2019/20 financial year ended 30th June 2020

Occupation	Intervention name	Type of learning intervention	Cost	No. of participants	Gender		Sponsor	Pivotal
					Male	Female		
Councillors	Municipal Governance	Learning Programme	Lgseta funded	8	6	2	Lgseta funded	Yes
Internal Auditing	PIA	Short course		1		✓	Other Municipal Funding	No
Internal Auditing	Audit Performance Information	Short course	9375.000	2		2	Other Municipal Funding	No
Building inspector	Building inspecting	Short course	8 000.00	1	1		Other Municipal Funding	No

Internal Auditing	PIA 2	Short course	8 151.65	1		✓	Other Municipal Funding	No
OHS	SACPCMP	Short course	14300. 00	1		1	Other Municipal Funding	No
IDP Officer ,Manager Town Planning, Risk Officer, Assistant Internal Auditor, LED Officer, Tourism Officer, Meter Reading & clearance clerk, Licensing Supervisor, Director Cooperate services, Senior HR, Secretary Cooperate , Council Secretary, HR Officer, Assets Clerk, Cashier Finance, Senior Accountant Expenditure, Legal Advisor , Debtors clerk, Chief traffic, town planner, Senior Admin Thusong, Technician	MFMA certificate	Learning Programme	7 04 202.50	24	10	14	Other Municipal Funding	Yes

TOTAL	7	7	7 082 029.15	38	17	19		
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COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.6 EMPLOYEE EXPENDITURE

Workforce expenditure for the period under review is categorized in to section 54 & 56 managers and other employee costs.

Table below illustrates the expenses per category.

Category of employees	Total expenditure R	% of expenditure
S 54 & 56 Managers	3 018 095	0
Other Employees	66 304 445	0
Total employees expenditure	69 322 540	100%

SALARY DISCLOSURES

Designation	Annual Remuneration R	Travel Allowance & other allowances R	Performance Bonuses R	Contribution to UIF, medical aid & pension fund R	Total Package R
Municipal Manager	560 084	520 220	0	119 636	1 199 940
Chief Finance Officer	0	0	0	0	0
Director: Technical Services	426 307	483 219	0	8 543	918 069
Director: Community Services	0	0	0	0	0
Director: Corporate Services	523 635	227 575		148 876	846 307
Director: Spatial Planning & Economic Development	0	0	0	0	0

COUNCILLORS

Designation	Annual Remuneration(R)
Mayor	892 893
Speaker	733 914
Executive Committee Members	2 472 581
Councillors (part time)	6 374 021
Councillors (full time)	691 055
Total	11 164 466

CHAPTER 5: FINANCIAL PERFORMANCE.

COMPONENT A: Statement of Financial Performance.

5.1 Statement of Financial Performance

The Statement of Financial Performance is exhibited in the draft 2019/20 Annual Financial Statements (AFS) submitted to AGSA as an adjunct (additional part) to this Annual Performance Report

5.2 ASSET MANAGEMENT.

MLM's Asset Register for the 2019/20 is also submitted together with the AFS to AGSA for auditing.

5.3 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

The ratios will be calculated upon finalization of the audited Annual Financial Statements. **COMPONENT B: SPENDING AGAINST CAPITAL BUDGET.**

5.4 CAPITAL EXPENDITURE

	Original Budget	Budget Adjustments	Final Budget Adjustments	Actual Outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	%	%
Total capital expenditure	81 666 000	84 329 000	84 329 000	51 689 424	32 639 579	63%	61%

5.5 SOURCES OF FINANCE (capital budget)

Sources of capital funds	Original Budget	Budget Adjustments	Final Budget Adjustments	Actual Outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R		
Municipal Infrastructure Grant	26 812 000	26 817 000	26 817 000	26 816 919	0	100%	100%
Internally generated funds(own funding)	33 748 000	34 669 000	34 669 000	8 127 695	26 541 305	24%	23%

5.6 Summary of unaudited revenue and expenditure

	Note(s)	2020 (R)	2019 Restated (R)
REVENUE			
Revenue from exchange transactions			
Service charges	21	3 680 936	3 497 886
Finance income	18	16 166 581	14 206 785
Rental of facilities and equipment		274 696	252 345
Licenses and permits	19	1 783 485	2 716 240
Agency fees	17	1 758 835	1 940 855
Other revenue	20	1 995 826	1 686 615

Total revenue from exchange transactions		25 638 008	26 626 741
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	Note(s)	2020(R)	2019 Restated (R)
REVENUE			
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	89 780 193	77 052 804
Traffic fines	23	533 300	610 071
Gains from fair valuing assets	25	90 313 493	77 662 875
Transfer revenue			
Government grants and subsidies received- operating	24	127 654 192	112 485 192
Government grants and subsidies received- capital		26 816 919	41 332 179
Total revenue from non-exchange transactions		251 058 715	232 444 601
Total Revenue		276 696 723	259 071 342

EXPENDITURE

	Note(s)	2020 (R)	2019 Restated (R)
Employee rated cost	25	66 304 445	56 873 978
Remuneration of councilors	26	11 101 437	10 367 363
Debts impairment	4	21 194 302	8 774 365
Depreciation and amortization expense	27	1 029 536	16 795 966
Impairment loss	28	1 272 889	4 459 297
Finance cost	29	-	25 165
Lease rentals on operating lease		23 031	103 856
General expenses	30	52 562 507	44 726 996
Contracted services	34	6 768 979	7 894 675
Loss on fair valuing of assets	25	0	3 699 250
Loss on disposal of assets	3	332 769	159 149
Total expenditure		139 337 148	144 452 507
NET SURPLUS /(DEFICIT) FOR THE YEAR		86 001 390	67 692 343

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure on 5 Largest Projects						
	Current Year				Variance Current Year	
	Original Budget (Vat Inc.) R	Awarded Amount (Vat Inc.)R	Adjusted Budget R	Actual Expenditure R	Original Variance (%)	Adjusted Variance (%)
Rehabilitation of Kampersrus Internal street	4 500 000	21 888 459.61	7 500 000	3 560 520	0.00	47.47% (3 939 480)
Rehabilitation of Hoedspruit Internal street	4 500 000	22 964 513.29	7 500 000	4 551 297	0.00	60.68% (2 948 700)
Balloon access road	14 175 000	45,009,570.74	14 175 012	12 510 293	0.00	88.25% (1 664 719)
New line Ga-Fanie access road	7 000 000	32 996 546.64	8 999 998	8 960 194	0.00	99.5% (39 803.93)
Calais sports field	15 589 400	37 762 780.88	16 325 544.00	10 169 140	0.00	62.28% (1 805 599)
TOTAL	45 764 400	160 621 871.16	54 500 554	39 751 444	0.00	72.93% (21 336 603.32)

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS- OVERVIEW

Limited and/or minimal powers and functions i.e. MLM performs **32% (12 out of 38)** of powers and functions given to municipal governments in terms of Constitution (RSA, 1996: S155), pointing to **a low capacity** Municipality. This resulted in MLM not being able to perform a number of key strategic services such as water, sanitation, electricity, housing etc., making its role **facilitatory**, owing to a risk of **unfunded mandate**.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENT.

5.9 CASH FLOW STATEMENTS

The Cash Flow Statement is exhibited in the 2019/20 Annual Financial Statements

5.10 BORROWING AND INVESTMENT

The Municipality does not have loans. The municipality has an amount of **R 101 651 455** in its investment account which has generated **R6 784 436** in interest.

5.11 SUPPLY CHAIN MANAGEMENT.

The Bid Evaluation and Adjudication Committees have been established. Advertised tenders are being evaluated, adjudicated and appointments are made in terms of the Supply Chain Management Policy. Quarterly reports on tenders are submitted to Council.

5.12 GRAP COMPLIANCE

GRAP is the acronym for **Generally Recognized Accounting Practice** and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

PART B: PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

Municipal Systems Act, No.32 of 2000 Section 46 (1) (a) stipulates that a municipality must prepare for each financial year a performance reflecting the performance of the municipality and of each service provider during the financial year. Below is the performance of external service providers during the year under review:

Service provider	Service Rendered	Appointment Date	Project Status	Tender Amount	Performance Remarks
Matlala Nyapele and Investment Properties	The Oaks Internal Street	17/09/2018	In progress	R16 154 143.86	Good
Taola Construction cc	Madeira Access Road	18/09/2018	In progress	R16 348 320.86	Good
Lubocon Civils cc	Calais Sports Field	17/09/2018	In progress	R37 762 780.88	Good
Hlimbyi Trading Enterprise	Provision of security services for a period of three years	17/10/2018	In progress	R21 538 764.00 With an annual escalation of 18%	Good
Anaka Group(Pty)Ltd	Leasing of Photocopier Machines for a period of three(3) years	29/11/2018	In progress	At less than 3.5 rates contracted for at Makhuduthamaga Local Municipality	Good
Kgolo Institute	Minimum Competency Levels Training Programme (MFMP)	18/12/2018	In progress	At less than 2% rates contracted for at Cape Winelands District Municipality	Good
Fidelity Cash Solutions (Pty) Ltd	Appointment for Cash in transit Services for a Period of one Year	29/11/2019	In progress	R120 170.40	Good
Fhima Consultancy and Projects	Appointment for Upgrading of Server room	18/06/2019	Completed	R593 709.43	Good
Zerbackraft JV Lance Management Services	Baloon Access Road	29/06/2018	In progress	R45 009 570.74	Good

Keteka Trading	Santeng Graveyard Access Road	07/06/2019	In Progress	R17 709 133, 54	Good
Dinatla Construction and Civils works	Worcester Access Road	23/04/2019	In progress	R28 289 959.10	Good
Tainama Civils	Willows Access Road	23/04/2019	In Progress	R23 516 524.24	Good
Stone Found engineering Solutions	Butswana Access Road	23/04/2019	In progress	R26 445 263.15	Good
Koephu Business Enterprise	Newline Ga fane Access Road	23/04/2019	In progress	R32 996 546.64	Good
Frontpage security and Projects(Pty) Ltd	Fencing of Sofaya Graveyard	2019/06/13	Completed	R 316 030.00	Good
MDRT ENGINEERING (PTY) LTD	Rehabilitation of Hoedspruit internal streets	30/01/2020	In Progress	R22 964 513.29	Good
MALERATE CONSTRUCTION	Rehabilitation of Kampersrus road	30/01/2020	In progress	R21 888 459.61	Good
MARTMOL CONSTRUCTION	Construction of Bismack access road	30/01/2020	In Progress	R18 543 472.90	Good
Mojammilo Investment	Appointment for the Road Maintenance Material	13/06/2019	In progress	As per expenditure	Good

Performance of external service providers in terms of section 76 (b) of the MSA, 2000.

Name of Service Provider	Service Rendered	Appointment Date	Project Status	Tender Amount	Performance Remarks
Nweti Wa Tilo Waste Removal	Waste removal	01.11.2017	Daily waste collection (continuous)	8,000,000	Good
Mopani District Municipality	Water provisioning	01.01.2010	Daily provision of water	Maruleng municipality collects on behalf of Mopani District Municipality	Poor

BUDGET RELATED POLICIES AND OTHER POLICIES–RESOLUTION NO. SC05/05/2019

The following Budget related Policies and Organizational Structure were adopted by Council.

HR Policies	ICT Policies	Finance Policies	Other Institutional Policies
Car Allowance Policy	Data Centre physical Access and environment control	Rates Policy	Sports and Recreation Policy
Employees Bursary Policy	Notebook/ laptop Policy	Indigent Policy	Public Participation Strategy
Succession Plan Policy	Internet acceptable user account Management	Budget Policy	Fleet Management Policy
HR Policy Committee	ICT firewall Policy	Banking and Investment	Community Bursary Policy
Waste Management Policy	Electronic Mail Acceptable Policy	Writing off Irrecoverable	Community Halls
EPWP Policy	ICT Security Policy	Assets and Inventory Management policy	Advertising sign and Hoarding by –law
Employees Performance Management Policy	ICT change management Policy	Credit Control and debt collection by-law	Building regulations by-law
Employees Bursary Policy	ICT procedures and manual policy	Financial delegation Framework Policy	Informal Street Trading By law
Succession Plan Policy	Password Policy	Financial Delegation Policy	Noise Control By-law
Training and development Policy	Backup Policy	Supply Chain Management	Personal protective equipment policy

Travel and subsistence Policy	Data Centre physical Access and environment control	Credit Control By law	Public Nuisance By-law
Overtime Policy	Terms of reference for the ICT		
Leave Policy		Rates By law	
Cell phone Policy		Revenue enhancement Policy	
Retention Strategy		Tariffs Policy	



MARULENG LOCAL MUNICIPALITY
(Registration number LIM 335)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities

South African Grade 3 Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) within the Mopani District Municipal Area of Jurisdiction

Mayor

Cllr HM Thobejane

Chief Whip

Cllr ML Mongadi

Speaker

Cllr MJ Mahlo

Councillors

Cllr MJ Rakgoale (Exco Member)
Cllr NV Lewele (Exco Member)
Cllr MR Maakamela (Exco Member)
Cllr PE Shai (Exco Member)
Cllr B Mohlabe
Cllr DM Sebela
Cllr EC Du Preez
Cllr JT Morema
Cllr LV Shaai
Cllr MA Mathaba
Cllr MD Popela
Cllr MF Madike
Cllr MJ Modiba
Cllr MM Komane
Cllr MO Mathipa
Cllr MR Malepe
Cllr MS Kgohloane
Cllr MT Mongadi
Cllr SC Shokane
Cllr SF Mahlo
Cllr SL Mkansi
Cllr SV Mametja
Cllr TD Mogale

Accounting Officer

Mr TG Magabane

Registered office

Maruleng Municipal Offices
65 Springbok Street
Hoedspruit

Business address

65 Springbok Street
Hoedspruit
1380

MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2020

General Information

Postal address	PO Box 627 Hoedspruit
Telephone Number	015-793 2409
Fax Number	015-793 2341
Email Address	Info@maruleng.gov.za
Website	www.maruleng.gov.za Investec Bank
Auditors	Audited by: Auditor-General of SA (AGSA)
Audit Committee members	Mr L Lankalibalela (Chairperson) Mr K Mosupa Ms R Ramutsheli Mr T Nonyane Ms J Mabuza

MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

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 provincial legislature:

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Statement of Financial Performance	10
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MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2020

Index

ASB	Accounting Standards Board
Acc pol	Accounting policies
AFS	Annual financial statements
AGSA	Auditor General of South Africa
GRAP	Generally Recognised Accounting Practice
Budget St	Statement of comparison of budget and actual information
PPE	Property, plant and equipment
UIF	Unemployment insurance fund
SALGA	South African Local Government Association
EPWP	Expanded Public Works Programme
CFS	Cash flow statement
PAYE	Pay As You Earn
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal standard chart of accounts
SFPOS	Statement of financial position
SFPER	Statement of financial performance

MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 7 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Mr TG Magabane
ACCOUNTING OFFICER - Municipal Manager



Report of the Auditor General

To the Provincial Legislature of MARULENG LOCAL MUNICIPALITY

Audited by: Auditor-General of SA (AGSA)

28 February 2021

MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

The accounting officer submits his report under review.

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in south african grade 3 municipality (local municipality) as defined by the municipal structures act. (act no 117 of 1998) within the mopani district municipal area of jurisdiction. The municipality operates principally in South Africa and [state other countries].

Net surplus of the municipality was R 89 094 220 (2019: surplus R 63 110 696).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 678 186 955 and that the municipality's total assets exceed its liabilities by R 678 186 955.

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.

During the current financial year end, the world experienced the outbreak of the COVID-19 pandemic. This has had a negative impact on many economies as governments have ordered their citizens to stay at home, including South Africa.

The South African government ordered a national lockdown for 21 days, starting on Friday 27 March 2020 which was subsequently extended and relaxed in May 2020. As a result, all government institutions including municipalities and services will be closed during this time.

The closure of municipalities had a negative impact on revenue from non exchange transactions, however, the impact on gross profit will be much smaller as the margins on revenue from no exchange transactions are small.

From a basic service perspective, all key staff are able to work under the controlled regulations issued by the office of the president and hence management do not anticipate any disruption to operations.

Management believe the municipality is in a strong financial and liquidity position to see through this pandemic and expect that COVID-19 will have not have a negative impact on the company's net profit or cash flow position.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the period under review.

4. Accounting Officer's interest in contracts

The accounting officer declares not to have any interest in contracts of the municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

The impact on the results of the municipality in adopting the above policies is reflected in note - to the annual financial statements.

MARULENG LOCAL MUNICIPALITY

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Accounting Officer's Report

6. Accounting Officer

The position of the accounting officer of the municipality during the financial period under review were held by:

Name	Nationality	Changes
Mr TG Magabane	South African	

7. Corporate governance

General

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

Councillors

The council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
 - Mayor
 - Speaker
 - Executive committee
 - Ordinary councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The mayor and council perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

Mr L Lankalebalele was the Chairperson of the audit committee. The audit committee met during the period under review to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors onto the audit committee.

8. Bankers

The municipality banks with Standard Bank of South Africa.

9. Auditors

The Audited by: Auditor-General of SA (AGSA) will continue as the municipality's external auditors as prescribed by the Auditor-General Act (Act no 12 of 1995).

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Inventories	3	62 631	47 774
Receivables from exchange transactions	4	1 110 350	1 565 996
Receivables from non-exchange transactions	5	23 996 101	19 299 344
VAT receivable	6	10 195 707	9 529 396
Other receivables	7	1 703 629	2 292 213
Cash and cash equivalents	8	146 051 034	137 203 845
		183 119 452	169 938 568
Non-Current Assets			
Investment property	9	8 950 000	8 950 000
Property, plant and equipment	10	538 377 787	468 578 254
Intangible assets	11	150 409	298 294
Heritage assets	12	372 500	372 500
		547 850 696	478 199 048
Total Assets		730 970 148	648 137 616
Liabilities			
Current Liabilities			
Finance lease obligation	13	1 700 943	1 486 963
Trade and other payables from exchange transactions	14	29 206 053	30 040 011
Trade and other payables from non exchange transactions	15	4 723 685	5 257 995
Provisions	16	9 486 919	8 824 558
Unspent conditional grants and receipts	17	1	5 112
Employee benefit obligations - long term	18	272 000	124 889
		45 389 601	45 739 528
Non-Current Liabilities			
Finance lease obligation	13	752 585	2 453 528
Employee benefit obligations - long term	18	6 641 000	10 851 808
		7 393 585	13 305 336
Total Liabilities		52 783 186	59 044 864
Net Assets		678 186 962	589 092 752
Accumulated surplus		678 186 955	589 092 733

* See Note 47

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	3 736 237	3 497 886
Rental of facilities and equipment	49	255 567	271 403
Interest on receivables	24	31 366	83 590
Agency services	20	1 894 296	1 927 868
License and permits	21	1 776 843	2 701 010
Other revenue	25	1 955 154	1 562 283
Interest on investment	19	7 296 691	8 071 510
Fair value adjustments	[9] & [12]	-	2 303 664
Total revenue from exchange transactions		16 946 154	20 419 214
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	93 244 056	77 052 804
Traffic fines	23	532 800	610 071
Interest on receivables	24	8 802 347	6 051 684
Transfer revenue			
Government grants & subsidies - Operating	28	127 654 192	112 485 192
Government grants & subsidies - Capital	28	26 816 919	41 332 179
Total revenue from non-exchange transactions		257 050 314	237 531 930
Total revenue		273 996 468	257 951 144
Expenditure			
Employee related costs	29	(66 648 046)	(63 219 230)
Remuneration of councillors	45	(11 101 437)	(10 572 715)
Depreciation and amortisation	30	(20 202 463)	(19 230 421)
Reversal of impairments	31	(2 416 663)	(6 474 042)
Finance costs	32	(1 270 257)	(1 106 819)
Lease rentals on operating lease	22	-	(173 372)
Debt Impairment	34	(29 402 173)	(27 865 176)
Contracted services	46	(16 009 097)	(13 534 621)
Loss on disposal of assets and liabilities	35	(557 078)	(343 074)
General Expenses	33	(43 525 859)	(53 285 333)
Total expenditure		(191 133 073)	(195 804 803)
Actuarial Gains / (Losses)	18	6 230 825	964 355
Surplus for the year		89 094 220	63 110 696

* See Note 47

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	525 982 037	525 982 037
Changes in net assets		
Surplus for the year	63 110 696	63 110 696
Total changes	63 110 696	63 110 696
Restated* Balance at 01 July 2019	589 092 735	589 092 735
Changes in net assets		
Surplus for the year	89 094 220	89 094 220
Total changes	89 094 220	89 094 220
Balance at 30 June 2020	678 186 955	678 186 955
Note(s)	Correction of prior year errors ⁴⁷	

* See Note 47

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates and service charges		65 824 491	57 798 679
Grants and subsidies		154 466 000	153 822 193
Interest income		16 130 404	14 206 785
Other receipts		3 849 450	3 503 138
		240 270 345	229 330 795
Payments			
Employee costs		(69 698 160)	(71 349 426)
Suppliers		(64 981 786)	(54 109 714)
Finance costs		-	-
Interest paid		(2 428 386)	(2 126 020)
		(137 108 332)	(127 585 160)
Net cash flows from operating activities	36	103 162 013	101 745 635
		103 162 013	101 745 635
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	10	(92 827 853)	(100 193 504)
Loss from sale of property plant and equipment	10	2	-
Movement intangible assets	11	-	-
Net cash flows from investing activities		(92 827 851)	(100 193 504)
Cash flows from financing activities			
Financial liability		(1 486 963)	4 065 380
Net increase/(decrease) in cash and cash equivalents		8 847 199	5 617 511
Cash and cash equivalents at the beginning of the year		137 203 861	131 586 350
Cash and cash equivalents at the end of the year	8	146 051 060	137 203 861

* See Note 47

MARULENG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2020

Statements 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
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue by source						
Service charges-refuse revenue	3 723 744	-	3 723 744	3 736 237	12 493	
Rental of facilities and equipment	388 128	-	388 128	255 567	(132 561)	
Interest received (trading)	6 056 112	8 984 890	15 041 002	8 833 713	(6 207 289)	
Agency services	10 757 796	-	10 757 796	1 894 296	(8 863 500)	
License and permits	4 743 240	(2 000 000)	2 743 240	1 776 843	(966 397)	
Other revenue	2 949 168	-	2 949 168	1 955 154	(994 014)	
Interest earned - external investments	7 364 004	436 000	7 800 004	7 296 691	(503 313)	
Total revenue (excluding capital transfers and contributions)	35 982 192	7 420 890	43 403 082	25 748 501	(17 654 581)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	82 416 420	4 932 635	87 349 055	93 244 056	5 895 001	
Traffic fines	398 088	-	398 088	532 800	134 712	
Transfer revenue						
Government grants & subsidies - Operating	127 505 016	149 000	127 654 016	127 654 192	176	
Government grants & subsidies - Capital	26 812 008	4 915	26 816 923	26 816 919	(4)	
Actuarial gain	-	-	-	6 230 825	6 230 825	
Total revenue from non-exchange transactions	237 131 532	5 086 550	242 218 082	254 478 792	12 260 710	
Total revenue	273 113 724	12 507 440	285 621 164	280 227 293	(5 393 871)	
Expenditure by type						
Employee related costs	(84 071 904)	6 313 420	(77 758 484)	(66 648 046)	11 110 438	
Remuneration of councillors	(11 485 896)	(19 995)	(11 505 891)	(11 101 437)	404 454	
Depreciation and amortisation	(28 589 232)	3 000 010	(25 589 222)	(20 202 463)	5 386 759	
Impairment loss	-	-	-	(2 416 663)	(2 416 663)	
Finance charges	(150 000)	(1 200 000)	(1 350 000)	(1 270 257)	79 743	
Debt impairment	(9 550 008)	(19 449 990)	(28 999 998)	(29 402 173)	(402 175)	
Contracted services	(28 056 573)	(2 378 953)	(30 435 526)	(16 009 097)	14 426 429	
Other expenditure	(51 482 980)	2 939 074	(48 543 906)	(38 679 514)	9 864 392	
Bulk purchases	(1 500 000)	733 000	(767 000)	(608 293)	158 707	
Other materials	(3 350 016)	(49 980)	(3 399 996)	(4 238 052)	(838 056)	
Total expenditure	(218 236 609)	(10 113 414)	(228 350 023)	(190 575 995)	37 774 028	
Surplus/ (Deficit)	54 877 115	2 394 026	57 271 141	89 651 298	32 380 157	
Loss on disposal of assets and liabilities	(2 567 304)	-	(2 567 304)	(557 078)	2 010 226	
Surplus/ (Deficit) for the year	52 309 811	2 394 026	54 703 837	89 094 220	34 390 383	

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Statements 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
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	52 309 811	2 394 026	54 703 837	89 094 220	34 390 383	

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Statements 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
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	209 785	(145 342)	64 443	62 631	(1 812)	
Call investment deposits	190 896 510	(91 896 510)	99 000 000	138 758 156	39 758 156	
Receivables from non-exchange transactions	34 706 014	(13 542 075)	21 163 939	23 996 101	2 832 162	
Other receivables	44 529 257	(27 629 963)	16 899 294	13 009 686	(3 889 608)	
Cash and cash equivalents	28 163 491	(11 465 812)	16 697 679	7 292 876	(9 404 803)	
	298 505 057	(144 679 702)	153 825 355	183 119 450	29 294 095	
Non-Current Assets						
Investment property	23 112 640	(14 162 640)	8 950 000	8 950 000	-	
Property, plant and equipment	727 056 961	(196 856 084)	530 200 877	538 377 787	8 176 910	
Intangible assets	1 618 215	(350 592)	1 267 623	150 409	(1 117 214)	
Heritage assets	372 500	-	372 500	372 500	-	
	752 160 316	(211 369 316)	540 791 000	547 850 696	7 059 696	
Total Assets	1 050 665 373	(356 049 018)	694 616 355	730 970 146	36 353 791	
Liabilities						
Current Liabilities						
Finance lease obligation	1 233 708	66 555	1 300 263	1 700 943	400 680	
Trade and other payables from exchange transactions	85 332 240	(61 301 646)	24 030 594	29 206 053	5 175 459	
Trade and other payables from non exchange transactions	-	-	-	4 723 685	4 723 685	
Provisions	18 195 430	(9 248 215)	8 947 215	9 486 919	539 704	
Unspent conditional grants and receipts	-	-	-	1	1	
Employee benefit obligations - long term	-	-	-	272 000	272 000	
	104 761 378	(70 483 306)	34 278 072	45 389 601	11 111 529	
Non-Current Liabilities						
Finance lease obligation	3 471 503	(1 300 260)	2 171 243	752 585	(1 418 658)	
Employee benefit obligations - long term	24 383 209	(12 369 216)	12 013 993	6 641 000	(5 372 993)	
	27 854 712	(13 669 476)	14 185 236	7 393 585	(6 791 651)	
Total Liabilities	132 616 090	(84 152 782)	48 463 308	52 783 186	4 319 878	
Net Assets	918 049 283	(271 896 236)	646 153 047	678 186 960	32 033 913	
Net Assets						
Community Wealth/ Equity						
Accumulated surplus	918 049 283	(271 896 236)	646 153 047	678 186 960	32 033 913	

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Statements 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
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates, penalties & collection charges	78 122 894	(5 580 670)	72 542 224	72 910 475	368 251	
Service charges	5 311 256	(1 944 620)	3 366 636	3 738 957	372 321	
Other revenue	19 236 420	(2 000 000)	17 236 420	-	(17 236 420)	
Government grants - Operating	127 505 016	-	127 505 016	127 654 080	149 064	
Government grants - capital	26 812 008	4 915	26 816 923	26 816 919	(4)	
Interest	13 420 116	9 420 890	22 841 006	16 120 220	(6 720 786)	
	270 407 710	(99 485)	270 308 225	247 240 651	(23 067 574)	

Payments

Suppliers and employees	(446 311 619)	267 797 975	(178 513 644)	(135 043 248)	43 470 396	
Finance costs	(150 000)	(1 200 000)	(1 350 000)	(112 119)	1 237 881	
	(446 461 619)	266 597 975	(179 863 644)	(135 155 367)	44 708 277	

Net cash flows from/ (used) operating activities	(176 053 909)	266 498 490	90 444 581	112 085 284	21 640 703	
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Cash flows from investing activities

Proceeds from sale of property, plant and equipment	2 567 304	-	2 567 304	148 290	(2 419 014)	
Decrease (increase) other non-current receivables	(372 500)	-	(372 500)	-	372 500	
Purchase of capital assets	(115 346 480)	(6 046 180)	(121 392 660)	(92 976 144)	28 416 516	
Net cash flows from investing activities	(113 151 676)	(6 046 180)	(119 197 856)	(92 827 854)	26 370 002	

Cash flows from financing activities

Repayment of borrowings	4 705 211	(1 233 705)	3 471 506	(1 486 963)	(4 958 469)	
Movement in consumer deposits	947 661	-	947 661	-	(947 661)	
Net cash flows from financing activities	5 652 872	(1 233 705)	4 419 167	(1 486 963)	(5 906 130)	

Net increase/(decrease) in cash and cash equivalents	(283 552 713)	259 218 605	(24 334 108)	17 770 467	42 104 575	
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Cash and cash equivalents at the beginning of the year	502 612 754	-	502 612 754	137 892 725	(364 720 029)	
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Cash and cash equivalents at the end of the year	219 060 041	259 218 605	478 278 646	155 663 192	(322 615 454)	
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Narrations to the Statement of Comparison of budget and Actual Amounts

Statement of financial performance

Revenue

Agency services

The revenue and expenditure budgets for agencies is reflected on a separate line items. People from neighbouring municipalities (fetakgomo tubatse, phalaborwa, bushbackridge etc.) are flocking to maruleng municipality due to good services that we are providing, these happened before March 2020.

Interest received on debtors

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Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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Figures in Rand						

- Due to pandemic the municipality experienced a high rate of non rates and taxes, Maruleng municipality is a tourism hub on which most of the properties are lodges, since the beginning of the year, the municipality did not experience a high level of tourism visiting the area.

Interest on external investment

- The municipality made deposits into the investment account and as a result there was an increase in interest earned.

Rental of facilities and equipment

- Most of the clients did not review their service level agreement for rental.

Licence and permits

- The number of learners licence applicants has decreased due to covid 19 pandemic, the office were closed from March until June 2020, The municipality had to implement with covid 19 protocol. The number of learners tested per day had to reduce to 50% due to social distancing.

Other revenue

- Less application for town planning and building plans due to slow development in tourism industries affected by covid 19 pandemic.

Traffic fines

- Adherence to work schedule, intensification of law enforcement and had joint operations with other stakeholders e.g. SAPS. Due to covid 19, the municipality had constant road blocks and many people were not working and the municipality had an increase of traffic flow.

Actuarial gains

- The effect of the changes on the medical aid assumption has unexpected increases in the subsidies and unpredicted movements in the membership profile.

EXPENDITURE

Employee related costs

- There was a delay in the appointment of top level management positions and other vacancies. The municipality has a total of 3 director posts that are still vacant. Namely Chief Financial Officer, Director Community services and director Spatial Planning.

Debt impairment

- Inadequate adherence of revenue enhancement strategy resulting in an increase of the provision for doubtful debts. The municipality has an increase in number of debtors whose accounts are in arrears for a period of 120 days and more.

Depreciation and amortisation

- There was a delay in some of the projects which were expected to be completed in 2019/20 and those project are still in WIP (those projects are Maruleng indoor sports center and kampersrus) and other projects were delayed due to covid 19 (maruleng low level bridges and fences for cemeteries)
-

Loss on sale of disposal

- Assets were fully impaired and only R260 757 on the assets register were disposed.

Contracted services

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on some of the line items.

General Expenses

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes. The budget split other material and other expenditure while the AFS doesn't split the two function, there are all called other expenditure on the AFS.

STATEMENT OF FINANCIAL POSITION

Receivables from exchange transactions

- ~~New tariffs for 2019/20 were approved by council, which led to an increase in rates of services. On the MBRR the budget is~~

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Figures in Rand						

recorded as consumer debtors which include receivable from exchange transaction and receivable from non-exchange transactions.

Receivables from non - exchange transactions

- Compilation of Supplementary Valuation that is conducted monthly and Supplementary Valuation Roll.

Other debtors

- On the MBRR/budget other debtors consists of vat receivable and other debtors. Salary suspense account were not 100% cleared.

VAT receivable

- VAT returns for June 2018/19 financial year were paid in the 2019/20 financial year which decreased the VAT receivable. The budget is included under other debtors.

Inventory

- Lot of stock at hand was utilised during 2019/20.

Cash and Cash equivalents

- The municipality expected to receive more on cash when they do budgeting however the covid 19 affected the process..

Intangible assets

- There was a delay in procurement of IT equipment.

Payable from exchange transactions

- Lot of the projects for 2019/20 were under construction, which lead to more unpaid retention and accruals. The budget document does not split between payable from exchange transaction and exchange transaction they both called trade and other payable.

Payable from non-exchange transactions

- The municipality had a lot of deposit for building plans and community halls which was remaining in our book as outstanding creditors, the money is only paid to the customer after the municipality receiving completion certificates from building unit. The budget document does not split between payable from exchange transaction and exchange transaction they both called trade and other payable.

Unspent conditional grants

- The municipality spent 100% on the conditional grants

Provisions- Current liabilities

- The Basic Condition for Employment act (BCEA) rating was used to calculate leave provision. Before the BCEA rating, the number of days and salaries were used to calculate provision. The BCEA rating considers additional factors like acting allowance, overtime.

Provisions - Employee benefit obligation

- Post medical aid was decreased in the assumed proportion of in service members who continue their medical membership at and after retirement.

CAPITAL EXPENTURE

Roads infrastructure

- There was a delay in completion of projects due to covid 19 pandemic.

Cemeteries

- The implementation was supposed to be done in fourth quarter, due to covid 19, the projects were moved to 2020/21 financial period.

Computer equipment

- Delay in the appointment of service provider.

Machinery and equipment

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Budget on Accrual Basis

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

- Delay in appointment of service provider for own funding projects.

CASH FLOW STATEMENTS

Property rates, penalties and collection charges

- The municipality revenue for property rates was based on the actual budget that was made on 2019/20 financial period, the municipality managed to receive less revenue on property due to covid 19 pandemic.

Service charges

- The municipality revenue for services was based on the actual budget that was made on 2019/20 financial period, the municipality receive less revenue on services charges than anticipated due to covid 19 pandemic.

Interest

- The municipality cash flow revenue interests is less than anticipated. The covid 19 affected the market that's why the interest rates was very low.

Suppliers and employees

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes. The budget split other material and other expenditure while the AFS doesn't split the two function, there are all called other expenditure on the AFS.

Capital expenditure

There was a delay in completion of projects due to covid 19 pandemic

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 (ASB) in accordance with Section 122(3) of the Municipal Municipal Finance Management Act (Act 56 of 2003).

The 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.

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

The annual financial statements presents fairly the financial position, performance and cashflow of the municipality.

1.1 Presentation currency

These annual financial statements are presented in South African Rand (R), rounded off to the nearest 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.

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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

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Impairment testing

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

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

Provisions

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

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Useful lives of property plant, equipment and intangible assets

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

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.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

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.

Effective interest rate

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1.3 Significant judgements and sources of estimation uncertainty (continued)

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

1.4 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

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1.4 Transfer of functions between entities under common control (continued)

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.5 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

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 function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

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

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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Accounting Policies

1.5 Transfer of functions between entities not under common control (continued)

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

Determining what is part of the transfer of functions transaction

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

1.6 Property, plant and equipment

Initial recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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1.6 Property, plant and equipment (continued)

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

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.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Subsequent measurement - Land

Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent to initial recognition, land is measured at fair value.

Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

Asset Description	Depreciation method	Useful Lifespan
Roads, pavements, bridges and storm water	Straight line	5- 100 years
Street names, signs and parking meters	Straight line	5-45 years
Community halls	Straight line	25 years
Libraries	Straight line	25 years
Recreation facilities	Straight line	25-100 years
Cemetery fencing	Straight line	10 years
Motor vehicles	Straight line	7-10 years
IT equipment	Straight line	5-7 years
Plant and equipment	Straight line	5-10 years
Office equipment	Straight line	5-7 years
Operational plant and equipment	Straight line	6-10 years
Finance Lease assets - Office equipment	Straight line	3-5 years
Books and Publications	Straight line	10-20 years
Office Furniture	Straight line	5-10 years

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

1.7 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition...

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

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

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1.7 Intangible assets (continued)

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Licenses and franchises	2 - 5 years
Computer software, other	5 -10 years

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

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

De-recognition.

Intangible assets are de-recognised 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

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Accounting Policies

1.8 Heritage assets (continued)

Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations

A heritage asset as an asset if:

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

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

1.9 Investment property

Initial recognition

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

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

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

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

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

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

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1.9 Investment property (continued)

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.

Subsequent measurement

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

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

Derecognition

The carrying amount of investment property shall be derecognised:

(a) on disposal, or

(b) when no future economic benefits or service potential are expected from its use or disposal.

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.

1.10 Inventories

Initial recognition

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.

Subsequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

Cost formula

The cost of inventories is assigned by using the weighted average cost formula.

1.11 Site restoration and dismantling cost

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

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1.11 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

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Accounting Policies

1.12 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

Initial recognition

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Subsequent measurement

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The Municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial Asset measured at amortised cost
Investments - Call accounts	Financial Asset measured at amortised cost
Consumer Debtors	Financial Asset measured at amortised cost
VAT	Financial Asset measured at amortised cost
Sundry debtors	Financial Asset measured at amortised cost

The Municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Consumer debtors are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less

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1.12 Financial instruments (continued)

repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade payables and borrowings

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

Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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

Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

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.

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;

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Accounting Policies

1.12 Financial instruments (continued)

- 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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

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 risk: 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.

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.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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1.12 Financial instruments (continued)

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.

1.13 Statutory receivables

Identification

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.14 Provisions and contingent liabilities

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.

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1.14 Provisions and contingent liabilities (continued)

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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Accounting Policies

1.15 Leases

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.

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

Operating leases - lessee

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

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Service charges

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

- 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 .

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

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

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

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

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Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines.

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. Law enforcement officials are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

Other revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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

1.18 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 service rendered by employees.

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Accounting Policies

1.18 Employee benefits (continued)

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.

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.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

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

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

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Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

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

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Accounting Policies

1.18 Employee benefits (continued)

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

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Accounting Policies

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

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

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

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

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

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

1.19 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforcement right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.20 Compound instruments

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in an agreement/ arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

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Accounting Policies

1.21 Accumulated surplus

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;
- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and
- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

1.22 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.23 Changes in accounting policies and estimates and prior year errors

Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

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Accounting Policies

1.23 Changes in accounting policies and estimates and prior year errors (continued)

(a) restating the comparative amounts for the prior period presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.24 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

- 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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

The extent to which the asset is used for service delivery.

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwatert

Designation

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

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

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

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

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Accounting Policies

1.24 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

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Accounting Policies

1.24 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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 use 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.

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

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

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

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

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

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Accounting Policies

1.24 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess 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 entity 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.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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.

1.25 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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.

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Accounting Policies

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

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.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Accounting Policies

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

Reversal of an impairment loss

The municipality assess 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.

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

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.

1.26 Commitments

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

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Investment income

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

1.28 Borrowing costs

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

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

1.29 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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

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Accounting Policies

1.29 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.30 Presentation of budget policy

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

1.31 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

1.31 Unauthorised expenditure (continued)

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 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.

1.33 Fruitless and wasteful expenditure

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

1.34 Events after reporting date

Events that occur after the 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.

Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

Non-adjusting events.

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

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

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Accounting Policies

1.35 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	
<ul style="list-style-type: none">GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	
<ul style="list-style-type: none">GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	
<ul style="list-style-type: none">GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	
<ul style="list-style-type: none">GRAP 20: Related parties	01 April 2019	
<ul style="list-style-type: none">GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	
<ul style="list-style-type: none">GRAP 105: Transfers of functions between entities under common control	01 April 2019	
<ul style="list-style-type: none">GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	
<ul style="list-style-type: none">GRAP 107: Mergers	01 April 2019	
<ul style="list-style-type: none">GRAP 108: Statutory Receivables	01 April 2019	
<ul style="list-style-type: none">GRAP 109: Accounting by Principals and Agents	01 April 2019	
<ul style="list-style-type: none">IGRAP 11: Consolidation – Special purpose entities	01 April 2019	
<ul style="list-style-type: none">IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	
<ul style="list-style-type: none">IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	
<ul style="list-style-type: none">IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	
<ul style="list-style-type: none">IGRAP 19: Liabilities to Pay Levies	01 April 2019	
<ul style="list-style-type: none">IGRAP 19: Liabilities to Pay Levies	01 April 2019	

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 104 (amended): Financial Instruments	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none">Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact

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- | | | |
|---|---------------|---|
| • GRAP 36: Investments in Associates and Joint Ventures | 01 April 2020 | material impact
Unlikely there will be a material impact |
| • GRAP 37: Joint Arrangements | 01 April 2020 | Unlikely there will be a material impact |

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• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

3. Inventories

Raw materials, components	62 631	47 774
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3.1 Movement for inventories

Stationery	(16 137)	14 526
Consumables	34 645	(3 795)
Maintenance - Building material	(3 651)	(124 959)
	14 857	(114 228)

4. Receivables from exchange transactions

Less: Provision for Doubtful Debts	(3 876 097)	(2 678 973)
Other debtors - sundry debtors	2 542 979	2 390 656
Trade debtors - Refuse / waste management	2 443 468	1 854 313
	1 110 350	1 565 996

Aged receivables from exchange transactions

Receivables from exchange transactions at 30/06/2020: R 4 986 447 (30/06/2019: R 4 244 969).

Aged Debtors	-	-
Refuse and other	-	-
Current (0 - 30 days)	825 913	521 515
31 -60 days	266 958	414 589
61 - 90 days	240 062	254 519
91 - 120 days	263 917	100 686
120 days +	3 389 597	2 953 660
	4 986 447	4 244 969

Reconciliation of provision for impairment of receivables from exchange transactions

Opening balance	2 678 973	-
Provision for impairment	1 197 124	2 678 973
	3 876 097	2 678 973

5. Receivables from non-exchange transactions

Fines	3 916 895	3 459 975
Other debtors	15 190 285	9 311 234
Consumer debtors - rates	103 322 178	90 752 271
Provision for Impairment - Receivables for rates and traffic fines	(98 433 257)	(84 224 136)
	23 996 101	19 299 344

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Debtors for rates, other and traffic fines		
Rates	103 322 177	90 752 271
Less: Provision for debt impairment	(83 791 746)	(74 013 904)
	19 530 431	16 738 367
Fines	3 916 895	3 458 575
Less: Provision for debt impairment	(2 839 559)	(2 496 460)
	1 077 336	962 115
Other debtors	15 190 285	9 311 234
Less: Provision for debt impairment	(11 801 952)	(7 713 772)
	3 388 333	1 597 462
Debtors ageing rates & other debtors	-	-
Current (0 - 30 days)	8 046 763	5 364 108
31 - 60 days	5 325 401	4 939 330
61 - 90 days	3 940 240	4 335 539
91 - 120 days	4 378 936	3 991 724
120 days +	96 821 122	81 432 804
Total (rates)	118 512 462	100 063 505
	-	-
	-	-

The amount for the provision as at 30 June 2020 was R 98 433 257 and on 30 June 2019 was R 84 224 136

In light with the accounting policy of Maruleng Municipality on account receivables, a provision is made on accounts which are overdue for more than 90 days. Based on the debtor's ageing analysis above, an average of 73% is noted on accounts which are overdue in the previous three years which indicates the significant backlog of recoverability of outstanding debtors that falls due for over 90 days and therefore the provision made based on 90 days plus benchmark appears to be reasonable.

6. VAT receivable

VAT	10 195 707	9 529 396
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The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

During the year, the municipality did not make any payments to SARS.

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. The amount receivable for the month of 30 June 2020 on cash basis is R 2 169 901.78

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7. Other receivables		
Mopani Loan Account - District (Water Services)	27 885 671	25 729 436
Provision for Mopani Loan Account	(27 885 420)	(25 729 186)
Salary Clearing Account	173 238	1 317 701
Deposits	6 188	7 936
Other debtors (Treasury)	1 523 952	966 326
	1 703 629	2 292 213

Inter-municipal receivables

Gross debtors	27 885 420	25 729 186
Provision for debt impairment	(27 885 420)	(25 729 186)
	-	-

Reconciliation of debt impairment provision

Inter-municipal debtors

Balance at the beginning of the year	(25 729 186)	(24 003 740)
Adjustments to provision	(2 156 234)	(1 725 446)
	(27 885 420)	(25 729 186)

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on floats	710	710
Bank balances	7 292 168	15 731 486
Call deposits	138 758 156	121 471 649
	146 051 034	137 203 845

The municipality has a facility in the form of a fleet card for a limit of R 150 000 which expires in 2022. The fleet card is linked directly to the main account.

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
Current account (primary bank account) - Standard Bank Hoedspruit Branch : Account Number 033355487	6 312 238	15 196 956	23 975 116	7 292 878	15 731 486	23 185 503
Standard Bank Account: Call deposit Account - Account number: 038579111-02	103 249 495	87 814 368	76 745 655	103 249 495	87 814 368	76 745 655
Bank statement balance at the beginning of the period						
Investec Bank Account: 32 days notice account - Account number 1100464721500	35 508 661	33 657 281	31 654 483	35 508 661	33 657 281	31 654 483
Bank statement balance at the beginning of the period						
Total	145 070 394	136 668 605	132 375 254	146 051 034	137 203 135	131 585 641

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9. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8 950 000	-	8 950 000	8 950 000	-	8 950 000

Reconciliation of investment property - June 2020

	Opening balance	Total
Investment property	8 950 000	8 950 000

Reconciliation of investment property - June 2019

	Opening balance	Fair value adjustments	Total
Investment property	6 796 836	2 153 164	8 950 000

Pledged as security

During the financial period ended 30 June 2020, no components of investment property were pledged as security for borrowings or banking facilities.

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.

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10. Property, plant and equipment

	2020			2019		
	Cost /	Accumulated	Carrying value	Cost /	Accumulated	Carrying value
	Valuation	depreciation and accumulated impairment		Valuation	depreciation and accumulated impairment	
Land	19 500 000	-	19 500 000	20 872 000	-	20 872 000
Plant and machinery	3 996 874	(796 157)	3 200 717	4 011 125	(425 343)	3 585 782
Furniture and Office Equipment	5 353 736	(2 648 975)	2 704 761	5 276 622	(2 198 524)	3 078 098
Transport assets	13 605 302	(1 569 354)	12 035 948	11 841 251	(3 685 876)	8 155 375
Computer equipment	8 674 989	(4 567 901)	4 107 088	8 049 733	(2 665 719)	5 384 014
Infrastructure - roads	234 205 494	(33 158 377)	201 047 117	182 259 768	(27 344 851)	154 914 917
Community assets	227 668 100	(110 862 903)	116 805 197	227 162 863	(99 776 932)	127 385 931
WIP - Infrastructure	162 978 094	-	162 978 094	128 727 782	-	128 727 782
Electrical infrastructure	10 732 274	(9 722 653)	1 009 621	10 732 274	(9 565 118)	1 167 156
Other assets	111 813	(96 554)	15 259	96 813	(87 784)	9 029
Solid waste infrastructure	552 410	(499 506)	52 904	552 410	(477 761)	74 649
Storm water infrastructure	16 854 820	(1 933 739)	14 921 081	16 854 820	(1 631 299)	15 223 521
Total	704 233 906	(165 856 119)	538 377 787	616 437 461	(147 859 207)	468 578 254

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Reconciliation of property, plant and equipment - June 2020

	Opening balance	Additions	Disposals	Transfers received/Out	Depreciation	Impairment loss	Total
Land	20 872 000	-	-	-	-	(1 372 000)	19 500 000
Plant and machinery	3 585 782	3 956	(11 493)	-	(375 928)	(1 600)	3 200 717
Furniture and Office Equipment	3 078 098	194 954	(19 579)	-	(523 842)	(24 870)	2 704 761
Transport assets	8 155 375	5 220 060	(498 934)	-	(840 553)	-	12 035 948
Computer equipment	5 384 014	692 608	(27 073)	-	(1 938 141)	(4 320)	4 107 088
Infrastructure - roads	154 914 917	51 945 727	-	-	(5 332 185)	(481 342)	201 047 117
Community assets	127 385 931	505 237	-	-	(10 568 984)	(516 987)	116 805 197
WIP - Infrastructure	128 727 782	86 196 040	-	(51 945 728)	-	-	162 978 094
Electrical infrastructure	1 167 156	-	-	-	(157 535)	-	1 009 621
Other assets	9 029	15 000	-	-	(8 770)	-	15 259
Solid waste infrastructure	74 649	-	-	-	(21 329)	(416)	52 904
Storm water infrastructure	15 223 521	-	-	-	(287 313)	(15 127)	14 921 081
	468 578 254	144 773 582	(557 079)	(51 945 728)	(20 054 580)	(2 416 662)	538 377 787

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Reconciliation of property, plant and equipment - June 2019

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	20 872 000	-	-	-	-	-	20 872 000
Plant and machinery	719 432	3 016 855	(11 521)	-	(120 619)	(18 365)	3 585 782
Furniture and Office Equipment	2 774 377	993 854	(72 166)	-	(437 669)	(180 298)	3 078 098
Transport assets	6 241 851	3 994 583	-	-	(1 317 339)	(763 720)	8 155 375
Computer equipment	1 702 528	4 987 853	(29 872)	-	(1 256 066)	(27 371)	5 384 014
Infrastructure - roads	105 832 309	-	-	54 880 685	(4 713 186)	(1 084 891)	154 914 917
Community assets	136 806 476	1 292 952	(171 614)	-	(10 541 883)	-	127 385 931
WIP - Infrastructure	105 496 317	82 504 891	-	(54 880 685)	-	(4 392 741)	128 727 782
Electrical infrastructure	1 608 193	-	(57 900)	-	(378 252)	(4 885)	1 167 156
Other assets	19 338	-	-	-	(8 538)	(1 771)	9 029
Solid Waste Infrastructure	95 977	-	-	-	(21 328)	-	74 649
Storm water Infrastructure	15 510 834	-	-	-	(287 313)	-	15 223 521
	397 679 632	96 790 988	(343 073)	-	(19 082 193)	(6 474 042)	468 578 254

Pledged as security

During the financial year ended 30 June 2020, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

The municipality is initiating a process of engaging the private occupier in erf 196 to enter into a new arrangement. The land was leased to the private occupier pre 1994 at 99c per annum.

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Details of Valuation

Land was fair valued on 30 June 2016.

Valuation details.

The effective date of the valuations remains 30 June 2016.

The valuation was performed by an independent valuer, Hangwani Petrus Matildza, who is not connected to the municipality and has experienced knowledge regarding the location and category of the property being valued. The valuation was based on open market value for existing use. All assumptions used to arrive at the fair values were based on current market conditions. The Council policy is to revalue every four years.

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Movables assets	451	67
Infrastructure assets	68	-
	519	67

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.

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11. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 084 089	(933 680)	150 409	1 084 089	(785 795)	298 294

Reconciliation of intangible assets - June 2020

	Opening balance	Amortisation	Total
Computer software	298 294	(147 885)	150 409

Reconciliation of intangible assets - June 2019

	Opening balance	Amortisation	Total
Computer software	447 467	(149 173)	298 294

Pledged as security

During the financial period ended 30 June 2020, no components of intangible assets were pledged as security for borrowings or banking facilities.

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12. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	372 500	-	372 500	372 500	-	372 500

Reconciliation of heritage assets - June 2020

	Opening balance	Total
Heritage assets	372 500	372 500

Reconciliation of heritage assets - June 2019

	Opening balance	Revaluation increase/(decr ease)	Total
Heritage assets	222 000	150 500	372 500

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Figures in Rand	2020	2019
13. Finance lease obligation		
Minimum lease payments due		
- within one year	1 758 989	1 599 081
- in second to fifth year inclusive	759 010	2 518 000
	2 517 999	4 117 081
less: future finance charges	(64 471)	(176 590)
Present value of minimum lease payments	2 453 528	3 940 491
Present value of minimum lease payments due		
- within one year	1 700 943	1 486 963
- in second to fifth year inclusive	752 585	2 453 528
	2 453 528	3 940 491
Non-current liabilities	752 585	2 453 528
Current liabilities	1 700 943	1 486 963
	2 453 528	3 940 491

The average lease term was 3 years and the average effective borrowing rate was 10.5% (2019: 10.5%).

14. Trade and other payables from exchange transactions

Trade creditors	-	50 098
Retentions	16 659 097	16 589 073
Accruals	8 961 746	10 783 173
Unknown deposits	3 482 346	2 580 204
Operating lease - deferred liability	26 844	26 844
Other creditors - Dept Roads & Transport	76 020	10 619
	29 206 053	30 040 011

Included in the Unknown deposits is deposits to the value of R 1 640 296.10 that has not been claimed for more than 2 (two) financial years that is the process of been considered as forfeits following council consideration.

15. Trade and other payables from non exchange transactions

Amounts received in advance - Consumer debtors	4 439 741	4 210 278
Trade and other payables	283 944	1 047 717
	4 723 685	5 257 995

16. Provisions

The total amounts recognised in the statement of financial position are as follows:

Leave provision	7 255 204	6 980 485
Bonus provision	1 528 390	1 218 017
Provision for performance bonuses	703 325	626 057
	9 486 919	8 824 559

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Figures in Rand	2020	2019
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Expanded Public Works Programme Grant	1	193
Municipal Infrastructure Grant (MIG)	-	4 919
	1	5 112

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Figures in Rand	2020	2019
18. Employee benefit obligations - long term		
Non-current liabilities	6 641 000	10 851 808
Current liabilities	272 000	124 889
	6 913 000	10 976 697

Amounts recognised in the statement of financial position are as follows:	2020	2019
Long service awards	3 150 000	3 041 912
Post employment medical aid	3 763 000	7 934 785
	6 913 000	10 976 697

Long service awards.

Long service awards relate to the legal obligation to provide long service leave awards.

Actuarial benefits has been performed on all 150 employees as at 30 June 2020 that are entitled to long services awards. The long service awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Maruleng offers bonuses every five years of completed services from 10 years to 45 years.

The amount recognised in the statement of financial position is as follows:	2020	2019
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 106 713	3 041 912
Change in the present value of the defined benefit obligation are as follows:	2020	2019
Opening accrued liability	3 041 912	3 293 859
Current service cost	301 068	296 857
Interest cost	259 920	286 518
Actuarial gains and losses	(328 011)	(489 829)
Expected contributions (benefits paid)	(124 889)	(345 493)
	3 150 000	3 041 912

Current Portion of Liability (due in the next 12 months)	272 000	124 889
Non-Current Portion of Liability	2 878 000	2 917 023

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Figures in Rand	2020	2019
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Key assumptions used

Assumption used at the reporting date

Discount rates used	7.53%	8.66%
General salary inflation	4.09%	5.77%
Net discount rate	3.30%	2.73%
Normal retirement age	65	63
Post employment medical aid		

An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become entitled to after retirement.

The employee post employment health care liability consists of the commitment to pay a portion of the Pensioners Medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes after the death of the pensioner.

A summary of assumptions was provided to the municipality.

The medical aid contribution is an actuarial calculation which was performed by ARCH Actuarial Consulting, an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment

The amount recognised in the statement of financial position is as follows:

Carrying value

Present value of the defined benefit obligation- wholly unfunded	3 763 000	7 934 785
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Change in the present value of the defined benefit obligation are as follows:

Opening accrued liability	7 934 785	6 879 809
Current service cost	832 260	796 803
Interest cost	898 218	732 699
Actuarial gains and losses	(5 902 263)	(474 526)
	3 763 000	7 934 785

Current Portion of Liability (due in the next 12 months)

-

Non-Current Portion of Liability

3 763 000 7 934 785

Calculation of actuarial gains and losses

Actuarial gains/ (losses)	(5 902 263)	(474 526)
	(2 139 263)	7 460 259

Key assumptions used

Assumption used at the reporting date

Discount rates used	11.49%	11.32%
Net discount rate	3.81%	2.54%
Health care cost inflation	7.40%	8.56%
Consumer cost inflation	7.06%	7.06%

19. Interest on investments

Short-term investments and call accounts	7 296 691	8 071 510
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Figures in Rand	2020	2019
20. Agency services		
Water and Sanitation	1 894 296	1 927 868
21. Licences and permits		
Traffic learners and drivers' licences	1 776 843	2 701 010
22. Lease rentals on operating lease		
Equipment		
Contractual amounts	-	173 372
23. Traffic fines		
Traffic fines	532 800	610 071
24. Interest earned from Receivables		
Exchange receivables	31 366	83 590
Non-exchange receivables	8 802 347	6 051 684
	8 833 713	6 135 274
25. Other revenue		
Rezoning	-	118 000
Valuation certificates	4 753	4 411
Library fines	3 365	2 275
Building plans	1 388 426	584 400
Signboards, adverts etc	10 204	22 924
Zoning certificates	-	1 912
Trading licence fees	2 644	1 497
Building inspection fee	144 199	195 405
Library membership fees	1 390	4 615
Membership fees	20 442	30 562
Clearance certificates	217 205	249 062
Tender documents	161 912	347 220
Handling fees	614	-
	1 955 154	1 562 283
26. Service charges		
Refuse removal	3 736 237	3 497 886

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Figures in Rand	2020	2019
27. Property rates		
Rates received		
Property rates	109 946 494	92 157 510
Less: Income forgone	(16 702 438)	(15 104 706)
	93 244 056	77 052 804
Valuations		
Residential	5 716 895 194	3 056 042 875
Commercial	1 350 108 281	794 387 212
State	301 655 000	620 509 000
Agricultural	1 968 315 626	6 246 808 303
Other	2 638 013 852	595 274 209
	11 974 987 953	11 313 021 599

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Figures in Rand	2020	2019
28. Government grants and subsidies		
Operating grants		
Equitable share	124 492 000	109 416 192
Financial Management Grant (FMG)	1 900 000	1 900 000
Expanded Public Works Programme (EPWP)	1 113 192	1 169 000
Disaster Management Relief Fund (MDRG)	149 000	-
	127 654 192	112 485 192
Capital grants		
Municipal Infrastructure Grant	26 816 919	41 332 179
	154 471 111	153 817 371
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Equitable Share		
Current-year receipts	124 492 000	109 416 192
Conditions met - transferred to revenue	(124 492 000)	(109 416 192)
	-	-
Provide explanations of conditions still to be met and other relevant information.		
Expanded Public Works Programme (EPWP)		
Balance unspent at beginning of year	193	192
Current-year receipts	1 113 000	1 169 000
Conditions met - transferred to revenue	(1 113 192)	(1 168 999)
Unspent amount transferred to liabilities	1	193
This grant is used to provide skills and temporary work to unemployed people		
Financial Management Grant		
Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
Unspent amount transferred to liabilities	-	-
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.		
Disaster Management Relief Grant		
Current-year receipts	149 000	-
Conditions met - transferred to revenue	(149 000)	-
Unspent amount transferred to liabilities	-	-
This grant was used for COVID-19 personal protective equipment for employees of the municipality during.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	4 919	98

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Figures in Rand	2020	2019
Current-year receipts	26 812 000	41 337 000
Conditions met - transferred to revenue	(26 816 919)	(41 332 179)
	-	4 919

Conditions still to be met - remain liabilities (see note 17).

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions.

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Figures in Rand	2020	2019
29. Employee related costs		
Employee related costs - Salaries and wages	46 456 233	46 041 214
Employee related costs - social contributions	11 256 292	10 365 255
Travel, motor car, accommodation, subsistence and other allowances	6 787 938	4 762 864
Long-service awards	301 068	291 194
Housing benefits and allowances	1 014 255	961 900
Post retirement benefits	832 260	796 803
	66 648 046	63 219 230
Municipal Manager		
Annual Remuneration	560 084	-
Car Allowance	347 068	-
Travel and other allowances	173 152	-
Contributions to UIF, Medical and Pension Funds	119 636	-
	1 199 940	-
Remuneration of Chief Financial Officer		
Ms F Sekgobela was appointed as the acting Chief Financial Officer from 1 July 2019 to date and her acting allowance was RNil		
Director: Technical Services		
Annual Remuneration	426 307	503 715
Car allowances	276 000	-
Travel and other allowances	207 219	231 133
Contributions to UIF, Medical and Pension Funds	8 543	1 260
	918 069	736 108
Director: Community Services		
Annual Remuneration	-	437 418
Car Allowance	-	133 156
Payments in lieu of leave	-	211 792
Travel and other allowances	-	175 943
Contributions to UIF, medical and Pension Funds	-	96 019
	-	1 054 328
The post for Director: Community Services was vacant during the year.		
Director: Spatial Development and Planning		
Annual Remuneration	-	541 378
Car Allowance	-	154 374
Travel and other allowances	-	155 083
Contributions to UIF, medical and Pension Funds	-	89 581
	-	940 416
The post for Director: Spatial Development and planning was vacant during the year.		
Director: Corporate Services		
Annual Remuneration	523 635	439 287

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Car allowance	180 000	-
Travel and other allowances	47 575	224 695
Contributions to UIF, Medical and Pension Funds	148 876	85 657
	900 086	749 639

30. Depreciation and amortisation

Property, plant and equipment	840 553	1 317 339
Electrical Infrastructure	157 535	378 252
Machinery and Equipment	375 928	111 466
Furniture and Office Equipment	523 842	421 898
Computer Equipment	1 938 141	1 247 117
Roads Infrastructure	5 332 185	4 713 186
Storm water Infrastructure	287 313	287 313
Community Assets	7 271 701	7 203 167
Other assets	8 770	8 538
Buildings	3 297 289	3 338 716
Solid Waste Infrastructure	21 329	21 328
Intangible assets	147 885	149 173
	20 202 471	19 197 493

31. Impairment loss

Impairments

Property, plant and equipment	-	763 720
Machinery and Equipment	1 600	18 365
Library books	-	1 771
Computer Equipment	4 320	27 371
Furniture and office equipment	24 870	180 298
Roads Infrastructure	481 342	1 084 891
Electrical infrastructure	-	4 885
Community assets	516 987	-
Solid waste infrastructure	416	-
Work-in-progress (WIP)	-	4 392 741
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Storm water	15 127	-
Land	1 372 000	-
	2 416 662	6 474 042

32. Finance costs

Finance leases	112 119	87 602
Other interest paid	1 158 138	1 019 217
	1 270 257	1 106 819

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33. General expenses		
Compensation Commissioner	352 700	402 908
Advertising	133 716	226 597
Audit fees	4 266 813	4 484 135
Bank charges	297 699	281 725
Computer expenses	54 322	39 300
Legal expenses	1 408 465	2 376 573
Free basic electricity	608 293	332 118
Insurance	593 591	1 084 088
Functions and events	675 632	5 419 635
Fuel and oil	1 957 982	1 609 249
Printing and stationery	1 133 976	1 189 691
Protective clothing	544 664	658 551
Repairs and maintenance	2 302 670	2 473 609
Refreshment	43 369	80 414
Subsistence, travel & accomodation	8 108 073	11 437 990
Training	2 054 187	755 957
Telephone & cellphone costs	787 842	803 649
Electricity - Utilities	2 339 115	2 575 605
Internal Audit	70 159	512 873
Membership fees	887 287	821 096
Stores and material	340 035	442 449
Ward committes	2 491 500	3 063 189
Professional fees	10 798 149	11 161 271
Bursary Fund	207 389	135 510
Other expenses	1 068 231	917 151
	43 525 859	53 285 333
34. Debt impairment		
Contributions to debt impairment consumers	26 902 840	25 797 408
Contributions to debt impairment traffic fines	343 099	342 322
Contributions to debt impairment inter-municipal debtor	2 156 234	1 725 446
	29 402 173	27 865 176
35. Loss on disposal of assets		
Loss on disposal of assests		
Porperty, plant and equipment	557 078	343 074

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36. Cash generated from operations		
Surplus	89 094 220	63 110 696
Adjustments for:		
Depreciation and amortisation	20 202 463	19 230 421
Gain on sale of assets and liabilities	557 078	343 074
Fair value adjustments	-	(2 303 664)
Impairment / (reversal) of impairment on assets	2 416 663	6 474 042
Increase / (decrease) in debtors impairment	29 402 173	27 865 176
Movements in retirement benefit assets and liabilities	662 361	1 788 054
Movements in provisions	(4 063 697)	678 140
Finance cost - employee benefit obligation	(1 158 138)	(1 019 217)
Actuarial gains/(losses)	(6 230 825)	(964 355)
Movement in employee benefit liability	7 388 963	1 983 589
Accumulated surplus non cash adjustment	-	3 399 350
Changes in working capital:		
Inventories	(14 857)	114 228
Receivables from exchange transactions	1 044 230	20 184
Other receivables from non-exchange transactions	(34 098 931)	(29 723 445)
Trade and other payables from exchange transactions	(833 958)	8 578 406
VAT	(666 311)	3 353 537
Taxes and transfers payable (non-exchange)	(534 310)	(1 187 403)
Unspent conditional grants and receipts	(5 111)	4 822
	103 162 013	101 745 635

37. Additional disclosures in terms of Section 125 of Municipal Finance

Contribution to SALGA

Council membership fees payable	883 248	821 096
Amount paid current year	(883 248)	(821 096)
	-	-

Audit fees

Current year audit fee	4 345 349	4 484 135
Amount paid current year	(4 345 349)	(4 484 135)
	-	-

PAYE & UIF

Current payroll deductions	11 086 004	10 559 313
Amount paid current year	(11 086 004)	(10 559 313)
	-	-

Pension and Medical Aid Deductions

Current payroll deductions	11 461 102	10 254 235
Amount paid current year	(11 461 102)	(10 254 235)
	-	-

VAT

During the year, the municipality did not make any payments to SARS.

VAT is accounted for on the cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted throughout the year.

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38. Councillor's arrears consumer accounts		
Councillors do not have services and rates accounts to the municipality.		
39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	215 831 521	244 439 923
Total capital commitments		
Already contracted for but not provided for	215 831 521	244 439 923
Authorised operational expenditure		
Already contracted for but not provided for		
• Professional fees	8 383 009	12 658 974
Total operational commitments		
Already contracted for but not provided for	8 383 009	12 658 974
The expenditure will be financed from:		
Sources		
Government grants	28 312 193	41 242 140
Internal sources	195 902 337	215 856 757
	224 214 530	257 098 897

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2019

40. Contingent liabilities

Litigation is in the process against the municipality relating to disputes with stakeholders. The estimate of the contingent liability is +/- R7 500 000.00 (June 2020), R9 014 946.00 (June 2019).

The litigation matters for the year under review are detailed below as follows:

Dispute on subcontracting.

Litigation is in the process against the municipality relating to a dispute with a subcontractor who alleges that the municipality did not pay them a full invoice amount of R356 000 that they issued on behalf of the main contractor. The plaintiff alleges that they were only paid R147 000 by the municipality and no further payments were made thereafter and is seeking remainder of the balance of invoice and legal costs. Management's estimate of financial exposure (including costs and disbursements) on the case is R300 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

Claims on the house gutted by fire:

The applicants instituted action against the Maruleng municipality (case no: 19582/2012) during april 2012. The claim is one for payment of delictual damages incurred by the plaintiff as a result of a runaway veld fire (caused by the municipality) which occurred on 05/09/2011 in Hoedspruit and while destroying the property of the applicant. The plaintiff claims from the municipality payment in the amount of R1 979 960.00. Management's estimate of financial exposure (including costs and disbursements) on the case is +/- R6 500 000.00.

There is no reimbursement from any third parties for potential obligations of the municipality.

Contractual claim

In 2011 a contractor entered into an agreement with the municipality: NLA/LP/RST10/1 - Mahlomelong Surfacing of road.

During July/Aug 2011 the plaintiff (a business man trading in Landslide Equipment) rented out the machinery & equipment and rendered services to the contractor under a contract Mahlomelong surfacing of road NLA/LP/R-ST10/01 as a sub-contractor.

On 08/09/2011 the plaintiff submitted an invoice to the municipality for work done on behalf of the contractor in the amount of R308 638.68 plus an invoice for an amount of R4 710.62. On 01/10/2011 Municipality made payment of an amount of R100 000.00 to the plaintiff but is since in default with its payment in spite of the fact that the plaintiff has completed his contract. The plaintiff claims for outstanding payment in the amount of R213 349.30. Management's estimate of financial exposure (including costs and disbursements) on the case is +-R 200 000

There is no reimbursement from any third parties for potential obligations of the municipality.

Application to oppose exhumation of the body.

Municipality received an application in 2017 from the plaintiff to exhume the body, the municipality opposed the application. Management's estimate of financial exposure (including costs and disbursements) on the case is +-R 300 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

Car accident claim.

The plaintiff's car was involved in an accident in 2019 and they allege that the accident was caused by a burst tyre due to a pothole on municipal road. Municipality entered notice of intention to defend in that the road which the accident occurred it's a national road not that of municipality. Management's estimate of financial exposure (including costs and disbursements) on the case is R 200 000.

There is no reimbursement from any third parties for potential obligations of the municipality.

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Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees, members of the public and contractors/suppliers. The municipality is likely to receive an amount of +/- R 600 000. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Contingent asset for the year under review are detailed below as follows:

Claim against against car rental company

Summons issued on the matter of Maruleng Local municipality suing Car Rental company for not surrendering the scrap of a motor vehicle which the municipality has paid for after an accident caused by a municipal employee using a rental car. The municipality is of the view that the scrap should be the municipality's property. Management's estimate of financial exposure (including costs and disbursements) on the case is R 600 000.

41. Unauthorised, irregular, fruitless and wasteful expenditure

Irregular expenditure

Opening balance as previously reported	44 897 213	27 665 393
Correction of prior period error		-
Add: Irregular expenditure - current	30 471 422	17 231 820
Less: Amount recoverable - current	-	-
Less: Amounts written-off - current	-	-
Irregular expenditure awaiting condonement	75 368 635	44 897 213
	75 368 635	44 897 213

The balance as at 30 June 2019 was R44 897 213. The balance as at 30 June 2020 was R75 368 635 that is currently under investigation.

Subsequent to year-end council has written-off Irregular expenditure to the value of R 3 761 262. This a non-adjusting subsequent event.

Fruitless and wasteful expenditure

Opening balance as previously reported	2 958 030	2 296 198
Correction of prior period error	-	-
Opening balance as restated	-	-
Add: Fruitless and wasteful expenditure - current	2 536	661 832
Less: Amount recoverable - current	(130 319)	-
Less: Amounts written-off - current	-	-
Fruitless and wasteful expenditure awaiting condonement	2 830 247	2 958 030

Incident: Recovered fruitless and wasteful expenditure from supplier (over charge by supplier on VAT)

Municipality entered into an agreement with the supplier during the year to deduct the amount overpaid in the prior year in current year invoices.

Subsequent to year-end council has written-off fruitless and wasteful expenditure to the value of R 598 627. This a non-adjusting subsequent event.

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Figures in Rand	2020	2019
Unauthorised expenditure		
Opening balance as previously reported	32 894 876	14 229 699
Correction of prior period error	-	-
Opening balance as restated	-	-
Add: Unauthorised expenditure - current	-	18 665 177
Less: Amounts written-off – current	-	-
	32 894 876	32 894 876

Subsequent to year-end council has written-off unauthorized expenditure to the value of R 14 229 699.

42. Related party disclosures

During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

Related party transactions

S55 and S57 Employees/Employees remuneration

Refer to Employee related costs note 27

Remuneration of Councilors

Refer to Remuneration of Councilors note 44

43. Risk management

Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 8, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality's risk to liquidity is a result of the funds available to cover future commitments.

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The municipality analyses its financial liabilities and netsettled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	29 206 053	-	-	-
Trade and other payables from non-exchange transactions	4 723 685	-	-	-
Finance lease obligation	1 700 943	752 585	-	-
Provisions	9 486 919	-	-	-
Employee benefits obligation	272 000	-	6 641 000	-
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	30 040 011	-	-	-
Trade and other payables from non-exchange transactions	5 257 995	-	-	-
Finance lease obligation	1 486 963	2 453 528	-	-
Unspent grants	5 112	-	-	-
Provisions	8 824 558	-	-	-
Employee benefits obligation	124 889	-	10 851 808	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. 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.

Cash and cash equivalent - The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider that to be any significant exposure to credit risk.

Financial instruments exposed to credit risk at year end were as follows positive for assets and negative for Liabilities:

Financial instrument	2020	2019
Receivables - From Exchange Transactions	1 110 350	1 565 996
Receivables - From Non Exchange Transactions	23 994 701	2 291
Other receivables	1 703 379	2 291 963
Employee benefits obligation	(6 913 000)	(10 976 697)
Trade and other from exchange transactions	(29 228 479)	(30 062 133)
Trade and other receivables from non-exchange transactions	(5 074 091)	(5 476 777)
Finance lease obligation	(1 700 943)	(1 486 963)
VAT receivable	10 153 388	9 505 309
Cash and cash equivalents	147 021 583	137 892 725

The above financial instruments are measured at amortised cost.

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.

The municipality have insignificant interest risk exposure in the form of finance costs from finance lease obligation, however the fluctuation in interest rates will not hinder any of the municipality operations

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44. Deviation from supply chain management regulations

Regulation 36 of the Municipal SCM Regulation of 2005 provides for deviation from and rectification of minor breaches of procurement processes. The deviation reports includes limited bidding, emergency and urgent procurement as well as avoidable deviations. The following expectations were recorded for the period under review:

DATE	NAME OF SERVICE PROVIDER	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
11/07/2019	SETPLAN	Data updates deeds data	117 127.50	The Institute that runs the program is a sole provider
15/07/2019	Munsoft	ICT forum	21 850.00	IT is the Municipality system vendor
19/07/2019	Leadership Academy	Training for Mahlo MC and Malepe EN	79 810.00	The Institute that runs the training
24/07/2019	IMPISA	Conference registration fee for Magabane TG and Makgato MY	10 700.00	The Institute that provides the conference
24/07/2019	IMPISA	Conference fee for Ntimane FL and Ramohlola KP	10 700.00	The Institute that provides the conference
25/07/2019	Classic (PMI)	Registration and tuition fee for Machubene MC	15 930.00	The Institute that provides the training and runs the training
25/07/2019	Annual labour law conference	Conference for Ntimane FL	6 750.00	The Institute that runs / provides the training/service
29/07/2019	Annual labour law conference	Conference for Makgato MY	6 750.00	The Company that runs the conference
29/07/2019	CIGFARO	Registration for Magoro and Phuti & Lesley	9 950.00	The Institution that provides the conference
06/08/2019	Government Printing	Erratum notice on rate policy	1 008.80	The Institute that provides the advertisement / Sole trader
26/08/2019	IMPISA	Fee for Ntimane FL, Ramohlola KP, Magabane TG and Makgato MY	18 200.00	The Institute that provides the conference
26/08/2019	SAIAT	Registration for Morema A	1 700.00	The Custodian for Architectural Technologist
26/08/2019	SAIAT	Registration fee for Phasha D	1 700.00	The Institute that provides the training/workshop
27/08/2019	SAGE	Payment for Thabie Seoke	2 472.50	The Company has an contract with Maruleng Municipality
13/09/2019	IIASA	Payment for Magoro MJ, Lephalala P and Somo ML Attending leader	27 784.00	The institute that provide the conference

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17/09/2019	SALGA	Payment fee for Mailula M.G,Marule D.K and Hanong K for the planning law conference	3 600.00	The institute that runs national member assembly conference.
18/09/2019	WITS	Tuition fee for Morema A	39 000.00	The institute that provide the programme
15/10/2019	SACPLAN	Membership fee for Mukhetoni TN attending SACPLAN	870.00	The statutory council of nominated members appointed in terms of planning profession
31/10/2019	SAIV	Registraion fee for Sithole K, Phahlane M,Maponya B ND Sibiya P Attending MPRA	4 950.00	The statutory council of nominated members appointed in terms of planning profession
10/11/2019	IIASA	Payment for Magoro MJ, Lephala P and Somo ML Attending leader	27 784.00	The institute that provide the conference
27/11/2019	IIASA	Registration for Somo.Magoro and Lephala	7 400.00	The only institute that offers the training
10/12/2019	Leardership Academy	Registration for magoro,Somo and Mangena	15 047.10	Is the only service provider that offers the training
29/07/2019	Anaka groups	Rental of photocopying machine	190 445.43	Section 32
09/09/2020	Anaka group	Rental of photocopying machine	184 960.33	Section 32
04/10/2019	Anaka group	Rental of photocopying machine	153 820.27	Section 32
24/10/2019	Anaka group	Rental of photocopying machine	164 048.93	Section 32
10/09/2019	Kgolo institute	Mfmp training	374 526.25	Section 32
29/11/2019	Kgolo institute	Mfmp training	184 086.25	Section 32
29/11/2019	Anaka group	Rental of photocopying machine	186.067.05	Section 32
13/12/2019	Kgolo institute	Mfmp training	502 837.50	Section 32
18/12/2019	Anaka group	Rental photocopying machine	197 787.28	Section 32
24/01/2020	Anaka group	Rental of photocopying machine	211 931.61	Section 32
08 /01/2020	BZ SOLUTIONS AFRICA (PTY) LTD	Supply and delivery of Motor Grader	3 492 621.00	Transversal Tender
08/01/2020	BZ SOLUTIONS AFRICA (PTY) LTD	Warranty ,Service plan , Fuel and Spare wheel , registrations for the Motor Grader	410 550.00	Transversal Tender
21/01/2020	NSG	Registration fee for Ntimane FL	6 750.00	The only Service Provider that provide the training to persons in the Public Service
31/01/2020	IIASA	Payment for Magoro J, Somo L and Mangena F	13 800.00	The institution that providing the training

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25/02/2020	munsoft	Registration for Maponya B and Maimela P	22 139.80	Is the system that our Municipality is using and the company has a contract with the Municipality
26/02/2020	Anaka group	Rental of photocopying machine	231 457.53	Section 32
02/03/2020	SAIOSH	Registration for Mahowa R	1 144.25	The institution that is providing this training
02/03/2020	SAGE VIP	Registration for Gouws j and Seoke T	4 945.00	The institution that is providing this training
20/03/2020	Kgolo institute	Mfmp training	573 246.25	Section 32
25/03/2020	Kgolo institute	Mfmp training	570 241.88	Section 32
25/03/2020	Anaka group	Rental of photocopying machine	259 967.09	Section 32
21/04/2020	Anaka group	Rental of photocopying machine	178 134.02	Section 32
22/05/2020	Anaka group	Rental of photocopying machine	188 661.51	Section 32
26/06/2020	Anaka group	Rental of photocopying machine	197 483.82	Section 32
29/06/2020	Barloworld Equipment	426F2 Backhoe Loader TLB	1 142 460.33	Transversal Tender
24/06/2020	Truvelo Manufactures (Pty) Ltd	Calibration of speed measuring machine	9 570.00	Truvelo manufactures (Pty) Ltd is the manufacture of the speed trap machine used by the Municipality
Total	-	-	9 714 984.05	-

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45. Remuneration of councillors		
Mayor	798 913	867 611
Executive Committee Members	2 437 195	2 326 431
Speaker	729 488	689 814
Councillors part time	6 341 788	6 033 895
Councillors full time	794 053	654 964
	11 101 437	10 572 715

In-kind benefits

Councillors are classified based on their respective positions as at 30 June 2020 or the last day of service, as the case may be.

The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has access to a municipal vehicle for official duties and is allocated a municipal house that can also be used to entertain official guests.

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46. Contracted services		
Presented previously		
Refuse and waste removal	7 967 958	7 261 523
Outsourced services: Security Services	8 041 139	6 273 098
	16 009 097	13 534 621

47. Correction of prior year errors

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:

2019	Notes	As previously reported	Correction of error	Re-classification	Restated
Statement of financial position					
Adjustment to accumulated surplus	(e)	(589 950 974)	858 241	-	(589 092 733)
Receivables from exchange transactions	(a)	3 163 458	-	(1 597 462)	1 565 996
Receivables from non-exchange transactions	(a)&(g)	17 700 481	1 401	1 597 462	19 299 344
Property, plant and equipment	(b)	469 778 974	(1 200 720)	-	468 578 254
Finance lease obligation - current	(c)	(1 233 708)	(253 255)	-	(1 486 963)
Finance lease obligation - non-current	(c)	(3 471 503)	1 017 975	-	(2 453 528)
Employee benefits obligations - short term	(d)	-	-	(124 889)	(124 889)
Employee benefits obligations - long term	(d)	(10 976 697)	-	124 889	(10 851 808)
VAT receivable	(g)	9 505 309	24 087	-	9 529 396
Other receivables	(g)	2 291 963	250	-	2 292 213
Cash and cash equivalents	(g)	137 892 725	(688 880)	-	137 203 845
Trade and other payables from exchange transactions	(g)	30 062 133	(22 122)	-	30 040 011
Trade and other payables from non exchange transactions	(a)	5 476 777	(218 782)	-	5 257 995
		- 70 238 938	(481 805)	-	69 757 133

2019	Notes	As previously reported	Error	Re-classification	Total
Statement of financial performance					
Depreciation and amortisation	(b)	19 333 232	(102 811)	-	19 230 421
Reversal of impairments	(b)	2 475 530	3 998 512	-	6 474 042
Finance costs	(c)	1 245 772	(138 953)	-	1 106 819
Lease rentals on operating leases	(c)	96 188	77 184	-	173 372
Rental of facilities and equipment	(g)	(274 696)	3 293	-	(271 403)
Interest on receivables - exchange	(h)	(6 135 275)	-	6 051 685	(83 590)
Interest on receivables - non-exchange	(h)	-	-	(6 051 685)	(6 051 685)
Agency services	(g)	(1 940 855)	12 987	-	(1 927 868)
License and permits	(g)	(2 716 240)	15 230	-	(2 701 010)
	0	12 083 656	3 865 442	-	15 949 098

Cash flow statement

As a result of prior period errors, the cash flow June 2019 was restated to reflect accurate figures.

Notes

- (a). The interest receivables from non-exchange transactions as well as its provision for the previous year was incorrectly classified under receivables from exchange transaction. A correction was made to reclassify the receivables.
- (b). Fair Valuation of Assets - This represent assets that were found on the floor during the asset verification and they were not previously recorded in the fixed assets register. The assets were fairly valued and capitalised, the assets affected were machinery and equipment, computer equipment and furniture and equipments fair valued at R 40 813.09, R 39 017.50, and R 79 354.05 respectively.
Furthermore, During the 2018/19 financial assets were impaired to a carrying value of R1.00 as they could not be physically verified after investigation were done on them. However in the 2019/2020 the assets were located thus the reversal of impairment was correctly done at R 373 653).
Review of Assets Useful Lives - Assets with the useful lives that were coming to an end were revalued the useful lives and this impacted more on the accumulated depreciation of the assets with a R 3 238 696.14 adjustment on Computer equipment (R 738 449.59), Furniture and equipment (R 1 057 667.07), Machinery (R165 761) and Transport assets (R 1 276 817.50)
- (c). Finance Lease - The finance lease asset was capitalized inclusive of VAT. The impact of VAT implications resulted in the prior period error adjustment of both accumulated depreciation and finance lease asset cost.
- (d). Employee benefits obligations short term portion were incorrectly included in the long term portion. The reclassification has been correctly done.
- (e). Commitments in the prior year were incorrectly disclosed. We have adjusted the prior year commitments register to clear the errors identified. The errors included but not limited to completed projects included in the register and incorrect contract values used. The commitments have been restated to effect that fact.
- (f). Related party transactions in the prior year were incorrectly disclosed. Included in the related party note was the principal-agent arrangements between the municipality and district and as well as the department of roads where the municipality is an agent on the arrangement. This has been reallocated and disclosed appropriately under principal-agent note.
- (g). Bank reconciling items; Amounts in the general ledger not in the book. During the current year management revisited the amount which have been invalid reconciling items on the general ledger made out of duplicated receipts, incorrect debit note processing which lead to these items not reconciling with the bank in current year and preceding financial years. Reversal of the transactions were made affecting the accounts in the previous years marked (g) above.
- (h). The interest received from non-exchange transactions for the previous year was incorrectly classified under interest received from exchange transaction. A correction was made to reclassify the interest.

48. Financial instruments disclosure**Categories of financial instruments****2020****Financial assets**

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 110 350	1 110 350
Other receivables	1 703 379	1 703 379
Trade and other receivables from exchange transactions	23 996 101	23 996 101
Cash and cash equivalents	146 051 034	146 051 034
VAT receivable	10 195 707	10 195 707
	183 056 571	183 056 571

Financial liabilities

	At amortised cost	Total
Finance lease obligation	1 700 943	1 700 943
Trade and other payables from exchange transactions	29 206 053	29 206 053
Trade and other receivables from non-exchange transactions	4 723 685	4 723 685
Employee benefits obligation	6 913 000	6 913 000
	42 543 681	42 543 681

2019**Financial assets**

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 565 996	1 565 996
Other receivables from non-exchange transactions	2 292 213	2 292 213
Consumer debtors	19 299 344	19 299 344
Cash and cash equivalents	137 203 845	137 203 845
VAT receivable	9 529 396	9 529 396
	169 890 794	169 890 794

Financial liabilities

	At amortised cost	Total
Finance lease obligation	1 486 963	1 486 963
Trade and other payables from exchange transactions	30 040 011	30 040 011
Trade and other payables from non-exchange transactions	5 257 995	5 257 995
Employee benefits obligation	10 976 697	10 976 697
	47 761 666	47 761 666

49. Rental of facilities and equipment

Municipal properties rented out	255 567	271 403
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50. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is|are as follows:

The municipality has been appointed to distribute water to local residences as distribution agent by the district municipality for which it is then entitled to a commission/agency fee for service rendered. The municipality accounts for revenue, expenditures and receivables relating to water transactions into loan account and it is disclosed under the same section of the annual financial statements. Refer to disclosure note for other receivables for full details note 7. The municipality is entitled to 5%

The municipality is also a party to an agreement between the municipality and the department of roads and transport to collect revenue licensing and permits. The municipality is entitled to 20% of the revenue collected.

The municipality is the agent.

Entity as agent

Revenue

recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 972 047 (2019: R1 940 855).

Liabilities and corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R 27 885 421 (2019: R 25 729 186) for District municipality and R 76 020 (2019: R 10 619) for the department of roads and transport.



Audit Report

Maruleng Local Municipality 30 June 2021



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Report of the auditor-general to the Limpopo provincial legislature and the council on Maruleng Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Maruleng Local Municipality set out on pages 12 to 91, which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Maruleng local municipality as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with South African standards of General Recognised Accounting Practice (SA Standards of GRAP) and the requirement of the municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2019 (Act No.1 of 2019) (DoRA).

Context for the opinion

3. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Emphasis of matters

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

Significant uncertainties

7. With reference to note 40 to the financial statements, the municipality is the defendant in various lawsuits amounting to R7 500 000. The municipality is opposing these claims as it believes it has reasonable grounds of defending it. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

8. As disclosed in note 47 to the financial statements, the corresponding figures for 30 June 2019 have been restated as a result of an error discovered in the financial statements of the municipality at, and for the year ended, 30 June 2020.

Unauthorised, fruitless and wasteful expenditure

9. As disclosed in note 41 to the financial statements, unauthorised expenditure and fruitless and wasteful expenditure of R32 894 876 and R2 958 030 respectively, that was incurred in the previous years was still under investigation.

Material losses/ impairments - trade debtors

10. As disclosed in notes 4, note 5 and note 7 to the financial statements, material impairments of R3 876 097, R98 433 257 and R27 885 420 was incurred as a result of impairment of irrecoverable trade debtors receivables from exchange transactions, consumer debtors and other debtors respectively.

Other matters

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 82 to 84 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion on them.

Unaudited disclosure notes

13. 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

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP, 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.

15. 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

16. 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.

17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

j Report on the audit of the annual performance report

Introduction and scope

18. 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 development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

19. 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.

20. 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 development priority presented in the municipality's annual performance report for the year ended 30 June 2020:

Development priorities	Pages in the annual performance report
KPA 2 Basic service delivery and infrastructure	60 -81

21. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

22. The material findings in respect of the usefulness and reliability of the selected development priority are as follows:

KPA 2: Basic service delivery and infrastructure

Various indicators

23. The planned targets unit of measure per annual planning document were not consistent when compared to the planned targets and reported actual achievement per annual performance report.

Planned indicators per annual planning document	Reported actual achievement per APR
I Number of kilometres of the Oaks Internal streets paved	835m
; Number of kilometres of Sofaya Mahlomelong access road	Designs

Number of km roads and bridges maintained

24. The actual achievement per the annual performance report for the number of KM of roads and bridges maintained of 203 KM differed materially to the supporting evidence provided.

Other matter

25. I draw attention to the matters below.

Achievement of planned targets

26. Refer to the annual performance report on pages 60 to 81 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 23 and 24 of this report.

Adjustment of material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of basic services and infrastructure. 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

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

Annual financial statements, performance and annual reports

29. 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, revenue and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

30. The performance management system and related controls were inadequate as it did not describe how the performance monitoring should be managed, as required by municipal planning and performance management regulation 7(1). Misstatements relating to the reported performance information were identified.

31. The Service Delivery Budget and implementation plan (SDBIP) for the year under review did not include the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.

Procurement and contract management

32. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as the information was not easily and timeously retrievable.

33. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(1)(a) and (c).

34. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

35. Some of the contracts were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) and its regulations.

36. Some of the contracts were awarded to bidders based on pre-qualification criteria that were not stipulated and/or differed from those stipulated in the original invitation for bidding, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2).

Expenditure management

37. Reasonable steps were not taken to prevent irregular expenditure amounting to R30 471 422 as disclosed in note 41 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations and processes.

Other information

38. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.

39. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

40. 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 development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

41. 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

42. 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 findings on the annual performance report and the findings on compliance with legislation included in this report.

43. The municipality did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

44. The accounting officer did not review and monitor compliance with legislation. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Other reports

45. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

46. An internal investigation was performed on an allegation of gross misconduct and gross negligence at the request of the municipality, which covered the period 28 November 2018 to 5 November 2019. The investigation was concluded on 20 March 2020, however the report is currently subject to an independent appeal process at the Commission for Conciliation, Mediation and Arbitration (CCMA). These proceedings were in progress at the date of this auditor's report.

Auditor general
Polokwane

10 April 2021



A U D I T O R - G E N E R A L
S O U T H A F R I C A

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 development priority 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 Maruleng 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.



REPORT OF THE AUDIT COMMITTEE
MARULENG MUNICIPALITY

We are pleased to present our report for the financial year ended 30 June 2020.

Audit committee members and attendance

The Audit Committee did meet at least four times during the financial year under review as per approved terms of reference. The Internal Auditors are the permanent invitees to the Audit Committee, the internal audit team has unrestricted access to bring any matter within their scope and responsibility to the attention of the committee.

The members of the audit committee are all independent members of the Municipality, the members were appointed in July 2019 under Council Resolution SC05/06/2019

	AC Members				
	L. Lankalebalela Chairperson	K Mosupa	JM Mabuza	MP Ramutsheli	TV Nonyane
No of meetings attended	7	7	6	4	7
Dates and type of meetings					
21 August 2019 (Ordinary)	✓	✓	✓	✓	✓
24 August 2019 (Special)	✓	✓	✓	X	✓
25 September 2019 (Ordinary)	✓	✓	✓	✓	✓
28 November 2019 (special)	✓	✓	✓	X	✓
21 January 2020 (Special)	✓	✓	X	X	✓

09 March 2020 (Ordinary)	✓	✓	✓	✓	✓
28 May 2020 (Ordinary)	✓	✓	✓	✓	✓

✓ - Member present in the meeting. X – Apology from the Member

Audit Committee Responsibility

The Audit Committee reports that it has fully complied with its responsibilities arising from section 166 of MFMA. The Committee also reports that it has adopted the appropriate terms of reference as per the Audit Committee Charter, has regulated its affairs in compliance with The Charter and has fully discharged its responsibilities as prescribed therein

The effectiveness of internal control

In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control were reported by the Internal Audit, Audit Committee and the Auditor-General of South Africa. The Municipality should continue to monitor and improve the control environment to avoid further deficiencies in the system of internal control.

From the 2019/20 Audit Report of Auditor General South Africa on the Annual Financial Statements of the Municipality, it was noted that the Municipality has retained its audit opinion of unqualified from the 2018/19 financial year. The Municipality should ensure that an action plan is prepared and implemented accordingly to enhance the efficiency and effectiveness of the internal control systems.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed the Audited Annual Financial Statements to be included in the Annual Report with the Management of the Municipality and Auditor General South Africa;
- Reviewed the Municipality`s compliance with legal and regulatory provisions
- Reviewed the Auditor-General`s Management letter and the Management`s response thereto; and
- Reviewed significant adjustments resulting from the audit.

Internal audit

The Audit Committee is satisfied that the Internal Audit function is operating effectively given the current capacity constraints, and that further improvements need be made to address the risks pertinent to the Municipality. The Audit Committee noted the need for improvement by management in the implementation, monitoring and providing oversight on internal controls

Risk Management

The Audit Committee is satisfied that risk management is continually improving within the Municipality. However, Management should ensure that there is improved coordination between risk

management and strategic planning functions, to enable optimal allocation of resources to address top risks of the Municipality.

Pre-determined objectives

The Audit Committee has noted the unfavorable audit results by the Municipality in the preparation and reporting on pre-determined objectives. It was recommended that Management should continuously engage stakeholders timeously where there are challenges in order to improve in this area. Pre-determined objectives is a standing item in Audit Committee meetings, concerted efforts are being made by management to sustainably improve in this area.

Auditor-General of South Africa

The Audit Committee in consultation with Management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration factors such as impact of Covid-19, timing of the audit, the extent of work required and the scope.

The Audit Committee has met with the audit team of Auditor General South Africa to ensure that there are no unresolved issues. The committee concur with and accept the Auditor General South Africa's report on the Annual Financial Statements, and are of the opinion that the Audited Nnnual Financial statements should be accepted and read together with the report of the Auditor General South Africa. The Auditors remained independent throughout the financial year.

Appreciation

The Audit Committee wishes to thank the Council of the Municipality, Management and the staff for their continued commitment to improve the control environment and governance of the Municipality. Our appreciation is also extended to the team of Auditor General South Africa for the continued value added to the Municipality.

Mr. L Lankalebalela
Chairperson of the Audit Committee



**FINAL ANNUAL PERFORMANCE REPORT
2019/2020 FINANCIAL YEAR (30TH JUNE 2020)**

ABBREVIATIONS

- AGSA- AUDITOR –GENERAL OF SOUTH AFRICA
ANC- AFRICAN NATIONAL CONGRESS
COVID- CORONAVIRUS
CWP-COMMUNITY WORKS PROGRAM
DA- DEMOCRATIC ALLIANCE
EFF- ECONOMIC FREEDOM FIGHTERS
EPWP-EXPANDED PUBLIC WORKS PROGRAM
EXCO- EXECUTIVE COMMITTEE
GRAP- GENERALLY RECOGNISED ACCOUNTING PRATICE
IDP- INTEGRATED DEVELOPMENT PLAN
IGR- INTER-GOVERNMENTAL RELATIONS
IT- INFORMATION TECHNOLOGY

KPI- KEY PERFORMANCE INDICATORS

LED- LOCAL ECONOMIC DEVELOPMENT

MFM- MUNICIPAL FINANCE MANAGEMENT ACT

MML- MAMMUNG LOCAL MUNICIPALITY

MPAC- MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

NDF- NATIONAL DEVELOPMENT PLAN

SALGA- SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

SSDF- SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

SIGNED BY THE MUNICIPAL MANAGER


Mphahlele
M.M. MAMMUNG T.G

DATE

28 MAY 2021