

2021/2022

**MAGARENG
LOCAL MUNICIPALITY
ANNUAL REPORT
2021/22**

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CONTENTS

CONTENTS	2
REVISED ANNUAL REPORT TEMPLATE	7
CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY	9
COMPONENT A: MAYOR'S FOREWORD	9
COMPONENT B: EXECUTIVE SUMMARY	11
1.1. MUNICIPAL MANAGER'S OVERVIEW	11
1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW	12
1.3. SERVICE DELIVERY OVERVIEW	16
FINANCIAL HEALTH OVERVIEW	18
ORGANISATIONAL DEVELOPMENT OVERVIEW	21
AUDITOR GENERAL's REPORT	22
STATUTORY ANNUAL REPORT PROCESS	23
CHAPTER 2 – GOVERNANCE	25
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE	25
POLITICAL GOVERNANCE	26
2.2 ADMINISTRATIVE GOVERNANCE	29
COMPONENT B: INTERGOVERNMENTAL RELATIONS	32
2.3 INTERGOVERNMENTAL RELATIONS	33
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION	35
2.4 PUBLIC MEETINGS	36
2.5 IDP PARTICIPATION AND ALIGNMENT	39
COMPONENT D: CORPORATE GOVERNANCE	39
2.6 RISK MANAGEMENT	39
2.7 ANTI-CORRUPTION AND FRAUD	40
2.8 SUPPLY CHAIN MANAGEMENT	40
2.9 BY-LAWS	41
2.10 WEBSITES	42
2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES	43

Preface

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)	44
COMPONENT A: BASIC SERVICES	44
INTRODUCTION TO BASIC SERVICES	44
WATER SUPPLY SERVICES	45
SANITATION SERVICES	45
ELECTRICAL SERVICES	46
SOLID WASTE MANAGEMENT SERVICES	46
ROAD AND STORMWATER SERVICES	46
FLEET MANAGEMENT SERVICES	47
ENVIRONMENTAL COMPLIANCE DIRECTIVES ISSUED	47
STATE OF EXISTING INFRASTRUCTURE	48
INTRODUCTION TO water SERVICES provision	48
WATER SUPPLY SERVICES PROVISION	49
SANITATION SERVICES PROVISION	54
DETAILS OF SURROUNDING PUMPSTATIONS	57
THE OPERATIONAL INADEQUACIES OF THE WARRENTON WWTW AND SURROUNDING PUMPSTATIONS	58
WARRENTON WWTW	58
SURROUNDING PUMPSTATIONS	58
ELECTRICITY SERVICES PROVISION	63
SOLID WASTE MANAGEMENT SERVICES PROVISION	65
ROADS AND STORMWATER	68
THE ROAD NETWORK	68
THE STORMWATER NETWORK	72
FLEET MANAGEMENT SERVICES	73
3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT	75
PERFORMANCE HIGHLIGHTS 2021/22	76
KPA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT	76

COMPONENT C: PLANNING AND DEVELOPMENT	76
3.10 PLANNING	76
3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES).....	78
PERFORMANCE HIGHLIGHTS 2021/22.....	82
KPA3: LOCAL ECONOMIC DEVELOPMENT	82
COMPONENT D: COMMUNITY& SOCIAL SERVICES	82
3.12 LIBRARIES; COMMUNITY FACILITIES; (ETC)	82
3.13 CEMETORIES AND CREMATORIUMS	82
3.14 CHILDCARE; AGED CARE; SOCIAL PROGRAMMES	83
COMPONENT E: ENVIRONMENTAL PROTECTION	83
3.15 POLLUTION CONTROL	83
3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION).....	83
COMPONENT F: HEALTH	83
3.17 CLINICS	83
3.18 AMBULANCE SERVICES	84
3.19 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC.....	84
COMPONENT G: SECURITY AND SAFETY	84
3.20 POLICE	84
3.21 FIRE.....	84
3.22 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER).....	84
COMPONENT H: SPORT AND RECREATION	85
3.23 SPORT AND RECREATION	85
COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES	86
3.24 EXECUTIVE AND COUNCIL.....	87
3.25 FINANCIAL SERVICES	87
3.26 HUMAN RESOURCE SERVICES	89
3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES	90

Preface

3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES	91
COMPONENT J: MISCELLANEOUS	91
COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD 2022/2023	92
CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE	112
(PERFORMANCE REPORT PART II)	112
COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL	113
4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES	113
COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE	116
4.2 POLICIES	117
4.3 INJURIES, SICKNESS AND SUSPENSIONS	118
4.4 PERFORMANCE REWARDS	120
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE	120
4.5 SKILLS DEVELOPMENT AND TRAINING	121
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE	125
4.6 EMPLOYEE EXPENDITURE	125
CHAPTER 5 – FINANCIAL PERFORMANCE	127
COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE	127
5.1 STATEMENTS OF FINANCIAL PERFORMANCE	128
5.2 GRANTS	129
5.3 ASSET MANAGEMENT	129
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS	131
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	131
5.5 CAPITAL EXPENDITURE	131
5.6 SOURCES OF FINANCE	132
5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS	133
5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS– OVERVIEW	134
APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2021/22	135

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS	136
5.9 CASH FLOW	136
5.10 BORROWING AND INVESTMENTS	136
5.11 PUBLIC PRIVATE PARTNERSHIPS	136
COMPONENT D: OTHER FINANCIAL MATTERS	137
5.12 SUPPLY CHAIN MANAGEMENT	137
5.13 GRAP COMPLIANCE	137
CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS	138
COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2020/21	138
6.1 AUDITOR GENERAL REPORTS 2020/21 (Previous year)	138
COMPONENT B: AUDITOR-GENERAL OPINION 2021/22 (CURRENT YEAR)	139
6.2 AUDITOR GENERAL REPORT 2021/22	139
GLOSSARY	140
APPENDICES	143
APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE ..	143
APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES	144
APPENDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE	145
APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY	145
APPENDIX E – WARD REPORTING	147
APPENDIX F – WARD INFORMATION	147
APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2021/22	148
APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS	149
APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE	149
APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS	175
APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE	176
APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE	176

Preface

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE	176
APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG	176
APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD2020/21	176
APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS.....	177
APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION	177
APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY	177
APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT	177
VOLUME II:	178
ANNUAL FINANCIAL STATEMENT	178

REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. This template provides an update to the MFMA Circular No. 11, issued in January 2005.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

Preface

The revised template relates to the Medium-Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non-financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others. Notes are included throughout the format to assist the compiler to understand the various information requirements.

The financial years contained in this template are explained as follows:

- Year -1: The previous financial year (2020/21); 2021/22
- Year 0: The financial year of reporting (2021/22); 2022/23
- Year 1: The following year, mostly requires future targets(2021/22); 2022/23 and
- The other financial years will follow a similar sequence as explained above.

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD

Magareng Local Municipality's Annual Report for the 2021/2022 financial year gives one an account of work that was undertaken during the past financial year, as required by the Local Government: Municipal Systems Act, 32 of 2000 (Section 46) and Local Government: Municipal Finance Management Act, 56 of 2003 Section 121 & 127(2). This document helps us to evaluate our performance identify short comings and opportunities that will enhance our institutional capacity to deliver on our key strategic thrust of Local Government.

The year under review came to an end at a time when the country is confronted the deadly widespread global pandemic-Corona Virus as it is known, this is despite the persisting spell of drought that continue to confront us. This virus has ravaged many countries in the world and it has brought the global economy to a halt. This has presented challenges in our Country and our local economy as the municipality.

It is an honour to present the 2021/2022 Annual Report for Magareng Local Municipality. Reflecting on the past year, there has been work done on the ground to address the needs of our people as stipulated in our IDP. This reflection must strengthen our purpose as we continue to work with our stakeholders towards fulfilment of our Strategic Objectives.

We present this annual report in our efforts to implement our Service Delivery Budget & Implementation Plan (SDBIP) 2021/2022, the year under review. This report serves as a record of accounting mechanisms to our communities on the institution's achievements, challenges, mitigation and remedial measures implemented to address the latter. While it reflects progress that has been achieved in service delivery, there are still undeniable challenges confronting us as a municipality.

During the year under review our main focus of Council was on the Five (5) Developmental Local Government Key Performance Areas: **Municipal Transformation and Organisational Development, Basic Service delivery and Infrastructure Development, Local Economic Development , Municipal Financial Viability and Administration, Good Governance and Public Participations**

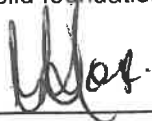
For the year under review the municipality has remained stagnat on the Qualified Audit. This outcome has been stagnant for the last four years. It is very critical for the municipality to improve and move to a better opinion. However, the municipality has developed Audit Action Plans in past to address issues raised by the AG during the Audit process but we seem to be stagnant on the outcome. This time around as the municipality we will need to employ other mechanisms and come up with the new approach on how we tackle the issues raised by AG in order to attain a better opinion going forward. Management will have to go back to the drawing board and develop a new strategy to address issues raised by AG.

We will accelerate the institutionalisation of performance management to ensure that all Council Resolutions towards service delivery are implemented, monitored, evaluated and improved. It is through this approach that we will ensure the accountability of the municipality to local communities; the administration to Council; and the line functions to executive management. We will work tirelessly to support an efficient, effective and highly skilled administration that delivers better services.

Chapter 1

this approach that we will ensure the accountability of the municipality to local communities; the administration to Council; and the line functions to executive management. We will work tirelessly to support an efficient, effective and highly skilled administration that delivers better services.

All our efforts during this period were made possible by working together as a team, from the Exco, Speaker of Council, Chief Whip, Chairpersons of committees, fellow Councillors, entire management team, staff members and our stakeholders. Your constructive criticisms remains a pillar of our public participation and solid foundation for good governance and service delivery.



Cllr N.Mase
Executive Mayor
Magareng Local Municipality

T1.0.1

Chapter 1

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

The Magareng Local Municipality prepared its Annual Report for the year under review in line with Section 121 of the Local Government Municipal Finance Management Act, No. 56 of 2003 as well as accompanying circulars, templates and guidelines. This report provides the overview on the performance and progress made by the Local Municipality in fulfilling its strategic objectives and priorities as aligned in the Integrated Development Plan (IDP), Budget as well as Provincial and National strategic directives.

As part of this report, highlights of all the programmes and projects that were embarked on during this period to enhance service delivery within our area of jurisdiction are also presented here. We also do acknowledge our limitation which requires our concerted efforts in our quest to deliver quality services to our community. The outbreak of Covid-19 has put a strain on everyone globally including the local municipality and it has significantly impacted on our programmes.

The past two years has proven to be particularly difficult for our local municipality due to a range of issues that transpired. Economic conditions confronting us as the country continued to impact negatively on the collection rate of the revenue in the municipality. The local also experienced financial challenges which have compromised the municipality's ability to perform certain of its deliverables.

Our dysfunctional billing system coupled with the prevalent culture of non-payment for municipal services by some residents served as a major contributing factor to our financial situation. While water and sanitation services provision remains our main priority as the local, during this period, the service was faced with a myriad challenges related to aging infrastructure and backlogs.

We are however making all strides towards mitigating both our strategic and operational risks focused on improved billing systems for enhanced municipal revenue collection, water and sanitation services infrastructure and improved audit outcomes. As the local municipality, we are also hard at work employing all possible measures to move from the qualified opinion we have obtained to an improved audit outcome that we will all pride ourselves of. We still need more officials with the expertise; this will enable us to be confident that the ground has been levelled to achieve this goalpost.

We extend our deepest gratitude to the political leadership for their corporation and oversight role on the work that we have done. The manner in which our staff members execute their responsibilities must add more energy in future to contribute meaningfully to the lives of those we serve. Our existence as the local municipality mostly depends on the community and we would like to take this opportunity to express our sincere appreciation on the constructive criticism from our community which serves as a steppingstone to realize our objectives.


Mr T Thage
Acting Municipal Manager

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

The Magareng Local Municipality was established on 5 December 2000 after the amalgamation of Warrenton TLC with portions of Hartswater TLC and Vaal River TRC (NC093 Magareng IDP). The area of jurisdiction is approximately 1 542 km² in extent and accommodates approximately 24 204 people (Census 2011).

Magareng Local Municipality is situated in the Northern Cape Province and lies within the boundaries of the Frances Baard District Municipality. Warrenton, the administrative centre of Magareng Local Municipality, is situated approximately 75 km north of Kimberley on the banks of the Vaal River. It is one of the four municipalities that make up the district, accounting for 12% of its geographical area. Magareng is a Setswana name meaning 'in the middle'. The name reflects the geographic location of the municipality in relation to other areas.

According to Census 2011, Magareng Local Municipality has a total population of 24 204 people, of whom 80,0% are black African, 13,9% are coloured, 5,1% are white and 0,7% are Indian/Asian. The other population groups make up the remaining 0,3%. In this municipality, 41, 7% of households are headed by females.

Of those aged 20 years and older, 5,0% have completed primary school, 32,6% have some secondary education, 24,0% have completed matric, and 3,5% have some form of higher education, while 16,6% of those aged 20 years and older have no form of schooling.

POWERS AND FUNCTIONS OF THE IDP

Section 156 of the Constitution assigns executive authority to municipalities in respect of, and the right to administer the local government matter listed in Part B of Schedule 4 and Part B of Schedule 5 and any other matter assigned to it by national or provincial government.

The following functions and powers of the District Municipality have been authorized to Magareng Local Municipality by the MEC for Local Government and Housing in terms of Provincial Notice 27 of 10 July 2003 to execute from 1 August 2003. In terms of the latter notice, the following Local Municipality functions will be performed by the District Municipality on behalf of the local municipality.

In addition to the above, the following exclusive Local Municipality functions will be performed by the local municipality. However, due to limited capacity, some of these functions may be performed by another service provider on behalf of the local municipality. The municipality is therefore obliged to enter

Chapter 1

into service level agreements (except for those functions authorized in terms of the above notices) with these service agents in order to ensure that these functions are performed on their behalf.

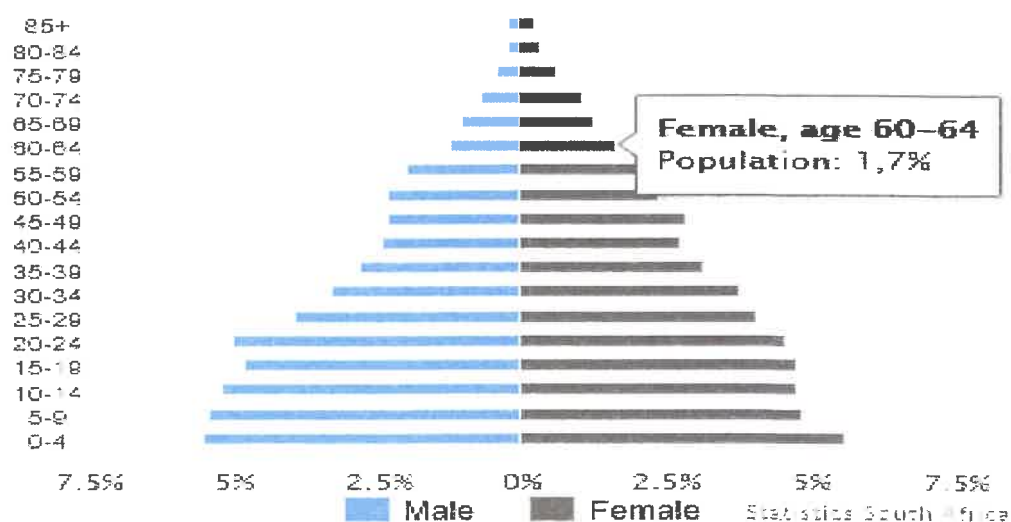
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POPULATION DETAILS			
Age Group	Male	Female	Total
0 – 4	5,5%	5,6%	
5 – 9	5,4%	4,9%	
10 – 14	5,2%	4,8%	
15 – 19	4,8%	4,8%	
20 – 24	5%	4,6%	
25 – 29	3,9%	4,1%	
30 – 34	3,3%	3,8%	
35 – 39	2,8%	3,2%	
40 – 44	2,4%	2,8%	
45 – 49	2,3%	2,3%	
50 – 54	2,3%	2,4%	
55 – 59	2%	2,2%	
60 – 64	1,2%	1,7%	
65 – 69	1%	1,3%	
70 – 74	0,7%	1,1%	
75 – 79	0,4%	0,7%	
80 – 84	0,2%	0,4%	
85+	0,2%	0,3%	
Total			

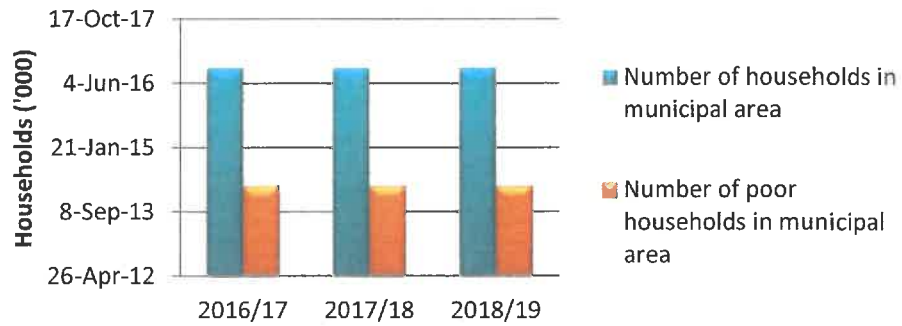
Source: Statistics SA - 16 Aug 2011T.1.2.2

Socio Economic Status						
Year	Housing Backlog (Informal Units %)	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate People Older than 19 Years
2018/19	19%	49.8%	10%	12%	14%	27%
2019/20	20%	49.8%	10%	12%	14%	27%
2020/21	21%	52%	20%	2%	14%	27%
					T 1.2.4	

Sex and Age Distribution

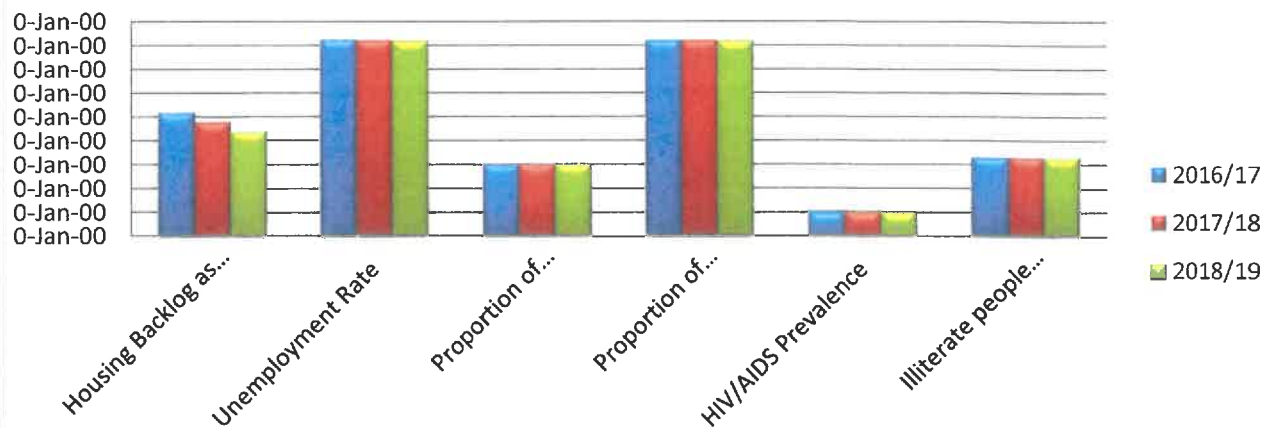


Households



T1.2.3

Socio Economic Status



T1.2.5

Natural Resources	
Major Natural Resource	Relevance to Community
Land	<ul style="list-style-type: none"> • Access to land • Security of Tenure • High Agriculture Potential • Food Production
Water	<ul style="list-style-type: none"> • Access to water • Food Production

Mineral Resources - Diamonds	<ul style="list-style-type: none"> • Job Creation • Remittances • Economic Development • Environmental Sustainability
	T 1.2.7

COMMENT ON BACKGROUND DATA:

Warrenton, the administrative centre of Magareng Municipality, is situated approximately 75 km north of Kimberley on the banks of the Vaal River. The N12 national road between Kimberley and Christiana as well as the N18 route to Vryburg passes through the centre of Warrenton.

The Railway line, that connects Gauteng with the Northern and Western Cape Province, runs through Magareng Municipality with a railway station at Warrenton and Windsorton station. The railway line also connects the Northern Cape and North West Province. The municipal area comprises an urban node, villages and farms. The urban node consists of Warrenton, Warrenvale and Ikhutseng while small agricultural villages have been establish throughout the municipal area of which Bullhill, Fourteen Streams, Sydney's Hope, Windsorton Station, Moleko's Farm, Nazareth and Hartsvallei Farms are the most prominent.

The rest of the area comprises mainly mixed farming. The area of jurisdiction is approximately 1542 km² in extent and accommodates approximately 24,042 people (StatsSA – 2011). 72% of the total population is Black, 17, 5% Coloured while the White population represents only 10% of the total population. The Indian and Asian population is insignificantly small to impact on the proportional representation. The municipal area is divided into 5 wards. Wards 1 to 3 constitute Ikhutseng, the former Black residential area, while Warrenvale, the former Coloured residential area constitutes Ward 4. Ward 5 is made up of Warrenton town, which was previously a predominantly White area, and the surrounding rural areas.

T1.2.8

1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The South African constitution state that municipalities have the responsibility to ensure that all citizen residing within municipal area of jurisdiction are provided with service to satisfy their basic needs. These services have a direct and immediate effect on the quality of the lives of the people in that community. The Department Technical Services is devoted to improve the quality of life of its community by providing efficient, sustainable and affordable infrastructure specifically in terms of:

- Water and Sanitation
- Roads and Stormwater
- Electricity, and
- Housing
- Effectively utilizing the available resources, and

- Identifying the best option that would maximize the output.
- Expanded & accelerated economic investment and availability of reliable economic infrastructure. Section 229 of the Constitution allows municipalities to impose property rates and service charges. This obligation requires strict financial management and accountability to the public.
- The provision of basic services is one of the Key Performance Areas as contemplated in Sect 152(1) of the Constitution. The National Minister in conjunction with the MEC for local government take their marching orders from the State of the Nation Address to continuously improve service delivery and assist local municipalities in meeting community needs.
- Council conducted an audit of its indigent register to migrate as many deserving beneficiaries as possible. This will enhance our capacity to control and monitor our age analysis and ensure proper credit control and revenue collection.

T 1.3.1

T 1.3.2

COMMENT ON ACCESS TO BASIC SERVICES:

Access to Electricity

The Basic Services Policy adopted by government in 2001 addresses the right of all households, particularly those living in poor areas, to access a minimum amount of free basic electricity. This implies that distribution networks must be extended to ensure that all households are able to access the electricity grid.

According to the information gathered from different sources there is a decline in the accessibility to basic services. This decline is a mathematical reflection of Stats SA data set also relevant to the explanation that was given with regard to the change in the data set as well as what is considered to be acceptable access. The sharp drop in sanitation and waste services is because of the interpretation of the data sets. Many households do have pit-latrine without ventilation improvement pipes (VIP) that is now considered not be an acceptable standard of sanitation access.

Access to Sanitation

The Basic Service Policy of 2001 also guarantees access to a minimum level of sanitation, which is defined as households having access to, at minimum, a ventilated pit latrine also known as a VIP toilet. This standard of service delivery is seemed necessary to ensure human dignity and prevent the spread of disease.

T1.3.3

FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

Magareng Local Municipality is a developing and growing Municipality striving for service delivery excellence. Therefore many challenges are faced with regards to Financial Planning and are ever changing due to the dynamic setting of Local Government.

The priority for the Municipality, from the financial perspective is to ensure viability and sustainability of the Municipality. The Multi-Year Financial Plan and related strategies will address a number of key areas in order to achieve this priority. These strategies are detailed below:

- Revenue Enhancement Strategy
- Asset Management Strategy: Financial Management Strategies:
- Operational Financing Strategies:
- Capital Funding Strategies:
- Cost-Effective Strategy:

Municipal Finance Department provide fiscal and financial management support to MLM. Finance department is committed to providing timely, accurate and complete information with the aim of improving living standard, to ensure that municipality remains financially viable and that sustainable municipal service are provided economically and equitable to all communities.

T1.4.1

NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (RATIOS)

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These KPI is linked to National Key Performance Area: Municipal Financial Viability and Management.

National Key Performance Indicator	2021/22	2022/23
Debt Coverage ((Total operating revenue- operating grant received) debt service payment due within the year	0%	0%
Service Debtors to Revenue – (Total outstanding service debtors: revenue received for services)	723.60%	86%
Cost Coverage ((Available cash + Investment): Monthly fixed operating expenditure	-49.37%	11%/

Financial Overview: 2021/22			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:	R154 527 663	-	R83 781 578
Grants	R88 576 000	-	R52 631 000
Taxes, Levies and tariffs	R55 644 016	-	R22 225 636
Other	R10 307 647	-	R8 924 942
Sub Total	R154 527 663	-	R83 781 578
Less: Expenditure (excl. grants)	R93 737 394	-	R19 887 997
Expenditure (grants)	R 88 576 000	-	R48 716 740
Net Total*	(R27 785 731)	-	R15 175 186
* Note: surplus/(deficit)			

Operating Ratios	
Detail	%
Employee Cost = R 53 077 824/182 313 394*100	29
Repairs & Maintenance = R 13 849 631/182 313 394*100	8
Finance Charges & Impairment =R 37 815 384/182 313 394*100	21
1.4.3	

COMMENT ON OPERATING RATIOS:

Employee Cost- measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employees cost by the difference between total revenue and capital revenue. The ratio of personnel expenditure to operating expenditure is widely used as an indicator of the sustainability of municipal budget and expenditures. According to MFMA budget circular No. 59 there is no prescribed or recommended benchmark for the ratio personnel expenditure to operating expenditure. Currently among municipalities with electricity function, this ratio is tending to move downward despite fairly large increases in personnel spending. This is because spending on bulk electricity purchases is increasing at a very fast rate, driving the relative share of all expenditure categories down

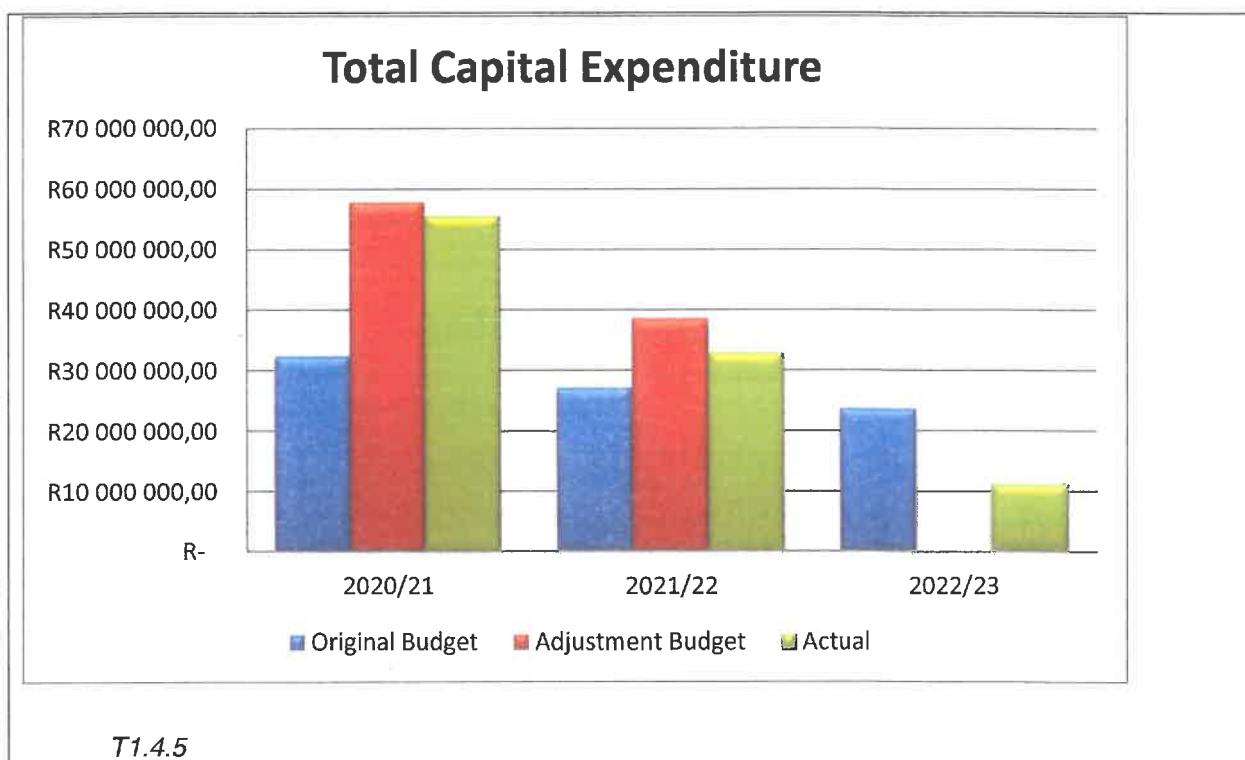
Repairs and Maintenance – this represent the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance. National Treasury has recommended that repairs and maintenance expenditure budget should be 8 percent of the total value of assets.

T1.4.3

Total Capital Expenditure: 2020/21-2022/23			
			R'000
Detail	2020/21	2021/22	2022/23
Original Budget	R 32 340 000	R 27 041 000	R 23 612 000
Adjustment Budget	R 57 804 000	R 38 486 000	-

Chapter 1

Actual	R 55 522 475	R32 908 357	R 11 153 653
T 1.4.4			



COMMENT ON CAPITAL EXPENDITURE:

Comments provided on the AFS

T 1.4.5.1

ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Municipal Systems Act, MSA 2000 S67, requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998. In order to comply with the prescripts of the Municipal Systems Act No. 32 of 2000 the following strategic interventions, amongst others, have been invoked to ensure fair; efficient; effective; and transparent personnel administration.

Establishment of the Local Labour Forum (where Management and Organized Labour engage vigorously on matters relating to Conditions of Employment for employees), which is fully functional irrespective of the teething challenges, experienced.

A number of workforce policies that forms part of the Human Resources Strategy were compiled and reviewed during the period under review and have to been approved and adopted by Council after the Council members are work shopped on the policies. The policies will provide Management with strategic decision making and meeting the organization's strategic objectives.

The effective and efficient Human Resource Management and Development allowed us to identify and report on all HR matters, which could have an effect on financials, performance management and compliance with rules and regulations. Magareng Local Municipality has managed to become a Learning Organization with skills and capacity due to our dedication and commitment to Human Resource Management and Human Resource Development.

The position of the Municipal Manager (MM) is vacant and the position of Head Technical Department is filled. Site visits on Occupational health and Safety was done to educate and make employees aware about Health and Safety measures in the workplace. The OHS Committee monitors all instances of injuries on duty and makes follow up on all Occupational Health and Safety incidents within the Municipality and submits reports on progress.

A proper record is kept for all types of leave instances and an amount of time taken each year is recorded as per Human Resources Dashboard. The Workplace Skill Plan (WSP) for the year under review has been submitted after proper consultation all stakeholders within the Municipality. The WSP was populated based on the individual Personal Development Plans (PDP) of employees and training/development will be carried out on the basis of these. Some of the HODs and middle managers are currently attending the Competency Requirements course as determined by the Municipal Finance Management Act (MFMA).

Challenges faced by the Municipality on Capacity Development are to some extent the unavailability or insufficient funds to finance developmental training and capacity building for career-pathing of employees within Municipality.

T 1.5.1

AUDITOR GENERAL'S REPORT

AUDITOR GENERAL REPORT:2021/2022 (CURRENT YEAR)

As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), the responsibility of the Auditor General is to express an opinion on the municipality's financial statements based on conducting an audit in accordance with International Standards on Auditing.

A report from the Auditor General for the financial year under review **will be** contained in chapter 6 of this report.

T 1.6.1

STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan 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	May
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 2021/2022 Annual Report to Internal Audit	
5	Audit/Performance committee considers draft Annual Report of municipality	August
6	Mayor tables the unaudited draft Annual Report	
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – November
10	Municipalities receive and start to address the Auditor General's comments	December
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January
12	Audited Annual Report is made public and representation is invited	
13	Oversight Committee assesses Annual Report	February – March
14	Council adopts Oversight report	
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	March
17	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	
T1.7.1		

COMMENTS ON THE ANNUAL REPORT PROCESS:

It is necessary that the municipality derive maximum benefit from its efforts in submitting reports. Such benefits are typically obtained in the form of being able to compare and benchmark against other municipalities and to learn from the feedback mechanisms.

The annual report process flow provides a framework for the municipality to follow in completing various reports within each financial year cycle. It is recommended that municipal manager study this process flow and ensure that reports are submitted timeously. If the process flow is followed, the municipality should be able to provide an unaudited annual report in August of each year, which is consistent with the MFMA.

The annual report of a municipality and every municipal entity must be tabled in the municipal council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of the council, this must be interpreted as an outer deadline; hence the municipality must submit the annual report as soon as possible after year end.

The annual report must be aligned with the planning documents and municipal budget for the year reported on. This means that the IDP, budget, SDBIP, in-year reports, annual performance report and annual report should have similar and consistent information to facilitate understanding and to enable the linkage between plans and actual performance.

The above can only occur if the municipality set appropriate key performance indicators and performance targets with regards to the development of priorities and objectives in its IDP and outcomes (MSA S41). This requires an approved budget together with a resolution of approving measurable performance objectives for revenue from each source and each vote in the budget (MFMA, S24).

The annual report content will assist municipal councillors, municipalities, residents, oversight institutions and other users of annual reports with information and progress made on service delivery. It must align with the Integrated Development Plan (IDP), Budget, Service Delivery and Budget Implementation Plan (SDBIP), and in year reports.

The contents will also assist with the annual audits. Another key aspect of the reform in combining the relevant information into the new annual report format will assist the municipality to streamline operations and processes through combined committees, reduce costs, time and effort. There will be a limited need for the municipality to have different committees to deal with financial and non-financial related matters.

T1.7.1.1

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

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

To govern is to exercise political, economic and administrative authority to manage the nation's affairs. Governance is the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences.

The political and administrative components of Council maintain a sound working relationship by ensuring respect of procedures and protocols. The Magareng Local Municipality (MLM) as Legal entity relate to the other spheres of Government and Organized Local Government Bodies through the Intergovernmental Policy Framework. Communities as an Interest Group in Municipal Affairs participates through Public Participation Mechanisms and processes in the Decision-Making Systems of Council

This includes interaction with the stakeholders in shaping the performance of the municipality in order to enhance a healthy relationship and minimizing conflict.

T2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Executive Committee of Magareng Local Municipality is the political governance structure that is established in terms of Section 45 of Local Government: Municipal Structures Act 117 of 1998. Cllr Neo Mase is the Exexutive Mayor of Magareng Local Municipality and the face of the municipality and the Executive Mayor should be used in all public meetings, municipal stakeholders forums and all media platforms.

The Speaker of council is elected in terms of section 36 of Local Government: Municipal Structures Act 117 of 1998 and he is responsible to carry out the duties of Chairperson of the Municipal Council under the Municipal Structures and Section 59 of the Systems Act No 32 of 2000. The Speaker enforces the Code of Conduct and exercises delegated authority in terms of the Municipal Systems Act.

Political governance ensures regular communication with the community at large by means of Imbizo's, IDP and budget consultations. This ensures that the community participates in identifying needs and make inputs on the performance of the municipality. This process ensures healthy relations

with the community and minimizes conflict. Administrative governance ensures transparent administration, regular feedback to the community, compliance to the required rules, processes, and laws by which Council is operated, regulated, and controlled.

T2.1.0

POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

Council performs legislative functions. It focuses on legislative, oversight and participatory roles. Its primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their function as policy makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

COUNCILLORS

Magareng local Municipality is an Executive Council type of Municipality. The Council elects the Executive Committee members and the Executive Mayor. Magareng local Municipality consists of 11 Councillors' and has 6 wards. The Municipality has been established in terms of the Constitution of the Republic of South Africa 1996 Chapter 7- Local Government 155 Establishment of Municipalities.

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Municipal Public Accounts Committee has been established in terms of section 79 of the Municipal Structures Act, No. 117 of 1998. The main purpose of the committee is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality and to consider annual report and submit oversight report on the annual report to council. The MPAC comprises of three (3) Councillors and one (1) support official. The Oversight Report will be published separately in accordance with MFMA guidance.

T 2.1.1

POLITICAL STRUCTURE	FUNCTIONS
Executive Mayor	<p>Provide political guidance over the fiscal and financial affairs of the municipality</p> <p>To oversee the preparation of the annual budget</p> <p>Submit quarterly reports to Council on the implementation of the budget and the financial status of the municipality</p> <p>Coordinate the annual review of the IDP</p> <p>To ensure that the Mayoral Committee is perform its functions properly</p> <p>Promotion of intergovernmental relations</p> <p>Convene public hearings and meetings</p> <p>Identifies the needs of the community in terms of the IDP processes.</p> <p>Reviews those needs in order of priority</p> <p>Recommend to the municipal council strategies, programmes and services to address priority needs through the IDP, estimates revenues and expenditure, taking into account any applicable National and Provincial Plans</p> <p>Recommend and determine the best way, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community.</p>
The Speaker	<p>The Speaker presides over the council meetings and maintains order during council meetings.</p> <p>Ensure that the council meets at least quarterly.</p> <p>Ensure that the rules of order are complied with during the proceedings of council meetings.</p> <p>Execute any other duties as delegated to the speaker in terms of the council delegation systems.</p> <p>Maintains order during Council meetings</p> <p>Ensure that Councillors adhere to the Code of Conduct</p> <p>Support to Councillors</p> <p>Facilitate public participation coordinate the establishment and functionality of ward committees</p>
Chief Whip:	<p>The role of Chief Whip is to ensure that Councillors are accountable to the communities, that code of conduct is respected and adhered to by all Councillors.</p> <p>The Chief Whip ensures discipline during Council and Committee Meetings.</p> <p>He facilitates political debates, workshop for all Councillors.</p>

COUNCILLORS

Councillors provide a vital link between communities they serve. They are responsible for representing the needs and interests of the people they represent, regardless of whether they voted for them. Although councillors are not usually full time professionals, they are bound by a code of conduct.

A Ward Councillor has to balance the expectations of his/her ward and that of their political party. The Ward Councillor is the chairperson of the ward committee, responsible for convening the constituency meeting to elect ward committee members, calling ward committee meetings, ensuring that a schedule of meetings is prepared, handling queries and complaints in the ward, resolving disputes and making referrals of unresolved disputes to the municipality, ensuring that the ward committee does what the municipality expects about reporting procedures. See Appendix B which sets out committees and committee purposes.

T2.1.2

POLITICAL DECISION-TAKING

All council meetings are run according to the approved Standing Rules of Orders. These set out how the council meeting should be run, how you can propose motions or pass resolutions and how decisions will be made. The speaker or chairperson of the council decides whether anyone is breaking the Standing Orders and is responsible for keeping order.

The Political decision-making is done in the following manner:

1. The Corporate Services Department is responsible and ensures that the agendas are prepared in time before council and committee meetings. Any committee reports, petitions or motions have to appear on an agenda, before they can be discussed and must be received by all Councillors at least seven (7) days before the sitting of section 79 committee and Executive Council.
2. Often issues are discussed at committees before they can be brought to council.
3. The council will then resolve on the matter/s. Most council decisions are taken after a committee held its meeting and recommend to council. When council agrees by a majority resolution, the recommendation becomes a resolution of council.

SECTION 79 COMMITTEES

(a) The Audit Committee

The Audit Committee is a committee of the Council and performs the statutory responsibilities assigned to it by the Local Government: Municipal Finance MFMA (sections 165 and 166), and other relevant responsibilities delegated to it under its charter by the Council.

It is an independent advisory body that advises Council, the political office-bearers, the accounting officer and the management of the municipality on matters relating to:

- Internal financial control and internal audits;
- Risk management; Accounting policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance management;
- Effective governance and compliance with the prescribed laws and regulations.

T2.1.3

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Municipal Manager who is the head of administration and therefore the Accounting Officer is in terms of section 55 of the Municipal Systems Act, 32 of 2000 as amended the Municipal Manager as head of administration is subject to policy directives of the municipal council responsible for the formation and development of an efficient, economical, effective and accountable administration and must manage the municipality in accordance with all legislation and policies pertaining to Local Government. In terms of section 50 of the Municipal Systems Act 32 of 2000 as amended, the Council in consultation with the Municipal Manager must appoint managers who are directly responsible to the Municipal Manager who must have relevant and requisite skills and expertise to perform the duties associated with the posts they each occupy.

The Municipal Manager is also accountable for all the income and expenditure and all assets as well as the discharge of liabilities of the municipality including proper and diligent compliance with the Municipal Finance Management Act, 53 of 2003. Each senior manager or director who reports directly to the Municipal Manager are delegated the functions which the Municipal Manager may delegate to them and are responsible for all those matters delegated to them including financial management as well as discipline and capacitating of officials within their areas of responsibility and compliance to all legislation governing Local Government, its policies and by-laws.

The Municipal Manager and Directors forms the senior management core and all directors are accountable to the Municipal Manager in terms of strategic management and oversight of their departments.

TOP ADMINISTRATIVE STRUCTURE	FUNCTIONS
<p>Acting Municipal Manager</p> <p>Mr T Thage</p>	<p>Forming and developing an economic, efficient and accountable administration;</p> <p>Implementing and managing the MLM's performance management system; Coordinating and implementing the MLM's IDP; Implement departmental Service Delivery Budget Implementation Plan (SDBIP).</p> <p>Managing the Municipality's administration in accordance with the Constitution, the Local Government Structures Act, the Municipal Systems Act, the Municipal Finance; Management Act and all other national and provincial legislation applicable to MLM;</p> <p>Managing provision of services to the local community in a sustainable and equitable Manner;</p> <p>Developing and maintaining a system to access community satisfaction with Municipal Services; Appointing, managing, effectively utilizing and training staff and maintaining staff discipline; Advising political structures and political office bearers of the MLM, managing communications between them, administering, implementing council resolutions and carrying out their decisions; Being responsible for all income and expenditure of the MLM all assets, the discharge of all liabilities of the MLM and proper and diligent compliance with applicable Municipal Finance Management legislation.</p>
<p>Acting CFO</p> <p>Ms K Khaziwa</p>	<p>Reporting directly to the Municipal Manager on key departmental activities. Develop and implement key strategic / business plans including Supply Chain Management, Revenue Management, Expenditure Management and Budget & Reporting.</p> <p>Prepare and implement municipal budget.</p> <p>Prepare Annual Financial Statements and other mandatory financial management reports.</p> <p>Manage Departmental budget, human resources & other resources in accordance with local government legislation;</p> <p>Establish, operate and maintain support structures, processes and systems;</p> <p>Management and monitoring of all income, expenditure, assets and Liabilities; Cash-flow management;</p> <p>Develop and implement Supply Chain Management Policy, specific procedures, systems and controls;</p> <p>Ensure timely preparation of Budget and Financial Statements; Implement all financial policies and ensure they comply with applicable legislation and National Treasury Regulations.</p>

HOD: Corporate Service Mrs.DibuengCorneyLentsoe	Managing and controlling various line functions within the Directorate which include general administration, Human Resources, Council Support, Corporate strategy; Leading, directing and managing staff within the Department so that they are able to meet their objectives; Rendering Support by advising and overseeing all matters of procedures relating to minutes and resolutions of the Council Committees; Managing and controlling the compilation and execution of the departmental capital and operating budget; Executing any function delegated by the municipal Manager in terms of powers and delegations in the relevant legislation and related to the functions of this post; Administering records/archives registry, skills development, legal matters and employment Equity; Developing, implementing Collective Agreements and managing strategic goals, policies, procedures and plans; Ensuring proper administration of Council delegation System;
HOD : Technical Services Mr Tumelo Thage	Management of the entire Technical Services department. Compile and manage the Directorate's annual Capital and Operational Budget. Management of Technical Services including Civil Engineering Services, electrical distribution and maintenance of roads and storm-water drainage. Planning and maintenance of water reticulation system and sewerage treatment infrastructure. Developmental strategic planning of infrastructure expansion and co-ordination. Ensure the sustainable provisioning of engineering services including infrastructure development and maintenance in line with the IDP. Management of civil engineering, projects and capital construction development
HOD: Community Service Vacant	Management of the entire Social Services department. Compile and manage the Directorate's annual Capital and Operational Budget. Strategically direct and manage services related to solid waste management. Provision of sports, recreation, cultural, arts and library information services. Responsible for setting standards for the maintenance of cemeteries, parks, halls and other community services. Management of refuse services of the entire Magareng area.

2.2.1

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Chapter (3) three of the Constitution of 1996 is an overarching legislative tool used to guide and provide detailed pieces of legislation like Municipal Systems Act, section 3, Municipal Structures Act, section 88 and the Intergovernmental Relations Framework Act, Act 13 of 2005.

The Magareng Local Municipality complied with the above legislative requirements during the annual report under review to ensure the continuous consultation with relevant stakeholders at the level of Co-operative Governance and Intergovernmental Relations (IGR) across the spheres of government to provide basic services to the community of the district. Sectors do present their developmental projects and programs to IGR meetings for inclusion in the Integrated Developmental Plan (IDP) of the district. We normally have outreach and service delivery blitz programs where all sectors would provide services to a particular ward in one of our local municipalities. This is a response to the clarion call of having a developmental local government in South Africa. However, there are some challenges in this process that need attention to be able to achieve the intended objective. There is a perception that Intergovernmental Relations and Co-operative governance is the responsibility of municipalities alone and not the other two spheres of government.

Inter-Governmental Relations is the organization of the relationships between the three spheres of government. The Constitution states that "the three spheres of government are distinctive, interdependent and interrelated". Local government is a sphere of government in its own right and is no longer a function or administrative implementing arm of national or provincial government. Although the three spheres of government are autonomous, they exist in a unitary South Africa meaning that they have to work together on decision-making, co-ordinate budgets, policies and activities, particularly for those functions that cut across the spheres.

Co-operative governance means that the three spheres of government should work together (co-operate) to provide citizens with a comprehensive package of services (governance). Local government is represented in the National Council of the Provinces and other important institutions like the Financial and Fiscal Commission and the Budget Council. The South African Local Government Association [SALGA] is the official representative of local government.

SALGA is made up of nine provincial associations. Local Municipalities join their provincial association. Executive elections and decisions on policies and programmes happen at provincial or national general meetings. SALGA is also an employers' organization, and sits as the employer in the South African Local Government Bargaining Council. SALGA's main source of funding is membership fees payable by municipalities. There is no intergovernmental strategy in the municipality

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

The notion of Co-operative Governance and Intergovernmental Relations (IGR) in the country is rapidly evolving and gradually taking a particular shape and direction. The IGR system must be understood in the context of being a facilitating and engagement platform of sectors across the three spheres to amongst others ensuring the implementation of the National Development Plan (NDP), the Provincial Growth and Developmental Strategy (PGDS) and the District Growth and Development Strategy (DGDS) which includes local municipalities. Our engagements with national departments like Water and Sanitation, National Treasury, Land and Rural Development, Monitoring and Evaluation, Public Works on EPWP program and Co-operative Governance and Traditional Affairs amongst others and the support they provide despite some challenges.

Intergovernmental Relations is about relations between different governments or between organs of state from different governments about the conduct of their affairs. At its most basic level, intergovernmental relations is about the relationships between the three "spheres" of government – national, provincial and local government – and how these can be made to work together for the good of the country as a whole.

The function of the IGR Forums such as the Mayors Forum as (Political and Policy Directive), Municipal Managers Forum as a (Technical Implementation Forum) will be established and their function is to:

- A consultative forum for the District Municipality, the respective Local Municipalities in the area, and the relevant Sector Departments from the Northern Cape Provincial Government to discuss and consult each other on matters of strategic and mutual regional interest, including:
 - Draft national and provincial policy and legislation, relating to matters affecting local government interests in the municipal area;
 - The implementation of national and provincial policy and legislation with respect to such matters in the municipal Area;
 - Matters arising in the Premier's intergovernmental forum affecting the municipal area;
 - Coherent planning and development in the Municipal Area, focusing on:
 - Water Services;
 - Sanitation
 - Land;
 - Subsistence farming;
 - The processing of agricultural products;
 - Housing; and
 - Traditional Leaders.
 - The provision of services in the Magareng Local Municipal Area;

At meetings of the IGR, as municipalities we discuss the implementation of national policy and legislation that affect the district and Provincial Government and discuss upcoming national policy and legislation that will affect the municipality.

The IGR is an ideal forum to discuss progress with regard to service delivery in the municipality as well as the problems that may impede such progress. Initiatives such as shared services models could also be dealt with at forum meetings.

T2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Magareng Local Municipality as part of the Northern Cape Province does participate in all the provincial programmes that seek to improve the quality of the life of its area of jurisdiction. The Office of the Premier in the province does extend invitations for municipalities to attend the Northern Cape Extended IGR.

South African Local Government Association in the Northern Cape that represent the interest of municipalities in the provision of sustainable services to communities also ensured that it establish the provincial IGR practitioners forum where all the municipalities in the province meet to chart a way of ensure that IGR and Back to Basics is implemented. Magareng Local Municipality is fully participating at that level.

T2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

MLM does not have any entities in place.

T2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

The White Paper on Local Government issued in 1998 expresses the role of the District municipalities as follows: to build local municipalities where there is no capacity, initiating economic development of the district, planning land-use in the district and providing in the basic needs of people living in deprived areas. Number of processes and structures has been established by law to manage the relations between municipalities exercising jurisdiction over the same geographical area. First, the relationship should be one of mutual support and coordination.

The Municipal Structures Act thus obliges district and local municipalities to support one another at the request of either. The most important aspect of the relationship is probably the drafting of a district-wide IDP. There are also a number of structures in place in Frances Baard District Municipality to give effect to the objectives of mutual support and coordination. The following are IGR structures that we have in the district that are operational: The local Intergovernmental Relations: According to section 88 of the Municipal Structures Act, Act 117 of 1998, the District Municipality has the responsibility to provide support to its family local municipalities. The district provides support to locals in jointly convening at least one local IGR forum.

T2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 (1) of the Municipal Systems Act (MSA), Act 32 of 2000, stipulates that a municipality must develop a system of municipal governance that complements formal representative governance with a system of participatory governance. Furthermore, Section 18 (1) of the MSA stipulates that a municipality is to provide its community with information concerning municipal governance, management and development.

Such participation is required in terms of:

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

Community participation in local government affairs gives expression to the democratic principles and values of our Constitution and the political rights of the individual as entrenched in section 19 of the Constitution of the Republic of South Africa, 1996.

The Municipal Council encourages participation of the community and community organisations in local government matters and adheres to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration.

Public participation is a principle that is accepted by all spheres of government in South Africa. Participation is important to make sure that government addresses the real needs of communities in the most appropriate way.

Public participation also helps to build an informed and responsible citizenry with a sense of ownership of government developments and projects. It allows municipalities to get buy-in and to develop partnerships with stakeholders.

The Municipal Council encourages participation of the community and community organisations in the local government matters and to adhere to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration through:

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

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

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

Residents, Communities and Stakeholders (Civil Society)

To represent interests and contribute knowledge and ideas in the planning process by:

Participating in the IDP Representative Forum to:

- Inform interest groups, communities and organisations, on relevant planning activities and their outcomes
- Analyse issues, determine priorities, negotiate and reach consensus
- Participate in the designing of project proposals and/or assess them
- Discuss and comment on the draft IDP
- Ensure that annual business plans and budgets are based on and linked to the IDP
- Monitor performance in implementation of the IDP

Conduct meetings or workshops with groups, communities or organisations to prepare for and follow-up on relevant planning activities.

Communication is a two-way process in which there is an exchange of thoughts, opinions, or information by speech, writing, or symbols towards a mutually accepted goal or outcome. "Purpose of effective communication is sustaining the on-going work with maximum efficiency" Communication will help build good relationships with team members, sponsors, and other key stakeholders, to increase the likelihood of project or any activity success.

The Council also responds to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums.

The Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers, using three predominant official languages of Setswana, Afrikaans and English. The municipality also make use of newspapers to communicate. The Municipal Council also engages the community through consultation in matters such as the IDP, budget, performance management, provision of services etc.

A key part of the municipality's annual plans should be how to communicate all this to the people and how to involve them in decisions or as partners. The municipality does not have public participation policy and communication policy but we have drafts in place of the two policies.

The Frances Baard District Municipality has established the Communication Forum and Magareng Local Municipality is part of the Communication Forum. Our current communication initiatives are the district external newsletters issued yearly and other means of communication available.

T2.4.1

WARD COMMITTEES

Legislation allows that Ward Committee be established in each ward of the local municipality. The purpose is to assist and advise Ward Councillors on matters relating to service delivery and the improvement of public participation.

Ward Committees are mainly advisory committees which can make recommendations on any matter affecting the ward within a municipality. It is thus the responsibility of the ward councillors to present the views or reports of ward committee to council for implementation purposes. The Municipal Council formulates the rules that guide Ward Committee Members, how often should meetings be held and the circumstances under which a member of a Ward Committee can be removed.

The purpose of a Ward Committee is to:

- Facilitate participatory democracy amongst community members.
- Ensure the dissemination of information or effective communication between the council and the Members of community.
- Help rebuild better partnership for better service delivery.
- Advise the ward councillor on service delivery and developmental projects in the community.

Structure of Ward Committee:

- Ward Committee shall consist of a ward councillor who must be the Chairperson of the Committee. In the absence of the Chairperson at a meeting, the councillor should delegate in writing the member who should chair.
- A Ward Committee shall be established in each ward and shall be inclusive of women, disabled and the youth etc, and not more than 10 (ten) people elected shall serve in a ward committee.
- Gender equity may be pursued by ensuring that there is an even spread of men and women on a ward committee, and a diversity of interest groups from within the ward.
- A ward councillor must at its first meeting nominate a secretary to fulfil the relevant duties of the ward committee.
- A ward committee may establish one or more subcommittees necessary for the performance of its functions and to involve organisations more broadly.

- The ward committee must appoint the members of such a sub-committee, from among its members and determine the functions of such a committee.
- The ward committee and subcommittees may meet together as a ward forum for major discussions.
- All relevant sectors in the ward are encouraged to participate in subcommittees that are relevant to their fields or interest and to their day-to-day functioning as a sector.

11.1

T2.4.2

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Outreach Program	N/A	N/A	N/A	N/A	N/A	N/A
Digital Migration Awareness	JUNE 21	ALL	LED UNIT	1000 (+) plus	YES	SEPTEMBER 2022. INTALLATIOIN OF DISHES AND DECODERS
Public parcicipation	14 March 2022-08 DEC 2022	ALL	MM, AMM, LED, MAYOR'S OFFICE STAFF, SPEAKER'S OFFICE STAFF	500 COMMUNITY MEMBERS- ALL WARDS INCLUDED	YES	Not Available
						T 2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

Participation is one of the cornerstones of our democracy and has equal benefits for politicians, officials and civil society:

Consultation will help council make more appropriate decisions based on the real needs of people.

The more informed people are, the better they will understand what government is trying to do and what the budget and resource limitations are.

Councillors can only claim to be accountable if they have regular interactions with the people they represent and if they consult and report back on key council decisions.

Government cannot address all the development needs on its own and partnerships are needed with communities, civil society and business to improve service delivery and development.

T2.4.3.1

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	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 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
T 2.5.1	

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed. Corporate governance does cover a broad spectrum of elements that need to be aligned and integrated to ensure the smooth effective, efficient and economic functionality of municipalities.

T2.6.0

2.6 RISK MANAGEMENT

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

Risk Management plays a crucial role in identifying both risks and opportunities that are present and to take a strategic position in minimizing the said risks and maximizing present opportunities for the benefit of its citizens. The role of the Risk Management in the municipality is to provide the expertise and support

for institutionalizing Enterprise Risk Management and thereby embedding a risk intelligent culture. This is achieved through various methods including employee training on the principles and practices of risk management, coordinating efforts in determining the municipality's risk exposure and in the development of mitigating actions by management for addressing the identified risks.

T2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

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

Internal Audit Unit

Magareng Local Municipality make use of the internal audit shared services of Francis Baard District Municipality to advise the Accounting Officer and report to the Audit Committee on the implementation of the internal audit plan and matters as stipulated in section 165 of the MFMA.

Audit Committee

Magareng Local Municipality make use of a single audit committee established for the District municipality and its local municipalities to advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters as stipulated in section 166 of the MFMA.

Human Resources Management

Screening procedures are performed prior to the employment of officials.

All employees signed the code of conduct on appointment.

New employees are inducted to introduce the employees to the culture of the municipality. In the process the employees are provided with the policies and procedures of the municipality to encourage good business conduct in performing the duties.

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Magareng Local Municipality approved a supply chain management policy that is fair, equitable, transparent, competitive and cost effective. In case of an abuse of supply chain management system the accounting officer implement the procedures according to the supply chain management policy to combat fraud. Officials and other role players in the supply chain management system of the municipality signs a code of ethical standards as set out in the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management" which is established to promote mutual trust and respect; and an environment where business can be conducted with integrity and in a fair and reasonable manner.

The supply chain management policy is aimed primarily at promoting uniformity in SCM processes and also in the interpretation of government's preferential procurement legislation and policies, which should themselves be seen in the context of other related legislative and policy requirements.

Essentially, SCM refers to managing the demand of goods and services to their acquisition, managing the logistics processes and finally, after use, to their disposal. It encompasses the procurement, contract management, inventory and asset management, and obsolescence planning processes.

The procurement processes covers:

- Pre-solicitation (need analysis, specification, award criteria)
- Solicitation (bidding process)
- Negotiation (bidding process, drafting of contracts)
- Performance (change orders, review of completed work and sign-offs compliance assessments of deliverables, release of funding etc.)
- Administration, within the municipal prescripts and policies.

The MFMA expects all municipalities to ensure that they develop and maintain a well-documented, operational procurement system, within a system which is fair equitable, competitive, cost effective and transparent. This process is, and will always remain one of the highest exposures to fraud and corruption in any organization in the government. The process is, by necessity, highly regulated and very complex including a wide array of legislative and procedural requirements and prescripts.

T2.8.1

2.9 BY-LAWS

By-laws Introduced during 2021/2022					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
No new By-Laws were Developed	No By-Laws were revised	No	N/A	N/A	N/A

*Note: See MSA section 13.

T 2.9.1

COMMENT ON BY-LAWS:

Section 11 of the MSA gives municipal council the executive and legislative authority to pass and implement by - laws and policies. Once the by-laws are gazetted, people who are in contravention will

be criminally prosecuted in a court of law, and could be sentenced to pay a fine or even to direct imprisonment.

T2.9.1.1

2.10 WEBSITES

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that municipalities place key documents and information on their website, including the IDP, annual budget, adjustment budget and budget related documents and policies.

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Partially	N/A
All current budget-related policies	Yes	N/A
The previous annual report (2020/21)	Yes	February 2021
The Annual Report (2020/21) published/to be published	Yes	February 2022
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2021/22) and resulting scorecards	Yes	
All service delivery agreements (2021/22)	No	N/A
All supply chain management contracts above a prescribed value (give value) for 2021/22	No	N/A
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2021/22	No	N/A
Contracts agreed in 2021/22 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2021/22	No	N/A

T 2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitate stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that municipalities place key documents and information on their website, including the IDP, annual budget, adjustment budget and budget related documents and policies.

T2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

For the year under review, the municipality did not conduct the public satisfaction survey.

T2.11.1

Satisfaction Surveys Undertaken during: 2020/21 and 2021/22				
Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:	Not conducted	n/a	None	None
(a) Municipality				
(b) Municipal Service Delivery				
(c) Mayor				
Satisfaction with:	Not conducted	n/a	None	None
(a) Refuse Collection				
(b) Road Maintenance				
(c) Electricity Supply				
(d) Water Supply				
(e) Information supplied by municipality to the public				
(f) Opportunities for consultation on municipal affairs				
* The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory				T 2.11.2

Concerning T 2.11.2:

The table is relevant to MLM but information could not be provided due to the fact that no public satisfaction surveys were conducted.

T2.11.2.1

COMMENT ON SATISFACTION LEVELS:

Community satisfaction survey was not conducted, and the responsibility should first be delegated to a specific department. i.e Community Services

T2

.11.2.2

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I) COMPONENT A: BASIC SERVICES INTRODUCTION TO BASIC SERVICES

Generally, Magareng Local Municipality basic services provision is characterised with poor planning, adhoc implementation of capital projects with no systematic thought process. This can be mainly attributed to three aspects (i) the lack of planning tools such as service delivery frameworks; (ii) inadequate budgeting for infrastructure maintenance and new infrastructure development; and (iii) lack of qualifications and trade specific competencies in the technical department.

The lack of service delivery frameworks simply translates to poor planning and inefficient provision of service delivery to the community. Some of the primary grant funders of the municipality, such as MIG and WSIG, have indicated reluctance to continue funding municipal programmes in the absence of the service delivery frameworks. The following service delivery frameworks are identified as critical components that are lacking at the municipality:

- Capital Infrastructure Framework: medium to long term
- Integrated Waste Management Plan
- Water and Sanitation Masterplan
- Water Conservation and Demand Management Plan
- Electrification Masterplan
- Energy Saving and Demand Management Plan
- Sector based Operation & Maintenance Plans (O&M Plan)

The budget for basic services is not reflective of the service delivery challenges the municipality experiences. Firstly, by simply analysing the O&M budget over the 5 previous financial years, an irregular budget pattern is evident, to the extent that the budget is decreasing over the period; this simply means O&M it is grossly under budgeted. Secondly, the municipalities O&M activities are mainly reactive. In other words, the municipality does not know how to plan operation and maintenance activities, as a result there is no predisposition of the magnitude of the next breakdown.

The qualifications in middle management and trade specific competencies such as technicians, process controllers, plumbers, electricians are very low and non-existent in some areas in the technical department. This is a serious problem, as critical municipal infrastructure in roads, electricity, water and sanitation is managed and handled through 'common sense' that is not backed the application of scientific theory. Interrelated to all of the above is that, there is a direct linkage in the between irregular and wasteful expenditure that is continuously incurred due to inadequate budgeting and reactive O&M protocols.

WATER SUPPLY SERVICES

A common characteristic of the municipality's water distribution systems is that it is passively vulnerable and operates under extreme challenges. High water losses of the water distribution system is the most significant challenge, which best represents the current status quo and is identified as playing a significant role on the vulnerability of the water distribution system. This is further demonstrated by disaggregating the water losses into two components financial and technical losses.

Firstly for financial losses, the Auditor General audit finding for the 2020/21, indicates that the material water losses accounts for 84% of the total water purchased, this percentage indicates the municipality only generates income from 16% of the total water purchased. Secondly, for the technical losses there is no bulk metering in place to ascertain the total system volume input. In other words, the municipality does not know how much water it produces on a daily basis vs the bulk purchases, how much is lost due to leakages, etc. It is also important to note that the municipality does not know if existing water demand exceeds the authorised raw water abstraction allowance. This clearly illustrates what was termed 'a growing water crisis' and an unsustainable water supply service provision. The character and scale of the problem requires an integrated management approach.

SANITATION SERVICES

The existing bulk sewer network is experiencing operational failures. The Warrenton Waste Water Treatment Works experiences a myriad of challenges on a daily basis. There are three primary challenges, which best represents the current status quo and are identified as playing a significant role in the level of treatment of wastewater the facility achieves.

Firstly, the facility does not have enough capacity to deal with the existing wastewater flow and its constituent loading. In other words, the volume of the wastewater generated exceeds the capacity of the plant to adequately and efficiently treat the wastewater. This specific challenge creates an insidious overloading problem for the processes at the Clarifier, Aeration Basin and Maturation Pond. For example, at the secondary settlement tank, the increased 'load' has created a sludge build-up, which overtime has blocked the desludge valves and decreased the speed of the rotating bridge. At this point, the "activated sludge" is constrained from recirculating back to the aeration basin. This directly affects the rate of decomposition of bacteria and further biodegradation not occurring. This is also the reason why 'partially' treated water is being disposed into the maturation pond and ultimately into the Vaal River.

Secondly, major processing units such as the inlet works, horizontal aerators and clarifier are old, dilapidated and lost its optimal functionality over a period of time. Thirdly, it is the vandalism and theft of the existing infrastructure, moreover in the context of Magareng municipality, which has no financial

capability to replace major processing units and equipment as and when incidents of vandalism and theft occurs.

The existing pumpstations is experiencing operational failures. The operational failures are directly influenced by problems at the three pumping stations (vandalism of electrical panels, theft of submersible pumps, no roof structure, no site lighting, no screening equipment and backup power). This ultimately constrains the sewer in flowing at the required velocity.

In other words, due to the problems at the three pumping stations, the sewage is not draining adequately. It remains stationary for prolonged periods, resulting in blocked manholes downstream that subsequently creates refluxes of raw sewer back into the households, overflows of raw sewer from the blocked manholes on the road reserves and discharges to the natural environment.

ELECTRICAL SERVICES

Electrical service provision within the municipality is a balance between scarce financial resources and service priority; this has led to infrastructure delivery backlogs. There is significant backlog in the provision of public high mast lighting system and electrification of households in areas such as Majeng. The Majeng community is made-up mainly of indigent households and wholly depend on the municipality for the provision of basic services.

SOLID WASTE MANAGEMENT SERVICES

Magareng local municipality is faced with a precarious and hazardous situation where the solid waste disposal sites in Warrenton are in a bad state and in direct conflict with the provisions of the waste act. The Warrenton waste disposal site is in a more dire situation as a section 51(g) directive has already been issued by the Provincial Department of Environment and Nature Conservation.

The following items are identified as shortcomings:

- Waste is windblown all over the area as there is no adequate fencing around the sites.
- There is no shelter for the caretaker/supervisor.
- There is no water supply to the site, and no sanitation facilities present.
- There is no weighing bridge to record procedures
- Dumping trenches need to be constructed.
- There is no classification of waste and general waste management practices on site

ROAD AND STORMWATER SERVICES

The provision of roads is the most notable feature in Magareng municipality's land development. However, the impact of O & M costs, stormwater management, increased traffic and vehicular

movements has caused serious problems such as formation of excessive potholes and flooding downstream. The effects of flooding downstream also create new problems in the receiving streams i.e. high peak flows, excessive erosion and sedimentation, increased pollution and general decreased value of the environment.

FLEET MANAGEMENT SERVICES

The Fleet Management Section consists of **14 petrol and diesel vehicles** (including earthmoving machinery & other miscellaneous equipment). For a municipality which consists of ±114 workers in the technical department 11 vehicles simply translates to inadequate tools of trade and shambled service delivery provision. Notwithstanding the condition of the vehicles, which is bad, as almost all the vehicles has failed roadworthy tests.

The municipality procured 3 bakkies and 1 sedan in the 2021/22 Financial Year.

ENVIRONMENTAL COMPLIANCE DIRECTIVES ISSUED

The task of the Municipal Council and management is to respond to this historical anomaly, rectify the contravention and take reasonable measures to prevent such pollution from occurring, continuing or recurring.

WARRENTON WASTE DISPOSAL SITE

The Department of Environment and Nature Conservation has issued a notice of intent in terms of section 51(G) of the National Environmental Management: Waste Act (Act No 59 of 2008) in respect of mismanaging the license conditions of the landfill site. Some of the findings against Magareng Municipality are:

- Waste is disposed haphazardly which causes the site to be unsightly and unhealthy
- Different waste are mixed with no control
- No management of Site
- Burning of waste
- Unformalised recyclers on site

WARRENTON WASTE WATER TREATMENT WORKS

The Department of Water and Sanitation has issued a directive in terms of sections 21(f) (g), 19(3) and 53(1) of the National Water Act, 1998 (Act no 36 of 1998). The substantive matters of the directive are summarised as follows:

- Section 19 (1) of NWA, 1998 – Engaging in water activities that cause pollution of a water resource

- Section 21(f) (g) & 22 (1) (a) (b) (c) of NWA, 1998 – Warrenton WWTW Water use authorisation

STATE OF EXISTING INFRASTRUCTURE

Perhaps it is pertinent to state that the current state of infrastructure in Magareng is in precarious and bad condition. Simply put, the infrastructure is old and has reached its design life. In certain instances, operation and maintenance activities are actually destroying the infrastructure further. For an example, a blocked sewer in Ikhutseng cannot be unblocked through a simple mechanism such as a drain rods as the asbestos cement pipes are heavily corroded that an application of pressure collapses a whole length of pipes. Similarly, in town, Erasmus Street is riddled with potholes, over the years the municipality has been patching potholes as the only remedy whereas a simple visual inspection indicates that the problem is the base layer materials thus a suitable option would have been to rehabilitate and mill the road.

All of the potable water bulk distribution pipeline materials is made of asbestos cement, which is not permitted by the current legislation for transportation of potable water. The long term effect of asbestos on human health has been well researched and published, resulting in review of various laws pertaining to the usage of Asbestos products.

It is in this context, that it is categorically stated that the infrastructure of Magareng municipality requires an urgent and comprehensive recapitalization program. This needs to be urgently undertaken to deliver services sustainably to the deserving communities of Magareng.

INTRODUCTION TO WATER SERVICES PROVISION

The Water Services Act, Act 108 of 1997 (RSA, 1997) defines a water service as a water supply services and sanitation services. Accordingly, a water supply service is defined as the raw water abstraction from a source (river or dams), conveyance to a water purification facility, the treatment and subsequent distribution of potable water to households. Sanitation service is defined as the collection, removal, disposal or purification of human excreta, domestic waste-water (grey water), sewage and effluent from commercial sources.

Magareng municipality has a centralized water service system having its own Water Treatment Works (WTW), Waste Water Treatment Works (WWTW) and respective service distribution networks. The major attributes of the water service are summarised as follows:

Table 1: Attributes of the Water service

Attributes	Warrenton
WTW Capacity	9.79Mℓ/d
Boreholes	-
Water Distribution Network consists of asbestos and uPVC pipes (length)	125km
WWTW Capacity	2Mℓ/d
WWTW (Extended Aeration)	-
Sewer Distribution Network consists of asbestos and PVC pipes	80km

WATER SUPPLY SERVICES PROVISION

The Constitution of the Republic of South Africa (1996) under the Bill of Rights, section 27(1) (b) states that it is a basic human right to have access to water. The Constitution under section 27(2) makes it an obligation for government to take practical legislative and other measures, within its available resources, to achieve the progressive realization of this right. In response to this constitutional injunction, it is important for Magareng Municipality to translate this mandate into tangible results on the ground, taking into account the realities as they exist within the municipality.

Magareng municipality has the Water Service Provider and Water Service Authority status as per the provisions of the Water Services Act, Act 108 of 1997. As such, Magareng municipality is responsible for raw water abstraction, water purification and the subsequent distribution to all households under its jurisdiction.

The Water Treatment Plant is located on the western side of the Vaal River and the water supply areas on the eastern side. The municipality is authorised to abstract 3 572 000 m³/year, this translated to 9.79Mℓ/d of raw water. The water purification plant was constructed in 1998 and no major upgrade has occurred since then. The process flow of the bulk water supply is summarised as follows:

- Raw water is obtained from two points, firstly, from the main water canals of the Vaalharts Irrigation Scheme and it gravitates towards water treatment works facilities. The second point, at the edge of the Vaal river where raw water is pumped to the water treatment works.
- From the Water treatment works, the water gravitates through a 500mm Ø asbestos pipeline, which crosses the Vaal River to a sump at the main water pump station.
- The main water pump station is equipped with two sets of electrically controlled pumps. The one set supplies purified water to an elevated reservoir located near Warrenton CBD.

There is also an additional reservoir, which acts as a balancing tank to manage the pressure fluctuations in the Warrenton CBD system.

- The second set of pumps supply the Warrenton Railway Station elevated tank, the Ikhutseng reservoir and a ground concrete reservoir near the industrial area.
- Warrenton Railway elevated tank supplies water to the Railway stations residential area and back to the Warrenton suburbs.
- The Ikhutseng reservoir (5.2Mℓ) water is pumped into two elevated tanks, which supplies the Ikhutseng area.
- From the industrial reservoir(4.5Mℓ), water is pumped into an elevated tank, which supplies the Warrenvale residential area and the Industrial area.

Below is a schematic representation of the water demand areas in the Magareng Municipality's water distribution system.

AREAS

AREA 1 – WARRENTON CBD

AREA 2 – WARRENTON CBD

AREA 3 – WARRENVALE

AREA 4 – WARRENVALE

AREA 5 – NORTH-EAST OF WARRENVALE

AREA 6 – EASTERN SIDE OF WARRENTON

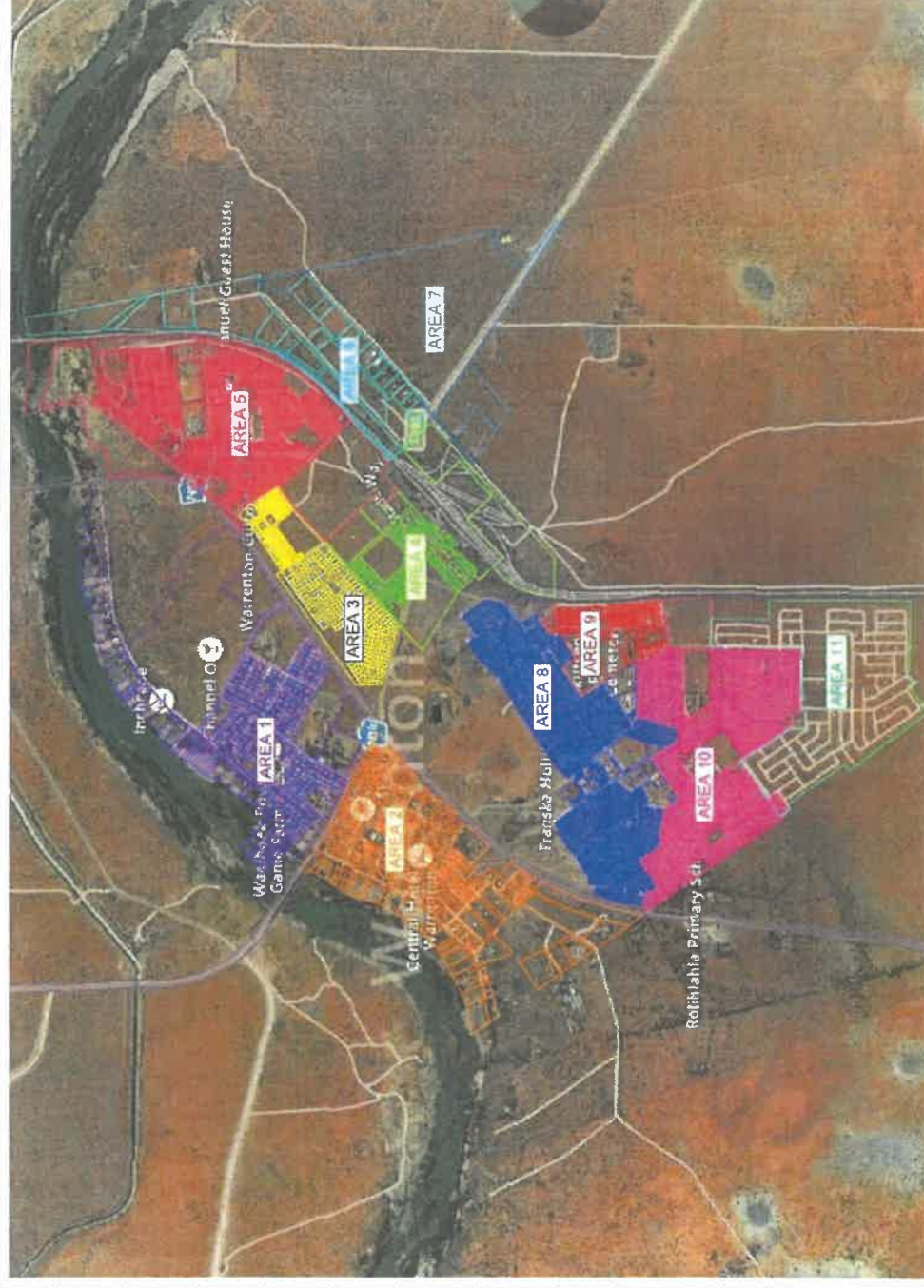
AREA 7 – EASTERN SIDE OF WARRENTON

AREA 8 – IKHUTSENG (CHRIS HANI)

AREA 9 – EAST IKHUTSENG

AREA 10 – IKHUTSENG (RICH BLOCK & LAS
VEGAS)AREA 11 – DITSHOTSHWANENG,
RABATJI & SONDERWATER

MAP OF WATER DEMAND AREAS



Chapter 3

WATER SUPPLY SERVICE DELIVERY DISTRIBUTION LEVELS

The water supply service delivery distribution is summarised in Table 2 below as extrapolated from the Community Survey 2016 data.

Table 2 Water Supply Service Delivery Distribution Levels

Description	2018/19	2019/20	2020/21	2021/22
Water: Above min level				
Piped (tap) water inside dwelling	2265	2289	2313	2338
Piped (tap) water inside yard	3015	3048	3079	3112
Piped (tap) water on community stand: distance less than 200m from dwelling/institution	306	309	312	316
Piped (tap) water on community stand: distance between 200m and 500m from dwelling	117	118	119	121
Minimum Service Level and above Sub-Total	5703	5765	5823	5886
Minimum Service Level and above Percentage	93%	94%	95%	96%
Water: Below min level				
Piped (tap) water on community stand: distance between 500m and 1000m (1km) from dwelling /institution	12	12	12	12
Piped (tap) water on community stand: distance greater than 1000m (1km) from dwelling/institution	129	130	132	133
No access to piped (tap) water	276	279	282	285
Below Minimum Service Level Sub-Total	417	422	426	431
Below Minimum Service Level Percentage	7%	7%	7%	7%

Chapter 3

EMPLOYEES: WATER SUPPLY SERVICE

Employees: Water Services					
Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	13	19	13	6	31.58%
7 – 9	1	1	1	0	0%
10 – 12	1	1	1	0	0%
13 – 15	1	1	1	0	0%
16 – 18	N/A	N/A	N/A	N/A	N/A
19 – 20	N/A	N/A	N/A	N/A	N/A
Total	17	22	17	6	27,28%

T3.1.7

Financial Performance: FOR THE WHOLE MUNICIPALITY					
R'000					
Details	2021/22	2022/23			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Financial Information covered in the Annual Financial Statement				
Operational Revenue	R127 324 922	R130 915 663	-	R71 779 923	55%
Expenditure:					
Employees	R 52 129 857	R53 077 824	-	R 23 537 066	44%
Repairs and Maintenance	R8 160 058	R13 849 631	-	R2 439 785	18%
Other	R122 613 791	R115 385 939	-	R42 627 886	37%
Total Operational Expenditure	R182 903 706	R 182 313 394	-	R 68 604 737	38%
Net Operational Expenditure					
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. Repairs and maintenance include bulk purchases.					
T 3.1.7					
Capital Expenditure 2022/2023:					
Water Services					
R' 000					
Capital Projects	2022/2023				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	Financial Information covered in the Annual Financial Statement				

Upgrade of the Warrenton Water Treatment Works	R23 612 000	-	R 11 155 653	R 12 458 347	R23 612 000
1.7km gravity fed bulk water pipeline	R11 000 000		R2.300 000		R11 000 000
New Internal Water Reticulation in Ditshotshwaneng, Rabaki & Sonderwater	R5 000 000		R5 352 312.56		R22 000 000.0
T 3.1.9					

SANITATION SERVICES PROVISION

Magareng municipality is responsible for the collection, removal, disposal or purification of human excreta, domestic waste-water (grey water), sewage and effluent from commercial sources. The sanitation services is rendered typically through internal sewer reticulation networks, bulk distribution and honey sucker mechanisms, then ultimately to Waste Water Treatment Facilities.

A detailed overview of the existing wastewater distribution systems is presented in the following sections.

WARRENTON BULK SANITATION DISTRIBUTION SYSTEM

The Warrenton bulk waste water distribution system is relatively diverse and complicated, as it consists of various components such as conveyance tanks, vacuum sewer, pumpstations, rising mainlines and gravitational water borne network. Fig 1 below indicates presents a schematic layout of the warrenton bulk waste water.

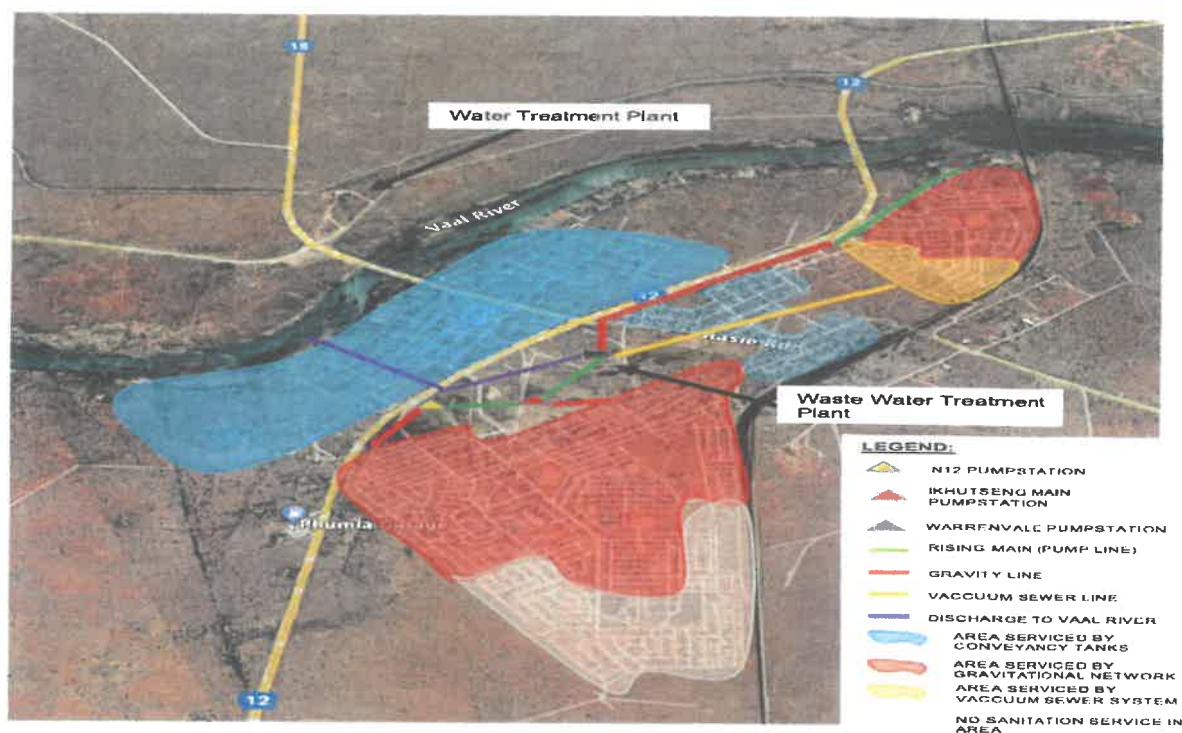


Fig 1 Schematic Layout of the Warrenton Bulk Waste Water System

The Warrenton bulk waste water distribution system is summarised as follows:

- The Ikhutseng area in the south eastern direction marked in red, sewerage gravitates towards the N12 and Ikhutseng main pumpstation.
- The Warranvale area in the north eastern direction marked in red, sewerage gravitates towards the Warrenvale pumpstation
- The new stasie area marked in orange is serviced through a vacuum sewer system, which discharges to the Warrenton WWTW.
- The town area on the western side of the N12 and the old stasie area on the eastern side of the N12 is serviced through conveyance tanks, of which the municipality uses two 18 000l Vacuum Sewer Trucks (honeysucker).
- The warrenvale pumpstation pumps through a rising main for about 2km into a sump. From the sump the sewerage, then gravitates to the Warrenton WWTW.
- The N12 pumpstation pumps directly into the Ikhutseng main pumpstation and then the Ikhutseng main pumpstation pumps collectively into the Warrenton WWTW.
- After the treatment process the treated effluent is discharged into the Vaal River.

EXISTING INFRASTRUCTURE OF THE WARRENTON WWTW AND SURROUNDING PUMPSTATION

WARRENTON WWTW

The existing Warrenton Wastewater Treatment Works (WWTW) was initially designed for an average flow of 2 M³/d. All indications are that the existing process is an extended aeration activated sludge process, consisting of Inlet Works, Horizontal Aeration Basin (Reactor), Secondary Settling Tank (Clarifier) Return Sludge Pumps, Maturation ponds, Sludge Drying Beds and Chlorination Tank.

Figure 2 below shows the existing infrastructure of the Warrenton WWTW.



Fig 2 Existing Infrastructure Of The Warrenton WWTW

1. Inlet Works

2. Horizontal Aerator 1
3. Horizontal Aerator 2
4. Horizontal Aerator 3
5. Horizontal Aerator 4
6. Aeration Basin with Horizontal Flow Channels
7. Clarifier
8. Pumps to Anaerobic Process and to Sludge Drying Beds
9. Sludge Drying Beds (Concrete Surface)
10. Maturation Pond
11. Pumps for excess water to Anaerobic Process
12. Storeroom
13. Vacuum Sewer Pumps
14. Chlorination Contact Channel

DETAILS OF SURROUNDING PUMPSTATIONS

The details of the pumpstations was obtained through interviews conducted with the municipal sanitation team in Warrenton. The details are summarised in Table 2 below.

Table 2 Details of Pump stations in Warrenton

Pump Station	Make	Model	Impeller Diameter	Speed	Motor	Configuration	Capacity / Duty Point
Ikhutseng PS	LEO	2AC400H	234mm	2900rpm	4kw, 380V	Two Pumps alternating	4.25 l/s @ 45m
N12 PS	LEO	2AC400H	234mm	2900rpm	4kw, 380V	Two Pumps alternating	4.25 l/s @ 45m
Warrenvalle	LEO	2AC400H	234mm	2900rpm	4kw, 380V	Two Pumps alternating	4.25 l/s @ 45m

THE OPERATIONAL INADEQUACIES OF THE WARRENTON WWTW AND SURROUNDING PUMPSTATIONS

WARRENTON WWTW

The Warrenton Waste Water Treatment Works experiences a myriad of challenges on a daily basis. There are three primary challenges, which best represents, the current status quo and are identified as playing a significant role in the level of treatment of wastewater the facility achieves.

Firstly, the facility does not have enough capacity to deal with the existing wastewater flow and its constituent loading. In other words, the volume of the wastewater generated exceeds the capacity of the plant to adequately and efficiently treat the wastewater. This specific challenge creates an insidious overloading problem for the processes at the Clarifier, Aeration Basin and Maturation Pond. For example, at the secondary settlement tank, the increased 'load' has created a sludge build-up, which overtime has blocked the desludge valves and decreased the speed of the rotating bridge. At this point, the "activated sludge" is constrained from recirculating back to the aeration basin. This directly affects the rate of decomposition of bacteria and further biodegradation not occurring. This is also the reason why 'partially' treated water is being disposed into the maturation pond and ultimately into the Vaal River.

Secondly, major processing units such as the inlet works, horizontal aerators and clarifier are old, dilapidated and lost its optimal functionality over a period of time. Thirdly, it is the vandalism and theft of the existing infrastructure, moreover in the context of Magareng municipality, which has no financial capability to replace major processing units and equipment as and when incidents of vandalism and theft occurs.

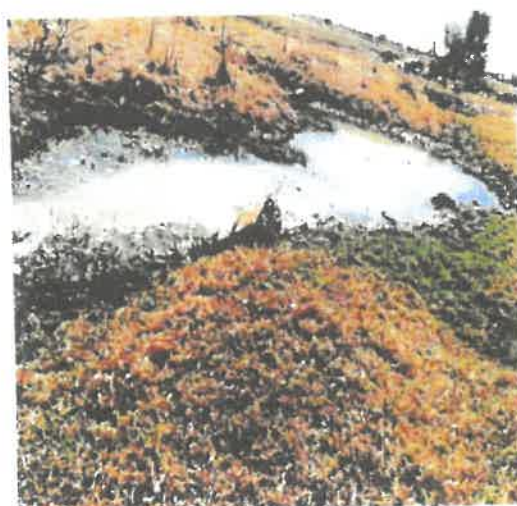
SURROUNDING PUMPSTATIONS

The existing pumpstations is experiencing operational failures. The operational failures are directly influenced by problems at the three pumping stations (vandalism of electrical panels, theft of submersible pumps, no roof structure, no site lighting, no screening equipment and backup power). This ultimately constrains the sewer in flowing at the required velocity.

In other words, due to the problems at the three pumping stations, the sewage is not draining adequately. It remains stationary for prolonged periods, resulting in blocked manholes downstream that subsequently

Chapter 3

creates refluxes of raw sewer back into the households, overflows of raw sewer from the blocked manholes on the road reserves and discharges to the natural environment. Figure 3 below indicates the spillages that has been occurring from the pumpstations.





SANITATION SERVICE DELIVERY DISTRIBUTION LEVELS

The sanitation service delivery distribution is summarised in Table 3 below as extrapolated from the Community Survey 2016 data.

Table 3 Sanitation Service Delivery Distribution Levels

Description	2018/19	2019/20	2020/21	2021/22
Sanitation: Above min level				
Flush toilet (connected to sewerage system)	4968	5022	5076	5131
Flush toilet (with septic tank)	147	149	150	152
Chemical toilet	3	3	3	3
Pit toilet with ventilation (VIP)	393	397	402	406
Other	303	306	310	313
Minimum Service Level and above Sub-Total	5814	5877	5940	6004
Minimum Service Level and above Percentage	95%	96%	97%	98%
Sanitation: Below min level				
Bucket toilet	18	18	18	19
Other	24	24	25	25

Chapter 3

None	264	267	270	273
Below Minimum Service Level Sub-Total	306	309	313	316
Below Minimum Service Level Percentage	5%	5%	5%	5%



Employees: Sanitation Services				
Job Level	2021/22			
	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	11	8	3	28%
4-6	9	2	5	56%
7-9	2	0	2	100%
10-12	N/A	N/A	N/A	N/A
Total	22	10	10	46%

Capital Expenditure 2021/22 : Sanitation Services					
R' 000					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/a	.			
Project A	N/a	N/a	N/a	N/a	N/a
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.2.8

ELECTRICITY SERVICES PROVISION

Electricity is one of the most sought after basic services. Local government plays a very important role in the provision of electricity, as an agent for Eskom. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social manner.

Eskom supplies 11kv bulk supply to a substation situated in Warrenton. From there the 11kv supply is distributed to 11kv transformers which steps it down to 380V networks in Warrenton CBD, Warrenton residential, Warrenvale and the surrounding plots. Supply in Warrenvale is by means of prepaid metering system and Warrenton CBD and residential is by means of credit meters. Some residences in Warrenton have also changed to pre-paid system. Municipality is planning to review to policy to standardize the electricity metering system. Moleko's farm gets the bulk supply from Eskom and the municipality distributes it by means of a pre-paid system. The following areas get both the bulk and low tension supply directly from Eskom: Ikhutseng, Bull Hill, Sydney's Hope and Hartsvally. Windsorton station and Majeng have not yet been electrified. Windsorton station previously was supplied by Transnet. Transnet gets the bulk 11kv supply from the municipality and further distribute this to their own transformers and networks. The electrical network also is very old therefore needs to be upgraded. Only indigents beneficiaries are receiving 50 kW of electricity free both the residents' services by Eskom and municipality as service providers.

Internal Reticulation

The municipality is responsible for electricity distribution to Warrenton, Warrenvale and Moleko's farm. The municipality is planning to upgrade existing and construct the electricity new mainline for the new developments as well as its electrification. Cost needed.

Backlogs in Electricity Supply

Most of the backlogs in electrical supply relates to the rural areas not yet serviced by Eskom as well as problem of ageing infrastructure. Windsorton station and Majeng are not electrified.

Warrenton Substation Bulk Supply Upgrade

The bulk supply upgrades at Warrenton substation will include the upgrading the existing substation with new switchgear to supply developments and infills in Warrenvale.

Warrenvale Bulk Supply Upgrade

The bulk supply lines and cables to Warrenvale will be upgraded to cater for new additional loads.

ELECTRICITY DELIVERY DISTRIBUTION LEVELS

Description	2018/19	2019/20	2020/21	2021/22
Energy (above minimum level)				
Electricity (minimum level of service)	518	524	530	535
Electricity prepaid (minimum level of service)	5365	5423	5482	5541
Minimum Service Level and above Sub-Total	5884	5947	6011	6076
Minimum Service Level and above Percentage	95%	95%	95%	95%
Energy (below minimum level)				
No Access to Electricity (below minimum level)	279	282	285	288
Other Energy Sources	6	6	7	7
Below Minimum Service Level Sub-Total	286	289	292	295
Below Minimum Service Level Percentage	5%	5%	5%	5%

Employees: Electricity Services				
Job Level	2021/22			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	4	0	0%
4 - 6	2	0	2	100%
7 - 9	4	1	3	75%
10 - 12	1	1	0	0%
13 - 15	1	1	0	0%
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	12	7	3	25%

T 3.3.6

Capital Expenditure 2021/22 :Electricity Services					
R' 000					
Capital Projects	2022/2023				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/a	.			
Project A	N/a	N/a	N/a	N/a	N/a
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					

T 3.2.8

SOLID WASTE MANAGEMENT SERVICES PROVISION

Magareng local municipality is faced with a precarious and hazardous situation where the solid waste disposal sites in Warrenton are in a bad state and in direct conflict with the provisions of the waste act. The Warrenton waste disposal site is in a more dire situation as a section 51(g) directive has already been issued by the Provincial Department of Environment and Nature Conservation.

Chapter 3

The following items are identified as shortcomings:

- Waste is windblown all over the area as there is no adequate fencing around the sites.
- There is no shelter for the caretaker/supervisor.
- There is no water supply to the site, and no sanitation facilities present.
- There is no weighing bridge to record procedures
- Dumping trenches need to be constructed.
- There is no classification of waste and general waste management practices on site

The Magareng Local Municipality does not have a dedicated unit responsible for Solid waste management but there are official responsible for waste collection placed under community service department.

SOLID WASTE DELIVERY DISTRIBUTION LEVELS

Description	2018/19	2019/20	2020/21	2021/22
Solid Waste: Above min level	-	-	-	-
Removed at least once a week	3879	3921	3963	4006
Minimum Service Level and above Sub-Total	3879	3921	3963	4006
Minimum Service Level and above Percentage	63%	64%	65%	65%
Solid Waste: Below min level	-	-	-	-
Removed less than a week	132	133	135	136
Own refuse dump	0	0	0	0

Chapter 3

Using communal refuse dump	0	0	0	0
No rubbish disposal	393	397	402	406
Other	45	45	46	46
Below Minimum Service Level Sub-Total	2196	2220	2244	2268
Below Minimum Service Level Percentage	36%	36%	37%	37%

Employees: Solid Waste Services				
Job Level	2021/22			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	8	2	6	75%
4 - 6				N/A
7 - 9	2	2	0	0%
10 - 12	2	1	0	50%
13 - 15	1	1	1	100%
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	13	6	7	53.85%

T 3.3.6

Capital Expenditure 2021/22: Solid Waste Services					
R' 000					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/a	.			
Project A	N/a	N/a	N/a	N/a	N/a

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.

T 3.2.8

ROADS AND STORMWATER

The provision of roads is the most notable feature in Magarengmunicipality's land development. However the impact of O &M costs, stormwater management, increased traffic and vehicular movements has caused serious problems such as formation of excessive potholes and flooding downstream. The effects of flooding downstream also creates new problems in the receiving streams i.e. high peak flows, excessive erosion and sedimentation, increased pollution and general decreased value of the environment.

Consequently, the level of service of the road and stormwater infrastructure is below standard.

THE ROAD NETWORK

The total road network of the municipality is 354.6km. Unpaved roads constitutes a larger portion of the entire road network at 73% (259.3km) and paved roads at 27% (95.3km). The Rural Road Assessment Management System (RRAMS) programme that is currently underway, indicates that overall standards of unpaved roads ranges between fair and poor, with a very significant percentage falling into very poor. Whilst the paved roads ranges between good and fair, with a small percentage ranging between very good and very poor. Table and Figure summarizes the overall conditions of unpaved roads.

Table for Condition of Unpaved Roads

Municipality	Unpaved Road Condition				
	Very Good	Good	Fair	Poor	Very Poor
Magareng	0%	0%	23%	23%	54%

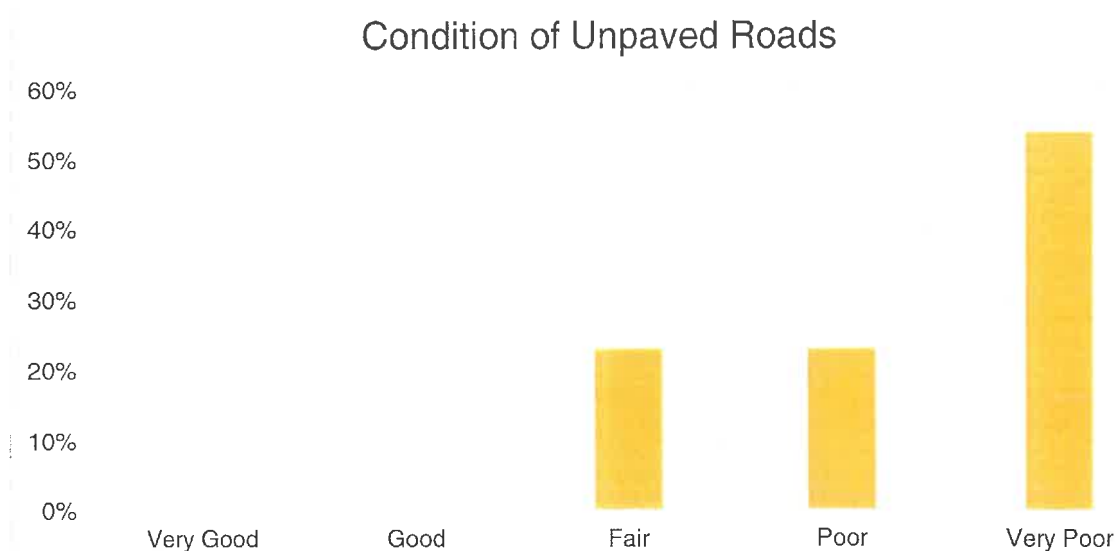


Figure for Condition of Unpaved Roads

Table and Figure summarizes the overall conditions of paved roads

Table Condition of Paved Roads

Municipality	Unpaved Road Condition				
	Very Good	Good	Fair	Poor	Very Poor
Magareng	6%	42%	39%	13%	1%

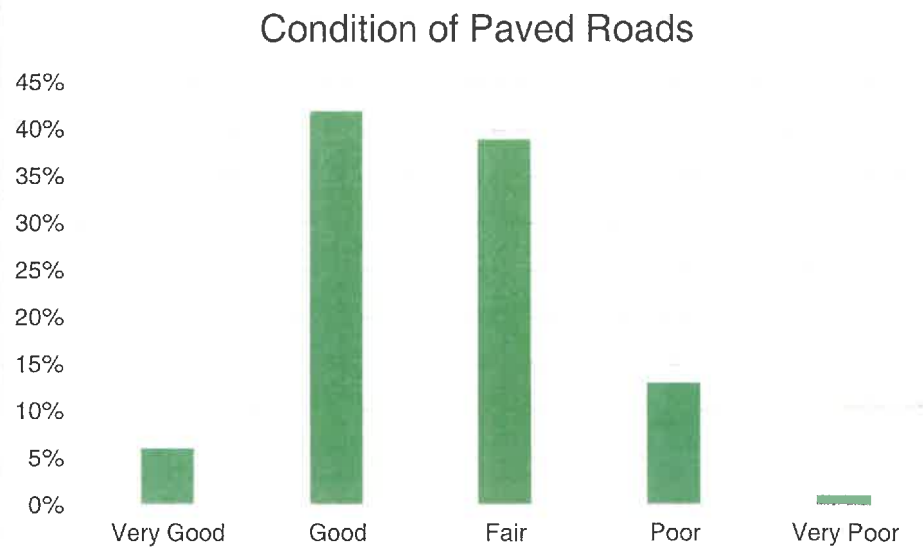
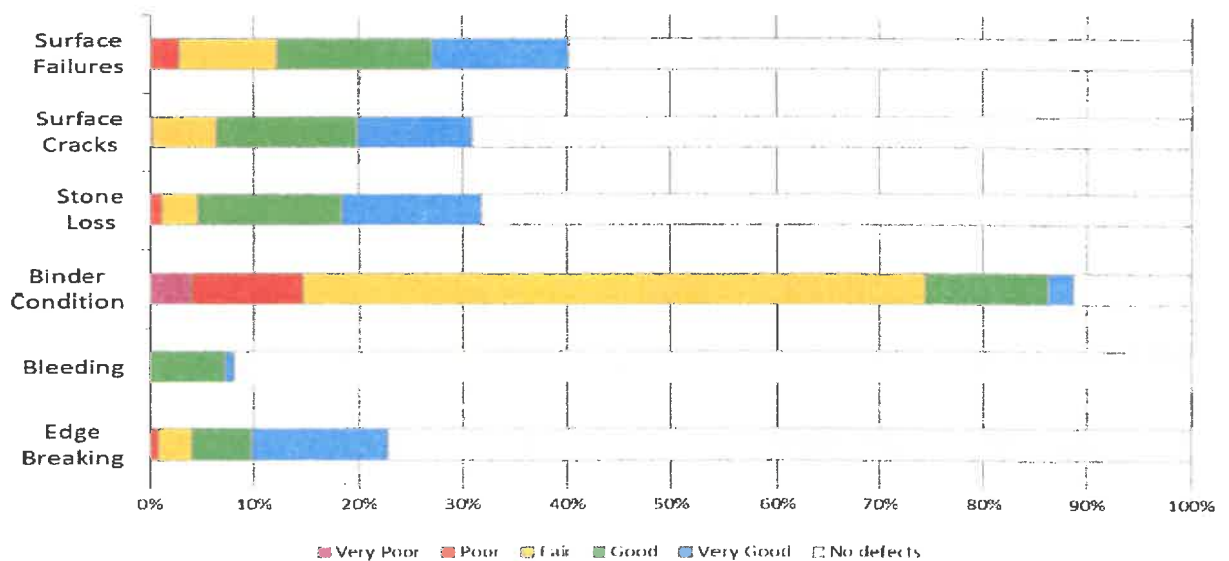


Figure Condition of Paved Roads

DISTRESS RATING FOR PAVED ROADS

The relative condition of the various types of distress on the road network that were detected during the visual inspections and computed using the deduct method. The condition ratings per distress type for the road network are indicated per category in Figure for paved roads below.



Chapter 3

Figure for Condition Ratings (%) for Surfacing Distress Types For Paved Roads

From Figure above, the surfacing analysis indicates that the Binder Condition of 3.9% of the road network is Very Poor, 10.7% is Poor and 59.8% is Fair. This assessment indicates that the existing surfacing is fairly old.

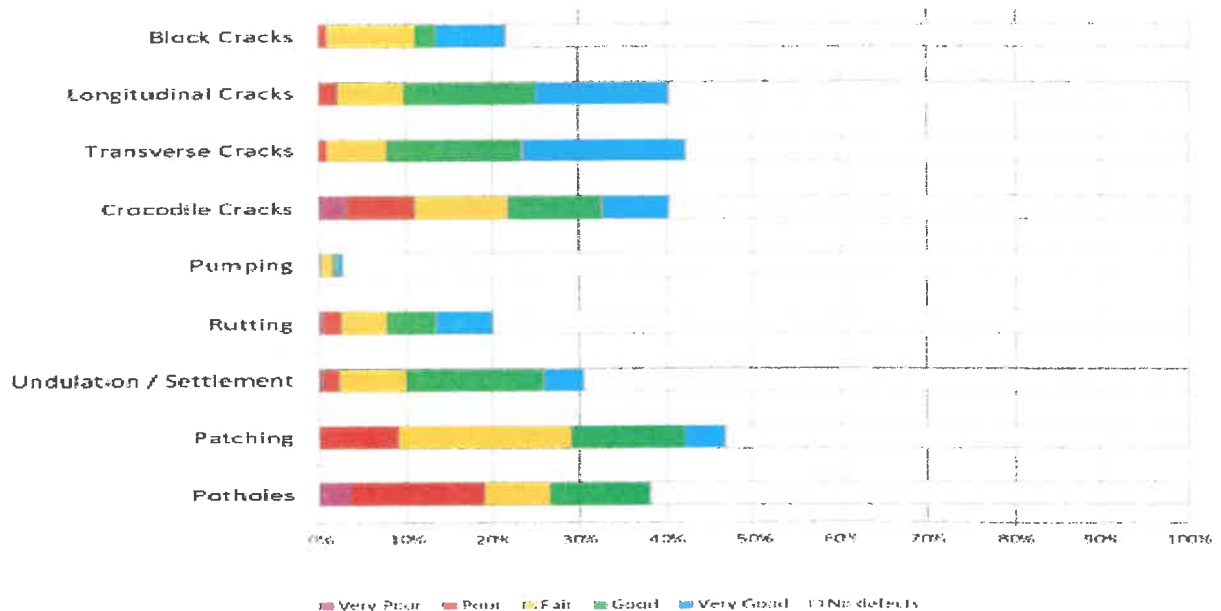


Figure for Condition Ratings (%) for Surfacing Distress Types for Paved Roads

A structural analysis of crocodile cracks, pumping, rutting and potholes provides a good indication of the structural capacity of the road network. The analysis revealed the following:

- 11.0% of the Flexible road network is in a Very Poor and Poor condition due to Crocodile Cracks,
- 9.1% of the network is in a Very Poor and Poor condition due to Patching,
- 19.0% of the network is in a Very Poor and Poor condition due to Potholes.

Preventative measures such as crack sealing, patching and resurfacing should be investigated to delay the deterioration of the road network.

DISTRESS RATING FOR UNPAVED ROADS

The relative conditions of various items on the Gravel/Earth road network that were detected during the visual inspections and computed using the deduct method. The condition ratings per distress type for the road network are indicated per category in Figure 1.20 for gravel roads below.

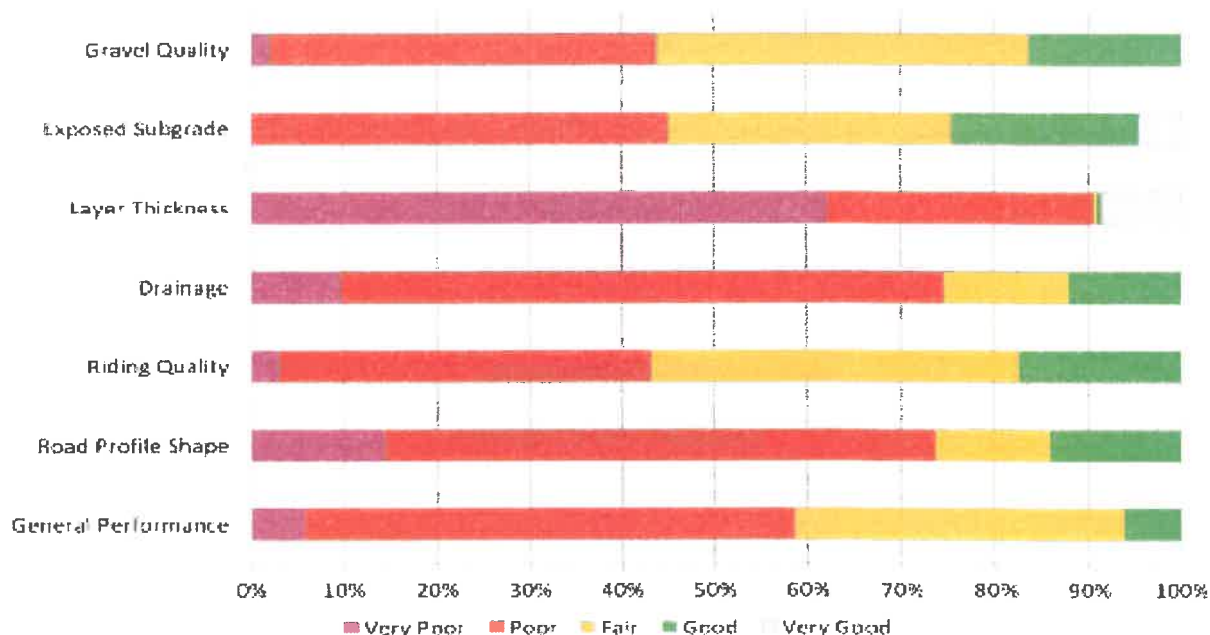


Figure Condition Ratings (%) for the Gravel Road Network

THE STORMWATER NETWORK

The management of stormwater in Magareng Municipality remains a major challenge; especially in low-lying areas as well as newly constructed roads where no consideration whatsoever was made for Stormwater management. The population growth experienced over the years and new surfaced roads has resulted in additional surface runoff, thus requiring upgrading of storm water infrastructure to accommodate the additional discharge. The effects of flooding downstream also creates new problems in the receiving streams i.e. high peak flows, excessive erosion and sedimentation, increased pollution and general decreased value of the environment

Employees: Road and Stormwater Services				
Job Level	2022/23			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	12	2	10	83%
4 - 6	2	1	1	50%
7 - 9	1	0	1	100%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
16 - 18	0	0	0	0%

Chapter 3

19 - 20				
Total	15	3	12	80%
T 3.3.6				

Capital Expenditure 2021/22 :Road and Stormwater Services					
R' 000					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/a	.			
Project A	N/a	N/a	N/a	N/a	N/a
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
T 3.2.8					

FLEET MANAGEMENT SERVICES

The Fleet Management Section consists of **14 petrol and diesel vehicles** (including earthmoving machinery&other miscellaneous equipment). For a municipality which consists of ±114 workers in the technical department 11 vehicles simply translates to inadequate tools of trade and shambled service delivery provision. Notwithstanding the condition of the vehicles, which is bad, as almost all the vehicles has failed roadworthy tests.

The municipality procured 2 bakkies and 1 sedanto the amount of R1.2 million in the 2021/22 Financial Year.

INTRODUCTION TO HOUSING

The Magareng Local Municipality continue to provide free basic services to the community on a regular basis. Indigent register is updated and a resident who which qualifies receives free basic services from the municipality.

T3.5.1

Percentage of households with access to basic housing

Year end	Total households (formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2018/19	7 301	5145	2156
2019/20	7 301	5145	2156
2020/21	7 301	5145	2156
2021/22	7 301	5145	2156

T 3.5.2

Employees: Housing Services

Job Level	2021/22			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	0	4	100%
4 - 6	0	0	0	0%
7 - 9	1	1	0	0%
10 - 12	0	0	0	100%
13 - 15	1	1	0	0%
16 - 18				
19 - 20				
Total	6	2	4	67%

T 3.5.3

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

Not function of the Magareng Local Municipality

T3.5.5

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The Magareng Local Municipality continue to provide free basic services to the community on a regular

Services Delivered	2021-2022	2022-2023			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water		R28 868 454	-	R10 601 240	R18 267 214
Waste Water (Sanitation)		R21 148 913	-	R8 833 290	R12 315 623
Electricity		R44 804 261	-	R14 844 726	R29 959 535
Waste Management (Solid Waste)		R19 774 025	-	R8 047 075	R11 726 950
Total					

basis. Indigent register is updated and a resident who which qualifies receives free basic services from the municipality.

T3.6.1

Information provided in terms of FBS does not automatically develop graph and the assumption is that there is an an error on the template as provided by NT.

T3.6.2

Free Basic Services To Low Income Households										
	Total	Number of households								
		Households earning less than R3,200 per month								
		Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
			Access	%	Access	%	Access	%	Access	%
2022/23	6522	1124	1124	17.23%	1124	17.23%	1124	17.23%	1124	17.23%
2021/22	6522	1259	1259	19.3%	1259	19.3%	1259	19.3%	1259	19.3%
2020/21	6522	1124	1124	17.23%	1124	17.23%	1124	17.23%	1124	17.23%

T 3.6.3

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Magareng Local Municipality has 1124 registered indigents and support provided in on basic water charges and 6kl water. They are also supported with basic electricity charges and 50kw. Basic refuse and basic sanitation and one free extraction for the town and station areas.

T3.6.5

PERFORMANCE HIGHLIGHTS 2021/22

KPA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes planning and local economic development.

3.10 PLANNING

INTRODUCTION TO PLANNING

The role of Planning and Development Department is to provide strategic management support to all the Departments within the municipality. It is also responsible for the development of the Integrated Development Plan (IDP) and implementation of Performance Management System (PMS), Strategic Planning, Facilitation, and also by providing support to local municipalities and further ensure that there is effective inter-governmental relations.

Planning and Development Department's responsibility is to ensure that there is efficient and effective compliance with legislation such as Integrated Development Plan (IDP), Public Participation, Performance Management System (PMS) and other applicable laws.

The top 3 service delivery priorities and the impact made during the year are outlined underneath together with the measures taken to improve performance and the major efficiencies achieved by the Department during the year:

1. Integrated Development Planning

The IDP Unit is responsible for ensuring compliance with implementation of Chapter 5 of the Systems Act, especially compliance with Section 25 by identifying with the key deliverables and immediate goals detailed in the Council's IDP in respect of communication, investment, tourism and agricultural dimensions of local economic development.

2. Performance Management System

The PMS Unit is responsible for the implementation of PMS in line with the Municipal Systems Act (MSA) 2000 which requires municipalities to establish a Performance Management System (PMS), the Municipal Finance Management Act (MFMA) which requires that the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

3. Governance

The Department is also charged with the responsibility to ensure that there is effective governance processes in the municipality. It has also been instrumental in ensuring that the Council performs its oversight responsibilities and functions by ensuring that the MPAC is functional in terms of Section 79 of the Structures Act and the MFMA Guideline on Establishment of MPACs.

The following were achieved during the financial year:

- The Executive Mayor approved the SDBIP by the 28 June 2021.
- The Municipal Manager and Section 56 Manager signed their Performance Agreements by the 31st July 2021.
- All Quarterly Reviews Sessions were held and the Quarterly Reports were done as required during financial year.
- The PMS Framework was tabled before Council
- The 2020/2021 Annual Reports and Oversight Report were tabled during the financial year and submitted to all the stakeholders i.e. Auditor-General, Provincial and National Treasuries.
- The Annual Performance Evaluation of the Municipal Manager and Section 57 for the year under review were not done.

T3.10.1

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning, Sub-Division & Consolidation		Built Environment	
	2020/21	2021/22	2021/22	2021/22	2020/21	2021/22
Planning application received	None	None	None	None	None	None
Determination made in year of receipt	None	None	None	None	None	None
Applications withdrawn	None	None	None	None	None	None
Applications outstanding at year end	None	None	None	None	None	None

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

T 3.10.3

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

The physical planning of the municipality, there is no qualified official performing this function.

T3.10.6

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)**INTRODUCTION TO ECONOMIC DEVELOPMENT**

Local Economic Development (LED) is an outcome: It is a continuous development process based on local initiatives and driven by local stakeholders. It involves identifying and using local resources and skills to stimulate economic growth and development. Source: "Northern Cape Local Economic Development Manual(NCLEDM).

LED is about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes. Local communities respond to their LED needs in many ways, and a variety of approaches can be taken that include:

- ☐ Ensuring that the local investment climate is functional for local businesses;
- ☐ Supporting small and medium sized enterprises.
- ☐ Encouraging the formation of new enterprises.

Chapter 3

- Attracting external investment (nationally and internationally);
- Investing in physical (hard) infrastructure.
- Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
- Supporting the growth of clusters of businesses.

The Magareng Local Municipality is considered an agricultural hub within the province and as a result, special attention is given to promoting agricultural initiatives and ensure value chain benefits by the sector. While it is acknowledged that agriculture is one of the main sectors contributing effectively to the province's GDP, the district has ensured equitable focus on other sectors of the economy. Tourism for instance, is one area that has extreme potential for development and promotion. Equally so, other sectors of the economy including but not limited to trade, small businesses, cooperatives, etc. remain to be substantially harnessed for job creating opportunities. Focused attention has been towards supporting agricultural initiatives since they not only create significant job opportunities BUT also contribute towards human day to day livelihood. To date, a total of 269 emerging and established agricultural SMMEs and Cooperatives were provided with various interventions from skills development, market access to funding (livestock water infrastructure).

The anticipated establishment of the Agriparks in the district has seen some progress with the sites' identification process undertaken and the Master Plan completed and duly adopted for implementation. Among some of the overall objectives of the Agriparks is to ensure that processing facilities, warehousing and distribution of raw material produced are directly linked with the production areas supporting small holder farmers, communities as well as emerging black farmers. Support will focus mainly in enhancing production, farm infrastructure, extension services, production inputs as well as mechanisation inputs. Thus far, sites have been identified through local municipalities and Service Providers for Infrastructure Development, EIA studies and Feasibility Studies regarding the establishment of the Agri-Hubs on identified sites are appointed and currently working on producing expected reports to guide implementation.

T3.11.1

MLM does not have accurate baseline information to complete the following table

Economic Activity by Sector			
	R '000		
Sector	2020/21	2021/22	2022/23
Agric, forestry and fishing	0	0	0
Mining and quarrying	0	0	0
Manufacturing	0	0	0
Wholesale and retail trade	0	0	0
Finance,	0	0	0
Govt, community and social services	0	0	0
Infrastructure services	Unknown		

T 3.11.2

Economic Employment by Sector	Jobs
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Chapter 3

Sector	2020/21 No.	2021/22 No.	22/23 No.
Agric, forestry and fishing	0	0	0
Mining and quarrying	0	0	0
Wholesale and retail trade	0	0	0
Finance, property, etc.	0	0	0
Govt, community and social services	0	0	0
Infrastructure services	0	0	0
Total			

T 3.11.3

COMMENT ON LOCAL JOB OPPORTUNITIES:

LED strongly support the poverty alleviation projects in order to improve the community livelihood and create sustainable and decent jobs.

MLM need to give valuable support to the local SMMEs, especially the existing businesses, because they will create collectively the most jobs in the economy. In the medium to long term it is critical that we complete the integrated sustainable development plans so that we can budget adequately to support the various economic opportunity nodal developments.

T 3.11.4

Jobs Created during 2021/22 – 2022/23 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2020/21	0	0	0	N/A
2021/22	0	0	0	N/A
2022/23	0	0	0	N/A

T 3.11.5

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2020/21	50	50
2021/22	60	60
2022/23	60	60

* - Extended Public Works Programme

T 3.11.6

Employees: Local Economic Development Services				
Job Level	2021/22			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3				
4 - 6	0	0	0	0
7 - 9	2	2	0	0
10 - 12	N/A	N/A	N/A	N/A
13 - 15	1	1	0	100%
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	3	3	3	100

T 3.11.7

Capital Expenditure 2021/22: Economic Development Services –					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).

T 3.11.9

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

Given the importance of LED, the municipal supply chain management environment, has enable the local micro & medium enterprise to fully participate in the municipal procurement processes, whether through directly scoring in municipal advertised procurement opportunities, or indirectly scoring procurement opportunities from contractors appointed by the municipality in a form of sub contracting.

The municipality has been engaging in the creation of conducive environment, to attract investment to the municipal area, through a number of activities, the key one been the ability

to avail municipal land for implementation of LED initiatives, and the support given to SMME's ranging from workshops which seeks to empower local businesses, as well as ensuring that contractors source labour locally, and ensure there is skills transfer in the process.

T3.11.10

PERFORMANCE HIGHLIGHTS 2021/22

KPA3: LOCAL ECONOMIC DEVELOPMENT

- The number of employment opportunities created so far, whether through labour to different implemented projects locally.
- Continuous support provided to Small medium & micro enterprises (smme's) both financially and non-financially.
- The municipal availed pockets of land for economic activities.

COMPONENT D: COMMUNITY& SOCIAL SERVICES

This component includes:libraries andcommunity halls; cemeteries and crematoria

3.12 LIBRARIES; COMMUNITY FACILITIES; (ETC)

INTRODUCTION TO LIBRARIES;

Libraries are not the mandate of Local Municipalities but of Department of Sports, Arts and Culture

T3.12.1

COMMENT ON THE PERFORMANCE OF LIBRARIES

Libraries report is on the quarterly and APR 2021/22

T3.12.2

3.13 CEMETORIES AND CREMATORIALS

INTRODUCTION TO CEMETORIES & CREMATORIALS

T3.13.1

SERVICE STATISTICS FOR CEMETORIES & CREMATORIALS

Not applicable

T3.13.2

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIALS OVERALL:

Not applicable

T3.13.3

3.14 CHILDCARE; AGED CARE; SOCIAL PROGRAMMES

This function is not relevant to MLM but office of the Mayor supports and assists through special programmes budget.

COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes pollution control; biodiversity and landscape; and coastal protection.

3.15 POLLUTION CONTROL

This function is relevant to MLM. The municipality is assisted by the Department of Environmental affairs to deal with pollution control

3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

This function is not relevant to MLM.

COMPONENT F: HEALTH

This component includes clinics; ambulance services; and health inspections.

3.17 CLINICS

This function is not relevant to MLM.

3.18 AMBULANCE SERVICES

This function is not relevant to MLM.

3.19 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

This function is not relevant to MLM.

COMPONENT G: SECURITY AND SAFETY

3.20 POLICE

This function is not relevant to MLM.

3.21 FIRE

INTRODUCTION TO FIRE SERVICES

The District Municipality is responsible for provision of fire-fighting service throughout the District in terms of Section 84(1) j of the Municipal Structures Act, (Act 117 of 1998). "The District Municipality is, inter alia, responsible for provision of fire-fighting services serving the area of the district municipality as a whole, which include:

- Planning, co-ordination and regulating fire services
- Specialised fire fighting services such as mountain, veld and chemical fire services
- Co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures
- Training fire officers"

Fire Fighting Service - Local Municipality Function

The District Municipality is also responsible for provision of fire-fighting service to local municipalities in terms of the adjustment by the of Section 84 (2) of the Municipal Structures Act, (Act 117 of 1998)The Act further describes the local function as:

- Preventing the outbreak or spread of a fire
- Fighting or extinguishing a fire
- The protection of life or property against a fire or other threatening danger
- The rescue of life or property from a fire or other danger"

T3.21.1

3.22 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

This function is a shared service between MLM, FBDM and other Government departments.

COMPONENT H: SPORT AND RECREATION

This component includes community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

3.23 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

The main of sport and recreation is to integrate local sport and recreation activities in the Magareng Local Municipality, to transfer sustainable skills to the local sports people through development programmes. The ultimate is to ensure that all sporting codes are managed effectively and efficiently and running well in the local municipality

T3.23.1

Employee: Parks and Recreation				
Job level	2021/22			
	Posts No	Employees No	Vacancies (fulltime Equivalents) No	Vacancies (as a % of total posts)
0 - 3	4	4	0	0%
4 - 6	3	3	0	0%
7 - 9	N/A	N/A	N/A	N/A
10 - 12	2	2	0	0%
13 - 15	1	1	0	0%
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	10	10	0	0%

T 3.23.2

COMMENTS ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

The municipality has no capital project budget for Sports and Recreation. There is no amount is allocated from operational budget of the municipality. This is as a result of municipal powers and functions. Sport is not a core function of the municipality- it is the core function of Department of Sports. The municipality is just providing a supportive role to communities on certain sporting codes.

T3.23.3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

INTRODUCTION TO CORPORATE POLICY OFFICES

Chapter 7 of the Constitution of the Republic of South Africa states that the municipality comprise of Councillors, Officials and the Community. In order for the municipality to govern its affairs correctly it must consult with the community to ensure that needs are correctly determined, explained and included in the IDP for service delivery purposes.

Policies must be put in place which will address the needs of the community in terms of how service delivery matters will be addressed.

In order for the municipality to be able to address the service delivery matters the municipality must within limitation approve a budget that will be commensurate with the needs/projects identified for the particular year.

A Municipal Council must, within the municipality's financial and administrative capacity and having regard for practical considerations,

- exercise the municipality's legislative authority and use the resources of the municipality in the best interests of the community;
- provide, without favour or prejudice, democratic and accountable government;
- encourage the involvement of the community;
- strive to ensure that municipal services are provided to the community in a financially and environmentally sustainable manner;
- consult the community about the level, quality, range and impact of municipal services and the available options for service delivery;
- give members of the community equitable access to the municipal services to which they are entitled;
- promote and undertake development in the municipality;
- promote gender equity in the exercise of the municipality's legislative authority;
- promote a safe and healthy environment in the municipality; and
- contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.

T3.23.4

3.24 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

INTRODUCTION TO EXECUTIVE AND COUNCIL

The top political office consists of the Offices of Mayor/Speaker. This political management cluster is led by the Mayor. The Municipal Manager is responsible for the administration wing of the municipality. The Annual Budget was also approved thirty days before the end of the Financial Year.

In accordance with chapter 7 section 151 (2) of the Constitution of the Republic of South Africa, 1996, the Executive and Legislative authority of a municipality is vested in its Municipal Council.

In terms of delegation of powers certain matters may be delegated to the Mayor by Council who will in turn also sub-delegate to the Municipal Manager. The Municipal Manager may also sub-delegate to Directors who may in turn further sub-delegate to other officials.

Section 152 of the Constitution sets among others the following objectives for Local Government:

- (a) to provide democratic and accountable government for local communities
- (b) to ensure the provision of services to communities in a sustainable manner
- (c) to promote social and economic development

T3.24.1

3.25 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

This department deals with the administration of finances of the municipality i.e. own budget as well as the money received from Government Fiscal i.e. allocation by Government to the municipality to enhance service delivery as in MIG and equitable shares. In order for the municipality to have effective service delivery, budget and IDP processes must be followed in order to ensure public participation to cover all community proposals in terms of projects. The department must develop budget related policies and by-laws which will govern consistent charging of moneys for services rendered to the communities.

Collection of moneys owed to Council as revenue must also be covered in terms of the approved policy. There will be internal and external audits in order to ensure management of risk and curbing corruption while encouraging effecting customer care service.

The financial management of the municipality is coordinated under the Budget and Treasury Office as established in terms of S80 of the MFMA. The responsibilities for the municipal coffers including financial management, financial planning, financial accounting and supply chain management are placed within the Budget and Treasury Office. The staff complement within the BTO is twenty people, headed by the Chief Financial Officer. The vacancy rate of the budget and treasury office increased from one vacant position to four during the financial year based on the newly reviewed organisational structure. Two resignations and one promotion contributed to the increased in the vacancy rate.

Chapter 3

The Budget and Treasury Office is divided into two performance units, namely Income, Budgeting and Expenditure Management Unit and the Supply Chain and Reporting Unit. These units are further divided into four sections (Income and Budgeting section, Supply Chain and Asset Management section, Payroll section and Expenditure Management section). These performance arrangements were agreed upon during a strategic planning session which was held by the Budget and Treasury Office during the financial year. The department has gone through the year ensuring that the reporting requirements of the National and Provincial Treasury are timeously done, and that general compliance with the Municipal Finance Management Act is achieved.

T 3.25.1

T3.25.2

The Municipality 's collection rate is very low and cannot meet its financial obligations on time. The main contributing factor is community cannot pay their accounts due to are high unemployment rate and resulting in most of the residents to be recognized as indigent.

T3.25.2.1

Employees: Financial Services					
Job Level	2021/22	2022/23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	N/A	N/A	N/A	N/A	N/A
4 - 6	13	22	15	7	32%
7 - 9	12	14	12	2	14%
10 - 12	5	5	2	3	60%
13 - 15	4	4	4	0	0%
16 - 18	1	1	1	0	0%
19 - 20	N/A	N/A	N/A	N/A	N/A
Total	35	46	34	12	26%
3ED					T
3.25.3					

COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

Magareng LM have compiled its annual financial statements for the year 2021/22 and submitted to Office of the Auditor General on the 31st of August 2022. The total revenue amounts to R 156 054 780 versus the total expenditure of R 182 903 706 resulting in a deficit of R 27 253 052

3.26 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

The Human Resources Section is responsible for ensuring that the organisation's most valuable asset, its employees, is taken care of.

Enhanced staff performance is fundamentally part of the achievement of the municipality's primary service delivery objectives. The municipality continually strives to promote a culture of good governance and an environment where the needs of employees can be addressed in a manner that is conducive for the persistent advancement of the interests of our local communities.

The Human Resources functions include, but are not limited to, administration of employee benefits, recruitment and selection of competent staff, Organisational Efficiency Improvement, employment equity, training and development of staff, sound labour relations, occupational health and safety and general support services to enhance staff capacity in the process of realising organisational strategic objectives of service delivery to the community.

The Corporate Services Department has developed the Human Resources Strategy which will assist the employees of the Magareng Local Municipality to perform better by sending them to different trainings and short courses as stated in the Workplace Skills Plan.

T3.26.1

Employees: Human Resource Services					
Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	N/A	N/A	N/A	N/A	N/A
4 - 6	N/A	N/A	N/A	N/A	N/A
7 - 9	1	5	2	3	60%
10 - 12	2	2	1	1	50%
13 - 15	1	1	1	0	0%
16 - 18	N/A	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A	N/A
Total	4	8	4	4	50%

T3.26.4

COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

HR is only support service and has no capital projects to deal with.

T3.26.3

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Key to the strategic nature of ICT in the Magareng Local municipality is the enabling of the municipal key objectives of the municipality in order to meet its constitutional obligations. Municipal ICT enable the achievement of these obligations by deploying relevant information technology solutions

Municipal ICT Unit intend to:

Services that are currently provided by the district municipality to locals are as follows.

- Collaborator Systems: records management system.
- TGIS: Geographical Information System
- IT Support Services
- Internet and email access (not all locals)
- To assist by addressing Auditor General IT findings

T3.27.1

Employees: ICT and Communications Services				
Job Level	2021/22			
	Posts	Employees	Vacancies/ (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
7 - 9	2	2	0	0%
10 - 12	N/A	N/A	N/A	N/A
13 - 15	N/A	N/A	N/A	N/A
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	2	2		0%

T3.27.2

3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes:property; legal; risk management and procurement services.

INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

T3.28.1

COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, Municipal Courts and Forestry as municipal enterprises.

INTRODUCTION TO MISCELLANEOUS

None.

T3.29.0

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD 2022/2023

This component includes: Annual Performance Scorecard Report for the current year.

8. Departmental Scorecards.

The municipality reports departmental scorecards in accordance with Section 46(1) (b); whereina municipality must prepare for each financial year a performance report reflecting a comparison of the performance with targets set for and performances in the previous financial year and (c) measures taken to improve performance.

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget		Financial Year Under Review 2021- 2022		Actual Expenditure to date	Reason for under- performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance			Annual Target	Actual performance				
National KPA 1: Basic Service Delivery and Infrastructure Development: Technical Service Department											
Strategic Objectives : Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance											
01	Number of basic service delivery vehicles procured by end June 2022	N/A	N/A	N/A	R3 000 000	2 Bakkies and 1 sedan was procured in Q2.		R1 137 499.40	It was anticipated that the water truck procured would arrive in May 2022, However the manufacturing of the truck was delayed to July/August 2022.	-	➤ Delivery note ➤ Invoices

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Actual Expenditure to date	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.O.E
		Target	Actual performance		Annual Target	Actual performance				
02	Number of quarterly reports on the upgrading of electrical infrastructure submitted to portfolio committee by end of June 2022	N/A	N/A	N/A	R500 000	Warrenville Highmast lights	R269 928.00	KPI achieved.		➤ Progress report
03	Number of service providers appointed to conduct investigation of adequacy of the Warrenton WWTW and related bulk sanitation outfall lines by end of June 2022	N/A	N/A	N/A	R800 000.00	Service Provider appointed in Q2	R900 706.46	The variance in costs (budget vs actual) is due to the procurement process.	-	➤ Appointment Letter
04	Number of reports on investigation of adequacy of the Warrenton WWTW and related bulk sanitation outfall lines by end of June 2022	N/A	N/A	N/A	R800 000.00	Phase 1 completed	R900 706.46	-	-	➤ Progress Report
05	Percentage completed on the upgrading of Warrenton water treatment plant	R83 211 000	R54 375 795.96	R54 375 795.96	R16 945 000	R20 186 341.20	R20 186 341.20	Schedule 6B grant. Therefore based on		➤ Progress Reports

Chapter 3

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Actual Expenditure to date	Reason for under- performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
	completed by end of June 2022							performance DWS increased allocation		
06	Percentage completed on new internal water reticulation network construction in Ditshotshwaneng , Rabaki, and Sonderwater by end June 2022	N/A	N/A	N/A	R2.5 000 000	R4 938 112.84	R4 938 112.84	Contractor performed very well		Progress reports
07	Repairs to the Warrenton WWTW and surrounding Pumpstations	N/A	N/A	N/A	R3 000 000	R4 286 368.74	R4 286 368.74	Contractor over performed	-	Progress reports
08	Percentage of Kilometres completed of construction of Bulkwater Gravity Pipeline completed by end June 2022	R11 119 000	R2 837 067.68	R2 837 067.68	R6 000 000.	R3 977 249.67	R3 977 249.67	High Vaal river levels has stalled project	-	Progress reports

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Actual Expenditure to date	Reason for under- performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
09	Construction of 900m concrete palisade fence around the Warrenton WWTW by the end of June 2022	N/A	N/A	N/A	R1 200 000.	R1 199 921.50	R1 199 921.50	-	-	➤ Progress Report
10	Percentage of Surfaced Road Network Maintained	N/A	N/A	N/A	R2 000 000	R565 805.40	R565 805.40	Limited funds available to continue with KPI		➤ Progress Report
11	Percentage of Gravel Road Network Maintained	N/A	N/A	N/A	R1 000 000	R302 550.00	R302 550.00	Limited funds available to continue with KPI		➤ Progress Report
12	Number of Departmental Quarterly section 79 Committee meetings held by June 2022	4	4	-	Operational budget	3	Operational budget	Last quarter was not held due to unavailability of members	-	➤ Minutes

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
		National KPA 1: Basic Service Delivery and Infrastructure Development: Community Service Department								

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
Strategic Objectives :To maintain and control public amenities and areas to promote a safe and healthy environment, To deliver affordable, quality and sustainable services to communities and Promote literacy in communities through comprehensive Library Services.										
13	Number of Reports on verification of municipal properties / business sites submitted to portfolio committee by end June 2022	N/A	N/A	N/A	2	0	Operational	KPI not achieved. The reports were not submitted to the portfolio committee	Field workers required to achieve KPI as internal capacities is constrained.	➤ Progress reports
14	Number of reports on Application of land use management received by municipality approved by DMPT 30 June 2022	N/A	N/A	N/A	2	1	Operational	KPI partially achieved. No reports were received for Q2.	Performance is based on application received by DMPT and subsequent scheduling of meetings.	➤ Bi-annual land-use management reports
15	Number of Registration of title deeds processed by June 2022	N/A	N/A	N/A	60	0	Operational	KPI not achieved, service providers not appointed.	Allocation of budget for registration of title deeds	➤ List of actual registered properties.
16	Number of spatial Development Framework (SDF) reviewed and submitted to council	N/A	N/A	N/A	1	1	Operational	KPI achieved. However, item was not presented to council.	Within the first quarter of the new financial year. The SDF will be presented to council	➤ Councill resolution

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
	for approval by end June 2022									
17	Number of quarterly library services reports by end June 2022	4	4	Operational	4	4	Operational	KPI achieved	N/A	Quarterly Reports
18	Number of reports on maintenance and repairs of municipal recreational facilities by June 2022	4	4	Operational	4	4	Operational	KPI Achieved	N/A	Quarterly Reports
19	Number of quarterly reports on business refuse collection by end June 2022	4	4	Operational	4	4	Operational	KPI Achieved	N/A	Quarterly Reports
20	Number of quarterly reports on households refuse collection by 30 June 2022	4	4	Operational	4	4	Operational	KPI Achieved	N/A	Quarterly Reports
21	Number of quarterly traffic services reports on infringement / learners licenses & revenue by 30 June 2022	N/A	N/A	N/A	4	4	Operational	KPI Achieved	N/A	Quarterly Reports

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
22	Number of Departmental Quarterly Section 79 Committee meetings held by June 2022	N/A	N/A	N/A	4	4	Operational	KPI Achieved	N/A	Minutes of Community Services Portfolio meetings

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				

National KPI 2: Municipal Transformation and Organizational Development - Corporate Service Department

Strategic Objectives: Provide for an accountable clean effective governance and organizational development.

23	Number of quarterly reports on ICT backup performed by end June 2022	4	4	Operational	4	4	Operational	NA	N/A	Quarterly reports submitted
24	Number of quarterly Health & Safety Reports submitted to Corporate Services Portfolio committee by end June 2022	4	4	Operational	3	3	Operational	NA	N/A	Portfolio Meeting Minutes / Attendance Register

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
25	Number of Work Skills Plan Development submitted to LGSETA by April 2022	1	1	Operational	1	1	Operational	N/A	N/A	➤ Acknowledgement letter from LGSETA
26	Number of quarterly reports on the status of litigation against the Municipality compiled and submitted to the portfolio committee meeting by end of June 2022	4	4	Operational	3	3	Operational	N/A	N/A	➤ Minutes and attendance register of portfolio committee meetings submitted
27	Number of Employment Equity Reports Compiled and submitted to department of Labour by end June 2022	1	1	Operational	1	1	Operational	N/A	N/A	➤ Proof of submission to Department of Labour submitted
28	Number of ordinary council meetings coordinated by June 2022	4	4	Operational	4	4	Operational	N/A	N/A	Minutes /and attendance registers of ordinary council meetings submitted
29	Number of Departmental quarterly	16	13	Operational	3	3	Operational	N/A	N/A	➤ Minutes/and attendance

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
	Section 79 committee meetings held by June 2022									registers of portfolio committee meetings submitted
Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 20 21- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				

NPA 3: Local Economic Development - Community Service Department

Strategic Objectives : *Create an environment that promotes development of local economy and facilitate job creation*

30	Number of tourism programmes initiated by end June 2022	2	2	Operational	2	1	Operational	KPI partly achieved Couldn't host the tourism event due to covid regulations	The KPI will be done in new financial year	Attendance register
31	Number of quarterly meetings between LED Unit and Warrenton Tourism unit association held by end June 2022	N/A	N/A	N/A	4	3	Operational	KPI Partially Achieved. Meeting couldn't sit due failed quorum.	Yearly schedule must be developed	Attendance Register

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
32	Number of SMME's supported through skills development be end June 2022	2	2	Operational	2	2	Operational	N/A	N/A	➤ Attendance register
33	Number of quarterly reports submitted to portfolio committee on PDI's provided with business support by June 2022	N/A	N/A	N/A	4	3	Operational	KPI Partially Achieved. fourth quarter portfolio committee is yet to sit	N/A	➤ Attendance Register

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
KPA 4: Municipal Financial Viability and Administration – Finance Department										
Strategic Objective: To improve overall financial management in the municipality by developing and implementing appropriate Financial Management.										
34	Number of Annual Financial Statements submitted to AGSA by 31 August 2021	1	1	Operational	1	1	R1200000	N/A	N/A	➤ Acknowledgement of receipt from AG

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
35	Number of 2021/22 Adjustment Budgets submitted to Council for approval by end February 2022	1	1	Operational	1	1	Operational	N/A	N/A	➤ Council resolution submitted
36	Number of 2021/22 Final Budget submitted to Council for approval by end of May 2022	1	1	Operational	1	1	Operational	N/A	N/A	➤ Council resolution submitted
37	Number of Section 72 reports tabled to council by end Feb 2022	N/A	N/A	N/A	1	1	Operational	N/A	N/A	➤ Council resolution submitted
38	Number of Section 52(d) reports tabled at council meeting by end June 2022 implementing appropriate Financial Management	N/A	N/A	N/A	4	1	Operational	1 st quarter the bank reconciliation was yet closed for September an 2 nd quarter, the committee could not sit due to local government election and the 4 th quarter is still pending	To ensure that the Budget and Treasury Committee meeting convene as scheduled to table Section 52(d) reports.	➤ Minutes of Council meetings
39	% of revenue collected by end June 2022	N/A	N/A	N/A	32%	28.78%	Operational	Not be able to implement credit control fully due to change of pre-paid	Implementation of Pre-paid system data cleansing and	➤ Revenue Collection Report submitted

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under- performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
40	Number of Departmental Quarterly Section 79 Committee meetings held by June 2022	N/A	N/A	N/A	4	2	Operational	Treasury Committee could not sit in the 1 st quarter due non availability of committee member and 2 nd quarter due to the local government elections	To ensure that Committee meetings sits as scheduled	Minutes and attendance registers of Department Quarterly Section 79 Committee meetings.

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under- performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
KPA 5: Good Governance and Public Participation - Office of the MM										
Strategic Objectives: Promote a culture of participatory & good governance, Improve organizational cohesion effectiveness and To improve overall financial management in the municipality by developing and implementing appropriate Financial Management										
41	Number of final 2022/23 reviewed IDP Documents submitted			N/A	1	1	Operational	N/A	N/A	Council resolution

Chapter 3

Ref	Key Performance Indicator/ Unit of Measurement	Previous Financial Years 2020- 2021		Revised Annual Budget	Financial Year Under Review 2021- 2022		Expenditure	Reason for under-performance/ deviation	Measures Taken/ to be taken to improve performance	Means of Verification /P.o.E
		Target	Actual performance		Annual Target	Actual performance				
	to Council by end May 2022	1	1							
42	Number of Annual Reports submitted to Council by end January 2022	1	1	N/A	1	1	Operational	N/A	N/A	➤ Council resolution
43	Number of mid-term budget and performance assessment reports submitted to the Mayor by 25 January 2022	1	1	N/A	1	1	Operational	N/A	N/A	➤ Letter of Acknowledgement of receipt by the Mayor

Summary of municipal performance from 01 July 2021 to 30 June 2022:

KPIs Achieved / Not Achieved	Number
KPI's not Achieved:	07
KPI's partially achieved:	03
KPI's achieved:	20
Total KPI's:	30

9. Progress on Annual Performance Report 2021/2022.

The following overall challenges were applicable at the end of 2021/2022 financial year. Progress during 2021/2022 is as follows:

KPIs	Indicator Description	Planned Target 2021/2022	Actual Achievement- 2021/2022	2022/2023 Progress
KPI 01	Number of basic service delivery vehicles procured by end June 2022	The initial target was to procure 3 bakkies, 1 Sedan and 1X 16 000L Water Truck	Only 2 X Bakkies and 1 Sedan were procured and delivered by end June 2022. The bakkies were reduced in order to be within budget and the delivery of 16 000L Water Truck was delayed due to manufacturing processes	KPI 01: The Delivery of the 16 000L Water Truck is expected in the new financial year. It was delayed due to manufacturing process.
KPI 02	Number of quarterly reports on the upgrading of electrical infrastructure submitted to portfolio committee by end of June 2022	R500 000.00	R269 928.00	KPI 02: More budget allocation is required to maximize KPI. Only one activity was achieved, however more needs to be done in electrical infrastructure.

KPIs	Indicator Description	Planned Target 2021/2022	Actual Achievement- 2021/2022	2022/2023 Progress
KPI 04	Number of service providers appointed to conduct investigation of the adequacy of the Warrenton WWTW and related bulk sanitation outfall lines by end of June 2022	R800 000.00	R900 706.45	KPI 04: More budget allocation is required to complete KPI in 2022/23. The Project was broken down into phase 1 and 2 to accommodate the budget
KPI 08	Percentage of Kilometres completed of construction of Bulkwater Gravity Pipeline completed by end June 2022	Completion of the construction of Bulkwater Gravity Pipeline	The project completion was not achieved due to the high-water levels at the Vaal River crossing point. Due to safety concerns the project was stalled.	KPI 08: The Vaal River crossing point is considered <i>force majeure</i> . Once the river levels subside or significantly reduces, construction will resume.
KPI 10	Percentage of Surfaced Road Network Maintained	R2 000 000	R565 805.40. Limited funds available to continue with KPI	KPI 04: More budget allocation is required to complete KPI in 2022/23.

KPIs	Indicator Description	Planned Target 2021/2022	Actual Achievement- 2021/2022	2022/2023 Progress
KPI 11	Percentage of Gravel Road Network Maintained	R1 000 000	R302 550.00. Limited funds available to continue with KPI	KPI 04: More budget allocation is required to complete KPI in 2022/23.

Service Providers Strategic Performance

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

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

During the year under review the municipality did appoint service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and below is performance assessment of some of the service provider appointed to render service for the benefit of the local community on behalf of the Municipality. All these projects were regularly monitored by Project Management Unit.

ANNUAL PERFORMANCE ASSESSMENT OF SERVICE PROVIDERS 2021/22 FINANCIAL YEAR											
Project name	Name of Service provider (Consultant &Contractor)	Source of funding	Start date	Completion date	Progress to date	Challenges and interventions	Assessment of service provider (Scale 1-5) 1 - Poor 2 - Fair 3 - Average 4 - Good 5 - Excellent				Assessment comments
							Q 1	Q 2	Q 3	Q 4	
	Bright Ideas Projects 2241		22/11/2021		Completed						

ANNUAL PERFORMANCE ASSESSMENT OF SERVICE PROVIDERS 2021/22 FINANCIAL YEAR

Project name	Name of Service provider (Consultant &Contractor)	Source of funding	Start date	Completion date	Progress to date	Challenges and interventions	Assessment of service provider (Scale 1-5) Poor 1 - Fair 2 - Good 3 - Excellent 4 - 5				Assessment comments
							Q 1	Q 2	Q 3	Q 4	
Construction of 900m concrete palisade fence around the Warrenton waste water treatment works.	Bright Ideas Projects 2241 (Pty) Ltd	Internal Funding	22/11/2021	15/01/2022	Completed						
Supply and delivery of High velocity sewer cleaning machine complete with Auxillary fittings for Magareng Municipality	Elewamma Enterprises (Pty) Ltd	MDRG	10/01/2022	15/05/2022	Completed						
Emergency repairs to the Warrenton WWWTW and surrounding pumpstations	Tarcron Projects (Pty) Ltd and NEP Consulting (Consultant)	WSIG	28 February 2023	On going	55%						

ANNUAL PERFORMANCE ASSESSMENT OF SERVICE PROVIDERS 2021/22 FINANCIAL YEAR													
Project name	Name of Service provider (Consultant &Contractor)	Source of funding	Start date	Completion date	Progress to date	Challenges and interventions	Assessment of service provider (Scale 1-5)				Assessment comments		
							Poor Average	1 - 2 - Fair 3 - 4 - Good 5 - Excellent	Q1	Q2		Q3	Q4
New Internal Water Reticulation network in Ditshotshwanen g , Rabatji & Sonderwater	Geezfix (Pty) Ltd and BVI consulting(Consultant)	MIG	18/03/2022	On going	Phase 1 completed, Phase 2 & 3 for 2022/23 FY								
Supply and delivery of three bakkies and one sedan	Simunye Fleet Management (Pty) Ltd	Internal Funding	22/11/2021	25/11/2021	Completed								

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION

This component represents the role that HRM&D plays in deciphering, defining, developing and rewarding an organizational culture that is conducive to achieving business objectives. This includes:

- Culture transformation and change management;
 - The development of individuals and teams with a systems view;
 - Review and design of organizational structures.
 - Training that related to job and personal growth equipping all employees with the necessary knowledge, skills and competencies to perform their work effectively, in pursuit of the vision and mission of Council as well as the employee's vision.
 - Enabling employees to deal effectively and pro-actively with change and to the challenges of dynamic work and external environment.
 - Enabling employees to acquire development orientated professionalism and the appropriate competencies.
 - Helping employees to address issues of diversity whilst promoting a common organization culture so as to or in doing support unity at the workplace.
 - Assisting employees in developing a better understanding of the needs of the communities that they are serving, as well as the capability to respond to these needs.
 - Creating an enabling environment for the training and development of present and future incumbents. Creating a pool of suitably qualified individuals to be identified and developed in terms of a succession planning program.
 - By providing job security to competent individuals.
- By providing equitable access and participation in properly structured training and appraisal processes that will ensure that every employee's work performance is maximized, and, that his/her potential is fully developed.

T4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	Employees					
	2021/2022			2022/2023		
	Employees	Approved Posts	Employees	Vacancies	Vacancies	
	No.	No.	No.	No.	No.	%
Water	17	22	15	7		
Waste Water (Sanitation)	10	22	11	11		
Electricity	5	12	6	6		
Waste Management	27	28	10	18		
Housing	1	6	2	4		
Waste Water (Storm-water Drainage)	-	-	-	-		
Roads	2	15	3	12		
Transport	-	1	1	0		
Economic Development	2	4	3	1		
Planning and Development (Strategic & Regulatory)	2	2	2	2		
Community & Social Services – Fire and Disaster	N/A	N/A	N/A	N/A	N/A	N/A
Environmental Health	N/A	N/A	N/A	N/A	N/A	N/A
Security and Safety	15	10	6	4		
Parks and Recreation	3	10	10	0		
Corporate Services	15	29	19	10		
Budget and Treasury	35	46	35	11		

Chapter 4

Executive Support		17	13	4	N/A
Internal Audit	0	1	1	0	0
Totals					
Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.					

Vacancy Rate: 2021/2022					
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %		
Municipal Manager	1	0	0%		
CFO	1	0	0%		
Other S57 Managers (excluding Finance Posts)	3	1 (Community Services HoD) Post was never filled since it was introduced	33%		
Line Managers: (including Finance Posts)	12	1 (IDP/PMS)	0%		

			Post was vacant from 28 June 2021 to 30 June 2022	
Total		17	2	13%
T 4.1.2				

Turn-over Rate			
Details	Total Appointment as of beginning of financial year No.	Termination during the financial year No.	Turn-over Rate No.
2019/20		NONE	
2020/21		NONE	
2021/22	16	17	-
T 4.1.3			

COMMENT ON VACANCIES AND TURNOVER:

T 4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality has reviewed 3 policies which are explained to the workforce as and when are adopted by Council or reviewed periodically. The workforce through the Local Labour Forum, as an important stakeholder, in the development of such policies are properly consulted on all matters of mutual interest. The departments, units and the organisation in general holding continuous staff meeting in order to create a platform for the staff to air their views in matters of mutual interest

T4.2.0

OCCUPATIONAL LEVELS	Male					Female				
	African	Colour	Indian	White	Total	African	Colour	Indian	White	Total
Senior Management	1	0	0	0	0	3	0	0	0	4
Professionally qualified and experienced specialists and mid-management	8	0	0	1	9	2	1	0	0	4
Skilled technical and academically qualified workers, junior management,supervisors,foremen,and superintendents										
Semi-skilled and discretionary decision making										
Unskilled and defined decision making										
TOTAL EMPLOYEES/POSTS										
AS % OF THE TOTAL NUMBER OF EMPLOYEES/POSTS										
CURRENT MALE TO FEMALE RATIO	Male					Female				
TOTAL NUMBER OF MALE & FEMALE EMPLOYEES										
CURRENT % MALE TO FEMALE RATIO										

4.2 POLICIES

HR Policies and Plans				
No.	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Ethics Policy	0	0	The municipality does not have ethics policy
2	Fraud Prevention Policy	100	100	30 June 2019
3	Whistle Blowing Policy	0	0	28 June 2018
4	Risk Management Committee Policy	100	100	31 May 2019
5	Risk Management Strategy	0	0	
6	Asset Management Policy	100	100	31 May 2019
7	SCM Policy	100	100	25 June 2018
8	Cell phone Policy	100	100	31 May 2019
9	Notebooks and Mobile Computing Policy	100	100	In a process of developing it
10	Leave and Overtime Policy	100	100	28 June 2018
11	Recruitment and Selection Policy	100	100	28 June 2018
12	Information Technology (IT) Policy	100	100	28 June 2018
13	Information Technology (ICT Disaster Recovery Plan)	0	0	28 June 2018
14	IT Corporate Governance Policy Framework	100	100	28 June 2018

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

All policies were in place and adopted by Council except the Ethics Policy.

T4.2.1.1

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Type of injury	Number and Cost of Injuries on Duty				
	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	0	0	0	0	0
Temporary total disablement	20	2	0	0	R1600.00
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
Total	20	2	0	0	R1600.00
T 4.3.1					

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post*	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	0	0	0	0	0	
Skilled (Levels 5-8)	0	0	0	0	0	
Highly skilled supervision (levels 9-12)	0	0	0	0	0	
Senior management (Levels 13-15)	0	0	0	0	0	
MM and S57	0	0	0	0	0	
Total	0	0	0	0	0	
* - Number of employees in post at the beginning of the year						T 4.3.2
*Average is calculated by taking sick leave in column 2 divided by total employees in column 5						

T4.3.3

T4.3.4

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
	None		
			T 4.3.6

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

T 4.3.7

4.4 PERFORMANCE REWARDS

COMMENT ON PERFORMANCE REWARDS:

No performance rewards were paid out during the year under review.

T4.4.1.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Human Resource Section is the custodian for capacity building of employees within the Municipality and contributes to the building and creation of a capable service delivery organization. The Skills Development Act No 97 of 1998 as Amended in 2008 sets clear guidelines and requirements for the organization to implement capacity building initiatives for employees.

In response to the quoted legislative framework and related regulations such as the National Skills Development Strategy (NSDSIII) and the Local Government Sector Education and Training Authority (LGSETA), MLM acquitted itself well under the circumstances prevailing.

The Workplace Skills Plan (WSP) for 2021/22 financial year with its attended Training Plan was submitted to the Sector Education and Training Authority for Local Government (LGSETA) by as per requirement.

Emphasis has been on encouraging Municipal compliance with the Skills Development legislation, we continue to encourage compliance but we also emphasise on quality, in 2006 LGSETA began to issue completeness checks to Municipalities, in 2008 a quality criterion was developed, in 2009 evaluating the WSP/ATR in detail started to check if the WSP/ATR submitted is of required standards, feedback emanating from the evaluation is also given to the Municipalities in order to ensure that the gaps identified are addressed in future WSP & ATR,

The Municipality are ensuring that we are complying with the Skills Development Legislation and we will continue with our endeavour to have quality WSP/ATR, which will expose core IDP objectives of the Municipality

T4.5.0

5 SKILLS DEVELOPMENT AND TRAINING

The Skills Development Act (1998) and the Municipal Systems Act, (2000) requires employees to supply employees with the necessary training in order to develop its human resource capacity. Section 55 (i)(f) state that as head of the administrator the Municipal Manager is responsible for the management, utilization

Skills Matrix													
Management level	Gender	Employees in post as at 30 June Year 2021	Number of skilled employees required and actual as at 30 June Year 2021										
			Learner ships			Skills programmes & other short courses			Other forms of training			Total	
		No.	Actual: End of 2019/20	Actual: End of 2020/2021	2020/2021 Target	Actual: End of 2019/20	Actual: End of 2020/2021	2020/2021 Target	Actual: End of 2019/20	Actual: End of 2020/2021	2020/2021 Target	Actual: End of 2019/20	Actual: End of 2020/2021
MM and s57	Female	0							3	1		3	1
	Male	0							2	1		2	1
Councillors, senior officials and managers	Female	1							2	2		2	2
	Male	2							2	2		2	2
Technicians and associate professionals*	Female	0							3	2		3	2
	Male	0							0	0		0	0
Professionals	Female	0							3	2		3	2
	Male	0							3	2		3	2
Sub total	Female	1							11	7		11	7
	Male	2							7	5		7	5
Total		3							18	12		18	12
*Registered with professional Associate Body e.g CA (SA)													T 4.5.1

Chapter 4

4.5.2 MFMA Competencies

In terms of section 83(1) of the MFMA, the Accounting Officer, Senior Managers, the Chief Financial Officer, Non-financial Managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, NT, with the collaboration of various stakeholders and role players in the Local Government sphere, developed an outcome based NQF level 6 qualifications in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No Municipality or municipal entity may, with effect 1 January employ a person as a financial official if that person does not meet the competency level prescribed for the relevant position in terms of these Regulation".

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

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidate d: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidate d: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials	4					
Accounting officer	0					
Chief financial officer	0					
Senior managers	0					
Any other financial officials	0					
Supply Chain Management Officials	0					
Heads of supply chain management units	0					
Supply chain management senior managers	0					
TOTAL	4					

* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T 4.5.2

Chapter 4

Skills Development Expenditure: 2021-2022						
Management level	Gender	Employees as at the beginning of the financial year	Skills Development			
		No.	Learnerships	Skills programmes & other short courses	Other forms of learning/ training	Total
MM and S57	Female	0				
	Male	0				
Legislators, senior officials and managers	Female	1				
	Male	2				
Professionals	Female	0				
	Male	0				
Technicians and associate professionals	Female	0				
	Male	0				
Clerks	Female	0				
	Male	0				
Plant and machine operators and assemblers	Female	0				
	Male	0				
Elementary occupations	Female	0				
	Male	0				
Sub total	Female	1				
	Male	2				
Total		3				
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.						*

NB. Portion of the allocation was used in profile searching, purchasing study books, catering and also for accommodation

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

Training and skills development interventions are mainly aimed at increasing the knowledge, proficiency, ability and skills of MLM Human Capital to improve bottom line performance. MLM Training Plan is informed by key strategic documents such as IDP and internal Skills Audit Results as well as the National Treasury Minimum Competency Regulations of 2007. September 2015 was set by National Treasury as the final deadline by which compliance at the various sectorial and professional work levels must be achieved.

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

The training plans specifically focus on the underneath aspects:

- **NEEDS ORIENTATED:**

It is important to align all training and development programs with needs based on post requirements, the tasks to be performed, and based on the performance gaps of the incumbent. The primary objective is to improve skills, knowledge, attitudes and values. These are to be specific and must at all-time indicate what the staff member should be able to demonstrate. At all times must individual, department needs and Municipality objectives be aligned in order to achieve the maximum.

- **OUTCOME BASED ORIENTATED:**

Here the emphasis is on outcomes, i.e. what the employee becomes and understands. The direct aim is to develop analytical thinking, improved attitudes, understanding and mastering skills. The main focus therefore is on the results expected at the end of a learning process, called the outcomes and the processes that will take the employee to these ends.

- **COMPETENCY BASED ORIENTATED:**

This is based on the identification of operational training and development needs, emanating from the strategic plan and the objectives of the Municipality. These learning modules, with specific training and development objectives, can subsequently be combined to determine if the employees met the training and development needs, and if the employees have the competency to apply the skill effectively.

T4.5.4

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

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

T4.6.0

4.6 EMPLOYEE EXPENDITURE

Source: MBRR SA22

T 4.6.

COMMENT ON WORKFORCE EXPENDITURE:

The strict control of the workforce budget enables the municipality to implement and achieve the pre-determined objectives as set out in the IDP because all vacant and budgeted posts will be filled immediately the vacancy arises. The workforce budget is spent with the parameters of the approved budget. Appointment is done in terms of the requirements of the post because the salary package is commensurate to the experience and qualifications of the post.

T4.6.1.1

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels 9-12)	Female	0
	Male	0
Senior management (Levels 13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0

Chapter 4

Total	0
Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).	
T 4.6.2	

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	N/A			
T 4.6.3				

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
None	N/a	-	-	-
T 4.6.4				

COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

No posts were upgraded during the year under review.

T4.6.5

DISCLOSURES OF FINANCIAL INTERESTS

The Municipality requires employees and Councillors to disclose financial interest annually. These disclosure forms are recorded and kept at Supply chain, and all these disclosure forms were requested by the AG and submitted as such.

T4.6.6

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

This financial overview presents the brief summary of the financial performance of the municipality for the financial year under review. The detailed financial performance, financial position and cash flow activities of the municipality are presented in the annual financial statements for the year ended 30 June 2021. The municipality has during the financial year, strived to comply with the requirements of the relevant legislative prescripts and the guidelines set by the National Treasury in as far as financial management is concerned.

The municipality managed the budget process effectively and adhered to the timeframes as set out by the Municipal Finance Management Act. The Budget Steering Committee was established and meetings of the committee were effectively held. Other success factors for the financial year 2021-2022 are amongst others being able to monitor and report effectively on the budgets as well as the submission of the Annual Financial Statements on time.

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

The original capital budget for the 2021-2022 was **R 27 041 000** and during the adjustment budget it was increased to R 38 486 000.00. The actual expenditure incurred amounts to R 32 908 357..

T5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements presented in this report are presented on the basis that the municipality is a going concern. The principles of GRAP have been taken into consideration when preparing these annual financial statements. The annual financial statements have been prepared in-house and have been submitted on time as prescribed in the Municipal Finance Management Act to the Auditor General.

Analyzing the financial position of the municipality as outlined in the statement of financial position, in the annual financial statements, the municipality is still financially viable. The municipality has maintained a sustainable and sufficient asset base, despite the fact that providing enough for repairs and maintenance remains a challenge.

T5.1.0

Chapter 5

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Statement of Financial Performance will form part of the Audited Financial Statement

Chapter 5

COMMENT ON FINANCIAL PERFORMANCE:

The municipality's total expenditure was within the approved budget during the year under review.

T5.1.3

5.2 GRANTS

Operating transfers and grants for the financial year 2021/22 were received as per DoRA.

T5.2.2

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

Conditional grants for the financial year 2021/22 were received as per DoRA conditions

T5.2.4

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

T5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2021/22

Asset 1				
Name	TRANSFORMER			
Description	EXTERNAL TRANSFORMER			
Asset Type	ELECTRICITY INFRASTRUCTURE ASSET			
Key Staff Involved	ELECTRICITY TECHNICIAN			
Staff Responsibilities	MAINTAINING THE FUNCTIONING OF ELECTRICITY INFRASTRUCTURE NETWORK			
Asset Value	2018/19	2019/20	2020/21	2021/22
	R 112 753.65	R 106 578.35	R 100 403.05	R 94 227.75
Capital Implications	ASSET NEEDS TO BE REPLACED			
Future Purpose of Asset	THE ASSET WILL CONTINUE TO BE USED IN THE ELECTRICITY NETWORK			
Describe Key Issues	REPAIR AND MINTENANCE ISSUES			
Policies in Place to Manage Asset	THERE IS AN ASSET MANAGEMENT POLICY IN PLACE			
Asset 2				
Name	MINI SUB			
Description	TRANSFORMER MINI SUB			
Asset Type	ELECTRICITY INFRASTRUCTURE ASSET			
Key Staff Involved	ELECTRICITY TECHNICIAN			
Staff Responsibilities	MAINTAINING THE FUNCTIONING OF ELECTRICITY INFRASTRUCTURE NETWORK			

Chapter 5

	2018/19	2019/20	2020/21	2021/22
Asset Value	R43 227.07	R37 051.77	R30876.47	R24 701.17
Capital Implications	ASSET NEEDS TO BE REPLACED			
Future Purpose of Asset	THE ASSET WILL CONTINUE TO BE USED IN THE ELECTRICITY NETWORK			
Describe Key Issues	REPAIR AND MINTENANCE ISSUES			
Policies in Place to Manage Asset	THERE IS AN ASSET MANAGEMENT POLICY IN PLACE.			
Asset 3				
Name	PIPE			
Description	UPVC PIPE			
Asset Type	WATER INFRASTRUCTURE ASSET			
Key Staff Involved	WATER INFRASTRUCYURE MANAGER			
Staff Responsibilities	MAINTAINING WATER NETWORK			
	2018/19	2019/20	2020/21	2021/22
2018/19	R17 493	R16 813.08	R16 133.16	R15 453.24
Capital Implications				
Future Purpose of Asset	THE ASSET WILL CONTINUE TO BE USED IN THE WATER NETWORK UNTIL ITS DISPOSAL			
Describe Key Issues	NONE			
Policies in Place to Manage Asset	THERE IS AN ASSET MANAGEMENT POLICY IN PLACE.			
T532				

T 5.3.2

Magareng Local Municipality have compiled the Fixed asset register for the year 2021/22 and audited by the Office of the Auditor General.

T5.3.3

Repair and Mainance Expenditure: 2021/22				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	R2 550 000	-	R8 160 058	(R5 610 058)

T 5.3.4

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The Municipality have budgeted) an amount of R 2 550 000. The expenditure incurred as at 30 June 2022 amounts R 8 160 058 which results in an overspending against the budgeted amount.

T5.3.4.1

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Employee Cost = $R\ 53\ 077\ 824 / 182\ 313\ 394 \times 100 = 29\%$

T5.4.1

Repairs & Maintenance = $R\ 13\ 849\ 631 / 182\ 313\ 394 \times 100 = 8\%$

T 5.4.2

Finance Charges & Impairment = $R\ 37\ 815\ 384 / 182\ 313\ 394 \times 100 = 21\%$

T 5.4.3

COMMENT ON FINANCIAL RATIOS:

T 5.4.4

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

T5.5.0

5.5 CAPITAL EXPENDITURE

Information will form part of the Annual Financial Statement.

T5.5.1

5.6 SOURCES OF FINANCE

COMMENT ON SOURCES OF FUNDING:

Magareng Local Municipality is mostly reliant on government grants for service delivery related projects.

T5.6.1.1

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	Current: 2021/2022			Variance: 2021/22	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A – Water Project	R29 741 000	R40 686 000	R23 352 109	79%	57%
B – Water				0	0%
C – Sports				0	0%
D –				0	%
E –					%
* Projects with the highest capital expenditure in 2021//2002					
Name of Project - A	Upgrading of Warrenton Water Treatment Works.				
Objective of Project	Refurbish and upgrade major processing units that will increase the capacity from 9ML/d to 12ML/d.				
Delays	Protests				
Future Challenges	Rainfall and vandalism				
Anticipated citizen benefits	Sustainable water supply				
Name of Project - B	1.7km Bulkwater Gravity-fed pipeline				
Objective of Project	Construction of New 1.7 km Bulkwater pipeline from Warrenton Water Treatment Works to main pump station				
Delays	Environmental and Sanral compliance matters				
Future Challenges	High water level of the Vaal River				
Anticipated citizen benefits	Increased capacity of the bulkwater infrastructure in Magareng				
Name of Project - C	Ikhutseng Sports Stadium				
Objective of Project	To provide sport facilities to the community of Ikhutseng				
Delays	Covid-19 restrictions				
Future Challenges	Covid-19				
Anticipated citizen benefits	New sports facilities				
Name of Project - D					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
Name of Project - E					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					

Chapter 5

COMMENT ON CAPITAL PROJECTS:

Capital projects are funded through Government grants; VIZ Municipal Infrastructure Grant and RBIG

T5.7.1.1

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS– OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

No comments provided

T5.8.1

Service Backlogs as at 30 June 2021				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	5052	77	1500	23
Sanitation	5052	77	1500	23
Electricity	5052	77	1500	23
Waste management		%		
Housing		%		%

% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.

T 5.8.2

Municipal Infrastructure Grant (MIG)* Expenditure 2021/22 on Service backlogs							R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)	
				Budget	Adj Budget		
Infrastructure -							
Water treatment plant	R15 000 000	R0	R2 500 000	R0	R0		
Storm water							
highmast lights							
Community halls							
Sports Facilities	R15 000 000	R7 000 000	R7 000 000				

Chapter 5

<i>Economic Hubs</i>						
Total						
						T 5.8.3

COMMENT ON BACKLOGS:

The MLM's annual budget for infrastructure development is unable to address backlogs.

T5.8.4

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2021/22

Capital Programme by Project by Ward: 2021/22			R' 000
Capital Project	Ward(s) affected		Works completed (Yes/No)
Upgrading of Warrenton WTW	1-5		Yes
1.7km Bulkwaterpiepline	1-5		Yes
Ikhutseng Sports Stadium	3,4&5		Yes
New Internal Water Reticulation network in Ditshotshwaneng , Rabatji & Sonderwater	4&5		No
Emergency repairs to the Warrenton WWWTW and surrounding pumpstations	1-5		No

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

T 5.9

5.9 CASH FLOW

Cash Flow Statement to be included once the AFS audited

COMMENT ON CASH FLOW OUTCOMES:

No borrowings

T5.9.1.1

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

Non borrowings

T5.10.1

COMMENT ON BORROWING AND INVESTMENTS:

No new loans were taken up in the financial year under review.

T5.10.5

5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

T5.11.1

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Supply Chain Management Unit is established according to Section 111 of the MFMA that states that the municipality has to adopt and implement SCM Policy. Supply Chain Management System of the municipality provides a mechanism to ensure fair, equitable, transparent, competitive and cost effective procurement whilst promoting black economic empowerment.

T5.12.1

5.13 GRAP COMPLIANCE

Magareng LM have compiled the annual financial statements and Fixed Asset register in accordance to GRAP standards.

T5.13.1

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

The 2021/22 Financial Statements and 2021/22 Annual Performance Report will be submitted to the Auditor General on 31 August 2022, as per legislative requirement.

T6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2020/21

6.1 AUDITOR GENERAL REPORTS 2020/21 (PREVIOUS YEAR)

[illegible]

Report of the auditor-general to Northern Cape Provincial Legislature and the council on Magareng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Magareng Local Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Magareng Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for infrastructure assets as some recorded infrastructure assets could not be verified. This was due to the municipality not implementing an adequate systems of asset management. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to roads and storm water infrastructure assets included in property, plant and equipment stated at R41 234 164 in note 9 to the financial statements. Since the property plant, and equipment balance is included in the determination of net cash flows from investing activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from investing activities stated at (R23 166 619) in the financial statements.
4. The municipality did not value assets in accordance with GRAP 17, *Property, plant and equipment*, as we identified assets still in use with no cost price. I was unable to determine the full extent of the understatement of buildings, community assets and road infrastructure assets included in property, plant and equipment and understatement of accumulated surplus. Additionally, there was an impact on the deficit for the period.
5. The municipality did not review indicators of impairment of property, plant and equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment*, GRAP 21, *Impairment of Non-cash-generating Assets* and GRAP 26, *Impairment of cash-generating*

Assets. I was unable to determine the full extent of the understatement of impairment and overstatement of road infrastructure assets due to road infrastructure assets not being impaired for the current year as it was impracticable to do so. Additionally, there was an impact on the deficit for the period.

6. The municipality did not review the useful lives of property, plant and equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. I was unable to determine the full extent of the understatement of buildings and road infrastructure assets included in property, plant and equipment and understatement of accumulated surplus due to useful lives not being assessed. Additionally, there was an impact on the deficit for the period.
7. The municipality did not recognise all items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Infrastructure assets was identified that could not be traced to the asset registers. Consequently, infrastructure assets included in property, plant and equipment was understated by R663 049 and accumulated surplus understated by R633 049. Additionally, there was an impact on the deficit for the period.

Investment property

8. The municipality did not recognise items of investment property in accordance with *GRAP 16, Investment property*, as the municipality incorrectly recognised land that is subject to the *Guideline on accounting for housing arrangements*. Land should be classified as inventory when there is a clear intention of the municipality to use existing land for a housing development. I was unable to determine the full extent of the overstatement of investment property and understatement on inventory as it was impracticable to do so.

Receivables from exchange transactions

9. The municipality did not recognise receivables from exchange transaction in accordance with *GRAP 104, financial instrument*, the municipality did not accurately bill consumers due to incorrect tariffs and consumption as per meter readings being applied to consumer accounts. Consequently, accumulated surplus is understated by R368 979, service charges (refuse and electricity) overstated by R1 218 125 and receivables from exchange transactions was overstated by R1 587 104.
10. The municipality did not recognise receivables from exchange transaction in accordance with *GRAP 104, Financial Instrument*, as the municipality did not bill consumers for water for all months. I was unable to determine the full extent of the understatement of sale of water included in service charges, and water service debtors included in the trade receivables from exchange transactions for the current year as it was impracticable to do so. Additionally, there was an impact on the deficit for the period.

Service charges

11. The municipality did not recognise sales of water, as required by GRAP 9, *Revenue from exchange transactions*. Consumers were not accurately billed due to incorrect meter readings taken and incorrect tariffs being used for billing. Consequently, receivables from exchange transactions was overstated by R4 393 497, VAT receivable understated by R573 064 and sale of water was overstated by R3 820 433.

Inventory consumed

12. The municipality did not recognise expenses in accordance with GRAP 1, *Presentation of financial statements* as the municipality recorded inventory consumed in the incorrect accounting period and incorrect accounts. Inventory consumed is overstated by R1 759 447, consequently, accumulated surplus was understated by R336 270, contracted services (safeguard and security) understated by R248 740 and receivables from exchange transactions understated by R1 174 437.

Irregular expenditure

13. The municipality did not include all irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements which was not disclosed resulting in irregular expenditure being understated in both the current and previous year. I was unable to determine the full extent of this irregular expenditure as it was impractical to do.

Depreciation

14. The municipality did not recognise and record property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*, as assets were depreciated incorrectly. Consequently, infrastructure assets was understated by R802 756, buildings was understated by R153 607, community assets was overstated by R381 780 and other assets was understated by R1 499 979 and depreciation was overstated by R2 074 562.

Total assets

15. Prior year total assets was materially misstated by R2 294 876 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

Non-current assets

- Prior year buildings stated at R4 161 580 in note 9 to the financial statements was understated by R225 286
- Prior year community assets stated at R4 757 446 in note 9 to the financial statements was overstated by R308 451
- Prior year infrastructure assets stated at R150 530 054 in note 9 to the financial statements was overstated by R1 116 550
- Prior year other assets stated at R1 281 878 in note 9 to the financial statements was overstated by R71 782

Current assets

- Prior year receivables from exchange transactions stated at R9 672 908 disclosed in note 6 to the financial statements was overstated by R1 497 885

- Prior year receivables from non-exchange transactions stated at R4 493 313 disclosed in note 4 to the financial statements was understated by R109 387
- Prior year VAT receivable stated at R29 256 689 disclosed in note 5 to the financial statements was understated by R365 089

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm prior year total assets by alternative means:

Current assets

- Prior year receivables from exchange transactions of R9 672 908 disclosed in the note 6 to the financial statements included in the disclosed balance of R426 607 982
- Prior year VAT receivable of R29 256 689 disclosed in note 5 to the financial statements included in the disclosed balance of R426 607 982

Consequently, I was unable to determine whether any further adjustments was necessary to total assets.

Context for the opinion

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

Material uncertainty relating to going concern

19. I draw attention to the matter below. My opinion is not modified in respect of this matter.
20. I draw attention to note 62 to the financial statements, which indicates that the provisions for rehabilitation of landfill sites, employee benefit provisions and the unspent grants are not fully cash backed as required this is due to the municipality experiencing cash flow problems during the year, which resulted in major creditors not being paid timeously. Furthermore, consumer debtor days outstanding has increased from the prior year and current liabilities exceed the current assets. As stated in note 62, these events or conditions, along with the other matters as set forth in note 62, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Material impairments - receivables from non-exchange transactions

22. As disclosed in note 4 to the financial statements, material impairment of R95 380 570 (2021: R89 669 767) incurred as a result of a provision for impairment of receivables from non-exchange transactions.

Material impairments - receivables from exchange transactions

23. As disclosed in note 6 to the financial statements, material impairment of R256 346 610 (2021: R231 147 765) was incurred as a result of provision for impairment of receivables from exchange transactions.

Material impairments – non-current receivables from exchange transactions

24. As disclosed in note 12 to the financial statements, material impairment of R7 395 781 (2021: R3 148 522) was incurred as a result of provision for impairment of non-current receivables from exchange transactions.

Material impairments – non-current receivables from non-exchange transactions

25. As disclosed in note 13 to the financial statements, material impairment of R1 931 023 was incurred as a result of provision for impairment of non-current receivables from non-exchange transactions.

Material losses - electricity

26. As disclosed in note 57 to the financial statements, material electricity losses of R5 354 240 (2021: R6 042 591) was incurred, which represents 24.06% (2021: 28.03%) of total electricity purchased.

Material losses - water

27. As disclosed in note 57 to the financial statements, material water losses of R8 177 190 (2021: R4 064 642) was incurred, which represents 82% (2021: 71%) of total water purchased.

Material underspending of the budget

28. As disclosed in note 48 to the financial statements, the municipality materially underspent the operating expenditure budget for municipal infrastructure by R11 604 244 (Vote 5) and public safety and transport by R2 885 637 (Vote 7) and the capital expenditure budget for municipal infrastructure by R9 762 638 (Vote 5).

Restatement of corresponding figures

29. As disclosed in note 64 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2022.

Other matters

30. I draw attention to the matter/s below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

31. 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

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

33. 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

34. 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.

35. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

36. 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.

37. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have

not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

38. 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 2022:

Development priority	Pages in the annual performance report
National KPA 1 – Basic Service Delivery and Infrastructure Development	x – x

39. 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.
40. The material findings on the usefulness and reliability of the performance information of the selected development priorities are as follows:

National KPA 1 – Basic Service Delivery and Infrastructure Development

Various indicators

41. The reported targets for the indicators listed below did not agree with the planned targets as per the approved in the service delivery budget implementation plan (SDBIP). The targets per the approved SDBIP were changed without the necessary approval. In addition, the reported achievements were not consistent with the planned and reported indicators and targets. As a result it could not be determined if the targets were achieved or not or whether measures taken to improve performance needed to be reported in the annual performance report.

Indicator description	Planned annual targets per SDBIP	Planned annual targets per APR	Reported achievement
Number of quarterly reports on the upgrading of Electrical Infrastructure submitted to portfolio committee by end of June 2022	4	R 500 000,00	Highmast light erected in Warrenville

Number of reports on the Investigation of the adequacy of the Warrenton WWTW and related bulk sanitation outfall lines submitted to portfolio committee by end of June 2022	3	R 800 000,00	Phase 1 completed
Percentage completed on the upgrading of the Warrenton water treatment plant completed by end of June 2022	50%	R16 945 000,00	R20 186 341,20
Percentage completed on new internal water reticulation network construction in Dtshotshwaneng, Rabaki and Sonderwater by end of June 2022	100%	R 2 500 000,00	R 4 938 112,84
Repairs to the Warrenton WWTW and surrounding Pumpstations	2	R 3 000 000,00	R 4 286 368,74
Percentage of kilometres completed of construction of Bulkwater Gravity Pipeline completed by end June 2022	65%	R 6 000 000,00	R 3 977 249,67
Construction of 900m Concrete Palisade Fence around the Warrenton WWTW by end of June 2022	2	R 1 200 000,00	R1 199 921,50
Percentage of Surfaced Road Network Maintained	2	R 2 000 000,00	R 565 805,40
Percentage of Gravel Road Network Maintained	2	R 1 000 000,00	R 302 550,00

Various indicators

42. The reported targets of the indicators listed below, did not agree with the planned target as per the approved SDBIP. The targets per the approved SDBIP were changed without the necessary approval. In addition, the reported achievements were not consistently reported when compared to the reported targets.

Indicator description	Annual target per SDBIP	Annual target per annual performance report	Reported actual achievement per APR
Number of basic service delivery vehicles procured by end June 2022	1	R3 000 000,00	2 Bakkies and 1 sedan was procured in Q2

Number of service provider appointed to conduct Investigations of adequacy of the Warrenton WWTW and related bulk sanitation outfall lines by end of June 2022	1	R800 000,00	Service provider appointed in Q2
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Various indicators

43. There was no clear and logical link on how the indicators will contribute to achieving the planned outcomes or will measure the actual service delivery and the planned output to which it relates. The indicator and target measured the number of reports prepared instead of actual delivery of services as described by the related indicators.

Indicator description	Planned annual targets per SDBIP	Reported actual achievement
Number of quarterly reports on the upgrading of Electrical Infrastructure submitted to portfolio committee by end of June 2022	4	Highmast light erected in Warrenville
Number of quarterly reports on business refuse collection by 30 June 2022	4	4
Number of quarterly reports on households refuse collection by 30 June 2022	4	4

Other matter

44. I draw attention to the matter below.

Achievement of planned targets

45. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 41 to 43 of this report.

Report on the audit of compliance with legislation

Introduction and scope

46. 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

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

Expenditure management

48. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

49. I was unable to obtain sufficient appropriate audit evidence that payments and withdrawals from the municipality's bank accounts were approved by a properly authorised official, as required by section 11(1) of the MFMA.

50. I was unable to obtain sufficient appropriate evidence that reasonable steps were taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, as required by section 65(2)(a) of the MFMA.

51. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by the contravention of the supply chain management requirements.

52. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 100 702, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The disclosed fruitless and wasteful expenditure was caused by interest due to late payments.

53. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R22 535 205, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the approved budget.

Revenue management

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

55. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

56. Accounts for municipal tax and charges for municipal service were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

Asset management

- 57. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
- 58. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal service and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Strategic planning and performance management

- 59. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting, improvement processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).
- 60. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.

Procurement and contract management

- 61. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
- 62. Sufficient appropriate audit evidence could not be obtained that some bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM Regulation 27(2)(a). Similar non-compliance was also reported in the prior year.
- 63. Sufficient appropriate audit evidence could not be obtained that some contract were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43. Similar non-compliance was also reported in the prior year.
- 64. The invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.
- 65. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.

Utilisation of conditional grants

- 66. Performance in respect of programmes funded by the Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant, Water Services Infrastructure Grant, Local Government Financial Management Grant and Expanded Public Works Programme Integrated Grant was not

was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

76. The municipality did not have sufficient monitoring controls, exercise oversight responsibility and did not implement effective human resource management to ensure adherence to the internal policies and procedures at a programme level and for purpose of taking corrective action. This is evident from material misstatements and corrections to the financial statements, findings on performance information and non-compliance with relevant law and regulations that were identified during the audit process.
77. Management failed to monitor and review the financial statements and performance information to ensure the achievement of the fair presentation and this resulted in material misstatement on the annual financial statements and annual performance report.
78. The leadership of the municipality did not adequately develop and monitor the implementation of action plans to address internal control deficiencies. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not implement and monitor adherence to the plan in a timely manner. This is due to the audit action plan not being compiled timeously in order to address audit findings in a timely manner. This has resulted in repeat findings being identified in the current year audit.

Auditor General

Kimberley

23 December 2022



AUDITOR GENERAL
SOUTH AFRICA

Audit is for a better public world.

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 priorities 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 Magareng Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

GLOSSARY

[illegible]

COMPONENT B: AUDITOR-GENERAL OPINION 2021/22 (CURRENT YEAR)

6.2 AUDITORGENERAL REPORT 2021/22

Status of audit report:	Qualified
Non-Compliance Issues	Remedial Action Taken

GLOSSARY

AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS:2021/22

COMMENTS ON AUDITOR-GENERAL'S OPINION 2021/2022

T6.2.5

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give " <i>full and regular</i> " reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe " <i>what we do</i> ".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.

GLOSSARY

Financial Statements		Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General performance indicators	Key	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact		The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs		All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Plan	Set out municipal goals and development plans.
National performance areas	Key	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes		The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs		The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator		Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information		Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:		The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance

GLOSSARY

	standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/or Party Represented	Number Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Neo Lovedelia Mase	FT	Executive Mayor	PR ANC		
Mrs Nontsisi Mkomela	PT	Finance Committee Chairperson	WARD 1 Cllr		
Mrs Masego Florence Melato	PT	Technical Services Committee Chairperson	WARD 2 Cllr		
Mr Matlhomola Mere	PT	Corporate Services Committee Chairperson	WARD 3 Cllr		
Mss Buhle Ouma Amos	PT	Community services chairperson	WARD 4 Cllr		
Mr Willem Potgieter	PT	Exco member	WARD 5 Cllr		
Mr Bonakele Plata	FT	Speaker	WARD 6 Cllr		
Miss Lerato Namelang	PT	Finance committee member	PR EFF		
Mrs Keolebogile Mekhoa	PT		PR EFF		
Mrs Diedre Watson	PT		PR DA		
Mrs Lorraine Valtyn	PT	Mpac Chairperson	Ward 5 Councillor		
Note: * Councillors appointed on a proportional basis have been allocated to different wards to assist the ward councillors					
					T A

APPENDICES

Executive Committee Meetings				
Executive Committee Members	Total No of Meetings held	Attendance	Non attendance	
			With apology	Without apology
	N/A			

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
1. Corporate Services Committee	To assist the Executive Mayor in his/her responsibility to monitor the management of the municipality's administration in accordance with the directions of Council.
2. Technical Services Committee	To assist the Council in its responsibility to oversee the provision of services to communities in a sustainable manner.
	<p>provide political guidance of the fiscal and financial affairs of the municipality, including the budget process and the priorities that must guide the preparation of the budget;</p> <ul style="list-style-type: none"> - monitor and oversee the exercise of financial responsibilities assigned to the Accounting Officer and Chief Financial Officer in terms of the MFMA; - take reasonable steps to ensure the municipality performs its Constitutional and statutory functions within the limits to the municipality's approved budget; - submit a report to Council, within 30 days of the end of each quarter, on the implementation of the budget and the financial state of affairs of the municipality; - co-ordinate the annual revision of the Integrated Development Plan (IDP), and the preparation of the annual budget, and determining how the IDP is to be taken into account, or revised, for the purpose of the budget;
3. Finance Committee	

APPENDICES

	- ensure that the budget is approved by Council before the start of the budget year;
4. Community Services Committee	Hears presentations and receives correspondence and reports from the Community Development Department and from the Emergency Services Department, and shall make recommendations to Council on these matters.
5. MPAC	Is an oversight body whose main role is to hold the executive accountable on the spending of public funds.
6. Local Labour Forum	Are a structure designed to strengthen the relationship between organized labour and management. This then also means that the effectiveness of the structure will have an impact of policy frameworks that govern local government.

TB

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure		
Directorate	Director/Manager - State title	Name
Municipal Manager's Office	Acting Municipal Manager	Mr Tumelo Thage
Corporate Services	HOD: Corporate Services	Mrs DibungLentsoe
Budget & Treasury	Acting Chief Financial Officer	Mss Kedisaletse Khaziwa
Technical Services	HOD: Technical Services	Mr Tumelo Thage
Community Services	Acting HOD : Community Services	Vacant
Use as a spill-over schedule if top 3 tiers cannot be accommodated in chapter 2 (T2.2.2).		T C

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

New No	Function As Per Government Gazette No 6847 - 24 Dec 2010	Function Assigned	Done By MLM
1	Air Pollution		N/A
2	Amusement Facilities		Yes
3	Billboards & Display of Advertisements in Public Places		Yes
4	Building Regulations		Yes
5	Cemeteries, Funeral Parlours and Crematoria		Yes
6	Child Care Facilities		N/A
7	Cleansing		Yes
8	Control of Public Nuisances		Yes
9	Control of Undertakings that Sell Liquor to the Public		Yes

APPENDICES

New No	Function As Per Government Gazette No 6847 - 24 Dec 2010	Function Assigned	Done By MLM
10	Facilities for the Accommodation, Care and Burial of Animals		Yes
11	Fencing and Fences		Yes
12	Fire Fighting Service		N/A
13	Integrated (IDP) Municipal Planning		Yes
14	Levying of fees for Services Provided by LM		Yes
15	Levying of Rates on Property		Yes
16	Levying of Surcharges on Fees for Services Provided for or on behalf of the LM		Yes
17	Licensing and control of undertakings that sell food to the public		N/A
18	Licensing of Dogs		N/A
19	Local Amenities		Yes
20	Local Roads and Streets		Yes
21	Local Sport Facilities		Yes
22	Local Markets		Yes
23	Municipal Abattoirs		Yes
24	Municipal Airports		N/A
25	Municipal Health Service		N/A
26	Municipal Parks & Recreation		Yes
27	Municipal Planning (Town Planning)		Yes
28	Municipal Public Transport		Yes
29	Municipal Public Works relating to any Functions of the LM		Yes
30	Noise Pollution		N/A
31	Pontoons, Ferries, Jetties, Piers & Harbours		N/A
32	Pounds		N/A
33	Promotion of Local Tourism for the Area		Yes
34	Public Places		Yes
35	Refuse Removal, Refuse Dumps and Solid Waste Disposal Sites		Yes
36	Retail Potable Water Supply Systems and Domestic Waste-Water and Sewerage Disposal Systems Serving the Area of the Municipality		Yes
37	Retail Supply of Electricity and Gas		Yes
38	Street Lighting		Yes
39	Street Trading		Yes
40	Storm Water Management in Build Areas		Yes
41	Trading Regulations		Yes
42	Traffic and Parking		Yes
T D			

APPENDICES

APPENDIX E – WARD REPORTING

No.	Ward Councillors	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Nontsisi mokomela	Yes			
2	Masego Melato	Yes			
3	Matlhomola Mere	Yes			
4	Willem Potgieter	Yes			
5	Buhle Amos	Yes			
6	Bonakele Plata	Yes			

APPENDIX F – WARD INFORMATION

Full information provided in Appendix Q

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	5052	5052	5052		
Households without minimum service delivery	1500	1500	1500		
Total Households*	6522	6522	6522		
Houses completed in year					0
Shortfall in Housing units					3950
*Including informal settlements					T.F.2

APPENDICES

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2021/22

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2021/22	Recommendations adopted (enter Yes) If not adopted (provide explanation)
	Reports from Provincial Treasury <u>Property rates implementation</u>	
	Review of the 2021/2022 Draft AFS	
	Internal Audit Reports Revenue Management	

APPENDICES

	Financial recovery plan	
	Analysis of the Draft Annual Report	
	Final Audit Report of 2020-21 by the Auditor General	
	Assurance Report on Mid-term budget assessment – Section 72	

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

None

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

None

APPENDICES

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2021 to 30 June of 2022 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Mayor	Neo Mase	None
Councillors		
Councillor	Bonakele Plata	None
Councillor	Lerato Namelang	None
Councillor	Buhle Amos	None
Councillor	Keolebogile Mekhoa	None
Councillor	Diedre Watson	None
Councillor	Nontsisi Mokomela	None
Councillor	Masego Melato	None
Councillor	Willem J Potgieter	None
Councillor	Matlhomola Mere	None
Acting Municipal Manager	Tumelo Thage	None
Acting Chief Financial Officer	Kedisaletse Khziwa	None
Technical Services	TumeloThage	None
Social Services		
Corporate Services	Corney D Lentsoe	None
Other S57 Officials		
* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A T J		

APPENDICES

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Incorporated in the AFS

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Incorporated in the AFS

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

None

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2020/21

Capital Programme by Project by Ward: 2020/21			R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)	
Roads	None	N/A	
Stormwater	None	N/A	
Economic development	None	N/A	
Community Halls	None	N/A	

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

No information

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

No information

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

No information

APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

No information

**VOLUME II:
ANNUAL FINANCIAL
STATEMENT**

VOLUME II



**Magareng Local Municipality
Annual Financial Statements
for the year ended June 30, 2022**

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Magareng Municipality is a local municipality performing functions as set out in the Constitution, Act 105 of 1996
Mayoral committee	
Mayor	Ms N Mase
Councillors	B Mokomela (November 2021) (Ward 1) MF Mokitimi (November 2021) (Ward 2) CM Mere (November 2021) (Ward 3) LO Amose (November 2021) (Ward 4) BG Plata (November 2021) (Ward 5) LR Namelang (December 2020) (P.R Councillor EFF) KC Mekhoa (November 2021) (P.R Councillor EFF) L Valtyn (November 2021) (P.R Councillor PA) D Watson (November 2021) (P.R Councillor DA) TE Mokola (Ward 1) KG Freddie (Ward 2) DJ Tshekedi (Ward 3) AK Zalisa (Ward 4) WJ Potgieter (Ward 5) J Louw (P.R. Councillor DA) TM Cross (P.R. Councillor EFF) P Namelang (P.R Councillor EFF)
Grading of local authority	Category B as defined by the Municipal Structures Act, Act no 117 of 1998
Accounting Officer	Mrs EM Moncho - Services ended 30 June 2022 Mr T Thage (Acting Municipal Manager) - Appointed 1 July 2022
Chief Finance Officer (CFO)	Ms MM Motswaledi
Registered office	Magrieta Prinsloo Street Warrenton 8530
Business address	Magrieta Prinsloo Street Warrenton 8530
Postal address	PO Box 10 Warrenton 8530
Bankers	ABSA Bank
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners State Attorney Frances Baard DM Legal and Compliance department

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Members of Audit Committee

Mr T Mogoli (Chairperson from 26 March 2019)

Mr GR Botha

Mr T Mudamburi

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Enabling Legislation

Municipal Finance Management Act (Act no.56 of 2003)
Division of Revenue Act
The Income Tax Act (Act no. 58 of 1962)
Value Added Tax Act (Act no. 89 of 1991)
Municipal Structures Act (Act no. 117 of 1998)
Municipal Systems Act (Act no. 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
Skills Development Levies Act (Act no. 9 of 1999)
Employment Equity Act (Act no. 55 of 1998)
Unemployment Insurance Act (Act no. 30 of 1966)
Basic Conditions of Employment Act (Act no. 75 of 1997)
Supply Chain Management Regulations, 2005
Disaster Management Act of 2016
Spatial Planning and Land Use Management Act (Act 16 of 2013)
Property Rates Act 6 of 2004
Municipal Regulations on Standard Chart of Accounts
Municipal Budget and Reporting Regulations

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Index

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

	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position at 30 June 2021	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts at 31 January 2022	11 - 14
Appropriation Statement	15
Accounting Policies	16 - 51
Notes to the Annual Financial Statements	52 - 108

COVID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The 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 page 6, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2022 and were signed on its behalf by:

Tumelo Thage
Acting Municipal Manager

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community within the Magareng municipal area and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of 119,572,560 and that the municipality's total liabilities exceed its assets by 119,572,560.

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.

Furthermore, management has reviewed the municipality's cash flow forecast for the year ended 30 June 2021 and in light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue its operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as is evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 59.

3. Subsequent events

Matters arising since the end of the financial year have been disclosed on note 51.

4. Accounting Officer's interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003).

6. Accounting Officer

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

Name	Nationality	Changes
Tumelo Thage	South African	Appointed 01 July 2022

7. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Tumelo Thage
Acting Municipal Manager

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position at 30 June 2021

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	163,811	162,761
Receivables from non-exchange transactions	4	70,531,288	51,776,614
VAT receivable	5	30,207,276	29,256,689
Receivables from exchange transactions	6	6,842,892	9,672,914
Unpaid government grants	16	-	127,842
Cash and cash equivalents	7	241,514	6,674,175
		107,986,781	97,670,995
Non-Current Assets			
Investment property	8	23,831,200	23,831,200
Property, plant and equipment	9	286,637,215	298,853,789
Intangible assets	10	19,790	39,581
Heritage assets	11	370,999	370,999
		310,859,204	323,095,569
Total Assets		418,845,985	420,766,564
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	261,658,530	241,417,425
Consumer deposits	14	1,034,517	1,002,568
Employee benefit obligation	15	6,726,028	7,106,298
Unspent conditional grants and receipts	16	5,202,452	6,706,458
		274,621,527	256,232,749
Non-Current Liabilities			
Employee benefit obligation	15	4,714,000	4,515,000
Provisions	17	19,937,894	15,736,964
		24,651,894	20,251,964
Total Liabilities		299,273,421	276,484,713
Net Assets		119,572,564	144,281,851
Accumulated surplus		119,572,560	144,281,850
Total Net Assets		119,572,560	144,281,850

* See Note 60

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	37,185,536	33,244,926
Interest earned - Exchange transactions		7,483,835	11,560,527
Agency services	20	93,314	158,716
Rental income		12,255	17,580
Operational Revenue	22	134,494	56,641
Sale of goods and rendering of services	21	858,544	394,304
Interest earned - external investments	23	94,730	178,876
Total revenue from exchange transactions		45,862,708	45,611,570
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	11,732,703	11,553,982
Licences and Permits	26	164,760	195,246
Interest - Non-Exchange Transactions	25	1,466,801	2,770,245
Transfer revenue			
Government grants & subsidies	28	97,411,249	122,671,095
Public contributions and donations	52	326,348	649,039
Fines, Penalties and Forfeits		126,800	229,475
Contributed Property, plant and equipment	53	5,389,920	15,000
Total revenue from non-exchange transactions		116,618,581	138,084,082
Total revenue		162,481,289	183,695,652
Expenditure			
Employee related costs	29	(52,129,857)	(50,091,430)
Remuneration of councillors	30	(4,263,308)	(3,598,160)
Depreciation and amortisation	31	(25,996,847)	(32,084,620)
Finance costs	33	(5,447,254)	(4,318,526)
Debt Impairment	34	(35,611,346)	(36,857,296)
Bad debts written off		-	(139,926)
Bulk purchases	35	(35,970,547)	(28,850,142)
Contracted services	36	(8,074,922)	(4,375,611)
Unauthorised debit orders	37	(911,601)	(801,711)
Operational Cost	38	(9,619,706)	(9,646,719)
Inventory consumed	39	(8,350,066)	(5,191,306)
Total expenditure		(186,375,454)	(175,955,447)
Operating (deficit) surplus		(23,894,165)	7,740,205
Gains/(Loss) on disposal of fixed assets		(699,740)	(176,176)
Actuarial gains/(losses)	15	295,614	(703,464)
(Impairment loss)/Reversal of impairments	32	(411,000)	(1,663,395)
		(815,126)	(2,543,035)
(Deficit) surplus for the year		(24,709,291)	5,197,170

* See Note 60

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	142,054,728	142,054,728
Adjustments		
Correction of errors - Refer to note 47	(2,970,048)	(2,970,048)
Balance at July 1, 2020 as restated*	139,084,680	139,084,680
Changes in net assets		
Surplus for the year	5,197,170	5,197,170
Total changes	5,197,170	5,197,170
Restated* Balance at July 1, 2021	144,281,851	144,281,851
Changes in net assets		
Surplus for the year	(24,709,291)	(24,709,291)
Total changes	(24,709,291)	(24,709,291)
Balance at June 30, 2022	119,572,560	119,572,560
Note(s)		

* See Note 60

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		13,766,792	15,217,911
Grants		91,936,060	74,969,782
Interest income		9,045,366	2,949,121
		<u>114,748,218</u>	<u>93,136,814</u>
Payments			
Employee costs		(56,716,821)	(52,790,142)
Suppliers		(38,758,806)	(28,066,763)
Finance costs		(3,153,794)	(2,736,863)
		<u>(98,629,421)</u>	<u>(83,593,768)</u>
Net cash flows from operating activities	42	<u>16,118,797</u>	<u>9,543,046</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(22,769,515)	(3,705,081)
Proceeds from sale of property, plant and equipment	9	185,490	586,750
Net cash flows from investing activities		<u>(22,584,025)</u>	<u>(3,118,331)</u>
Cash flows from financing activities			
Increase/(Decrease) in Consumer Deposits		32,568	36,869
Net increase/(decrease) in cash and cash equivalents		<u>(6,432,660)</u>	<u>6,461,584</u>
Cash and cash equivalents at the beginning of the year		6,674,175	212,594
Cash and cash equivalents at the end of the year	7	<u>241,515</u>	<u>6,674,178</u>

* See Note 60

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts at 31 January 2022

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

Statement of Financial Performance for the year ended 31 January 2022

Revenue

Revenue from exchange transactions

Service charges	53,112,505	-	53,112,505	37,185,536	(15,926,969)
Interest earned - outstanding debtors	5,919,626	-	5,919,626	7,483,835	1,564,209
Agency services	171,658	-	171,658	93,314	(78,344)
Rental of facilities and equipment	2,262,666	-	2,262,666	12,255	(2,250,411)
Operational revenue	-	-	-	134,494	134,494
Other revenue	1,227,333	-	1,227,333	858,544	(368,789)
Interest earned - External Investments	299,134	-	299,134	94,730	(204,404)
Total revenue from exchange transactions	62,992,922	-	62,992,922	45,862,708	(17,130,214)

Revenue from non-exchange transactions

Taxation revenue

Property rates	8,312,797	-	8,312,797	11,732,703	3,419,906
Licences and Permits (Non-exchange)	79,423	-	79,423	164,760	85,337
Interest earned - outstanding debtors	-	-	-	1,466,801	1,466,801

Transfer revenue

Government grants & subsidies	85,348,000	17,885,000	103,233,000	97,411,249	(5,821,751)
Public contributions and donations	-	-	-	326,348	326,348
Fines, Penalties and Forfeits	150,293	-	150,293	126,800	(23,493)
Donated assets	-	-	-	5,389,920	5,389,920

Total revenue from non-exchange transactions	93,890,513	17,885,000	111,775,513	116,618,581	4,843,068
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Total revenue	156,883,435	17,885,000	174,768,435	162,481,289	(12,287,146)
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Expenditure

Employee related costs	(47,281,873)	(1,909,911)	(49,191,784)	(52,129,857)	(2,938,073)
Remuneration of councillors	(4,696,580)	-	(4,696,580)	(4,263,308)	433,272
Depreciation and amortisation	(13,318,384)	(17,114,000)	(30,432,384)	(25,996,847)	4,435,537
Impairment loss/ Reversal of impairments	-	-	-	(411,000)	(411,000)
Finance costs	-	-	-	(5,447,254)	(5,447,254)
Debt Impairment	(21,472,622)	(16,343,378)	(37,816,000)	(35,611,346)	2,204,654
Bulk purchases	(25,570,733)	2,620,000	(22,950,733)	(35,970,547)	(13,019,814)
Contracted Services	(4,886,146)	(1,303,940)	(6,190,086)	(8,074,922)	(1,884,836)
Unauthorised debit orders	-	-	-	(911,601)	(911,601)
General Expenses	(12,614,120)	(1,380,389)	(13,994,509)	(17,969,772)	(3,975,263)
Total expenditure	(129,840,458)	(35,431,618)	(165,272,076)	(186,786,454)	(21,514,378)
Operating deficit	27,042,977	(17,546,618)	9,496,359	(24,305,165)	(33,801,524)

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts at 31 January 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Loss on disposal of assets and liabilities	-	-	-	(699,740)	(699,740)	
Actuarial gains/losses	-	-	-	295,614	295,614	
	-	-	-	(404,126)	(404,126)	
Deficit before taxation	27,042,977	(17,546,618)	9,496,359	(24,709,291)	(34,205,650)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	27,042,977	(17,546,618)	9,496,359	(24,709,291)	(34,205,650)	
Reconciliation						

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts at 31 January 2022

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

Statement of Financial Position at 31 January 2022

Assets

Current Assets

Inventories	167,483	-	167,483	163,811	(3,672)	
Receivables from non-exchange transactions	48,662,052	2,823,936	51,485,988	70,531,288	19,045,300	
VAT receivable	-	-	-	30,207,276	30,207,276	
Consumer debtors	9,010,050	13,472,222	22,482,272	6,842,892	(15,639,380)	
Cash and cash equivalents	(217,825,049)	27,537,171	(190,287,878)	241,514	190,529,392	
	(159,985,464)	43,833,329	(116,152,135)	107,986,781	224,138,916	

Non-Current Assets

Investment property	23,831,200	-	23,831,200	23,831,200	-	
Property, plant and equipment	321,401,142	(4,270,704)	317,130,438	286,637,215	(30,493,223)	
Intangible assets	79,162	-	79,162	19,790	(59,372)	
Heritage assets	370,999	-	370,999	370,999	-	
Long-term receivables	833	-	833	-	(833)	
	345,683,336	(4,270,704)	341,412,632	310,859,204	(30,553,428)	

Total Assets

	185,697,872	39,562,625	225,260,497	418,845,985	193,585,488	
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Liabilities

Current Liabilities

Payables from exchange transactions	155,690,861	(64,505,070)	91,185,791	261,658,530	170,472,739	
Consumer deposits	1,230,556	23,753	1,254,309	1,034,517	(219,792)	
Employee benefit obligation	6,441,958	-	6,441,958	6,726,028	284,070	
Unspent conditional grants and receipts	-	-	-	5,202,452	5,202,452	
	163,363,375	(64,481,317)	98,882,058	274,621,527	175,739,469	

Non-Current Liabilities

Employee benefit obligation	-	-	-	4,714,000	4,714,000	
Provisions	3,104,520	-	3,104,520	19,937,894	16,833,374	
	3,104,520	-	3,104,520	24,651,894	21,547,374	

Total Liabilities

	166,467,895	(64,481,317)	101,986,578	299,273,421	197,286,843	
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Net Assets

	19,229,977	104,043,942	123,273,919	119,572,564	(3,701,355)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	19,229,977	104,043,942	123,273,919	119,572,564	(3,701,355)	
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Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts at 31 January 2022

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement for the year ended 31 January 2022						
Cash flows from operating activities						
Receipts						
Sale of goods and services	23,397,243	67,800,331	91,197,574	9,386,932	(81,810,642)	
Government Grants	80,048,000	24,325,000	104,373,000	58,633,091	(45,739,909)	
Interest income	299,134	-	299,134	34,532	(264,602)	
	103,744,377	92,125,331	195,869,708	68,054,555	(127,815,153)	
Payments						
Employees	-	-	-	(28,453,913)	(28,453,913)	
Suppliers	(105,039,748)	(78,827,473)	(183,867,221)	(27,246,808)	156,620,413	
Finance costs	-	-	-	(10,350)	(10,350)	
	(105,039,748)	(78,827,473)	(183,867,221)	(55,711,071)	128,156,150	
Net cash flows from operating activities	(1,295,371)	13,297,858	12,002,487	12,343,484	340,997	
Cash flows from investing activities						
Purchase of capital assets	(29,741,000)	(10,945,000)	(40,686,000)	(17,106,503)	23,579,497	
Movement in long term receivables	833	(833)	-	-	-	
Net cash flows from investing activities	(29,740,167)	(10,945,833)	(40,686,000)	(17,106,503)	23,579,497	
Cash flows from financing activities						
Increase/(Decrease) in Consumer Deposits	40,768	(64,521)	(23,753)	23,751	47,504	
Net increase/(decrease) in cash and cash equivalents	(31,035,538)	2,352,025	(28,683,513)	(4,739,268)	23,920,494	
Cash and cash equivalents at the beginning of the year	576,949	-	576,949	-	(576,949)	
Cash and cash equivalents at the end of the year	(30,458,589)	2,352,025	(28,106,564)	(4,739,268)	23,343,545	
Reconciliation						

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

The accounting policies on pages 16 to 51 and the notes on pages 52 to 108 form an integral part of the annual financial statements.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate. The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the 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.

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 [name a key assumption] 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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

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 17 - 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.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

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 discounted at the effective interest rate, computed at initial recognition.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property Plant and equipment. These estimates are based on industry norms.

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

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.4 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Are the properties owner-occupied or occupied by external parties?
- Have the properties been strategically allocated for a specific purpose?
- Has the municipality commenced with a process to sell the properties?

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9). Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of these expenditures is often described as for the 'repairs and maintenance' of the item of property, plant and equipment.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.5 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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement

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

Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-30 years
Infrastructure	Straight-line	5 - 90 years
Community assets	Straight-line	7 - 25 years
Landfill sites	Straight-line	15 years
Other assets	Straight-line	5 - 10 years

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

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

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 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 42. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

Intangible assets are initially recognised at cost.

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

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

Subsequent measurement

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 -10 years

Intangible assets are derecognised:

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.8 Heritage assets

Initial measurement

A heritage asset that qualifies for recognition as an asset is measured at cost.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probably 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.

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

If a heritage asset is not recognised, any initial costs to assess the state of the heritage asset and any costs incurred subsequently is recognised in surplus or deficit as incurred.

The entity does not recognise in the carrying amount of a heritage asset the day-to-day operating costs of the heritage asset, or the costs to maintain or to hold the heritage asset. These costs are recognised in surplus or deficit as incurred.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

Transfers

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

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

For a transfer from investment property carried at fair value, to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

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

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

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash and cash equivalents;
- 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.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of 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.

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

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.

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange and non-exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, unless the financial asset or liability is subsequently measured at fair value, in which case the municipality initially measures the financial asset or liability at its 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.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Financial instruments (continued)

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.10 Leases

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

Inventories shall be recognised as an asset if, and only if:

- (a) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the cost of the inventories can be measured reliably.

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

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 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.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

(iii) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information:

(i) Evidence is available of obsolescence or physical damage of an asset;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition

(iv) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

Value in use

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

Discount rate

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.12 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.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

Redesignation

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

1.13 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.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

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

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) Cessation, or near cessation, of the demand or need for services provided by the asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information:

(i) Evidence is available of physical damage of an asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition;

(iv) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

Value in use

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

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 overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

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

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.

Reversal of an impairment loss

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

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

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

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.

Redesignation

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

1.14 Employee benefits

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

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

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

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.14 Employee benefits (continued)

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 recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.14 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 recognises 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 recognises past service cost as an expense in the reporting period in which the plan is amended.

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

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

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

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

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

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

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

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.14 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 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.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.14 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, housing subsidies and gratuities upon retirement to some retirees.

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

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

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

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

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

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

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.16 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Conditional grants and receipts

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.26 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 01/07/2021 to 30/06/2022.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.28 Events after reporting date

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

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

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

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

1.29 Value Added Tax (VAT)

The municipality accounts to the South African Revenue Services for VAT on the Cash basis at the standard rate, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12, or are out of scope for VAT.

VAT is recognised in the municipality's accounting records on the accrual basis of accounting, in accordance with GRAP 1, paragraph 31. Under the accrual basis of accounting, VAT is recognised when the related expenditure or revenue transaction qualifies for recognition in the accounting records, and not when the related cash flow occurs.

1.30 Accumulated surplus

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

1.31 Statutory receivables

Identification

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.31 Statutory receivables (continued)

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

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

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

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.31 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

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

1.32 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).

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.32 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.33 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.33 Segment information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

2. New standards and interpretations

2.1 Standards, Amendments to 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 July 1, 2022 or later periods:

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The expected impact of the standard is a revised classification and measurement of financial assets in the municipality's annual financial statements].

iGRAP 21: The Effect of Past Decisions on Materiality

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of this interpretation has been determined as April 1, 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 April 1, 2023.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after April 1, 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3. Inventories

Water - at cost	48,075	47,025
Unsold Properties Held for Resale	115,736	115,736
	163,811	162,761

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions		
Fines	31,309,412	31,245,352
Prepaid expense	563,170	500,000
Grant-related assets receivable	64,338,604	47,465,358
Property rates	71,198,570	63,165,596
Less: Impairment	(96,878,468)	(90,599,692)
	70,531,288	51,776,614
Balance previously reported		8,589,128
Correction of error - refer to note 47		-
Restated balance		8,589,128
None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end. Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
Ageing of Receivables from non-exchange transactions:		
Property rates: Ageing		
Current (0-30 days)	1,062,724	1,286,309
31 - 60 days	1,016,864	1,204,843
61 - 90 days	955,334	1,187,750
91 days	68,163,648	59,486,694
Less: Impairment	(66,096,573)	(59,420,431)
	5,101,997	3,745,165
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Balance at the beginning of the year	(90,599,692)	(81,330,068)
Contribution (to) / from allowance property rates	(3,644,564)	(6,210,440)
Contribution (to) / from the interest property rates	(2,598,457)	(2,874,664)
Contribution (to) / from allowance traffic fines	(35,755)	(184,520)
	(96,878,468)	(90,599,692)

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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4. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

All receivables from non-exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full

The ageing of amounts for Property rates past due but not impaired is as follows:

1 month past due	72,867	72,488
2+ months past due	4,952,977	3,567,568
	<u>5,025,844</u>	<u>3,640,056</u>

Receivables from non-exchange transactions impaired

As of 30 June 2022, receivables from non-exchange transactions of R96 842 713 (2021: R 90 599 692) were impaired and provided for.

The ageing of these amounts relating to Property rates are as follows:

0 to 3 months	2,817,444	4,550,045
3 to 6 months	3,110,984	3,187,789
Over 6 months	60,168,144	51,682,596
	<u>66,096,572</u>	<u>59,420,430</u>

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	
4. Receivables from non-exchange transactions (continued)			
Summary of Receivables from Non-Exchange transactions - 2022			
	Gross Balance	Provision for Debt Impairment	Net Balance
Property rates	71,198,570	(66,096,573)	5,101,997
Fines	31,309,412	(31,215,019)	94,393
Total	102,507,982	(97,311,592)	5,196,390
Summary of Receivables from Non-Exchange transactions - 2021			
	Gross Balance	Provision for Debt Impairment	Net Balance
Property rates	63,570,854	(59,853,552)	3,717,302
Fines	31,245,352	(31,179,264)	66,088
Other	4,777,872	-	4,777,872
Total	99,594,078	(91,032,816)	8,561,262
5. VAT receivable			
VAT	30,207,276	29,256,689	
6. Receivables from exchange transactions			
Gross balances			
Electricity	47,384,974	47,166,426	
Water	90,694,331	78,338,827	
Sewerage	73,064,701	61,375,417	
Refuse	57,929,271	54,866,152	
Sundry	2,263,531	2,222,379	
	271,336,808	243,969,201	
Less: Allowance for impairment			
Electricity	(41,403,900)	(38,960,054)	
Water	(90,539,549)	(77,775,982)	
Sewerage	(72,792,773)	(61,026,856)	
Refuse	(57,698,250)	(54,694,015)	
Sundry	(2,059,444)	(1,839,380)	
	(264,493,916)	(234,296,287)	
Net balance			
Electricity	5,981,074	8,206,372	
Water	154,782	562,845	
Sewerage	271,928	348,561	
Refuse	231,021	172,137	
Sundry	204,087	382,999	
	6,842,892	9,672,914	

The ageing of exchange receivables by service type is as follows:

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	1,533,861	1,257,216
31 - 60 days	494,767	1,136,069
61 - 90 days	329,110	844,753
91+ days	45,027,236	56,732,654
Less: Impairment	(41,403,900)	(51,764,320)
	5,981,074	8,206,372
Water		
Current (0 -30 days)	924,386	1,003,298
31 - 60 days	1,684,770	1,252,344
61 - 90 days	990,734	910,452
91+ days	87,094,441	75,172,733
Less: Impairment	(90,539,549)	(77,775,982)
	154,782	562,845
Sewerage		
Current (0 -30 days)	882,466	802,162
31 - 60 days	870,818	792,728
61 - 90 days	870,974	784,827
91+ days	70,440,443	58,995,700
Less: Impairment	(72,792,773)	(61,026,856)
	271,928	348,561
Refuse		
Current (0 -30 days)	647,500	639,623
31 - 60 days	634,589	624,306
61 - 90 days	631,620	617,874
91+ days	56,015,563	52,984,349
Less: Impairment	(57,698,251)	(54,694,015)
	231,021	172,137
Sundry		
Current (0 -30 days)	30,451	62,052
31 - 60 days	49,279	35,912
61 - 90 days	24,163	33,316
91+ days	2,159,639	2,091,100
Less: Impairment	(2,059,445)	(1,839,381)
	204,087	382,999
Reconciliation of allowance for impairment		
Balance at beginning of the year	(234,296,287)	(204,373,889)
Contributions to allowance	(30,197,629)	(29,922,398)
	(264,493,916)	(234,296,287)

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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6. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Terms for receivables from exchange transactions

Receivables from exchange transactions are payable within 30 days. The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of receivables from exchange transactions on initial recognition is not deemed necessary.

Receivables from exchange transactions past due but not impaired

All receivables from exchange transactions, excluding government and municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full.

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

1 month past due	53,463	182,182
2+ months past due	4,901,066	9,309,256

Receivables from exchange transactions impaired

As of June 30, 2022, consumer debtors of - (2021: 249,153,229) were impaired and provided for.

The ageing of these loans is as follows:

0 to 3 months	9,634,402	13,267,871
3 to 6 months	10,974,570	8,914,750
Over 6 months	249,762,752	224,917,931

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	5
Bank balances	69,218	2,847,996
Short-term deposits	172,296	3,826,174
	241,514	6,674,175

The municipality had the following bank accounts

Account description	Account number	Bank statement balances		Cash book balances	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
ABSA Bank - Current Account	4096525022	69,218	2,847,995	69,218	2,847,995
Absa Bank - 7 day notice account	9351945669	152,956	3,770,318	152,956	3,770,318
Absa Bank - 7 day notice account	9355869912	966	1,004	966	1,004
Absa Bank - 7 day notice account	9355871747	18,375	54,851	18,375	54,851
Total		241,515	6,674,168	241,515	6,674,168

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23,831,200	-	23,831,200	23,831,200	-	23,831,200

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	23,831,200	-	23,831,200

Reconciliation of investment property - 2021

	Opening balance	Disposals	Total
Investment property	23,831,200	-	23,831,200
Fair value of investment properties		23,831,200	23,831,200

Pledged as security

There are no investment properties pledged as security.

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

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements as follows.

Deemed cost

Deemed cost was determined using fair value.

Investment Property (Land) is not controlled, but Magareng Municipality is the legal owner/custodian

All erven relating to housing projects where the title deed is still in the name of the municipality, but it is no longer controlled by the municipality are applicable.

Key judgements and assumptions applied:

- There is a binding arrangement with the Department of Housing to build houses on such land
- The municipality does not have the right to deny or restrict access even though the title deed is still in their name.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	92,250,250	-	92,250,250	87,750,250	-	87,750,250
Buildings	8,700,698	(6,258,672)	2,442,026	10,183,076	(6,021,496)	4,161,580
Other assets	13,484,120	(10,643,384)	2,840,736	10,950,995	(9,669,117)	1,281,878
Infrastructure	339,895,857	(210,819,491)	129,076,366	338,715,781	(187,219,368)	151,496,413
Community	5,848,587	(1,314,078)	4,534,509	5,848,587	(1,091,141)	4,757,446
Landfill sites	13,404,033	(8,062,605)	5,341,428	11,058,562	(7,469,113)	3,589,449
Work in progress	52,938,421	(2,786,521)	50,151,900	48,603,294	(2,786,521)	45,816,773
Total	526,521,966	(239,884,751)	286,637,215	513,110,545	(214,256,756)	298,853,789

For more details on the prior period errors, please refer to note 47.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Correction of error	Opening balance Restated	Additions	Disposals/ WIP Completed	Accumulated depreciation and impairment Opening balance	Accumulated depreciation and impairment correction of error	Accumulated depreciation and impairment movements	Depreciation and impairment	Disposals	Total
Land and Buildings	-	-	-	4,500,000	-	-	-	-	-	-	-
Land	87,750,250	-	87,750,250	-	-	-	-	-	-	-	87,750,250
Buildings	10,183,076	-	10,183,076	-	(1,482,378)	(6,021,494)	-	(6,021,494)	(872,799)	635,623	2,442,028
Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Electricity Infrastructure	65,786,748	-	65,786,748	-	-	(38,763,486)	-	(38,763,486)	(2,771,027)	-	24,252,235
Roads and Stormwater	119,267,479	-	119,267,479	-	-	(61,475,822)	-	(61,475,822)	(16,557,493)	-	41,234,164
Sewerage Infrastructure	66,378,533	-	66,378,533	-	-	(41,449,989)	-	(41,449,989)	(1,699,039)	-	23,229,505
Water Infrastructure	87,283,021	-	87,283,021	1,180,076	-	(45,530,070)	-	(45,530,070)	(2,572,098)	-	40,360,929
Water Infrastructure WIP	40,581,925	-	40,581,925	4,043,222	-	-	-	-	-	-	44,625,147
Sewerage Infrastructure WIP	1,275,140	-	1,275,140	-	-	(1,275,139)	-	(1,275,139)	-	-	1
Community Assets	-	-	-	-	-	-	-	-	-	-	-
Buildings	1,141,637	-	1,141,637	-	-	(529,328)	-	(529,328)	(86,466)	-	525,843
Land	2,757,236	-	2,757,236	-	-	-	-	-	-	-	2,757,236
Recreational Facilities	1,949,712	-	1,949,712	-	-	(561,813)	-	(561,813)	(136,472)	-	1,251,427
Recreational Facilities WIP	6,746,230	-	6,746,230	292,023	-	(1,511,382)	-	(1,511,382)	-	-	5,526,871
Capitalised restoration costs	-	-	-	-	-	-	-	-	-	-	-
Landfill sites	11,058,561	-	11,058,561	2,345,471	-	(7,469,112)	-	(7,469,112)	(593,492)	-	5,341,428
Other Assets	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1,089,952	-	1,089,952	512,351	(16,421)	(950,394)	-	(950,394)	(109,391)	15,278	541,375
Office Equipment	328,651	-	328,651	-	-	(265,024)	-	(265,024)	(19,243)	-	44,384
Furniture and Fittings	1,614,956	-	1,614,956	27,142	-	(1,319,718)	-	(1,319,718)	(97,485)	-	224,895
Transport Assets	6,515,702	-	6,515,702	1,720,864	(146,491)	(5,890,267)	-	(5,890,267)	(795,570)	109,159	1,513,397
Plant and Equipment	1,401,985	-	1,401,985	435,638	-	(1,243,714)	-	(1,243,714)	(77,014)	-	516,895

Annual Financial Statements for the year ended June 30, 2022

Figures in Rand

64

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Opening balance Restated	Additions	Disposals/ WIP Completed	Accumulated depreciation and impairment Opening balance	Accumulated depreciation and impairment Opening Balance Restated	Other changes, and impairment movements	Depreciation and impairment	Disposals	Total
Land and Buildings										
Land	87,750,250	87,750,250	-	-	-	-	-	-	-	87,750,250
Buildings	10,183,076	10,183,076	-	-	(4,957,871)	(4,957,871)	-	(1,063,623)	-	4,161,582
Infrastructure										
Electricity Infrastructure	62,092,665	62,092,665	3,694,083	-	(35,617,937)	(35,617,937)	96,502	(3,242,051)	-	27,023,262
Roads and Stormwater	119,267,479	119,267,479	-	-	(40,033,899)	(40,033,899)	-	(21,441,923)	-	57,791,657
Sewerage Infrastructure	65,340,196	65,340,196	1,038,337	-	(39,596,999)	(39,596,999)	-	(1,852,990)	-	24,928,544
Water Infrastructure	64,159,184	64,159,184	25,060,651	(1,936,814)	(43,640,297)	(43,640,297)	(96,502)	(2,967,231)	1,173,960	41,752,951
Water Infrastructure WIP	57,590,562	57,590,562	7,158,330	(24,166,967)	-	-	-	-	-	40,581,925
Sewerage Infrastructure WIP	1,275,140	1,275,140	990,512	(990,512)	(1,275,139)	(1,275,139)	-	-	-	1
Electrical Infrastructure WIP	3,694,084	3,694,084	-	(3,694,084)	-	-	-	-	-	-
Community Assets										
Buildings	1,141,637	1,141,637	-	-	(447,424)	(447,424)	-	(81,904)	-	612,309
Land	2,757,236	2,757,236	-	-	-	-	-	-	-	2,757,236
Recreational Facilities	1,949,712	1,949,712	-	-	(429,229)	(429,229)	-	(132,584)	-	1,387,899
Recreational Facilities WIP	6,491,527	6,491,527	254,703	-	-	-	(1,511,382)	-	-	5,234,848
Capitalised restoration costs										
Landfill sites	7,132,834	7,132,834	3,925,727	-	(7,132,834)	(7,132,834)	-	(336,278)	-	3,589,449
Other Assets										
Computer Equipment	1,040,275	1,040,275	49,677	-	(851,317)	(851,317)	-	(99,077)	-	139,558
Office Equipment	328,651	328,651	-	-	(243,722)	(243,722)	-	(21,302)	-	63,627
Furniture and Fittings	1,478,220	1,478,220	142,656	(5,920)	(1,226,937)	(1,226,937)	-	(98,629)	5,848	295,238
Transport Assets	6,515,702	6,515,702	-	-	(5,112,821)	(5,112,821)	-	(777,446)	-	625,435
Plant and Equipment	1,339,508	1,339,508	62,477	-	(1,161,704)	(1,161,704)	-	(82,010)	-	158,271
	501,527,938	501,527,938	42,377,153	(30,794,297)	(181,728,130)	(181,728,130)	(1,511,382)	(32,197,048)	1,179,808	298,854,042

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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9. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Water Infrastructure	88,218,690	66,954,884
Sewerage Infrastructure	990,513	990,513
Community Infrastructure	5,526,871	5,234,848
	94,736,074	73,180,245

Reconciliation of Work-in-Progress 2022

	Infrastructure under construction	Total
Opening balance	73,180,243	73,180,243
Additions/capital expenditure under construction	21,555,829	21,555,829
Transferred to completed items	-	-
	94,736,072	94,736,072

Reconciliation of Work-in-Progress 2021

	Infrastructure under construction	Total
Opening balance	67,776,174	67,776,174
Additions/capital expenditure under construction	55,686,845	55,686,845
Impairment of WIP	(1,511,382)	(1,511,382)
Transferred to completed items	(47,410,283)	(47,410,283)
	74,541,354	74,541,354

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Upgrading of Warrenton Water treatment works Supplier terminated contract due to lack of payment. This is resulting in a delay. The project has been resumed in 2021.	-	-
Electrical Infrastructure - Upgrading of the electrical MV and LV networks Contract with original supplier terminated due to little progress done on project, a new supplier was contracted subsequent to termination.	-	3,694,083
Water conservation and demand management The Eskom electricity supply entailed a connection of a new 50KVA transformer to supply electricity to the pumps. The connection was finalized towards the end of April 2021. As a result, we recalled the consultant and the contractor back to site to connect the pumps to the electricity supply and commission the pumps, pipeline and 1ML reservoir. For a period of two weeks the pumps ran continuously so that we could detect any leakages in the system. There were leakages in the mechanical seals of the pumps that resulted in the flooding of the pumphouse and on the 1ML reservoir. The contractor is currently on site and rectifying these leakages, after this the practical completion will be finalized and the project will be handed over to Magareng.	-	23,799,245
	-	27,493,328

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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9. Property, plant and equipment (continued)

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Vacuum Sewer Project	-	-
This project has been halted, and funding was shifted to a new project. It has been impaired in the previous year.	-	-
	-	-

Expenditure incurred to repair and maintain property, plant and equipment

Inventory, spares and parts consumed	12,705,349	1,857,662
	12,705,349	1,857,662

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.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Assets pledged as security

No property, plant and equipment has been pledged as security for any financial liability at year end.

Impairment losses of Property, Plant and Equipment

Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:

Infrastructure	-	-
Community Assets	-	1,511,382
Motor vehicles	-	152,012
	-	1,663,394

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

10. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	885,244	(865,454)	19,790	885,244	(845,663)	39,581

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	39,581	-	(19,791)	19,790

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	79,162	(39,581)	39,581

No intangible assets were pledged as security for any financial liability at year-end.

No intangible assets were assessed as having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no contractual commitments for the acquisition of intangible assets.

There are no intangible assets whose title is restricted.

There are no intangible assets currently under construction.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

11. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	370,999	-	370,999	370,999	-	370,999

Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	370,999	370,999

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	370,999	370,999

Restrictions on heritage assets

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

Pledged as security

There are no heritage assets pledged as security.

Revaluations

Art collections

The effective date of the previous revaluation was 30/06/2017.

No revaluations were performed during the year as there were no significant changes in the market.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Payables from exchange transactions		
Trade payables	232,412,538	216,364,855
Payments received in advanced	3,864,629	3,271,252
Unknown deposits	10,108,302	8,058,985
Salary control	5,020,228	3,800,794
Retention creditor	10,236,068	9,907,894
Sundry creditors	16,765	13,645
	261,658,530	241,417,425
13. Consumer deposits		
Electricity	198,968	185,430
Water	692,629	674,218
Sale of land	130,322	130,322
Halls and facilities	12,598	12,598
	1,034,517	1,002,568
14. Current Employee Benefits		
Staff Bonuses	1,397,817	1,424,473
Staff leave	4,840,211	5,132,825
Current Portion of Non-Current Employee Benefits	488,000	549,000
	217,000	207,000
Current Portion of Post Retirement Benefits - Note 16	271,000	342,000
	6,726,028	7,106,298
15.1 Staff Bonuses		
Balance at the beginning of the year	1,424,472	1,332,894
Contribution to current portion	2,581,110	2,498,280
Expenditure incurred	(2,607,765)	(2,406,702)
	1,397,817	1,424,472
Bonuses have been paid to all Municipal staff including the Section 57 Managers as per their package structures. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement		
15.2 Staff Leave		
Balance at the beginning of the year	5,132,826	4,073,570
Contribution to current portion	177,027	1,363,140
Expenditure incurred	(469,642)	(303,884)
	4,840,211	5,132,826

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
15. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-current liabilities	(4,714,000)	(4,515,000)
Current liabilities	(488,000)	(549,000)
	(5,202,000)	(5,064,000)
Employee benefits		
Benefits		
Post retirement	2,161,000	2,191,000
Long service awards	2,553,000	2,324,000
Total Non-current Employee Benefit Liabilities	4,714,000	4,515,000

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
15. Employee benefit obligations (continued)		
Post retirement benefits		
Balance 1 July	2,398,000	1,769,000
Contribution for the year	-	-
Interest cost	210,000	156,000
Expenditure for the year	(130,085)	(283,700)
Actuarial (Gain)/loss	(99,915)	756,700
Total post retirement benefit - 30 June	2,378,000	2,398,000
Less: Transfer to current portion	(217,000)	(207,000)
Balance 30 June	2,161,000	2,191,000
Long service award		
Balance 1 July	2,666,000	2,444,000
Contribution for the year	273,000	251,000
Interest cost	228,000	167,000
Expenditure for the year	(147,301)	(142,765)
Actuarial (Gain)/loss	(195,699)	(53,235)
Total post retirement benefit - 30 June	2,824,000	2,666,000
Less: Transfer to current portion	(271,000)	(342,000)
Balance 30 June	2,553,000	2,324,000
Total Non-current employee benefits		
Balance 1 July	5,064,000	4,213,000
Contribution for the year	273,000	251,000
Interest cost	438,000	323,000
Expenditure for the year	(277,386)	(426,465)
Actuarial (Gain)/loss	(295,614)	703,465
Total post retirement benefit - 30 June	5,202,000	5,064,000
Less: Transfer to current portion	(488,000)	(549,000)
Balance 30 June	4,714,000	4,515,000
Post Retirement Medical Aid Benefit		
The Post Retirement Benefit Plan is a defined benefit plan, or which the members are made up as follows:		
Members		
In-service (employee) members	-	-
Continuation members (Pensioners)	5	5
	5	5
The liability in respect of past service has been estimated to be as follows:		
Liability		
In-service (employee) members	-	-
Continuation members (Pensioners)	2,378,000	2,398,000
	2,378,000	2,398,000

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

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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15. Employee benefit obligations (continued)

	2020	2019	2018
In-service (employee) members	-	-	-
Continuation members (Pensioners)	1,769,000	2,241,000	2,223,000
	<u>1,769,000</u>	<u>2,241,000</u>	<u>2,223,000</u>

Experience adjustments were calculated as follows:

	2022 (R'm)	2021 (R'm)	2020 (R'm)
Liabilities: Gains/Loss	0.009	0.452	0,459

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

Bonitas
LA Health
Samwumed
Keyhealth

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates	10.81 %	9.13 %
Health care cost inflation rate	7.74 %	6.27 %
Net discount rate	2.85 %	2.69 %

Mortality rates

Mortality post-employment has been based on the PA (90) ultimate mortality tables rated down by 1 year with 1% mortality improvement p.a from 2010.

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

Present value of fund obligation	2,378,000	2,398,000
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The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Reconciliation of present value of fund obligation - 2022

Opening Balance	Total Expenses	Actuarial loss	Transfers	Closing Balance
2,398,000	210,000	(99,915)	(130,085)	2,378,000

Reconciliation of present value of fund obligation - 2021

Opening Balance	Total Expenses	Actuarial loss	Transfers	Closing Balance
1,769,000	156,000	756,700	(283,700)	2,398,000

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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15. Employee benefit obligations (continued)

Sensitivity Analysis on the Accrued Liability

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

Assumption	Change	Total liability (R)
Health care inflation	+1%	2,580,000
Health care inflation	-1%	2,199,000
Discount rate	+1%	2,205,000
Discount rate	-1%	2,576,000
Post employment mortality	+1 Year	2,283,000
Post employment mortality	-1 Year	2,474,000

Sensitivity Analysis Interest Costs for year ending 30/06/2022:

Assumption	Change	Interest Cost
Valuation Assumption	-	-
Health care inflation	+1%	229,000
Health care inflation	-1%	192,000
Discount rate	+1%	214,000
Discount rate	-1%	204,000
Mortality rate	-1yr	218,000
	-	-

Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for long service bonuses

136	146
136	146

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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15. Employee benefit obligations (continued)

The current-service cost for the year ending 30 June 2022 is R 273,000. The current-service cost for the ensuing year has been estimated to be R 274,000.

Key assumptions used

i) Rate of interest:

Discount rates	10.81	%	9.13	%
General earnings inflation rate (long-term)	7.24%		5.77%	
Net Effective Discount Rate	3.33%		3,18%	
Average retirement age	62		62	

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

Present value of fund obligations	2,824,000	2,666,000
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The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2020	2019	2018
Total Liability	2,444,000	2,339,000	2,082,000

Experience adjustments were calculated as follows:

	2022	2021
Liabilities: (Gain) / Loss	44,000	125,000
	44,000	125,000

Reconciliation of present value of fund obligation - 2022

Opening Balance	Total Expenses	Actuarial gain	Transfers	Closing Balance
2,666,000	273,000	(195,699)	(147,301)	2,824,000

Reconciliation of present value of fund obligation - 2021

Opening Balance	Total Expenses	Actuarial gain	Transfers	Closing Balance
2,444,000	418,000	(53,235)	(142,764)	2,666,000

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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15. Employee benefit obligations (continued)

Sensitivity Analysis on the unfunded accrued liability:

Assumption	Change	Total liability (R)
General earnings inflation rate	+1%	2,979,000
General earnings inflation rate	-1%	2,681,000
Discount rate	+1%	2,674,000
Discount rate	-1%	2,989,000
Average retirement age	+2 yrs	3,046,000
Average retirement age	-2 yrs	2,489,000
Withdrawal rates	x200%	2,304,000
Withdrawal rates	x50%	3,169,000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2022:

Assumption	Change	Current service cost	Interest Cost	Total
Central Assumption	-	273,000	228,000	501,000
General earnings inflation rate	+1%	294,000	242,000	536,000
General earnings inflation rate	-1%	254,000	215,000	469,000
Discount rate	+1%	256,000	238,000	494,000
Discount rate	-1%	292,000	217,000	509,000
Average retirement age	+2yrs	295,000	250,000	545,000
Average retirement age	-2yrs	251,000	201,000	452,000
Withdrawal rates	x120%	199,000	181,000	380,000
Withdrawal rates	x80%	326,000	260,000	586,000

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated Retirement Fund for Local Government is a Multi Employer Fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31

Consolidated Retirement Fund for Local Government

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2018 - 100.4%)

Contributions paid recognised in the Statement of Financial Performance	1,825,413	1,825,842
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Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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15. Employee benefit obligations (continued)

Defined contribution funds

Council contributes to the SALA Pension Fund, Municipal Councillors Pension Fund and Municipal Workers Retirement Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

SALA Pension Fund	1,593,382	1,657,095
Municipal Councillors Pension Fund	412,258	146,005
Municipal Workers Retirement Fund	1,867,127	1,963,137
	3,872,767	3,766,237

16. Unspent conditional grants and receipts

Unspent conditional grants

National Government Grants	4,658,156	6,706,458
	-	-
	-	-
	-	-
	4,658,156	6,706,458

Balance previously reported		6,706,458
Correction of error - refer to note 47		-
Restated balance		6,706,458

Unpaid conditional grants

Francis Baard District Municipality	-	127,843
	-	-
	-	-
	-	-
	-	127,843

Balance previously reported		127,843
Correction of error - refer to note 47		-
Restated balance		127,843

See appendix "A" for reconciliation of grants from other spheres of government.

The Unspent Grants are not cash-backed by term deposits or any other form of cash and cash equivalents

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

Roll overs were not applied for all grants at year-end.

Unspent grants can mainly be attributed to projects that are still work in progress on the relevant financial year-ends.

Unpaid grants relate to the Francis Baard District Municipality grants that were received after year-end.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	15,736,964	2,345,471	1,855,459	19,937,894

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	10,552,573	3,925,727	1,258,664	15,736,964

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

The change in estimate is mainly due to the following reasons:

- Increase in inflation from 4.9% in 2021 to 7.4% in 2022.
- Larger contaminated areas identified outside the fenced site.
- The rates for materials and construction have increased due to significant increases in fuel prices and shipping and importing costs of raw materials.

Warrenton

	Cost of rehabilitation	Cost of rehabilitation
Estimated decommission date - 2032	52,982,358	39,342,228

	2019	2020	2021	2022
Area of landfill site consumed	72.15%	72.15%	72.15%	72.15%
Warrenton	9.26%	8.83%	8.83%	10.43%
Discount rate used				

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

18. Service charges

Sale of electricity	15,233,585	15,211,584
Sale of water	8,860,887	8,671,186
Sewerage and sanitation charges	8,112,155	8,017,865
Refuse removal	5,835,976	5,597,857
Less: Indigent subsidies	(857,067)	(4,253,566)
	37,185,536	33,244,926

19. Interest earned - Exchange transactions

Exchange receivables	7,483,835	11,560,527
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Interest on Exchange receivables are charged at 10.5% (2021: 10.5%) per annum.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
20. Agency services		
Licences and Other	93,314	158,716
21. Sale of goods and rendering of services		
Valuation services	16,924	13,077
Burial fees	116,303	138,547
Clearance certificates	22,250	49,472
Sale of goods	21,415	17,000
VAT on Grants	681,652	176,208
	858,544	394,304
22. Operational revenue		
Commission received from third parties	134,494	56,641
23. Interest earned - External Investments		
Interest revenue		
Bank	94,730	178,876
24. Property rates		
Rates received		
Residential Properties	4,889,434	4,835,216
Business and Commercial Property	1,303,185	1,316,734
State-owned Properties	2,377,366	2,326,517
Municipal Properties	39,532	37,851
Small holdings and farms	3,075,654	2,992,174
Industrial Property	47,532	45,490
	11,732,703	11,553,982
Valuations		
Residential	518,369,500	518,369,500
Commercial	62,091,010	62,091,010
State	126,052,000	126,052,000
Municipal	108,121,400	108,121,400
Small holdings and farms	996,863,000	996,863,000
Acquired - communal property association	23,620,000	23,620,000
PBO - Public Benefit Organisations	49,530,000	49,530,000
	1,884,646,910	1,884,646,910

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and payable within 30 days. Interest at 10.5% per annum (2021: 10.5%) is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2007.

25. Interest from non-exchange receivables

Property rates	1,466,801	2,770,245
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Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Licences and permits		
Road and Transport	164,760	195,246
27. Gains/(Loss) on disposal of Fixed Assets		
Property, plant and equipment	-	(176,176)

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Government grants and subsidies		
Operating grants		
Equitable share	51,086,000	56,612,000
Finance Management Grant	2,850,000	2,800,000
Frances Baard District Municipality Operating Grant	4,602,716	2,666,146
Municipal Disaster Relief Fund	2,104,408	-
Library Development Fund	1,100,000	950,000
Expanded Public Works Programme (EPWP)	1,121,000	1,078,000
	62,864,124	64,106,146
Capital grants		
Municipal Infrastructure Grant	8,174,599	2,854,542
Francis Baard District Municipality Capital Grant	3,695,652	1,334,612
Regional Bulk Infrastructure Grant (RBIG)	18,676,874	54,375,795
Water Services Infrastructure Grant (WSIG)	4,000,000	-
	34,547,125	58,564,949
	97,411,249	122,671,095
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	46,325,249	66,059,095
Unconditional grants received	51,086,000	56,612,000
	97,411,249	122,671,095
29.1 Equitable Share		
Opening Balance	-	-
Current-year receipts	51,086,000	56,612,000
Conditions met - transferred to revenue	(51,086,000)	(56,612,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
29.2 Finance Management Grant (FMG)		
Opening Balance	-	274,928
Current-year receipts	2,850,000	2,800,000
Conditions met - transferred to revenue	(2,627,508)	(2,800,000)
Repaid/Withheld to/from National Revenue Fund	-	(274,928)
	222,492	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Finance Management Grant also pays for the cost of the Financial Management Internship Programme (eg: salary costs of the Financial Management Interns).

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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28. Government grants and subsidies (continued)

29.3 Frances Baard District Municipality Capital and Operating Grant

Opening Balance	(127,843)	(1,420,302)
Current-year receipts	8,427,843	5,293,217
Conditions met - transferred to revenue (Operational)	(8,298,368)	(2,666,146)
Conditions met - transferred to revenue (Capital)	-	(1,334,612)
Funds Forfeited	(1,632)	-
	<u>-</u>	<u>(127,843)</u>

The Frances Baard Operational Grant is paid by Frances Baard District Municipality to the municipality to subsidise operational maintenance of infrastructure. Furthermore the Frances Baard District Municipality is co-funding certain infrastructure projects.

29.4 Library Development Fund

Current-year receipts	1,100,000	950,000
Conditions met - transferred to revenue	(1,100,000)	(950,000)
Other	-	-
	<u>-</u>	<u>-</u>

The Department of Sport, Arts & Culture grant was used for the development of libraries in the Magareng area.

29.5 Expanded Public Works Programme (EPWP)

Current-year receipts	1,121,000	1,078,000
Conditions met - transferred to revenue	(1,121,000)	(1,078,000)
	<u>-</u>	<u>-</u>

The EPWP grant was used for road infrastructure development in the Warrenton area.

29.6 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	6,706,458	4,752,303
Current-year receipts	11,541,000	11,119,000
National Revenue Fund allocation correction	(2,500,000)	(1,558,000)
Conditions met - transferred to revenue	(8,174,599)	(2,854,542)
Repaid/Withheld to/from National Revenue Fund	(6,706,458)	(4,752,303)
	<u>866,401</u>	<u>6,706,458</u>

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households.

29.7 Integrated National Electrification Programme (INEP)

Opening Balance	-	631,049
Repaid/Withheld to/from National Revenue Fund	-	(631,049)
	<u>-</u>	<u>-</u>

The Integrated National Electrification Programme Grant is a conditional grant provided by the Department of Energy to assist municipalities with funding for the implementation of electrification projects.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Government grants and subsidies (continued)		
29.8 Regional Bulk Infrastructure Grant (RBIG)		
Opening Balance	-	-
Current-year receipts	18,676,874	54,375,795
Conditions met - transferred to revenue	(18,676,874)	(54,375,795)
Other	-	-
	<u>-</u>	<u>-</u>

The Regional Bulk Infrastructure Grant is a conditional grant to supplement financing for the development of the regional bulk water infrastructure and regional bulk sanitation collection as well as regional water and waste water treatment works .

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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28. Government grants and subsidies (continued)

29.10 Municipal Disaster Relief Grant

Current-year receipts	6,440,000	-
Conditions met - transferred to revenue	(2,104,408)	-
	<u>4,335,592</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The grant is used for purchase of Personal protection equipment relating to COVID 19.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
29. Employee related costs		
Basic	35,816,783	33,353,310
Bonus	2,581,110	2,498,281
Medical aid - company contributions	2,281,085	1,948,926
UIF	339,580	308,797
SDL	413,986	347,324
Other payroll levies	-	16,286
Leave pay provision charge	188,437	1,364,637
Pension contributions	5,492,694	5,330,722
Travel, motor car, accommodation, subsistence and other allowances	1,234,945	981,031
Overtime payments	2,899,345	3,090,743
Long-service awards	273,000	251,000
Acting allowances	95,105	101,613
Housing benefits and allowances	513,787	498,760
	52,129,857	50,091,430
Remuneration of municipal manager - EM Moncho (Appointed 1 July 2018)		
Annual Remuneration	611,250	626,230
Travel Allowance	330,791	289,561
Housing Allowance	154,413	154,413
Contributions to UIF, Medical and Pension Funds	13,073	10,324
Leave pay	56,160	-
	1,165,687	1,080,528
Mrs Moncho was appointed from 1 July 2018 until 30 June 2022,		
Remuneration of Chief Financial Officer - MM Motswaledi (Appointed 1 June 2017)		
Annual Remuneration	555,859	593,895
Travel Allowance	300,596	262,560
Contributions to UIF, Medical and Pension Funds	144,028	138,590
	1,000,483	995,045
Remuneration of the HOD Corporate Services - CD Lentsoe (Appointed May 2012)		
Annual Remuneration	566,583	566,583
Travel Allowance	183,506	183,506
Contributions to UIF, Medical and Pension Funds	148,700	145,300
	898,789	895,389
Remuneration of the HOD Technical Services - TM Thage (Appointed April 2021)		
Annual Remuneration	671,333	169,403
Travel Allowance	390,231	87,155
Contributions to UIF, Medical and Pension Funds	12,134	2,888
Cellphone allowance	9,000	2,250
	1,082,698	261,696

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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30. Remuneration of councillors

Annual remuneration	4,263,308	3,598,160
	4,263,308	3,598,160

Remuneration of Mayor- NL Mase (March 2020)

Councillor salary	537,326	526,171
Medical aid contributions	33,098	29,137
Pension contributions	24,932	49,864
Travel allowance	195,410	201,516
Cellphone allowance	40,800	40,800
Data allowance	109	-
	831,675	847,488

In-kind benefits

The mayor is provided with an office at the cost of the Council.

The Mayor has the use of Council owned vehicles and a driver for official duties.

Remuneration of Councillor - J Louw (August 2016)

Councillor salary	68,846	191,318
Medical aid contributions	-	-
Pension contributions	-	-
Travel allowance	22,949	63,772
Cellphone allowance	14,682	40,800
Data allowance	1,295	3,600
	107,772	299,490

Remuneration Councillor - WJ Potgieter (August 2016)

Councillor salary	217,418	213,500
Medical aid contributions	-	-
Pension contributions	30,882	32,025
Travel allowance	82,803	81,841
Cellphone allowance	40,800	40,800
Data allowance	3,600	3,600
	375,503	371,766

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Remuneration of councillors (continued)		
Remuneration of Councillor - AK Zalisa (June 2015)		
Councillor salary	77,677	213,500
Medical aid contributions	-	-
Pension contributions	10,675	32,025
Travel allowance	29,451	81,841
Cellphone allowance	14,682	40,800
Data allowance	1,295	3,600
	133,780	371,766
Remuneration of Councillor - JD Tshekedi (August 2016)		
Councillor salary	70,151	195,158
Medical aid contributions	13,481	29,137
Pension contributions	9,645	29,273
Travel allowance	30,341	84,315
Cellphone allowance	14,682	40,800
Data allowance	1,295	3,600
	139,595	382,283
Remuneration of Councillor - KG Freddie (August 2016)		
Councillor salary	77,677	213,500
Medical aid contributions	-	-
Pension contributions	10,675	32,025
Travel allowance	29,451	81,841
Cellphone allowance	14,682	40,800
Data allowance	1,295	3,600
	133,780	371,766
Remuneration of Councillor - T Cross (August 2016)		
Councillor salary	80,703	221,818
Medical aid contributions	-	-
Pension contributions	11,091	33,272
Travel allowance	-	-
Cellphone allowance	14,682	40,800
Data allowance	1,295	3,600
	107,771	299,490

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Remuneration of councillors (continued)		
Remuneration of Councillor - LR Namelang (December 2020)		
Councillor salary	212,873	135,467
Medical aid contributions	52,515	21,387
Pension contributions	11,091	19,409
Cellphone allowance	40,800	24,771
Data allowance	3,600	2,185
	320,879	203,219
Remuneration of Councillor - TE Mokola (September 2017)		
Councillor salary	65,903	181,505
Medical aid contributions	17,434	41,034
Pension contributions	9,075	27,225
Travel allowance	29,451	81,841
Cellphone allowance	14,682	40,800
Data allowance	1,295	3,600
	137,840	376,005
Remuneration of Councillor - MA Mochane (August 2018)		
Councillor salary	-	41,590
Medical aid contributions	-	-
Pension contributions	-	6,238
Travel allowance	-	15,943
Cellphone allowance	-	10,200
Data allowance	-	900
	-	74,871
Remuneration of Councillor - KC Mekhoa (November 2021)		
Councillor salary	143,888	-
Pension contributions	19,409	-
Cellphone allowance	26,118	-
Data allowance	2,305	-
	191,720	-
Remuneration of Councillor - L Valtyn (November 2021)		
Councillor salary	178,305	-
Pension contributions	24,123	-
Cellphone allowance	26,118	-
Data allowance	2,305	-
	230,851	-
Remuneration of Councillor - MF Mokitimi (November 2021)		
Councillor salary	176,932	-

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Remuneration of councillors (continued)		
Medical contributions	1,579	-
Pension contributions	23,917	-
Cellphone allowance	26,118	-
Data allowance	2,305	-
	230,851	-
Remuneration of Councillor - B Mokomela (November 2021)		
Councillor salary	187,463	-
Pension contributions	24,768	-
Cellphone allowance	26,118	-
Data allowance	2,305	-
	240,654	-
Remuneration of Councillor - LO Amose (November 2021)		
Councillor salary	172,922	-
Medical contributions	6,190	-
Pension contributions	23,315	-
Cellphone allowance	26,118	-
Data allowance	2,305	-
	230,850	-
Remuneration of Councillor - CM Mere (November 2021)		
Councillor salary	154,583	-
Pension contributions	20,564	-
Travel allowance	27,281	-
Cellphone allowance	26,118	-
Data allowance	2,305	-
	230,851	-
Remuneration of Councillor - D Watson (November 2021)		
Councillor salary	143,888	-
Pension contributions	19,409	-
Cellphone allowance	26,118	-
Data allowance	2,305	-
	191,720	-
Remuneration of Councillor - BG Plata (November 2021)		
Councillor salary	351,928	-
Pension contributions	49,065	-
Cellphone allowance	26,118	-
Data allowance	109	-
	427,220	-

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
31. Depreciation and amortisation		
Property, plant and equipment	25,996,847	32,084,620
32. Impairment of assets		
Impairments		
Property, plant and equipment	411,000	1,663,395
The recoverable amount of all assets were assessed at year-end and it was found that certain assets had a recoverable amount less than the carrying value, therefore an impairment loss was raised.		
33. Finance costs		
Trade and other payables	3,153,795	2,736,862
Employee benefit liability	438,000	323,000
Landfill rehabilitation provision	1,855,459	1,258,664
	5,447,254	4,318,526
34. Debt impairment		
Contributions to debt impairment provision	35,611,346	36,857,296
35. Bulk purchases		
Electricity	24,641,490	21,469,440
Water	11,329,057	7,380,702
	35,970,547	28,850,142
36. Contracted services		
Outsourced Services		
Burial Services	10,491	7,151
Business and Advisory	3,118,874	3,333,702
Catering Services	32,368	21,483
Consultants and Professional Services		
Business and Advisory	3,422,402	616,024
Legal Cost	170,883	326,643
Contractors		
Employee Wellness	43,995	46,608
Maintenance of Buildings and Facilities	397,471	-
Safeguard and Security	878,438	24,000
	8,074,922	4,375,611
37. Unauthorised debit orders		
Unauthorised debit orders	911,601	801,711

The unauthorised debit order amounts arise from unauthorised debit orders that were debited to the bank account of the municipality. Correspondence from the bank indicated that the monies are not recoverable, therefore an expense was recognised in this regard.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
38. Operational Costs		
Advertising, publicity and marketing	81,665	63,344
Bank Charges, Facility and Card Fees	260,154	620,820
Bursaries	207,486	684,929
Commission paid	2,186,907	117,350
Communication	858,078	969,332
Assets less than the capitalisation threshold	22,642	-
Drivers Licences and Permits	120,622	148,159
Entertainment	106,349	46,017
External Audit fees	1,008,744	2,787,537
External Computer Services	3,199,714	1,803,290
Hire	(208,139)	725,535
Insurance Underwriting	225,967	274,350
Management Fee	223,606	281,566
Printing and stationery	-	2,334
Subscriptions and membership fees	508,705	501,219
Tourism development	-	284,000
Travel and Subsistence	593,175	201,745
Uniform and Protective clothing	224,031	135,192
	9,619,706	9,646,719
39. Inventory consumed		
Materials, supplies and other consumables	8,350,066	5,191,306
	8,350,066	5,191,306
40. Fair value adjustments		
Investment property (Fair value model)	-	-
41. Auditors' remuneration		
Fees	1,008,744	2,787,537

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
42. Cash generated from operations		
(Deficit) surplus	(24,709,291)	5,197,170
Adjustments for:		
Depreciation and amortisation	25,996,847	32,084,620
(Gain)/Loss on sale of assets and liabilities	699,740	176,176
Contributed Property, plant and equipment	(6,026,354)	(15,000)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	411,000	1,663,395
Debt impairment	35,611,346	36,857,296
Bad debts written off	-	139,926
Movements in operating lease assets and accruals	-	833
Contribution from/to provisions - Non-Current Employee Benefits	138,000	851,000
Change in Provision for Rehabilitation Cost	1,855,459	1,258,664
Contribution from/to - Current Employee Benefits	(319,270)	1,150,833
Government grants - Non-cash	(4,099,025)	(2,758,651)
Public contributions	(326,348)	-
Changes in working capital:		
Inventory	(1,050)	8,049
Trade and other Receivables	(35,819,652)	(93,677,272)
Payables from exchange transactions	24,169,086	22,081,720
Taxes Receivable	(85,527)	2,183,650
Unspent conditional grants and Public Donations	(1,504,006)	1,048,177
Unpaid conditional grants	-	1,292,460
Unpaid conditional grants	127,842	-
	16,118,797	9,543,046
43. Commitments		
Authorised capital expenditure		
Already contracted for but not recognised		
• Property, plant and equipment	80,781,916	67,892,844
Total capital commitments		
Already contracted for but not recognised	80,781,916	67,892,844
Total commitments		
Total commitments		
Authorised capital expenditure	80,781,916	67,892,844

This committed expenditure relates to property and will be financed by government grants.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
44. Contingent liability		
Beckley VD vs Magareng LM	68,979	68,798
This relates to a dispute on the valuation and clearance amounts. The matter is currently still before the courts.		
TL Galane vs Magareng LM	32,835	32,835
This relates to a civil claim and the matter is before the court. The municipality filed a notice to defend the matter through the Office of the State Attorney.		
	101,814	101,633

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

45. Related parties

Relationships
Councillors

Accounting Officer
Members of key management

Mayor
Part-time Councillors
Municipal Manager
Chief financial Officer
HOD Corporate Services
HOD Technical Services

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Related party transactions

2022 Councillors	Rates - Levied 1 Jul 2021 - 30 June 2022	Service charges - Levied 1 July 2021 - 30 June 2022	Other - Levied 1 July 2021 - 30 June 2022	Outstanding balance
J Louw (previous councillor)	-	1,953	239	12,054
T Cross (previous councillor)	395	1,638	374	14,773
DJ Tshekedi (previous councillor)	226	649	378	17,403
K Freddie (previous councillor)	-	1,698	64	4,163
KA Zalisa (previous councillor)	1,073	649	357	13,466
T Mokola (previous councillor)	-	1,398	1,463	80,354
W Potgieter (current councillor)	4,121	26,667	-	2,244
N Mase (current mayor)	4,460	8,430	67	17,642
N Mokomela (current councillor)	-	-	(8)	(8)
O Amose (current councillor)	-	1,748	8	1,756
	10,275	44,830	2,942	163,847
2022 Municipal Manager and Section 57 Employees	Rates - Levied 1 Jul 2021 - 30 June 2022	Service charges - Levied 1 July 2021 - 30 June 2022	Other - Levied 1 July 2021 - 30 June 2022	Outstanding balance
EM Moncho (Municipal Manager)	5,024	961	2	459
C Lentsoe (HOD Corporate services)	3,363	9,838	(685)	3,632
	8,387	10,799	(683)	4,091
2021 Councillors	Rates - Levied 1 Jul 2020 - 30 June 2021	Service charges - Levied 1 July 2020 - 30 June 2021	Other - Levied 1 July 2020 - 30 June 2021	Outstanding balance
N Mase	4,459	6,118	-	29,836
JD Tshekedi	677	1,874	1,071	17,349
Ak Zalisa	3,217	2,026	817	11,986
J Louw	-	5,629	566	11,062
KG Freddie	-	3,905	51	2,507
TE Cross	1,185	4,838	899	13,566
WJ Potgieter	4,120	23,805	-	3,475
T Mokola	-	4,037	4,143	77,492
	13,658	52,232	7,547	167,273

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022			2021
45. Related parties (continued)				
2021	Rates - Levied	Service	Other - Levied	Outstanding
Municipal Manager and Section 57	1 Jul 2020 - 30	charges -	1 July 2020 -	balance
Employees	June 2021	Levied 1 July	30 June 2021	
		2020 - 30 June		
		2021		
EM Moncho (Municipal Manager)	5,024	1,013	-	466
C Lentsoe (HOD Corporate services)	3,669	18,882	56	6,237
	<u>8,693</u>	<u>19,895</u>	<u>56</u>	<u>6,703</u>

Compensation to the accounting officer and other key management is disclosed under notes 28 and 29.

46. Unauthorised expenditure

Opening balance as previously reported	178,455,409	120,511,833
Opening balance as restated	178,455,409	120,511,833
Add: Expenditure identified - current	-	57,943,576
Closing balance	178,455,409	178,455,409

Reconciliation of operating and capital expenditure versus actual:

Operating expenditure per vote	Adjusted budget	Actual expenditure	Variance	Unauthorised expenditure
Vote 01 - Executive & Council	9,979,870	5,890,015	4,089,855	-
Vote 02 - Office Of The Municipal Manager	2,319,717	431,906	1,887,811	-
Vote 03 - Corporate Services	11,972,743	6,744,820	5,227,923	-
Vote 04 - Financial Services	39,858,194	32,564,131	7,294,063	-
Vote 05 - Municipal Infrastructure	52,721,112	48,041,739	4,679,373	-
Vote 07 - Public Safety & Transport	10,817,886	4,249,695	6,568,191	-
Vote 09 - Planning & Development	3,166,037	1,647,783	1,518,254	-
	130,835,559	99,570,089	31,265,470	-
Capital expenditure per vote	Adjusted budget	Actual expenditure	Variance	Unauthorised expenditure
Vote 05 - Municipal Infrastructure	32,340,000	-	-	-

47. Fruitless and wasteful expenditure

Opening balance as previously reported	14,943,934	14,091,372
Opening balance as restated	14,943,934	14,091,372
Current Year	3,153,795	801,711
Add: Expenditure identified - prior period	-	50,851
Written off by Council	-	-
Fruitless and wasteful expenditure awaiting further action	18,097,729	14,943,934

Details of fruitless and wasteful expenditure - current year

	Disciplinary steps taken/criminal proceedings	
Unauthorised debit orders - Prior year	Awaiting Council decision	- 50,851
Unauthorised debit orders - Current year	Awaiting Council decision	- 801,711
		- 852,562

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
48. Irregular expenditure		
Opening balance as previously reported	79,783,662	53,679,109
Opening balance as restated	79,783,662	53,679,109
Current Year	26,857,695	11,133,399
Add: Prior year irregular expenditure identified in current year	-	14,971,154
Less: Amounts recoverable - current	31,970,275	-
Written off by Council	-	-
Closing balance	138,611,632	79,783,662

Details of irregular expenditure for current and prior year

	Disciplinary steps taken/criminal proceedings		
Various contraventions of procurement transcripts	Awaiting council decision	31,970,275	26,104,553

49. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

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. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

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 June 30, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer Deposits	1,034,517	-	-	-
Employee benefit obligations	6,726,028	-	-	-
Payables from exchange transactions	261,658,530	-	-	-
Unspent Grants	4,658,156	-	-	-
At June 30, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer Deposits	1,002,568	-	-	-
Employee benefit obligation	7,106,298	-	-	-
Payables from exchange transactions	241,417,425	-	-	-
Unspent Grants	6,706,458	-	-	-

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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49. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of Ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 5 and 7 for balances included in receivables that were re-negotiated for the period under review.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, and therefore it is not exposed to interest rate risk.

The municipality is only exposed to interest rate risk upon the usage of their overdraft facility, which would represent an interest bearing liability at that time.

Foreign exchange risk

The municipality does not engage in foreign exchange transactions.

Price risk

The municipality is not exposed to price risk.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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50. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	6,842,892	6,842,892
Other receivables from non-exchange transactions	-	-
Consumer debtors	-	-
Cash and cash equivalents	241,514	241,514
	7,084,406	7,084,406

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	257,793,901	257,793,901
Consumer deposits	1,034,517	1,034,517
	-	-
	258,828,418	258,828,418

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	9,672,913	9,672,913
Cash and cash equivalents	6,674,175	6,674,175
	16,347,088	16,347,088

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	238,146,173	238,146,173
Consumer deposits	1,002,568	1,002,568
Unspent grants	6,706,458	6,706,458
	245,855,199	245,855,199

51. Events after the reporting date

The Accounting Officer further is not aware of any other matter or circumstance arising since the end of the financial year requiring disclosure or adjustment.

52. Public contributions and donations

1% Audit fee assistance	326,348	649,039
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The municipality received assistance during the period under review relating to payments made to the Auditor-General by the Northern Cape Provincial Treasury.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
53. Contributed Property, Plant and Equipment		
Donation of printer	-	15,000
54. Private Public Partnerships		
Council has not entered into any private public partnerships during the financial year.		
55. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	500,000	523,692
Current year subscription / fee	551,875	495,269
Amount paid - current year	(517,500)	(518,961)
Amount paid - previous years	-	-
	534,375	500,000
The previous year disclosure was adjusted to agree to supplier statement.		
Balance previously reported: R218 961		
Material losses		
Electricity distribution losses (kWh)		
Purchased	12,212,964	13,154,840
Sold	(9,274,013)	(9,468,032)
kWh Losses	2,938,951	3,686,808
% Losses	24.06%	28,03
Average cost per kWh unit	1.82	1,64
Losses in Rand Value	5,354,240	6,042,591
Water distribution losses (kilolitres)		
Purchased	2,424,781	1,733,446
Sold	(433,012)	(500,798)
Kilolitre Losses	1,991,769	1,232,648
% Losses	82%	71%
Average cost per kilolitre	4.11	3,3
Losses in Rand Value	8,177,190	4,064,642

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	3,377,599	2,596,685
Current year subscription / fee	1,326,523	2,840,914
Amount paid - current year	(370,392)	-
Amount paid - previous years	(2,563,876)	(2,060,000)
	<u>1,769,854</u>	<u>3,377,599</u>

Amounts disclosed are inclusive of VAT.

The prior year subscription was increased by R22 042 to agree to statement from supplier.

Amount previously disclosed: R3 301 112

PAYE and UIF and SDL

Opening balance	1,128,793	823,490
Current year subscription / fee	7,426,904	6,896,206
Amount paid - current year	(6,376,914)	(5,667,856)
Amount paid - previous years	(1,128,900)	(923,047)
	<u>1,049,883</u>	<u>1,128,793</u>

The prior year was restated to agree to the SARS statement. Refer to note 60 for more information.

Pension and Medical Aid Deductions

Opening balance	2,437,007	2,746,164
Current year subscription / fee	12,238,848	12,003,849
Amount paid - current year	(9,348,353)	(9,566,842)
Amount paid - previous years	(2,437,007)	(2,746,164)
	<u>2,890,495</u>	<u>2,437,007</u>

VAT

VAT receivable	30,576,043	29,207,577
VAT payable	-	-
	<u>30,576,043</u>	<u>29,207,577</u>

Balance previously reported	29,207,577
Correction of error - refer to note 47	-
Restated balance	<u>29,207,577</u>

VAT output payables and VAT input receivables are shown in note 5.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2022:

June 30, 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor J Louw (1004957) (previous councillor)	1,662	10,392	12,054
Councillor TE Cross (1006966) (previous councillor)	1,809	12,964	14,773
Councillor DJ Tshekedi (1009767) (previous councillor)	941	16,462	17,403
Councillor KG Freddie (1016017) (previous councillor)	1,314	2,850	4,164
Councillor KG Freddie (1200108) (previous councillor)	-	105	105
Councillor AK Zalisa (1016038) (previous councillor)	1,563	11,902	13,465
Councillor T Mokola (1008597) (previous councillor)	2,150	78,204	80,354
Councillor W Potgieter (1000894) (current councillor)	343	-	343
Councillor Potgieter (1000899) (current councillor)	1,901	-	1,901
Mayor N Mase (1012953) (current councillor)	2,788	3,951	6,739
Mayor N Mase (1012953) (current councillor)	-	10,904	10,904
Councillor N Mkomela (1014421) (current councillor)	(8)	-	(8)
Councillor O Amose (1016575) (current councillor)	1,056	699	1,755
	-	-	-
	15,519	148,433	163,952

June 30, 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor N Mase (1012953)	932	1,500	2,432
Councillor N Mase (1200103)	-	27,404	27,404
Councillor JD Tshekedi (1009767)	909	16,441	17,350
Councillor J Louw (1004956)	-	-	-
Councillor J Louw (1004957)	1,533	9,529	11,062
Councillor AK Zalisa (1016038)	1,521	10,466	11,987
Councillor AK Zalisa (1015831)	-	-	-
Councillor KG Freddie (1016017)	1,201	400	1,601
Councillor KG Freddie (1200108)	-	905	905
Councillor TE Cross (1006966)	1,731	11,835	13,566
Councillor Potgieter (1000894)	343	-	343
Councillor Potgieter (1000899)	3,131	-	3,131
Councillor T Mokola (1008597)	2,080	75,412	77,492
Councillor MA Mochane (1006254)	4,928	174,012	178,940
Councillor B Mhaleni Ex-Mayor (1016037)	-	-	-
	18,309	327,904	346,213

Non-compliance with Municipal Finance Management Act and other Legislation

Non-compliance with Municipal Finance Management Act

During the current financial year the following non-compliance issues were identified:

Non-compliance with MFMA sec 65(2)(e)

Money owing by the municipality was not paid within 30 days of receiving the relevant invoice or statement from the supplier, due to cashflow challenges caused by low revenue collection rates.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Although the accounting officer has taken reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds as required by Section 65(2)(a) of the MFMA, there are still deficiencies.

Other Non-compliances with the MFMA

Section 9(b) of the MFMA requires that annually before the start of a financial year, then name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA.

The municipality did not comply with MFMA Chapter 4 sub-section 15 with regards to expenditure only being incurred in terms of an approved budget.

Non-compliance with the Municipal systems Act

A credit control and debt collection policy was not fully implemented, as required by section 96(b) of the MSA.

56. Covid 19 disclosure

COVID-19 - Background

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. .

COVID-19 - Impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community.

Description of goods	2022	2021
Hand Sanitizers	-	64,432
Gloves		
Eye Protection Goggles		
Medical Masks		
Anti-bacteria Soap		
Gown Suits		
Chemicals		
Partitioning for the offices	-	119,559
Cloth Face Masks	-	18,265
Protective clothing		
Safety officer salaries	-	143,431
Jojo tanks		472,26
Toilets		
	-	817,956

The Covid-19 response expenditure is funded from the following sources:

Grant Funding - Disaster Management Grant	-	817,956
	-	817,956

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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57. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Principal in other Principal-Agent Arrangements (non-material)

Magareng Municipality is the Principal in arrangements with various service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

Compensation paid for agency activities

Commission	2,186,907	117,350
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Magareng Municipality paid 6% commission to various service providers for acting as an agent on its behalf during the financial year.

Agent in arrangement

Magareng Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Trade and Other Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

Magareng Municipality is also the Agent in the Principal-Agent arrangements with various third parties for authorised salary deductions from officials. The municipality receives commission on the total funds deducted on a monthly basis. The amount received is recorded Operational Revenue in the Statement of Financial Performance.

In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

Compensation received for agency activities

Commission	134,494	56,502
Agency services	86,523	158,716
	<u>221,017</u>	<u>215,218</u>

Magareng Municipality received 12% commission from the Provincial Department of Transport for acting as an agent on their behalf during the financial year. The municipality also receives commission based on third parties.

There are no resources under the custodianship of Magareng Municipality, nor have they been recognised as such.

Magareng Municipality acts as an agent by incurring expenditure on behalf of Department of Water and Sanitation. The department allocates an in-kind grant to the municipality and the municipality pays the suppliers on behalf of the department. In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

There are no resources under the custodianship of Magareng Municipality, nor have they been recognised as such.

Compensation received for agency activities

Government grants	18,676,874	54,375,795
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Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

58. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory receivables of the Municipality are classified as follows:

Taxes		
Vat Receivable	-	-
Receivables from non-exchange transactions	30,207,276	29,256,689
Rates		
Fines	71,198,570	63,165,596
	31,309,412	31,245,352
Total Statutory Receivables (before provision)	132,715,258	123,667,637
Less: Provision for Debt Impairment	(96,878,468)	(90,599,692)
Total Statutory Receivables (after provision)	35,836,790	33,067,945

Statutory Receivables arises from the following legislation:

Taxes - Value Added Tax Act (89 of 1991)

Rates - Municipal Properties Rates Act (No 6 of 2004)

Fines - Criminal Procedures Act

Statutory receivables are initially measured at transaction value, and subsequently at cost.

For the ageing of statutory receivables past due, not impaired, please refer to note 5.

For the ageing of statutory receivables past due and impaired, please refer to note 5.

The ageing of property rates is as follows:

Property rates: Ageing

Current (0-30 days)	1,062,724	1,286,309
31 to 60 days	1,016,864	1,204,843
61 - 90 days	955,334	1,187,750
91 days	68,163,648	59,486,694
Less: Impairment	(66,096,573)	(59,420,431)
	5,101,997	3,745,165

Reconciliation of provision for impairment of receivables from non-exchange transactions

Balance at the beginning of the year	(90,599,692)	(81,330,068)
Contribution (to) / from allowance property rates	(3,644,564)	(6,210,440)
Contribution (to) / from the interest property rates	(2,598,457)	(2,874,664)
Contribution (to) / from allowance traffic fines	(35,755)	(184,520)
	(96,878,468)	(90,599,692)

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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59. Going concern

We draw attention to the fact that at 31 January 2022, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The Provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. Unspent Grants (Previously known as Funds to be surrendered) are not fully cash backed as required.
3. The Municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
4. The consumer debtors days outstanding increased to 4683 days from (2021: 2068 days)
5. Electricity distribution losses (technical and non-technical) have increased to 28% (2020: 10%) and the water distribution losses has increased to 17% from (2020: 84%)
6. The municipality's current liabilities exceeds it's current assets by R200 158 603 (2021: R205 099 415) current ratio which is below the required norm of 1.5 - 2.
7. The municipality incurred a net surplus for the year under review of R3 226 043 (2021: R10 238 719).

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore, the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cashflow by improving on the debt recoverability.

The main consideration is the fact that the municipality as a government institution, would technically always remain a going concern due to the fact that a municipality has the legal constitutional authority to levy rates and taxes, and that even if the municipality experiences liquidity problems, it would always exist. The municipality will also continue to receive funding from government as is evident from the Equitable Share allocation in terms of the Division of Revenue Act.

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

60. Prior period 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:

1. The municipality investigated uncleared suspense accounts. The Sundry payables opening balance was derecognised in accordance with GRAP 3.44. The correction results in the decrease in Payables from exchange transactions by R508 323 and the increase in Opening Accumulated Surplus by R508 323.
2. The municipality investigated uncleared suspense accounts. The Sundry receivables opening balance was derecognised in accordance with GRAP 3.44. The correction results in the decrease in Receivables from Exchange transactions by R3 578 031 and the decrease in Opening Accumulated Surplus by R3 578 031. Furthermore in 2021, duplicate prepaid electricity receipts of R517 783 were identified in the suspense accounts. The correction results in the decrease of Service charges - Electricity by R517 783 and the decrease in Receivables from non Exchange transactions by the same amount.
3. Capital projects completed in 2021 were not transferred to the asset register and depreciated. The correction of this error results in the decrease in Work in Progress by R 28 851 562 and the increase in Infrastructure Cost by the same amount. Accumulated depreciation increases by R1 653 214 and Depreciation expense increases by the same amount. The net result being an decrease in Property, plant and equipment by R1 653 214 and increase in Depreciation by the same amount.
4. The SARS PAYE control account was reconciled and a difference of R99 660 between the SARS statement and salary control account was identified. Since the correction predates 1 July 2020, the correction results in the decrease in Payables from exchange by R99 660 and increase in Opening Accumulated surplus by the same amount.
5. A significant debtor was incorrectly charged for electricity and interest in prior years. The correction to the account results in the decrease in debt impairment by R958 087 and the increase in Interest from exchange transactions by the same amount. Since the debtor was fully impaired, the net balance of Receivables from exchange transactions remains unchanged. The gross balance decreased by R12 804 267 and the impairment balance decreased by the same amount.
6. Certain invoices were not recorded in 2021, resulting in the increase in VAT receivable by R49 112, the increase in Payables from Exchange transactions by R376 628, the increase in Bulk purchases by R24 256 and the increase in Contracted services by R303 261.
7. The expenditure on the RBIG grant was incorrectly recognised as Work in progress, rather than a receivable. The correction results in the decrease in Property, plant and equipment by R47 283 300 and the decrease in Receivables from Non-exchange transactions by the same amount.

Statement of financial position

2021

	As previously reported	Correction of error	Restated
Payables from exchange transactions	(241,648,779)	231,355	(241,417,424)
Opening accumulated surplus	(142,054,727)	2,970,048	(139,084,679)
Receivables from non-exchange transactions	8,589,128	43,187,486	51,776,614
Property, plant and equipment	347,790,304	(48,936,514)	298,853,790
VAT receivable	29,207,577	49,112	29,256,689
	1,883,503	(2,498,513)	(615,010)

Statement of financial performance

Magareng Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	
60. Prior period errors (continued)			
2021			
	As previously reported	Correction of error	Restated
Depreciation and amortisation	30,431,406	1,653,214	32,084,620
Service charges	(33,762,710)	517,783	(33,244,927)
Interest earned - Exchange transactions	(12,518,614)	958,087	(11,560,527)
Debt Impairment	37,815,383	(958,087)	36,857,296
Bulk purchases	28,825,887	24,256	28,850,143
Contracted services	4,072,350	303,260	4,375,610
Surplus for the year	54,863,702	2,498,513	57,362,215