

# Pixley Ka Seme District Municipality

Annual Report  
2021/22



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

### Component A: Mayor's Foreword



Will be inserted before the final report is submitted to Council in March 2023.

UR Itumeleng  
EXECUTIVE MAYOR

Council Draft

## Component B: Executive Summary

### Municipal Manager's Overview



Will be inserted before the final report is submitted to Council in March 2023.

**Mr RE Pieterse**  
**MUNICIPAL MANAGER**

Council Draft

## 1.2 Municipal Overview

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

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

### 1.2.1 Vision and Mission

*The Municipality committed itself to the vision and mission of:*

#### Vision:

**“Developed and Sustainable District for Future Generations”**

#### Mission:

- ✿ Supporting our local municipalities to create a home for all in our towns, settlements and rural areas to render dedicated services;
- ✿ Providing political and administrative leadership and direction in the development planning process;
- ✿ Promoting economic growth that is shared across and within communities;
- ✿ Promoting and enhancing integrated development planning in the operations of our municipalities; and
- ✿ Aligning development initiatives in the district to the National Development Plan.

#### Strategic Objectives:

- ✿ Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome;
- ✿ Compliance with the tenets of good governance as prescribed by legislation and best practice;
- ✿ Guide local municipalities in the development of their IDP's and in spatial development;
- ✿ Monitor and support local municipalities to enhance service delivery;
- ✿ Promote economic growth in the district;
- ✿ To provide a professional, people-centered human resources and administrative service to citizens, staff and Council;
- ✿ To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined;
- ✿ To provide disaster management services to the citizens; and
- ✿ To provide municipal health services to improve the quality of life of the citizens.

### 1.2.2 Municipal Area at a Glance

| Total municipal area                                                            |     | 103 410 km²                             |     | Demographics (Stats SA Estimates 2019)                             |         |                                                               |        |
|---------------------------------------------------------------------------------|-----|-----------------------------------------|-----|--------------------------------------------------------------------|---------|---------------------------------------------------------------|--------|
|                                                                                 |     |                                         |     | Population                                                         | 203 788 | Households                                                    | 58 975 |
| Selected statistics                                                             |     |                                         |     |                                                                    |         |                                                               |        |
| Total population intercensal growth rate (2011-2016)                            |     | 1.05%                                   |     | Population density(persons/km²)                                    |         | 1,9                                                           |        |
| Matric pass rate 2020                                                           |     | 66% (Northern Cape)<br>67.3% (District) |     | Proportion of households earning less than R4500 per annum in 2019 |         | 11.51%                                                        |        |
| Access to basic services- minimum service level*                                |     |                                         |     |                                                                    |         |                                                               |        |
| Water                                                                           | 99% | Sanitation                              | 89% | Electricity                                                        | 89.8%   | Refuse removal                                                | 74.2%  |
| Education                                                                       |     |                                         |     |                                                                    |         |                                                               |        |
| Persons aged 20 years+ who have completed grade 12 (2016)                       |     | 34 929                                  |     | Higher education                                                   |         | 5.4%                                                          |        |
| Economy                                                                         |     |                                         |     | Labour Market in 2011                                              |         |                                                               |        |
| GDPR Northern Cape in 2011                                                      |     | 2.2%                                    |     | Unemployment rate                                                  |         | 28.3%                                                         |        |
| GDPR South Africa in 2011                                                       |     | 3.5%                                    |     | Youth unemployment rate (ages 15 to 34)                            |         | 35.4%                                                         |        |
| Largest sectors (using the relative size of the provincial economy by industry) |     |                                         |     |                                                                    |         |                                                               |        |
| Finance and business services                                                   |     | Mining                                  |     | Government services                                                |         | Wholesale, retail and motor trade; catering and accommodation |        |
| 11.6%                                                                           |     | 26.7%                                   |     | 12.8%                                                              |         | 9.9%                                                          |        |
| Health in Pixley Ka Seme District                                               |     |                                         |     |                                                                    |         |                                                               |        |
| Health care facilities (hospitals/clinics /hospice)                             |     | Immunisation rate%                      |     | HIV prevalence rate                                                |         | Teenage pregnancies - delivery rate to women U/18%            |        |
| 44                                                                              |     | 69.9%                                   |     | 2.6%                                                               |         | 21.8%                                                         |        |
| Top Crimes in the District (2019/20)                                            |     |                                         |     |                                                                    |         |                                                               |        |
| Burglaries (Residential and business)                                           |     | Stock theft                             |     | Assault (GBH and Common)                                           |         | Theft (General)                                               |        |
|                                                                                 |     |                                         |     |                                                                    |         | Malicious Damage to Property                                  |        |

Table 1: Municipal Area at a Glance

### 1.2.3 Geographical Context

#### Spatial Location

The jurisdiction of the Pixley ka Seme District Municipality (as a category C Municipality) covers an area of 103 410km<sup>2</sup>, which is also 27,7% of the total area that constitutes the Northern Cape province.

This district municipal area is the eastern-most district Municipality within the Northern Cape, and borders on the Western Cape, Eastern Cape and Free State provinces.

The map below indicates the location of the Municipality in the province:

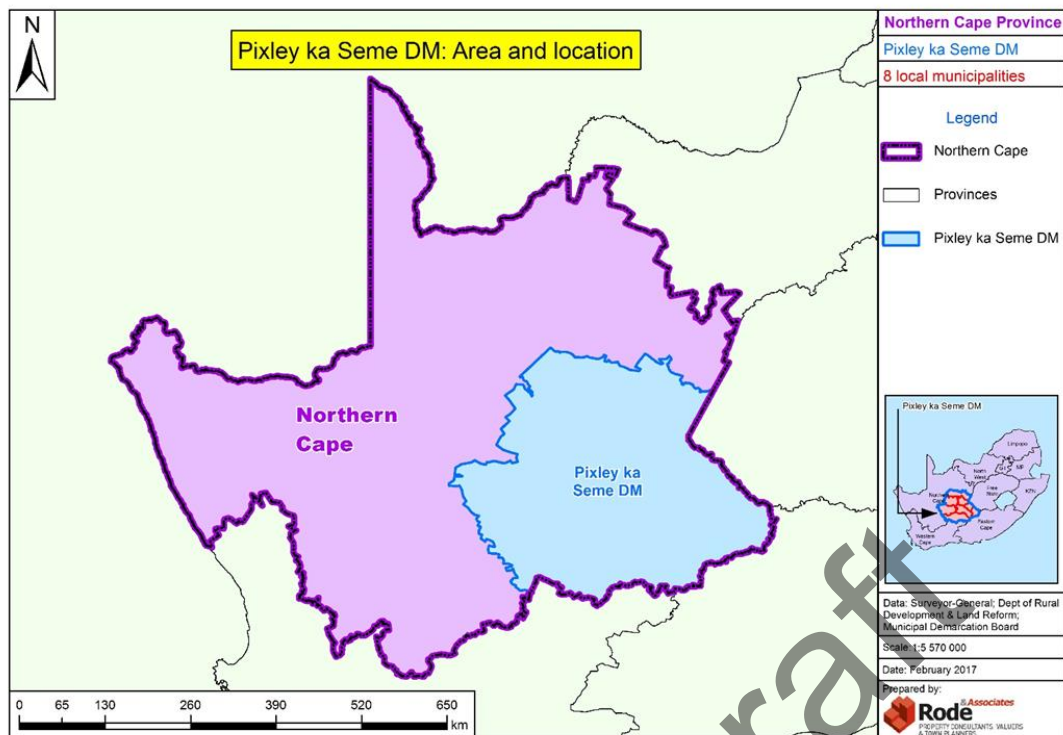


Figure 1 Locality map

There are 8 category B municipalities within the municipal area, viz. Emthanjeni, Kareeberg, Renosterberg, Siyancuma, Siyathemba, Thembelihle, Ubuntu and Umsobomvu. The following main towns in these category B municipalities represent an even spread throughout the district as central places and agricultural service centers: Douglas, Prieska, Carnarvon, Victoria West, Colesberg, Hopetown and De Aar. De Aar is the 'largest' of these towns. The closest major city to these towns is Bloemfontein in the Free State province.

**Emthanjeni Municipality:** comprising of the three towns De Aar, Britstown and Hanover. De Aar is the second most important railway junction in the country. When the railway line was built from Cape Town to Kimberley, the administration bought a large portion of the farm, De Aar, meaning coincidentally "artery", after underground water supply, envisaged as large life-giving veins of water.

**Kareeberg Municipality:** This Municipality comprises of three towns, that is, Carnarvon, Van Wyksvlei and Vosburg. The municipal area is the heart of the Karoo and the predominant economic activity is livestock farming. The possibilities of having Kilometre Array Telescope befit the landscape of the Municipality that is characterised by clear skies and less pollution. This Municipality is an entry point to the Western Cape Province from the Northern parts of the country.

**Renosterberg Municipality:** The Municipality is located on the banks of the Orange River. The Municipality was formed through the amalgamation of three towns, that is, Petrusville, Vanderkloof and Phillipstown.

The Municipality covers approximately 553 000 ha of land and forms about 5% of the total area of the district.

**Siyancuma Municipality:** This Municipality hosts the confluence of the Vaal and the Orange River. It comprises in the main of three towns, that is, Campbell, Douglas and Griekwastad and has densely populated rural settlement called Smitchdrift. The municipal area is richly endowed with precious and semi-precious stones, that is, diamonds and tiger's eye. Beneficiation of tiger's eye is on the high impact project identified in the District Growth and Development Strategy. The Municipality has a great tourism potential.

**Siyathemba Municipality:** This Municipality is located on the banks of the Orange River and boosts with massive and high scale irrigation farming, the river not only adds agricultural value to the Municipality but also boosts massive tourism and economic potential. The Municipality comprises of three towns, that is, Marydale, Prieska and Niekirkshoop. The Municipality has massive potential for mining activities of both precious and semi-precious stones. The Municipality also has the Alkantpan testing area where international and national ammunition testing is done.

**Thembelihle Municipality:** This Municipality is also located on the banks of the Orange River. The Municipality was formed through the amalgamation of three towns, that is, Hopetown, Strydenburg and Orania. The outcome of the dispute regarding Orania has not yet been decided upon and the uncertainty still exists as to where Orania is demarcated. N12 cuts through this municipal area and is a major boost to the economies of Hopetown and Strydenburg.

**Ubuntu Municipality:** The Municipality comprises of three towns that is Victoria West, Loxton and Richmond. The N12 and N1 pass through this Municipality and have a great tourism potential. The preliminary study in the district's Mining Strategy highlights that the Municipality is endowed with uranium deposits.

**Umsobomvu Municipality:** This Municipality comprises of three towns, that is, Colesberg, Norvalspont and Noupoot. N1 and N9 traverse through the Municipality. It shares borders with other municipalities in the Eastern Cape and Free State Provinces. In the district this Municipality is among the municipalities that hold massive tourism potential.

Two of the abovementioned towns, viz. Prieska and Carnarvon have in recent years changed character from small rural towns to potentially regional hubs as a result of investments in renewable energy generation and the Square Kilometre Array radio telescope project, respectively.

The map below indicates the municipal area divided into local municipalities with their main towns:

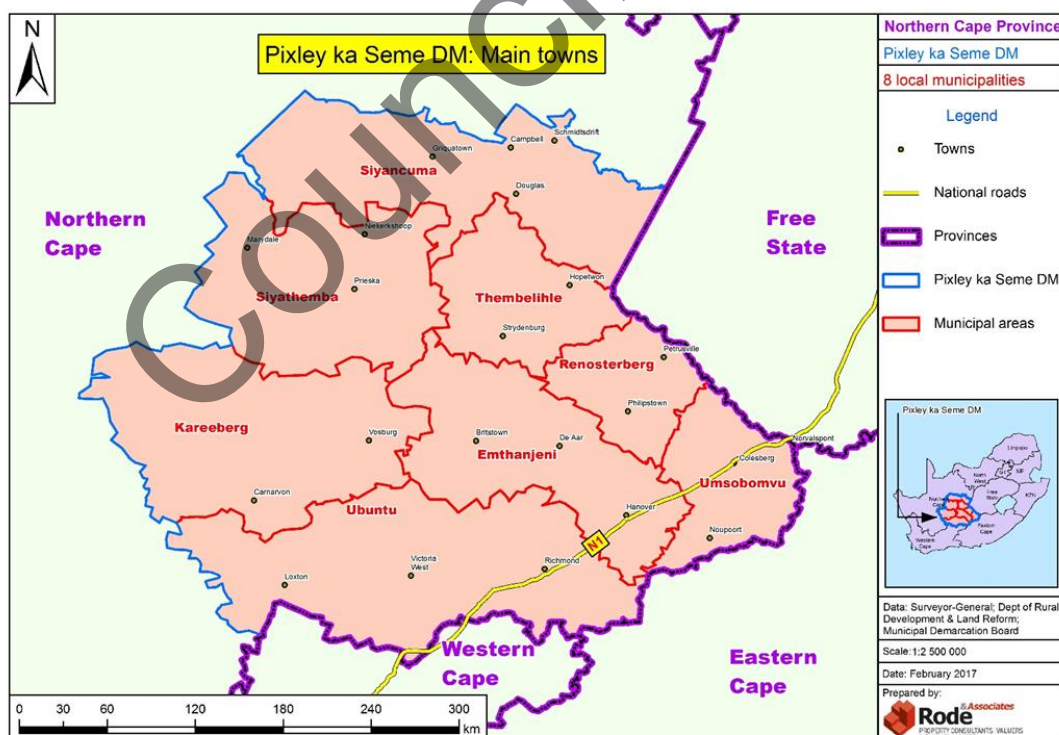


Figure 2 District Municipal Area Divided into Local Municipalities

### 1.2.4 Demographic Profile

#### Population

The table below indicates both an increase in the population size and the number of households between 2011 and 2019:

| Indicator            |               | 2011           | 2016           | 2019                         |
|----------------------|---------------|----------------|----------------|------------------------------|
| Population           |               | 186 351        | 195 595        | 203 788                      |
| Households           |               | 49 193         | 56 309         | 58 795                       |
| People per household |               | 3,8            | 3,5            | 3,5                          |
| Gender breakdown     | Males         | 92 068 (49,4%) | 97 594 (49.9%) | Data not currently available |
|                      | Females       | 92 284 (50,6%) | 98 001 (50.1%) |                              |
| Age breakdown        | 0 - 14        | 31,6%          | 25.8%          |                              |
|                      | 15 - 64       | 62,4%          | 68.2%          |                              |
|                      | 65+           | 6,1%           | 6.0%           |                              |
| Race Composition     | Black-African | 31,5%          | 30.0%          |                              |
|                      | Coloured      | 59,2%          | 63.3%          |                              |
|                      | White         | 8,1%           | 6.3%           |                              |
|                      | Asian         | 0,6%           | 0.4%           |                              |

Source: Statistics Census 2011, Community Survey 2016 - Statistical Release & Stats SA Estimates 2019

Table 2: Demographic Profile

As mentioned above, the Pixley ka Seme District Municipality area consists of 8 local municipalities, where Ubuntu Municipality being the largest area and Emthanjeni Municipality having the highest population. The table below provides the km<sup>2</sup> area and total population per local Municipality:

| Local Municipality | Area (km <sup>2</sup> ) | Population     | Households     |
|--------------------|-------------------------|----------------|----------------|
| Emthanjeni         | 13 472                  | 45 404         | 12 668         |
| Kareeberg          | 17 702                  | 12 772         | 3 868          |
| Renosterberg       | 5 527                   | 11 818         | 3 563          |
| Siyancuma          | 16 753                  | 35 941         | 11 150         |
| Siyathemba         | 14 725                  | 23 075         | 6 620          |
| Thembelihle        | 8 023                   | 16 230         | 4 736          |
| Ubuntu             | 20 389                  | 19 471         | 6 615          |
| Umsobomvu          | 6 819                   | 30 883         | 9 575          |
| <b>Total</b>       | <b>103 410</b>          | <b>195 595</b> | <b>58 795*</b> |

Source: Community Survey 2016 & Municipal Own Data 2019\*. Data not currently available for population per town for 2019.

Table 3: Total Area and Population per Local Municipality

### 1.2.5 Economic Profile

The economy in the Pixley ka Seme municipal area is characterised by the following:

- ✿ High levels of poverty and low levels of education;
- ✿ It is a small to medium-town sub-region with a low level of development despite the strategic location in terms of the national transport corridors;
- ✿ Sparsely populated towns with a number of larger towns serving as “agricultural service centres”; spread evenly throughout the district as central places;

- ✿ High rate of unemployment, poverty and social grant dependence;
- ✿ Prone to significant environmental changes owing to long-term structural changes (such as climate change, energy crises and other shifts);
- ✿ Geographic similarity in economic sectors, growth factors and settlement patterns;
- ✿ Economies of scale not easily achieved owing to the relatively small size of towns;
- ✿ A diverse road network with national, trunk, main and divisional roads of varying quality;
- ✿ Potential and impact of renewable energy resource generation; and
- ✿ Potential and impact of radio telescope initiatives, e.g. Square Kilometre Array radio telescope project.

## Employment Status

The employment status of the available workforce/economically active group in the Pixley ka Seme municipal area is listed in the table below. It indicates that the overall results with regard to the employment status of the workforce/potential economically active group in the municipal area have improved from the 2001 figure of 63,1% employed and 36,9% unemployed. In 2011, the number of unemployed individuals was almost 8% below what it was in 2001. However, any unemployment rate, irrespective of how large, has serious repercussions for the ability of the residents to pay for their daily needs and for municipal services. Owing to the high numbers of unemployed persons, other main sources of income are pension/welfare payments:

| Employment status                          | 2001    | % 2001 | 2011    | % 2011 |
|--------------------------------------------|---------|--------|---------|--------|
| Employed                                   | 36 921  | 63,1%  | 43 664  | 71,7%  |
| Unemployed                                 | 21 632  | 36,9%  | 17 203  | 28,3%  |
| Not economically active                    | 101 886 | 42,5%  | 116 201 | 47,6%  |
| Source: Statistics SA 2001 and 2011 Census |         |        |         |        |

Table 4: Employment Status

## Economic Sector Contributor

The economic activities in the Northern Cape Province are dominated by mining, agriculture, manufacturing and construction, contributing to the provincial GDP, i.e. 22%, 7%, 3% and 2% respectively. Note that the Northern Cape only contributed about a share of 2% to the national GDP in 2014 and which contribution fluctuated around that mark since 2004. Between 2011 and 2014, the annual growth in the agriculture and mining sectors was about 4,2% and 5,2%, respectively.

The economic activities in the Pixley ka Seme municipal area are dominated by agriculture, social and personal services, financial services, tourism and transport and lately, retail and construction activities emanating from the establishment of the Square Kilometre Array project.

## Household Income

According to Census 2011, almost 11 % of all households within the municipal area have no income, whilst another 3,4% of households earn between R0 and R4800 per annum. In the context of housing delivery, these people as well as another 50% of all households will be beneficiaries of housing programmes, i.e. the RDP and BNG programmes with ownership as the tenure type, and the CRU programme with rental as tenure type. In total, almost 61% of all households in the municipal area will qualify for these housing options owing to a monthly household income of less than R3500. Another segment of the population, viz. 24,8% earns below 'R15 000' per month, and for this group it

would not possible to qualify for a (commercial) home loan. These people would then rely of housing subsidies (to gain ownership of a house) or social housing (to rent a dwelling).

It is accepted that, on average, South African households have an annual income of R138 168, viz. a monthly income of R11 514. Hence, more than 90% of the households living in the Pixley ka Seme municipal area have a monthly income below the average for a South African household

## 1.3 Service Delivery Highlights and Challenges

### 1.3.1 Service Delivery Highlights

| Highlight                        | Description                                               |
|----------------------------------|-----------------------------------------------------------|
| Refurbishment of community halls | Renosterberg: Philipstown -2<br>Siyancuma: Griekwastad -1 |

Table 5: Services Delivery Highlights

### 1.3.2 Service Delivery Challenges

| Service Area                          | Challenge                                                     | Actions to address                                                |
|---------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------|
| Shared Services: Local Municipalities | Failure by most Local Municipality to settle SLA Commitments. | To meet with the identified municipalities to address the matter. |

Table 6: Services Delivery Challenges

## 1.4 Financial Health Overview

### 1.4.1 Financial Viability Highlights

| Highlight                                                     | Description                                                                                                                          |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Maintained unqualified audit opinion.                         | Emphasis of matter paragraphs reduced to one only.                                                                                   |
| Collect all Shared Services Debt.                             | For the first time were we able to collect all current Shared Services Debt within the financial year.                               |
| Cash backed investments recorded at year end.                 | All investments at year end could be verified against actual available bank statements.                                              |
| Employee benefits-including SARS-fully paid over at year end. | Pension fund- and medical aid deductions from employees were fully paid over to various service providers. The same applied to SARS. |
| All major creditors-including the AG-fully paid at year end.  | The AG, municipal accounts and all other major creditors paid up during 2021/2022.                                                   |

Table 7: Financial Viability Highlights

### 1.4.2 Financial Viability Challenges

| Challenge                                                   | Description                                                                                                                                            |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provincial Departments inability to support DM financially. | CoGSTA Provincially failed to support DM financially as the DM rendered the Housing Function and Public Safety on their behalf.                        |
| Equitable Share formula applied.                            | The formula used to determine the equitable share allocation still excludes issues like distance that the DM has to cover in order to render services. |
| MSCOA                                                       | Even though the DM has achieved almost 90% MSCOA implementation, -is it still a very costly exercise that heavily impacted on our finances.            |

Table 8: Financial Viability Challenges

### 1.4.3 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 key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

| KPA & Indicator                                                                                                                                                                                                                                                                                                                                                         | Unit of Measurement                                                              | 2020/21 | 2021/22 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------|---------|
| Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)) | Number of months it takes to cover fix operating expenditure with available cash | 0.15    | 0.19    |
| Financial viability measured in terms of the municipality's ability to meet it's service debt obligations by 30 June 2017 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)                                                                                  | % of debt coverage                                                               | 13.66%  | 0.64%   |

Table 9: National KPI's for financial viability and management

### 1.4.4 Financial Overview

| Details                      | 2020/21     | 2021/22         |                   |             |
|------------------------------|-------------|-----------------|-------------------|-------------|
|                              |             | Original budget | Adjustment Budget | Actual      |
|                              | R           |                 |                   |             |
| Income                       |             |                 |                   |             |
| Grants (Operating + Capital) | 63 798 066  | 63 986 000      | 60 176 000        | 62 389 883  |
| Taxes, Levies and tariffs    | 0           | 0               | 0                 | 0           |
| Other                        | 4 519 635   | 4 512 650       | 6 169 850         | 4 672 288   |
| Sub Total                    | 68 317 701  | 68 498 650      | 68 345 850        | 67 062 172  |
| Less Expenditure             | 75 277 509  | 70 259 059      | 68 283 746        | 71 389 108  |
| Net surplus/(deficit)        | (6 959 808) | (1 760 409)     | 62 104            | (4 326 936) |

Table 10: Financial Overview

### 1.4.5 Operating Ratios

| Detail                                                                                                                                                                  | Expected norm | Actual % | % Variance | Actual % | % Variance |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------|------------|----------|------------|
|                                                                                                                                                                         |               | 2020/21  |            | 2021/22  |            |
|                                                                                                                                                                         |               |          |            |          |            |
| Employee Cost                                                                                                                                                           | 30%           | 66.20%   | 36.20%     | 62,46%   | 32.46%     |
| Repairs & Maintenance                                                                                                                                                   | 9%            | 1.14%    | 7.86%      | 3,01%    | 5.99%      |
| Finance Charges & Depreciation                                                                                                                                          | 18%           | 5.94%    | 12.06%     | 2,89%    | 15.11%     |
| Note: Repairs and Maintenance on basic services are not applicable as the municipality as a District Municipality is not responsible for the delivery of basic services |               |          |            |          |            |

Table 11: Operating ratios

Employee cost is 32.46% higher than the norm of 30% as the municipality is a district municipality which mainly provide services and support to local municipalities that involve mostly human resources. The municipality do not deliver and/or maintain any basic infrastructure services. This is also the reason for the variance on repairs and maintenance.

Finance charges and depreciation are 15.11% lower than the norm of 18% which is a positive and can mainly be attributed to the low level of borrowing by the municipality.

## 1.5 Organisational Development Overview

### 1.5.1 Municipal Transformation and Organisational Development Highlights

| Highlight         | Description                                                          |
|-------------------|----------------------------------------------------------------------|
| Career Exhibition | The office of the Executive Mayor conducted successful Career EXPO   |
| Youth Council     | The office of the Executive Mayor conducted successful Youth Council |

*Table 12: Municipal Transformation and Organisational Development Highlights*

## 1.6 Auditor-General Report

The Municipality received an unqualified report with only a few findings by the Auditor-General for 2020/2021.

This audit opinion means that the financial statements present fairly, in all material respects, the financial position and its financial performance and cash flows in accordance with applicable laws, regulations and standards. Matters of emphasis were highlighted by the Auditor-General and are listed in Chapter 6 of this report.

The audit outcomes received for the past four years are indicated in the table below:

| Year   | 2017/18                   | 2018/19                   | 2019/20                   | 2020/21                   | 2021/22                   |
|--------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Status | Unqualified with findings | Unqualified with findings | Unqualified with findings | Unqualified with findings | Unqualified with findings |

*Table 13: Audit Outcomes*

## CHAPTER 2: Governance

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

### 2.1 Good Governance and Public Participation Highlights

| Highlight                                     | Description                                                                                                           |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| PPE's distribution, food parcels and blankets | The office of the Executive Mayor and Councilors distributed the mentioned goods and services to the poor households. |

Table 14: Good Governance and Public Participation Performance Highlights

## Component A: Political and Administrative Governance

### 2.2 Political Governance Structure

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

#### 2.2.1 Council

The Council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councillors are also actively involved in community work and the various social programmes in the municipal area. The tables below categorise the councillors within their specific political parties for the 2021/22 financial year:

The table below categorised the councillors within their specific political parties and wards from **1 July 2021 until 31 October 2021:**

| Council Members | Capacity                                                                                | Political Party | Representative or Proportional |
|-----------------|-----------------------------------------------------------------------------------------|-----------------|--------------------------------|
| GL Nkumbi       | Executive Mayor                                                                         | ANC             | Proportional                   |
| CC Jantjies     | Speaker                                                                                 | ANC             | Proportional                   |
| UR Itumeleng    | Member Mayoral Committee/Chairperson Finance                                            | ANC             | Proportional                   |
| AT Sintu        | Member Mayoral Committee/ Chairperson Infrastructure, Development, Housing and Planning | ANC             | Proportional                   |
| K Gous          | Member Mayoral Committee/ Chairperson Corporate Services and Council Matters            | ANC             | Proportional                   |
| R Smith         | Member Finance Committee                                                                | DA              | Proportional                   |
| H Marais        | Chairperson of MPAC (Jan 2020)                                                          | DA              | Proportional                   |
| MA Matebus      | Councillor                                                                              | EFF             | Proportional                   |
| PP Mhlauli      | Councillor                                                                              | ANC             | Representative                 |
| J Hoffman       | Councillor                                                                              | DA              | Representative                 |
| JEJ Hoorn       | Councillor                                                                              | ANC             | Representative                 |
| CP Hugo         | Councillor                                                                              | ANC             | Representative                 |

| Council Members | Capacity   | Political Party | Representative or Proportional |
|-----------------|------------|-----------------|--------------------------------|
| A Oliphant      | Councillor | ANC             | Representative                 |
| D Smous         | Councillor | DA              | Representative                 |
| JT Yawa         | Councillor | ANC             | Representative                 |
| S Swartling     | Councillor | ANC             | Representative                 |
| CJ Pieterse     | Councillor | ANC             | Representative                 |
| E Humphries     | Councillor | ANC             | Representative                 |
| NJ Batties      | Councillor | DA              | Representative                 |

**Table 15: Council for the period 1 July 2021 until 31 October 2021**

Below is a table which indicates the Council meetings and attendance for the period **1 July 2021 until 31 October 2021**:

| Meeting date   | Number of items submitted | Number of Councillors Present | Number of Apologies Submitted |
|----------------|---------------------------|-------------------------------|-------------------------------|
| 30 August 2021 | 11                        | 12                            | 7                             |

**Table 16: Council meetings for the period 1 July 2021 until 31 October 2021**

The table below categorised the councillors within their specific political parties and wards from **1 November 2021 until 30 June 2021**:

| Council Members | Capacity                                                                                | Political Party               | Representative or Proportional |
|-----------------|-----------------------------------------------------------------------------------------|-------------------------------|--------------------------------|
| UR Itumeleng    | Executive Mayor                                                                         | ANC                           | Proportional                   |
| AT Sintu        | Speaker                                                                                 | ANC                           | Proportional                   |
| K Gous          | Member Mayoral Committee/ Chairperson Infrastructure, Development, Housing and Planning | ANC                           | Proportional                   |
| S Swartling     | Member Mayoral Committee/ Chairperson Corporate Services and Council Matters            | ANC                           | Proportional                   |
| NS Van Wyk      | Member Mayoral Committee/Chairperson Finance                                            | ANC                           | Proportional                   |
| H Marais        | Member MPAC                                                                             | DA                            | Proportional                   |
| HL Brits        | Member Finance Committee                                                                | DA                            | Proportional                   |
| A Kwinana       | Member Finance Committee                                                                | EFF                           | Proportional                   |
| PA Olyn         | Member Corporate Services and Council Matters                                           | Siyathemba Community Movement | Proportional                   |
| MN Mac Kay      | Member MPAC                                                                             | ANC                           | Representative                 |
| SW Makhandula   | Member Corporate Services and Council Matters                                           | ANC                           | Representative                 |
| B Swanepoel     | Member Finance Committee                                                                | DA                            | Representative                 |
| WD Horne        | Member Infrastructure, Development, Housing and Planning                                | EFF                           | Representative                 |
| NB Booysen      | Member Infrastructure, Development, Housing and Planning                                | ANC                           | Representative                 |
| MJ Katz         | Member MPAC                                                                             | ANC                           | Representative                 |
| DV Smous        | Member Infrastructure, Development, Housing and Planning                                | DA                            | Representative                 |
| LM Zenani       | Member Finance Committee                                                                | ANC                           | Representative                 |
| MA Maloi        | Member Finance Committee                                                                | ANC                           | Representative                 |

| Council Members | Capacity                                                 | Political Party                 | Representative or Proportional |
|-----------------|----------------------------------------------------------|---------------------------------|--------------------------------|
| VP Harmse       | Chairperson MPAC                                         | ANC                             | Representative                 |
| NS Mlungwana    | Member Infrastructure, Development, Housing and Planning | Umsobomvu Residents Association | Representative                 |
| F Mans          | Member MPAC                                              | EFF                             | Representative                 |

Table 17: Council for the period 1 November 2021 to 30 June 2022

Below is a table which indicates the Council meetings and attendance for the period **1 November 2021 until 30 June 2021**:

| Meeting date     | Number of items submitted | Number of Councillors Present | Number of Apologies Submitted |
|------------------|---------------------------|-------------------------------|-------------------------------|
| 15 December 2021 | 22                        | 19                            | 2                             |
| 31 January 2022  | 5                         | 16                            | 5                             |
| 31 March 2022    | 21                        | 16                            | 5                             |
| 08 April 2022    | 1                         | 17                            | 4                             |
| 26 May 2022      | 31                        | 19                            | 2                             |
| 21 June 2022     | 2                         | 19                            | 2                             |
| 28 June 2022     | 1                         | 13                            | 8                             |

Table 18: Council meetings for the period 1 November 2021 until 30 June 2021

### 2.2.2 Executive Mayoral Committee

The Executive Mayor of the Municipality, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee.

The name and portfolio of each Member of the Mayoral Committee for the period **1 July 2021 to 31 October 2021** is listed in the table below:

| Name of member                                                   | Meeting Dates                                                                                                                                                                                              |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cllr GL Nkumbi- Chairperson Mayoral Committee                    |  21 July 2021<br> 25 August 2021 |
| Cllr UR Itumeleng - Finance Committee                            |                                                                                                                                                                                                            |
| Cllr K Gous- Corporate Services and Council Support              |                                                                                                                                                                                                            |
| Cllr AT Sintu - Infrastructure Development, Housing and Planning |                                                                                                                                                                                                            |

Table 19: Executive Mayoral Committee (1 July 2021 to 31 October 2021)

The name and portfolio of each Member of the Mayoral Committee for the period **1 November 2021 to 30 June 2022** is listed in the table below:

| Name of member                                                | Meeting Dates                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cllr UR Itumeleng -Chairperson Mayoral Committee              |  18 February 2022<br> 15 March 2022<br> 28 April 2022<br> 23 May 2022 |
| Cllr K Gous- Infrastructure Development, Housing and Planning |                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Cllr NS Van Wyk- Finance Committee                            |                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Cllr S Swartling- Corporate Services and Council Support      |                                                                                                                                                                                                                                                                                                                                                                                                                   |

**Table 20: Executive Mayoral Committee (1 November 2021 to 30 June 2022)**

### 2.2.3 Portfolio Committees

In terms of section 80 of the Municipal Structures Act, 1998, if a council has an executive committee; it may appoint in terms of section 79 committees of councillors to assist the executive committee or executive mayor. Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues. They advise the executive committee on policy matters and make recommendations to Council.

The composition of the portfolio committees for the period **1 July 2021 to 31 October 2021** is listed in the table below are stipulated in the tables below:

#### Finance

| Name of Member                 | Meeting Dates                                                                                              |
|--------------------------------|------------------------------------------------------------------------------------------------------------|
| Cllr UR Itumeleng- Chairperson |  No meetings were held |
| Cllr PP Mhlauti                |                                                                                                            |
| Cllr R Smit                    |                                                                                                            |
| Mr BF James (CFO)              |                                                                                                            |

**Table 21: Finance Portfolio Committee**

#### Infrastructure Development, Housing & Planning

| Name of Member             | Meeting Dates                                                                                              |
|----------------------------|------------------------------------------------------------------------------------------------------------|
| Cllr AT Sintu- Chairperson |  No meetings were held |
| Cllr JEJ Hoorn             |                                                                                                            |
| Cllr NJ Batties            |                                                                                                            |
| Cllr JT Yawa               |                                                                                                            |
| Mr HP Greeff               |                                                                                                            |
| Mr E McKenzie              |                                                                                                            |
| Mr A Sibeko                |                                                                                                            |
| Mr Z Dingile               |                                                                                                            |

**Table 22: Infrastructure Development, Housing & Development Portfolio Committee**

## Corporate Services and Council Support

| Name of Member           | Meeting Dates                                                                                            |
|--------------------------|----------------------------------------------------------------------------------------------------------|
| Cllr K Gous -Chairperson |  No meetings were held |
| Cllr CP Hugo             |                                                                                                          |
| Cllr J Hoffman           |                                                                                                          |
| Mr TA Loko               |                                                                                                          |
| Mr S Foster              |                                                                                                          |
| Mr C Menziwa             |                                                                                                          |
| Mr MK Mfazwe             |                                                                                                          |
| Mr S Nkondeshe           |                                                                                                          |
| Ms L De Leeuw            |                                                                                                          |
| Ms M Mukoma              |                                                                                                          |
| Ms BT Bosch              |                                                                                                          |

Table 23: Corporate Services and Council Support Portfolio Committee

## Rules Committee

| Name of Member                | Meeting Dates                                                                                              |
|-------------------------------|------------------------------------------------------------------------------------------------------------|
| Cllr CC Jantjies- Chairperson |  No meetings were held |
| Cllr UR Itumeleng             |                                                                                                            |
| Cllr H Marais                 |                                                                                                            |
| Cllr MA Matebus               |                                                                                                            |
| Mr TA Loko                    |                                                                                                            |

Table 24: Rules Committee

## Municipal Public Accounts Committee

| Name of Member             | Meeting Dates                                                                                              |
|----------------------------|------------------------------------------------------------------------------------------------------------|
| Cllr H Marais- Chairperson |  No meetings were held |
| Cllr A Oliphant            |                                                                                                            |
| Cllr E Humphries           |                                                                                                            |
| Cllr S Swartling           |                                                                                                            |
| Cllr D Smous               |                                                                                                            |
| Cllr MA Matebus            |                                                                                                            |
| Mr D Fourie                |                                                                                                            |

Table 25: Municipal Public Accounts Committee

The composition of the portfolio committees for the period **1 November 2021 to 30 June 2022** is listed in the table below:

### Finance

| Name of Member             | Meeting Dates         |
|----------------------------|-----------------------|
| Cllr H Marais- Chairperson | No meetings were held |
| Cllr A Kwinana             |                       |
| Cllr MA Maloi              |                       |
| Cllr B Swanepoel           |                       |
| Cllr LM Zenani             |                       |

Table 26: Finance Portfolio Committee

### Infrastructure Development, Housing & Planning

| Name of Member           | Meeting Dates         |
|--------------------------|-----------------------|
| Cllr K Gous- Chairperson | No meetings were held |
| Cllr DV Smous            |                       |
| Cllr WD Horne            |                       |
| Cllr NB Booysen          |                       |
| Cllr NS Mlungwana        |                       |

Table 27: Infrastructure Development, Housing & Development Portfolio Committee

### Corporate Services and Council Support

| Name of Member                | Meeting Dates |
|-------------------------------|---------------|
| Cllr S Swartling- Chairperson | 26 May 2022   |
| Cllr SW Makhandula            |               |
| Cllr H L Brits                |               |
| Cllr PA Olyn                  |               |

Table 28: Corporate Services and Council Support Portfolio Committee

## 2.3 Administrative Governance Structure

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

| Name of Official | Department                                      | Performance Agreement Signed |
|------------------|-------------------------------------------------|------------------------------|
|                  |                                                 | (Yes/No)                     |
| RE Pieterse      | Municipal Manager                               | Yes                          |
| BF James         | Financial Services                              | Yes                          |
| TA Loko          | Corporate Services                              | Yes                          |
| H Greeff         | Infrastructure, Planning, Development & Housing | Yes                          |
| R Sors           | Internal Audit                                  | Yes                          |

Table 29: Administrative Governance Structure

## Component B: Intergovernmental Relations

### 2.4 Intergovernmental Structures

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

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

| Name of Structure              | Members                                                                                                                                  | Outcomes of Engagements/Topics Discussed                                                                                                                                                                                                                                                                           |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| District IGR Forum             | All Mayors                                                                                                                               | General service delivery challenges affecting local communities, sharing of best practice, etc. Seeks to improve on local service delivery. Provides report to PIGRF                                                                                                                                               |
| District Aids and Health Forum | All Mayors, sector departments led by Department of Health, Civil Society, Office of the Premier                                         | District health report, e.g. NHI, HIV/AIDS, status of health-facilities, etc. Seeks to enhance the delivery of health services in the district, comprehensive approach in dealing with HIV/AIDS, impact of poor health of communities on municipal service delivery. Provides report to Provincial Council on Aids |
| District Communication Forum   | Pixley ka Seme DM, GCIS, sector departments, state-owned enterprises etc.                                                                | Improvement and coordination of government communication and messaging, alignment of government programmes in the district                                                                                                                                                                                         |
| Technical IGR Forum            | All MM's, CFO's, Pixley Ka Seme DM senior managers, regional heads of sector departments, private sector service providers, SOE's, SALGA | Government service delivery challenges, including local government challenges, sharing best practice, presentations by private sector service providers, etc. Provides technical advice and report to DIGRF                                                                                                        |
| MM\CFO Forum                   | All MM's and CFO's                                                                                                                       | Technical financial matters and related challenges, e.g. mSCOA, budgeting, ESKOM, shared services, audit outcomes by AG                                                                                                                                                                                            |

Table 30: Intergovernmental Structures

### 2.5 Joint Projects with Sector Departments

All the functions of government are divided between the different spheres namely National, Provincial and Local. The municipality therefore share their area and community with other spheres of government and their various sector departments and has to work closely with national and provincial departments to ensure the effective implementation of various projects and functions.

The table below provides detail of such projects:

| Name of Project/ Function | Expected Outcome/s of the Project                             | Sector Department/s involved                                                                | Contribution of Sector Department                       |
|---------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Career exhibition         | A more informed youth, reduction of general unemployment      | Siyathemba LM, Dept of Basic Education, Dept of Labour, Dept Home Affairs, mining companies | Mobilization, catering, presentations, human resources. |
| Adoption of schools       | Functional schools, improved levels of education and teaching | Department of Basic Education, School Governing Bodies                                      | Identification of needy schools                         |

Table 31: Joint Projects with Sector Departments

## Component C: Public Accountability and Participation

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

- the preparation, implementation and review of the IDP
- establishment, implementation and review of the performance management system
- monitoring and review of the performance, including the outcomes and impact of such performance
- preparation of the municipal budget

### 2.6 Public Meetings

| Nature and purpose of meeting | Date of events  | Local Municipality & Number of Community members attending             |     |
|-------------------------------|-----------------|------------------------------------------------------------------------|-----|
| Council Meeting the People    | 19 August 2021  | Umsobomvu Local Municipality (Norvalspont)                             | 83  |
|                               | 20 October 2021 | Ubuntu Local Municipality (Victoria West)                              | 44  |
|                               | 3 May 2022      | Siyancuma Local Municipality (Griekwastad)                             | 111 |
|                               | 07 June 2022    | Renosterberg Local Municipality (Philipstown 56) & (Keurtjieskloof 24) | 80  |
| Budget and IDP                | 11 April 2022   | Kareeberg Local Municipality (Carnarvon)                               | 48  |
|                               | 10 May 2022     | Thembelihle Local Municipality (Strydenburg)                           | 53  |
| AG Outcomes (2020/21)         | 10 March 2022   | Karreeberg Local Municipality (Vosburg)                                | 127 |
|                               | 29 March 2022   | Ubuntu local Municipality (Richmond)                                   | 139 |

Table 32: Public Meetings

### 2.7 Representative Forums

#### Local Labour Forum

The table below specifies the members of the Local Labour forum for the period **1 July 2021 to 31 October 2021**:

| Name of Representative | Capacity                | Meeting Dates                                                                                                                                                                                                   |
|------------------------|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clr. K Gous            | Council Representative  |  31 August 2021<br> 22 September 2021 |
| Clr. S Swartling       | Council Representative  |                                                                                                                                                                                                                 |
| Clr. Sintu             | Council Representative  |                                                                                                                                                                                                                 |
| Mr TA Loko             | Employer Representative |                                                                                                                                                                                                                 |
| Miss S Antonnnie       | Imatu Representative    |                                                                                                                                                                                                                 |
| Mr. E Mackenzie        | Imatu Representative    |                                                                                                                                                                                                                 |
| Mr. P Demas            | SAMWU Representative    |                                                                                                                                                                                                                 |
| Mr. C Valla            | SAMWU Representative    |                                                                                                                                                                                                                 |
| Miss Y Mabedla         | SAMWU Representative    |                                                                                                                                                                                                                 |
| Mr. S Ntamehlo         | LLF Secretary           |                                                                                                                                                                                                                 |
| Mr C Valla             | LLF Chairperson (SAMWU) |                                                                                                                                                                                                                 |

Table 33: Local Labour Forum (1 July 2021 to 31 October 2021)

The table below specifies the members of the Local Labour forum for the period **1 November 2021 to 30 June 2022**:

| Name of Representative | Capacity                | Meeting Dates                                                                                                                                                                                          |
|------------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clr. K Gous            | Council Representative  |  18 March 2022<br> 29 April 2022 |
| Clr. S Swartling       | Council Representative  |                                                                                                                                                                                                        |
| Clr. Sintu             | Council Representative  |                                                                                                                                                                                                        |
| Mr TA Loko             | Employer Representative |                                                                                                                                                                                                        |
| Miss S Antonnnie       | Imatu Representative    |                                                                                                                                                                                                        |
| Mr. E Mackenzie        | Imatu Representative    |                                                                                                                                                                                                        |
| Mr. P Demas            | SAMWU Representative    |                                                                                                                                                                                                        |
| Mr. C Valla            | SAMWU Representative    |                                                                                                                                                                                                        |
| Miss Y Mabedla         | SAMWU Representative    |                                                                                                                                                                                                        |
| Mr. S Ntamehlo         | LLF Secretary           |                                                                                                                                                                                                        |
| Mr C Valla             | LLF Chairperson (SAMWU) |                                                                                                                                                                                                        |

Table 34: Local Labour Forum (1 November 2021 to 30 June 2022)

### IDP Forum

| Name of Representative/ Organisation Presenting                                  | Capacity                                                                                     | Meeting Dates                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Greeff and MR. Baas - Planning Unit                                          | Pixley ka Seme District Municipal Steering Committee                                         |  12 October 2021                                                                                                           |
| Mr. Greeff and Mr Baas- Planning Unit                                            | Pixley ka Seme District Municipal IDP Representative Forum Meeting                           |  15 November 2021<br> 29 March 2022 |
| Mayor and Councilors, - Mayor's office<br>Mr. Greeff and MR Baas - Planning Unit | Pixley ka Seme District Municipal IDP Public Engagement Session in Carnarvon and Strydenburg |  11 April 2022<br> 10 May 2022      |

Table 35: IDP Forum

### District and Local AIDS Committee Meetings

| Name of Municipality and Town                                                                                     | Type of Committee Meeting                                                      | Meeting Dates                                                                                               |
|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Sector Departments, Civil Society, local Municipalities, Non-Governmental Organizations and Office of the Premier | Managers, Chairpersons and Secretaries, Local Mayors and District Coordinators |  No meetings were held |

Table 36: District and Local AIDS Council

### District Communication Forum

| Name of Municipality and Town                       | Type of Committee Meeting    | Meeting Dates     |
|-----------------------------------------------------|------------------------------|-------------------|
| Pixley ka Seme District Municipality, De Aar (Zoom) | District Communication Forum | 23 September 2021 |
| Pixley ka Seme District Municipality, De Aar        | District Communication Forum | 14 December 2021  |
| Pixley ka Seme District Municipality, De Aar        | District Communication Forum | 15 March 2022     |
| Pixley ka Seme District Municipality, De Aar        | District Communication Forum | 14 June 2022      |
| Thembelihle Local Municipality, Hopetown            | Local Communication Forum    | 15 October 2021   |
| Umsobomvu Local Municipality, Colesberg             | Local Communication Forum    | 20 October 2021   |

| Name of Municipality and Town                | Type of Committee Meeting | Meeting Dates       |
|----------------------------------------------|---------------------------|---------------------|
| Siyancuma Local Municipality, (Zoom)         | Local Communication Forum | 8 September 2021    |
| Kareeberg Local Municipality, Carnavon       | Local Communication Forum | 8 March 2022        |
| Ubuntu Local Municipality, Victoria West     | Local Communication Forum | 10 March 2022       |
| Renosterberg Local Municipality, Petrusville | Local Communication Forum | 30 May 2022         |
| Emthanjeni Local Municipality                | Local Communication Forum | Cancelled/postponed |

Table 37: District Communication Forum

## 2.8 Shared Services

### 2.8.1 Planning

The Planning Section falls under the Infrastructure Development and Housing Department and is charged with the responsibility of planning for the district. This planning function is multidimensional focusing on spatial planning and integrated development planning for the district as a whole.

Part B of Schedules 4 and 5 of the Constitution of the Republic of South Africa, Act 108 of 1996, places the function of town planning on local municipalities. However, taking the abilities of the local municipalities in consideration, Council has decided that Pixley ka Seme District Municipality should provide hands on support to all its local municipalities, in adherence to the prescripts of the Local Government: Municipal Structures Act, 117 of 1998.

Support was rendered in the following activities:

- Processing of building plan applications in order for applicants to get building permits in time.
- Assist local municipality with land development applications e.g. zoning, residential layout and removal of restrictions

During the year the following achievements were made in this field:

- 104 building applications were received of which 55 were approved and 49 were not approved due to incompliance issues in terms of the Title Deed of the property or Municipal Scheme Regulations or National Building Regulation and Building Standards Act. The quality of the building plans remains a challenge. Draughtsman training was conducted during the year to improve the quality of the building plan submissions. The percentage of non-conforming building plans decreased from more than 60% to 47%. Further training in some municipalities e.g., Siyancuma, Ubuntu and Kareeberg is still necessary in this regard.

### Spatial Plan Land Use Management Act

SPLUMA came into effect from 1 July 2015 and since council has decided to establish a District Municipal Planning Tribunal (DMPT) to consider land development applications in the district. The existence of the first DMPT lapsed in 2021 and the planning unit drove the process in order to establish the 2nd DMPT. The tribunal readiness was promulgated in March 2022.

The DMPT met in June 2022 considering 50 applications of which 36 were approved, 10 were withdrawn for corrections and 4 application were rejected.

## Integrated Development Planning

The Municipal Systems Act requires municipalities to review and adopt their IDPs annually to guide development within their areas of jurisdiction to ensure sustainable development, poverty eradication and a better life for all. The Municipality adopted its reviewed IDP for the 2022/23 in May 2022. The District must assist our nine local municipalities on proper municipal planning to ensure alignment and objective driven IDP's.

The IDP is a strategic planning tool for addressing developmental challenges, the plan sets out some strategic agendas and focus for development and service delivery in years to come. The strategic development agendas are premised on five key performance areas as set out by the Department of Cooperative Governance, Human Settlements and Traditional Affairs. The said five key performance areas are basic service delivery, good governance and public participation, municipal transformation and institutional development, municipal financial viability and management and local economic development.

### 2.8.2 Internal Audit

Section 165 of the MFMA prescribes that each municipality must have an Internal Audit Department. The Internal Audit Charter defines the service and function as follows: Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve PKSDM's operations. It helps PKSDM to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- ✿ Develop a Risk-Based Audit Plan (RBAP), incorporating any risks or control concerns identified by management and submit the plan to the Audit and Performance Committee (APC) for review and approval.
- ✿ Implement the annual internal audit plan, as approved covering Section 165(2) of the MFMA and, as appropriate, any special tasks or projects requested by management and the APC.
- ✿ Advising the Municipal Manager and report to the APC on the implementation of the internal audit plan and matters relating to:
  - ✿ Internal audit
  - ✿ Internal controls
  - ✿ Accounting procedures and practices
  - ✿ Risk and risk management
  - ✿ Performance management
  - ✿ Loss control
- ✿ Compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation
- ✿ Performing any other such duties as may be assigned to the unit by the Municipal Manager

During the 2021/2022 financial year, internal audit department rendered internal audit services to eight (8) of local municipalities within the Pixley ka Seme District in terms of the Service Level Agreement. These services were therefore rendered to the following municipalities:

- ✿ Emthanjeni Municipality
- ✿ Umsobomvu Municipality
- ✿ Siyathemba Municipality
- ✿ Siyancuma Municipality
- ✿ Kareeberg Municipality
- ✿ Thembelihle Municipality
- ✿ Ubuntu Local Municipality
- ✿ Renosterberg Municipality

Signed Service Level Agreements are in place and will expire on 30 June 2023.

Internal audit procedures were performed based on the 2021/22 RBAP and performed as follows:

| Activity                                                                    | Name of Local Municipality | Number |
|-----------------------------------------------------------------------------|----------------------------|--------|
| Quarterly Audits                                                            | Emthanjeni                 | 4      |
|                                                                             | Umsobomvu                  | 4      |
|                                                                             | Siyathemba                 | 4      |
|                                                                             | Siyancuma                  | 4      |
|                                                                             | Kareeberg                  | 4      |
|                                                                             | Thembelihle                | 4      |
|                                                                             | Ubuntu                     | 4      |
|                                                                             | Renosterberg               | 2      |
| Audit committee meetings                                                    | Emthanjeni                 | 4      |
|                                                                             | Umsobomvu                  | 4      |
|                                                                             | Siyathemba                 | 1      |
|                                                                             | Siyancuma                  | 4      |
|                                                                             | Kareeberg                  | 3      |
|                                                                             | Thembelihle                | 3      |
|                                                                             | Ubuntu                     | 2      |
|                                                                             | Renosterberg               | 0      |
| Quality Assurance Programme                                                 | 1                          |        |
| Adopted Audit and Performance committee Charters                            | Emthanjeni                 | 1      |
|                                                                             | Umsobomvu                  | 1      |
|                                                                             | Siyathemba                 | 1      |
|                                                                             | Siyancuma                  | 1      |
|                                                                             | Kareeberg                  | 1      |
|                                                                             | Thembelihle                | 1      |
|                                                                             | Ubuntu                     | 1      |
|                                                                             | Renosterberg               | 0      |
| Developed and approved Risk Based Audit Plan and Three-year strategic plans | Emthanjeni                 | 1      |
|                                                                             | Umsobomvu                  | 1      |
|                                                                             | Siyathemba                 | 1      |
|                                                                             | Siyancuma                  | 1      |
|                                                                             | Kareeberg                  | 1      |
|                                                                             | Thembelihle                | 1      |
|                                                                             | Ubuntu                     | 1      |
|                                                                             | Renosterberg               | 0      |

Table 38: Shared Services: Internal Audit Activities

The Internal Audit Unit also completed a number of investigations and consulting assignments - the more significant ones are listed below:

- ✿ Umsobomvu Municipality: Payroll - Ongoing: Case currently in Court
- ✿ Pixley ka Seme District Municipality - Request to review salary increases before Implementation

## Component D: Corporate Governance

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

### 2.9 Risk Management

In the absence of a dedicated Risk Management Unit, the Internal Audit Services Department assumed a coordinating role regarding the updating of the risk profile for the Municipality. The risk profile was also submitted to the Audit Committee.

The role of the service departments is to assist management in identification and review of risks in order to properly manage them. Risk management is an integral or natural part of the organisational processes and procedures. Risk management should be embedded in the organisation. It becomes an intrinsic part of business planning and decision making as there is no direction taken without looking at potential risks.

The table below include the top risks of the Municipality:

| Risk                                                                         | Root Cause                                                                                                                                                                                                                                                                                 | Risk Exposure |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Compromised Financial sustainability                                         | ✘ Not honouring SLA/ Debt collection policy implementation. Grant dependency.                                                                                                                                                                                                              | 25            |
| Accountability over IT                                                       | ✘ "Non adherence to CGICT Framework and SALGA ICT Guidelines<br>✘ partial ICT Strategic documents and policies<br>✘ Lack ICT Contingency Plan<br>✘ ICT Steering committee 2 a year (4)<br>✘ Lack of IT Governance. (Cyber, Access Control, Password / Security, Change Management and etc) | 25            |
| Inability of the municipality achieve clean audit status.                    | Material impairment. Misstatements.                                                                                                                                                                                                                                                        | 20            |
| Inability of the Municipality to remain within the allocated budget (SDBIP). | ✘ Ineffective monitoring and review of over and under expenditure.                                                                                                                                                                                                                         | 12            |
| Fraud and corruption within the municipality.                                | Outdated Fraud Prevention plan                                                                                                                                                                                                                                                             | 15            |
| Unusual ability to respond to disease outbreaks / pandemics                  | ✘ Delay on information on the nature of the pandemic. Delay on suitable resources for safe disposal. Information overload and confusing sources. Public not adhering to safety rules. Poor communication. Public not adhering to safety rules.<br>✘ Poor communication.                    | 12            |

Table 39: Top Risks

### 2.9.1 Risk Committee

The role of the Risk Committee is to provide timely and useful enterprise risk management reports to the Audit Committee of the municipality. The members and meeting dates of the Committee are indicated in the table below:

| Name of Committee Member | Capacity                                                        | Meeting dates                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. Olifant              | Chairperson                                                     |  30 September 2021 (Postponed)<br> 29 November 2021<br> 14 March 2022<br> 28 June 2022 (Postponed) |
| Mr. RE Pieterse          | Municipal Manager                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Mr. BF James             | CFO                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Ms. R.A Sors             | Chief Audit Executive                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Mr. H Greeff             | Senior Manager Infrastructure, Development Housing and Planning |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Mr. T Loko               | Senior Manager Corporate Services                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Mr. K Mokgope            | Representative from Provincial Treasury                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Ms. N Sindelo            | Risk Management Officer                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                |

Table 40: Risk Committee

## 2.10 Anti-Corruption and Anti-Fraud

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

No cases of corruption were reported during the 2021/22 financial year.

### Developed Strategies

| Name of Strategy      | Developed Yes/No | Date Adopted/Reviewed |
|-----------------------|------------------|-----------------------|
| Fraud Prevention Plan | Yes              | 26 May 2021           |

Table 41: Strategies: Anti-corruption and Anti-fraud

## 2.11 Audit and Performance Committee (APC)

The APC is an independent advisory body to Council and this committee was established to assist Council with the execution of its mandate.

Both the internal and external auditors had unrestricted access to the APC. The roles of the APC are set out in the Municipality's APC Charter and covers the requirements of Section 166 of the MFMA. Their main responsibilities are as follow:

-  Advising Council, the political office-bearers, the Accounting Officer and the management staff of the Municipality;
-  Overseeing internal controls, financial reporting and compliance with regulatory matters;
-  Review the effectiveness of the Council's system of internal control and risk management;
-  Review the financial reporting and financial statements;
-  Review the internal audit function;
-  Review the performance management system and reports;
-  Review compliance to policies, regulations and procedures in terms of prescribed guidelines and applicable laws;

- Internal audit reports are submitted to the APC on a quarterly basis for review, through formal meetings; and
- The APAC is functional and their purpose is in line with the MFMA and clearly outlined in the Council approved APC Charter.

### 2.11.1 Members of the Audit and Performance Committee (APC)

Currently the APC comprises of four members as indicated in the table below:

| Member          | Term Start  | Term End    |
|-----------------|-------------|-------------|
| Mr. J Snyders   | 1 June 2020 | 31 May 2023 |
| Mr. A Shabalala | 1 June 2020 | 31 May 2023 |
| Mr. F Lotz      | 1 June 2020 | 31 May 2023 |

Table 42: Members of the APC

For the period under review, the APC had four formal meetings. APC minutes are kept and the Chairperson prepares a report on the performance of APC to Council on a bi-annual basis.

### 2.11.2 Meeting dates and attendance of the Audit and Performance Committee

The table below meeting dates and attendance of the APC meetings per member:

| Meeting Dates     | Member: J Snyders | Member: A Shabalala | Member: F Lotz |
|-------------------|-------------------|---------------------|----------------|
| 19 August 2021    | Yes               | Yes                 | No             |
| 21 September 2021 | Yes               | Yes                 | Yes            |
| 24 November 2021  | Yes               | Yes                 | Yes            |
| 15 March 2022     | Yes               | Yes                 | No             |
| 9 June 2022       | Yes               | Yes                 | Yes            |

Table 43: Meeting dates and attendance of the APC

## 2.12 Internal Auditing

Section 165(2)(a), (b)(iv) of the MFMA requires that the internal audit unit of a municipality must -

- prepare a risk based audit plan and an internal audit program for each financial year; and
- advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to risk and risk management.

The municipality has an in-house Internal Audit function consisting of four auditors, four internal audit clerks, one Senior Internal Auditor and one Chief Audit Executive.

The table below indicates the detail of internal audit activities for the year under review for Pixley ka Seme itself:

| Activity                                     | 2020/21 | 2021/22 |
|----------------------------------------------|---------|---------|
| Quarterly Audits                             | 4       | 5       |
| Adhoc assignments                            | 0       | 1       |
| Quality Assurance Programme                  | 1       | 1       |
| Reviewed and approved Internal Audit Charter | 1       | 1       |
| Reviewed and adopted Audit Committee Charter | 1       | 1       |
| Developed and approved Risk Based Audit Plan | 1       | 1       |

Table 44: Internal Audit Activities

## 2.13 Auditor-General

The Municipality is audited by the Auditor-General of South Africa in terms of Section 188 of the Constitution and Section 4 of the Public Audit Act and Section 126 of the MFMA. The audit report for the financial year under review is in Annexure B of this report.

## 2.14 By-Laws and Policies

Section 11 of the MSA gives Council the executive and legislative authority to implement By-Laws and policies. The Municipal Health Services By-Law were revised during the year.

Below is a list of all the policies developed and/or reviewed during the 2021/22 financial year:

| Policies Developed/ Revised                | Date Adopted |
|--------------------------------------------|--------------|
| Acceptable Use of IT Facilities            | 26 May 2022  |
| Appointment of Consultants Policy          | 26 May 2022  |
| Asset Management Policy                    | 26 May 2022  |
| Bereavement Policy                         | 26 May 2022  |
| Borrowing Policy                           | 26 May 2022  |
| Car and Travel Allowance Policy            | 26 May 2022  |
| Career Pathing Policy                      | 26 May 2022  |
| Cash and Investment Policy                 | 26 May 2022  |
| Cell phone Allowance Policy                | 26 May 2022  |
| Code of Conduct for Municipal Councillors  | 26 May 2022  |
| Code of Conduct for Municipal Staff        | 26 May 2022  |
| Commitments Policy                         | 26 May 2022  |
| Communication Policy                       | 26 May 2022  |
| Communication Strategy                     | 26 May 2022  |
| Consequence Management Policy              | 26 May 2022  |
| Consultants Reduction Policy               | 26 May 2022  |
| Contingent Liability Policy                | 26 May 2022  |
| Contract Management Policy                 | 26 May 2022  |
| Cost Containment Policy                    | 26 May 2022  |
| Credit Control Policy                      | 26 May 2022  |
| Danger Allowance Policy                    | 26 May 2022  |
| Disaster Management and Contingency Plan   | 26 May 2022  |
| Dress Code Policy                          | 26 May 2022  |
| EFT Policy                                 | 26 May 2022  |
| E-Mail Records Management Policy           | 26 May 2022  |
| Employee Equity Plan                       | 26 May 2022  |
| Employee Health and Wellness Plan          | 26 May 2022  |
| Employee Study Ass Policy                  | 26 May 2022  |
| Fraud Prevention Plan                      | 26 May 2022  |
| Health and Safety Policy Pixley            | 26 May 2022  |
| HIV-AIDS Policy                            | 26 May 2022  |
| HR Strategy                                | 26 May 2022  |
| ICT Strategy Master systems Plan 2022-2026 | 26 May 2022  |
| Induction Policy                           | 26 May 2022  |

| Policies Developed/ Revised                                      | Date Adopted |
|------------------------------------------------------------------|--------------|
| Information Technology Governance Framework                      | 26 May 2022  |
| Information Technology Security Policy                           | 26 May 2022  |
| Information Technology Strategic Plan                            | 26 May 2022  |
| IT Backup Policy                                                 | 26 May 2022  |
| IT Change Management Policies and Procedure                      | 26 May 2022  |
| IT Disaster Recovery Plan                                        | 26 May 2022  |
| IT Firewall Policy                                               | 26 May 2022  |
| IT Steering Comm - TOR IT User Access Management Policy          | 26 May 2022  |
| Language Policy                                                  | 26 May 2022  |
| Municipal Health Services Standard Operating Procedures 2022     | 26 May 2022  |
| Municipal Health Services Tariff Structure 2022-23               | 26 May 2022  |
| Password Policy                                                  | 26 May 2022  |
| Patch Management Policy                                          | 26 May 2022  |
| Placement and Relocation Policy                                  | 26 May 2022  |
| PMS Policy Review                                                | 26 May 2022  |
| Promotion of Access to Information Manual                        | 26 May 2022  |
| Promotion Succession Planning Policy                             | 26 May 2022  |
| Records Management Policy                                        | 26 May 2022  |
| Records Policy                                                   | 26 May 2022  |
| Recruitment Policy                                               | 26 May 2022  |
| Registry Manual                                                  | 26 May 2022  |
| Related Party Policy                                             | 26 May 2022  |
| Remuneration Policy                                              | 26 May 2022  |
| Rental Allowance Scheme Policy                                   | 26 May 2022  |
| Revenue Management Policy                                        | 26 May 2022  |
| Revised SCM Model Policy                                         | 26 May 2022  |
| Risk Management Committee Charter                                | 26 May 2022  |
| Risk Management Framework                                        | 26 May 2022  |
| Risk Management Policy                                           | 26 May 2022  |
| Scare Skills and Retention Strategy Policy                       | 26 May 2022  |
| SCM Infrastructure Policy                                        | 26 May 2022  |
| Sexual Harassment & Intimidation Policy                          | 26 May 2022  |
| Skills Development Policy                                        | 26 May 2022  |
| Social Media Policy                                              | 26 May 2022  |
| Subsistence and Travelling Policy                                | 26 May 2022  |
| Substance Abuse Policy                                           | 26 May 2022  |
| Task Job Evaluation Policy                                       | 26 May 2022  |
| Telephone Policy                                                 | 26 May 2022  |
| TOR DM Infrastructure Forums                                     | 26 May 2022  |
| TOR Standing & Other Committees                                  | 26 May 2022  |
| Unauthorised Irregular Fruitless and Wasteful Expenditure Policy | 26 May 2022  |

Table 45: Policies Developed/ Revised

## 2.15 Communication

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

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

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

### 2.15.1 Communication Activities

| Description                                | Yes/No                |
|--------------------------------------------|-----------------------|
| Communication strategy                     | Yes, but not reviewed |
| Customer satisfaction surveys              | No                    |
| Newsletters distributed at least quarterly | No, not all Quarters  |
| Crisis Communication Procedure             | No                    |
| Language Policy and Procedure              | No                    |
| Media Protocol Procedure                   | No                    |
| Social Media                               | Yes                   |
| District Communication Forum               | Yes                   |
| Local Communication Forums                 | Yes                   |

Table 46: Communication Activities

### 2.15.2 Communication Unit:

| Number of People in the Unit    | Job Titles                |
|---------------------------------|---------------------------|
| 4 positions, but only 2 filled. | Communications Specialist |
|                                 | Communication Learner     |

Table 47: Communication Unit

### 2.15.3 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of S75 of the MFMA and S21A and B of the Municipal Systems Act ("MSA") as amended.

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

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

The table below gives an indication of the information and documents that are published on the municipal website.

| Description of information and/or document                                                                                                                               | Yes/No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Municipal contact details (Section 14 of the Promotion of Access to Information Act)                                                                                     |        |
| Full Council details                                                                                                                                                     | Yes    |
| Contact details of the Municipal Manager                                                                                                                                 | Yes    |
| Contact details of the CFO                                                                                                                                               | Yes    |
| Physical address of the Municipality                                                                                                                                     | Yes    |
| Postal address of the Municipality                                                                                                                                       | Yes    |
| Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)                                                                            |        |
| Draft Budget 2021/22                                                                                                                                                     | Yes    |
| Adjusted Budget 2021/22                                                                                                                                                  | Yes    |
| Asset Management Policy                                                                                                                                                  | Yes    |
| Credit control & Debt collection Policy                                                                                                                                  | Yes    |
| Investment & Cash Management Policy                                                                                                                                      | Yes    |
| Supply Chain Management Policy                                                                                                                                           | Yes    |
| Tariff Policy                                                                                                                                                            | Yes    |
| Travel and Subsistence Policy                                                                                                                                            | Yes    |
| Borrowing Policy                                                                                                                                                         | Yes    |
| Top Layer SDBIP 2021/22                                                                                                                                                  | Yes    |
| Budget and Treasury Office Structure                                                                                                                                     | Yes    |
| Budget and Treasury Office delegations                                                                                                                                   | Yes    |
| Delegations                                                                                                                                                              | Yes    |
| Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)        |        |
| Reviewed IDP for 2021/22                                                                                                                                                 | Yes    |
| IDP Process Plan for 2021/22                                                                                                                                             | Yes    |
| Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e) & (f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation) |        |
| List of capital assets that have been disposed                                                                                                                           | Yes    |
| Long Term borrowing contracts                                                                                                                                            | Yes    |
| SCM contracts above R30 000                                                                                                                                              | Yes    |
| Contracts which impose a financial obligation on the municipality beyond 3 years                                                                                         | Yes    |
| Service delivery agreements                                                                                                                                              | Yes    |
| Public invitations for formal price quotations                                                                                                                           | Yes    |
| Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the MFMA)                                                                                                       |        |
| Annual Report of 2020/21                                                                                                                                                 | Yes    |
| Oversight report of 2020/21                                                                                                                                              | Yes    |
| Mid-year budget and performance assessment of 2021/22 (Sec 72 MFMA)                                                                                                      | Yes    |
| Quarterly Reports (sec 52 MFMA)                                                                                                                                          | Yes    |
| Monthly Budget Statement (Sec 71 MFMA)                                                                                                                                   | Yes    |
| Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)                                                                                        |        |
| Performance Agreements for employees appointed as per S57 of Municipal Systems Act for 2021/22                                                                           | Yes    |
| Assurance Functions (Sections 62(1), 165 & 166 of the Municipal Finance Management Act)                                                                                  |        |
| Internal Audit charter                                                                                                                                                   | Yes    |

| Description of information and/or document | Yes/No |
|--------------------------------------------|--------|
| Audit Committee charter                    | Yes    |
| Risk Management Policy                     | Yes    |

Table 48: Information on Website

## 2.16 B-BBEE Compliance Performance Information

Section 121(3)(k) of the MFMA indicates that the annual report of a municipality should include any other information as may be prescribed. The Broad Based Black Economic Empowerment (B-BBEE) Act (Act 53 of 2003; as amended by Act 46 of 2013) read in conjunction with the B-BEE Regulations of 2016 states in Section 13G(1) that all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their Annual Financial Statements and Annual Reports. In accordance with the explanatory notice (Notice 1 of 2018) issued by the B-BBEE Commission the following tables provide details on the municipality's compliance with regard to broad-based black economic empowerment to the extent where the information is currently readily available at municipal level in the specific format:

### 2.16.1 Senior Management

| Category          | Number | Race Classification               | Gender             | Disability |
|-------------------|--------|-----------------------------------|--------------------|------------|
| Senior Management | 5      | 2 African<br>2 Colored<br>1 White | 4 Male<br>1 Female | 0          |

Table 49: B-BBEE Compliance Performance Information: Senior Management

### 2.16.2 Enterprise and Supplier Development

|                           |                |
|---------------------------|----------------|
| Total Number of Suppliers | 32             |
| Total Value Spend         | R 5 859 698.39 |

| Name of supplier                                   | Total value spend R'000 | % Black Ownership | %Black women ownership |
|----------------------------------------------------|-------------------------|-------------------|------------------------|
| <b>Exempt Micro Enterprises (EME's) suppliers</b>  |                         |                   |                        |
| OTP Logistics (Pty) Ltd                            | 631 062.50              | 100.00            | 100.00                 |
| Kunene Makopo Risk Solutions (Pty) Ltd             | 509 753.39              | 100.00            | 0                      |
| Imvelo Centrics (Pty) Ltd                          | 338 419.00              | 100.00            | 100.00                 |
| Business Connexion (Pty)Ltd                        | 481 986.42              | 28.94             | 13.81                  |
| Acquilla Management Group (Pty)Ltd                 | 437 219.10              | 100.00            | 30.00                  |
| Distamai Investments & Projects CC                 | 1 350 000.00            | 100.00            | 0                      |
| CFAO Motors (Pty) Ltd T/A Williams Hunt GM Midrand | 1 324 257.98            | 25.10             | 5.51                   |
| Maroeng (Pty) Ltd                                  | 787 000.00              | 100.00            | 100.00                 |
| Taycal Dynamics                                    | 121 900.00              | 100.00            | 0                      |
| IT BY G3 (PTY) LTD                                 | 185 786.76              | 100.00            | 0                      |
| Tshiamelo Corporation (PTY) LTD                    | 170 099.74              | 100.00            | 0                      |
| IT BY G3 (PTY) LTD                                 | 156 109.22              | 100.00            | 0                      |
| Van Work (PTY) LTD                                 | 121 000.00              | 100.00            | 0                      |
| Carospan (PTY) LTD T/A Nashua FS & NC              | 85 053.60               | 30.00             | 18.00                  |
| Batho Bame Trade CC                                | 183 900.15              | 100.00            | 100.00                 |

| Name of supplier                          | Total value spend<br>R'000 | % Black Ownership | %Black women<br>ownership |
|-------------------------------------------|----------------------------|-------------------|---------------------------|
| Sadiati Trading Enterprise                | 24 564.00                  | 100.00            | 100.00                    |
| G3 Group (PTY) LTD                        | 100 467.48                 | 100.00            | 0                         |
| Forever Resort (PTY) LTD                  | 78 367.00                  | 0                 | 0                         |
| Tshiamelo Corporation (PTY) LTD           | 96 166.62                  | 100.00            | 0                         |
| Joy Work Solutions (PTY) LTD              | 184 687.50                 | 100.00            | 50.00                     |
| Emthanjeni Printers                       | 198 000.00                 | 100.00            | 50.00                     |
| Omothaphi Import & Exports (PTY) LTD      | 165 721.72                 | 100.00            | 0                         |
| Aery CC                                   | 119 665.12                 | 100.00            | 100.00                    |
| Itumise Trading CC                        | 191 340.45                 | 100.00            | 0                         |
| Nelson Mandela University                 | 72 360.00                  | 0                 | 0                         |
| G3 Group (PTY) LTD                        | 117 699.42                 | 100.00            | 0                         |
| Zipo Projects                             | 185 639.50                 | 100.00            | 100.00                    |
| Bluetag Holdings (PTY) LTD                | 65 000.00                  | 100.00            | 0                         |
| Amantsi Trading CC                        | 172 500.00                 | 100.00            | 0                         |
| Tshiamelo Corporation (PTY) LTD           | 157 784.82                 | 100.00            | 0                         |
| Joy Work Solutions (PTY) LTD              | 194 400.00                 | 100.00            | 50.00                     |
| Kgositadira Business Consulting (PTY) LTD | 90 000.00                  | 100.00            | 0                         |

Table 50: B-BBEE Compliance Performance Information: Enterprise and Supplier Development

## CHAPTER 3: SERVICE DELIVERY PERFORMANCE

### OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

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

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

#### Legislative requirements

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

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

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

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

In terms of section 46(1)(a) of the systems Act (Act 32 of 2000) a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

## Organisational performance

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

This report highlights the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of section 43 of the Municipal Systems Act, 2000.

## Performance Management System used in the financial year 2021/22

### The IDP and the Budget

The IDP and the main budget for 2021/22 was approved by Council on **26 May 2021**. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

The Mayor approved the Top Layer Service Delivery Budget Implementation Plan (SDBIP) for 2021/22. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The actual performance achieved in terms of the KPI's was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the Adjustments Budget in terms of section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council on **31 January 2022** through resolution R2022-01-31 (4.5).

### Actual Performance

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

- The actual result in terms of the target set.
- A performance comment.
- Actions to improve the performance against the target set, if the target was not achieved.

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

## Monitoring of the Service Delivery Budget Implementation Plan

Municipal performance is measured as follows:

- Quarterly reports were submitted to council on the actual performance in terms of the Top Layer SDBIP.
- Mid-year assessment and submission of the mid-year report to the Mayor in terms of section of Section 72(1) (a) and 52(d) of the Local Government Municipal Finance Management Act to assess the performance of the municipality during the first half of the financial year.

## PERFORMANCE REPORT PART I

### 3.1 Introduction

This section provides an overview of the key service achievements of the municipality that came to fruition during 2020/21 in terms of the deliverables achieved against the strategic objectives of the IDP.

### 3.2 Strategic Service Delivery Budget Implementation Plan

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

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

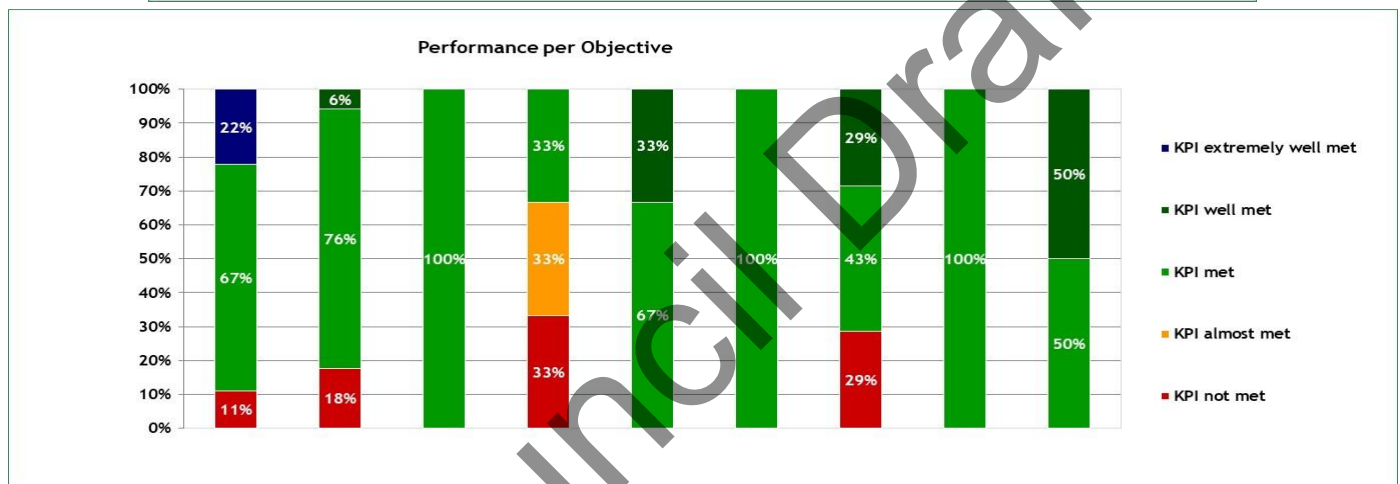
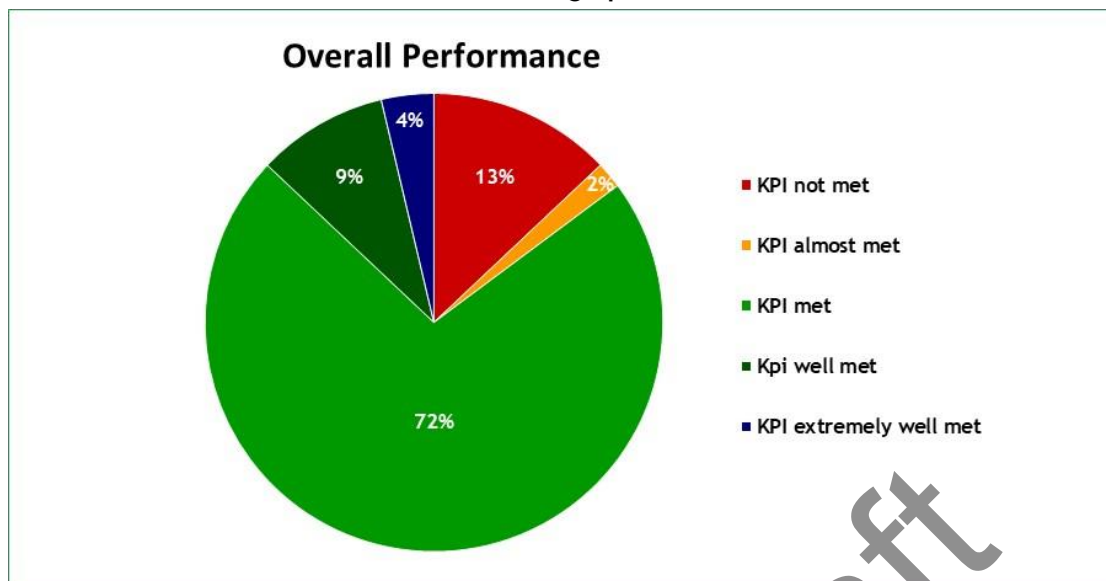
The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) of the SDBIP are measured:

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

Figure 3 SDBIP measurement criteria

### 3.2.1 Overall Performance as per Top Layer SDBIP

The overall performance results achieved by the Municipality in terms of the Top Layer SDBIP are indicated in the tables and graphs below:



| Measurement Criteria   | Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome | Compliance with the tenets of good governance as prescribed by legislation and best practice | Guide local municipalities in the development of their IDP's and in spatial development | Monitor and support local municipalities to enhance service delivery | Promote economic growth in the district | To provide a professional, people-centered human resources and administrative service to citizens, staff and Council | To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined | To provide disaster management services to the citizens | To provide municipal health services to improve the quality of life of the citizens |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------|
| KPI Not Met            | 1                                                                                                                                   | 3                                                                                            | 0                                                                                       | 1                                                                    | 0                                       | 0                                                                                                                    | 2                                                                                                                                                                                                                                                  | 0                                                       | 0                                                                                   |
| KPI Almost Met         | 0                                                                                                                                   | 0                                                                                            | 0                                                                                       | 1                                                                    | 0                                       | 0                                                                                                                    | 0                                                                                                                                                                                                                                                  | 0                                                       | 0                                                                                   |
| KPI Met                | 6                                                                                                                                   | 13                                                                                           | 2                                                                                       | 1                                                                    | 2                                       | 8                                                                                                                    | 3                                                                                                                                                                                                                                                  | 3                                                       | 1                                                                                   |
| KPI Well Met           | 0                                                                                                                                   | 1                                                                                            | 0                                                                                       | 0                                                                    | 1                                       | 0                                                                                                                    | 2                                                                                                                                                                                                                                                  | 0                                                       | 1                                                                                   |
| KPI Extremely Well Met | 2                                                                                                                                   | 0                                                                                            | 0                                                                                       | 0                                                                    | 0                                       | 0                                                                                                                    | 0                                                                                                                                                                                                                                                  | 0                                                       | 0                                                                                   |
| Total                  | 9                                                                                                                                   | 17                                                                                           | 2                                                                                       | 3                                                                    | 3                                       | 8                                                                                                                    | 7                                                                                                                                                                                                                                                  | 3                                                       | 2                                                                                   |

Graph 1: Top Layer SDBIP Performance per objective

## Actual performance as per Top Layer SDBIP according to objectives

**Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome**

| Ref  | KPI                                                                                                                                                                                                                                             | Unit of Measurement                                                                                                                           | Actual performance 2020/21 | Performance of 2021/22 |       |       |        |        |        |   |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|-------|-------|--------|--------|--------|---|
|      |                                                                                                                                                                                                                                                 |                                                                                                                                               |                            | Targets                |       |       |        |        | Actual |   |
|      |                                                                                                                                                                                                                                                 |                                                                                                                                               |                            | Q1                     | Q2    | Q3    | Q4     | Annual |        |   |
| TL23 | Compile and submit an Audit Action Plan to Council by 31 January 2022 to address the issues raised by the AG                                                                                                                                    | Audit Action Plan compiled and approved by 31 January 2022                                                                                    | 1                          | 0                      | 0     | 1     | 0      | 1      | 1      | G |
| TL24 | Report quarterly to council on meetings with and correspondence to defaulting municipalities on debt relating to services rendered                                                                                                              | Number of reports submitted                                                                                                                   | 4                          | 1                      | 1     | 1     | 1      | 4      | 4      | G |
| TL25 | Prepare and submit the draft budget to Council by 31 March 2022                                                                                                                                                                                 | Draft budget submitted by 31 March 2022                                                                                                       | 1                          | 0                      | 0     | 1     | 0      | 1      | 1      | G |
| TL26 | Prepare and submit the final budget to Council by 31 May 2022                                                                                                                                                                                   | Final budget submitted by 31 May 2022                                                                                                         | 1                          | 0                      | 0     | 0     | 1      | 1      | 1      | G |
| TL27 | Prepare and submit the adjustments budget to Council by the 28 February 2022                                                                                                                                                                    | Adjustments budget submitted by 28 February 2022                                                                                              | 1                          | 0                      | 0     | 1     | 0      | 1      | 1      | G |
| TL28 | Submit the annual financial statements to the Auditor-General by 31 August 2021                                                                                                                                                                 | Statements submitted to the AG by 31 August 2021                                                                                              | 1                          | 1                      | 0     | 0     | 0      | 1      | 1      | G |
| TL29 | Co-ordinate the District MM/CFO forums on a bi-annual basis                                                                                                                                                                                     | Number of meetings coordinated                                                                                                                | 2                          | 0                      | 1     | 0     | 1      | 2      | 0      | R |
|      | Reason and Corrective Measure                                                                                                                                                                                                                   | No meetings could take place due to non-availability of MM's and CFO's in the District. Dates for the next year will be send well in advance. |                            |                        |       |       |        |        |        |   |
| TL30 | Financial viability measured in terms of the Municipality's ability to meet it's service debt obligations by 30 June 2022 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating | % debt coverage as at 30 June 2022                                                                                                            | 13.66%                     | 0.00%                  | 0.00% | 0.00% | 45.00% | 45.00% | 0.64%  | B |

| Ref  | KPI                                                                                                                                                                                                                                                                                                                                                                     | Unit of Measurement                                                                                 | Actual performance 2020/21 | Performance of 2021/22 |    |    |      |        |        |   |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------|------------------------|----|----|------|--------|--------|---|
|      |                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                     |                            | Targets                |    |    |      |        | Actual |   |
|      |                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                     |                            | Q1                     | Q2 | Q3 | Q4   | Annual |        |   |
|      | Revenue - Operating Conditional Grant)                                                                                                                                                                                                                                                                                                                                  |                                                                                                     |                            |                        |    |    |      |        |        |   |
| TL31 | Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2022 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)) | Number of months it takes to cover fix operating expenditure with available cash as at 30 June 2022 | 0.15                       | 0                      | 0  | 0  | 0.01 | 0.01   | 0.19   | B |

Table 51: Administer finances in a sustainable manner and strive to comply with legislative requirements to achieve a favorable audit outcome

### Compliance with the tenets of good governance as prescribed by legislation and best practice

| Ref | KPI                                                                                                   | Unit of Measurement                                                                                                                                                                                                                                                             | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |   |
|-----|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|---|
|     |                                                                                                       |                                                                                                                                                                                                                                                                                 |                            | Targets                |    |    |    |        | Actual |   |
|     |                                                                                                       |                                                                                                                                                                                                                                                                                 |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |   |
| TL1 | Submit a report to council by 31 May 2022 on the monitoring and evaluation of community participation | Report submitted to council by 31 May 2022                                                                                                                                                                                                                                      | 1                          | 0                      | 0  | 0  | 1  | 1      | 1      | G |
| TL2 | Host commemorative days as per the approved list by the Municipal Manager and Mayor                   | Number of commemorative days hosted                                                                                                                                                                                                                                             | 5                          | 2                      | 1  | 1  | 1  | 5      | 5      | G |
| TL3 | Facilitate the meeting of the District HIV/AIDS council                                               | Number of meetings held                                                                                                                                                                                                                                                         | 4                          | 1                      | 1  | 1  | 1  | 4      | 2      | R |
|     | Reason and Corrective Measure                                                                         | Meeting for 3rd quarter was scheduled for the 28 March 2022, but it could not be convened due to unforeseen circumstances. The meeting for the 4th quarter could not be convened due to the quorum that could not be met. Dates for the next year will be send well in advance. |                            |                        |    |    |    |        |        |   |
| TL4 | Facilitate the meeting of the Youth Council                                                           | Number of meetings held                                                                                                                                                                                                                                                         | 2                          | 0                      | 1  | 0  | 1  | 2      | 2      | G |

| Ref  | KPI                                                                                                                                   | Unit of Measurement                                                                                                                                                                                                                              | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |     |
|------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|-----|
|      |                                                                                                                                       |                                                                                                                                                                                                                                                  |                            | Targets                |    |    |    |        | Actual |     |
|      |                                                                                                                                       |                                                                                                                                                                                                                                                  |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |     |
| TL6  | Facilitate the meeting with relevant stakeholders on the Street Children and Fetal Alcohol Syndrome Special Programme by 30 June 2022 | Meeting facilitated by 30 June 2022                                                                                                                                                                                                              | 1                          | 0                      | 0  | 0  | 1  | 1      | 1      | G   |
| TL7  | Facilitate "Council meets the People" meetings for each municipality by 30 June 2022                                                  | Number of meetings facilitated                                                                                                                                                                                                                   | 10                         | 0                      | 0  | 0  | 8  | 8      | 10     | G 2 |
| TL8  | Facilitate the meeting of the District Communication Forum                                                                            | Number of meetings held                                                                                                                                                                                                                          | New KPI for 2021/22        | 1                      | 1  | 1  | 1  | 4      | 4      | G   |
| TL9  | Compile and distribute the District Municipality's external newsletter on a quarterly basis                                           | Number of newsletters compiled and distributed                                                                                                                                                                                                   | New KPI for 2021/22        | 1                      | 1  | 1  | 1  | 4      | 4      | G   |
| TL10 | Review the Social Media Policy and submit to Council by 31 May 2022                                                                   | Social Media Policy submitted to council by 31 May 2022                                                                                                                                                                                          | New KPI for 2021/22        | 0                      | 0  | 0  | 1  | 1      | 1      | G   |
| TL11 | Facilitate the quarterly meetings of the Technical District Intergovernmental Forum                                                   | Number of meetings facilitated                                                                                                                                                                                                                   | 4                          | 1                      | 1  | 1  | 1  | 4      | 4      | G   |
| TL12 | Sign 57 performance agreements with all directors by 31 July 2021                                                                     | Number of performance agreements signed by 31 July 2021                                                                                                                                                                                          | 4                          | 4                      | 0  | 0  | 0  | 4      | 4      | G   |
| TL14 | Facilitate the quarterly meetings of the Political District Intergovernmental Forum                                                   | Number of meetings facilitated                                                                                                                                                                                                                   | 4                          | 1                      | 1  | 1  | 1  | 4      | 2      | R   |
|      | Reason and Corrective Measure                                                                                                         | The meeting for the 2nd quarter could not take place due to the Local Government Elections. The meeting for the 4th quarter could not be convened due to the quorum that could not be met. Dates for the next year will be sent well in advance. |                            |                        |    |    |    |        |        |     |
| TL15 | Complete the Risk Assessment and submit the updated risk register to the Risk Management Committee by 31 March 2022                   | Risk Analysis completed and updated risk register submitted to the Risk Management Committee by 31 March 2022                                                                                                                                    | 0                          | 0                      | 0  | 1  | 0  | 1      | 1      | G   |
| TL32 | Submit the Top layer SDBIP for approval by the                                                                                        | Top Layer SDBIP submitted annually to Mayor                                                                                                                                                                                                      | 1                          | 0                      | 0  | 0  | 1  | 1      | 1      | G   |

| Ref  | KPI                                                                                                                                               | Unit of Measurement                                                                                                                    | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |   |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|---|
|      |                                                                                                                                                   |                                                                                                                                        |                            | Targets                |    |    |    |        | Actual |   |
|      |                                                                                                                                                   |                                                                                                                                        |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |   |
|      | Mayor within 14 days after the budget has been approved                                                                                           | within 14 days after the budget has been approved                                                                                      |                            |                        |    |    |    |        |        |   |
| TL33 | Submit the draft Annual Report to Council annually by 31 January 2022                                                                             | Draft annual report submitted annually to council by 31 January 2022                                                                   | 1                          | 0                      | 0  | 1  | 0  | 1      | 1      | G |
| TL44 | Purchase two vehicles by 30 June 2022                                                                                                             | Number of vehicles purchased by 30 June 2022                                                                                           | 2                          | 0                      | 0  | 0  | 2  | 2      | 1      | R |
|      | Reason and Corrective Measure                                                                                                                     | There was only sufficient funds to purchase one vehicle.                                                                               |                            |                        |    |    |    |        |        |   |
| TL50 | Complete Phase 3 of the review of the Spatial Development Framework and submit the Spatial Goal and Development Pattern to Council by 31 May 2022 | Spatial Goal and Development Pattern of Phase 3 of the review of the spatial Development Framework submitted to Council by 31 May 2022 | New KPI for 2021/22        | 0                      | 0  | 0  | 1  | 1      | 1      | G |

Table 52: Compliance with the tenets of good governance as prescribed by legislation and best practice

## Guide local municipalities in the development of their IDP's and in spatial development

| Ref  | KPI                                                                      | Unit of Measurement                             | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |   |
|------|--------------------------------------------------------------------------|-------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|---|
|      |                                                                          |                                                 |                            | Targets                |    |    |    |        | Actual |   |
|      |                                                                          |                                                 |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |   |
| TL51 | Compile the IDP and submit draft to Council by 31 March 2022             | Draft IDP submitted to Council by 31 March 2022 | 1                          | 0                      | 0  | 1  | 0  | 1      | 1      | G |
| TL52 | Compile an IDP framework by 31 August 2021 to guide local municipalities | IDP framework completed by 31 August 2021       | 1                          | 1                      | 0  | 0  | 0  | 1      | 1      | G |

Table 53: Guide local municipalities in the development of their IDP's and in spatial development

## Monitor and support local municipalities to enhance service delivery

| Ref  | KPI                                                                                   | Unit of Measurement         | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |   |
|------|---------------------------------------------------------------------------------------|-----------------------------|----------------------------|------------------------|----|----|----|--------|--------|---|
|      |                                                                                       |                             |                            | Targets                |    |    |    |        | Actual |   |
|      |                                                                                       |                             |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |   |
| TL13 | Report quarterly to council on Shared Services                                        | Number of reports submitted | 4                          | 1                      | 1  | 1  | 1  | 4      | 4      | G |
| TL48 | Submit quarterly progress reports to the Portfolio Committee on the activities in the | Number of reports submitted | 4                          | 1                      | 1  | 1  | 1  | 4      | 2      | R |

| Ref  | KPI                                                                                                                                                                      | Unit of Measurement                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Actual performance 2020/21 | Performance of 2021/22 |     |     |     |        |        |   |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|-----|-----|-----|--------|--------|---|
|      |                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                            | Targets                |     |     |     |        | Actual |   |
|      |                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                            | Q1                     | Q2  | Q3  | Q4  | Annual |        |   |
|      | department including expenditure on all MIG projects of local municipalities in the district and infrastructure grants/allocations implemented by the district municipal |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                            |                        |     |     |     |        |        |   |
|      | <b>Reason and Corrective Measure</b>                                                                                                                                     | The reports were all compiled and submitted to the secretariat for the portfolio committees, but the meeting for the 1st quarter was postponed. The meeting for the 2 <sup>nd</sup> quarter did not take place due to the Local Government elections and the meeting for the 3 <sup>rd</sup> quarter also did not take place. The reports for the 2 <sup>nd</sup> and 3 <sup>rd</sup> quarters were submitted to the meeting of the portfolio committee in May 2022. |                            |                        |     |     |     |        |        |   |
| TL49 | Conduct housing consumer education in towns of non-accredited municipalities in the district                                                                             | Number households educated                                                                                                                                                                                                                                                                                                                                                                                                                                           | 0                          | 180                    | 180 | 180 | 180 | 720    | 592    | 0 |
|      | <b>Reason and Corrective Measure</b>                                                                                                                                     | Due to budget limitations the team could not conduct any further consumer education. Target will be adjusted to the 2022/23 financial year if needed.                                                                                                                                                                                                                                                                                                                |                            |                        |     |     |     |        |        |   |

Table 54: Monitor and support local municipalities to enhance service delivery

## Promote economic growth in the district

| Ref  | KPI                                                                                                                                    | Unit of Measurement                                          | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |    |
|------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|----|
|      |                                                                                                                                        |                                                              |                            | Targets                |    |    |    |        | Actual |    |
|      |                                                                                                                                        |                                                              |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |    |
| TL5  | Facilitate 2 career exhibitions in the Pixley Ka Seme District area by 30 June 2022                                                    | Number of career exhibitions facilitated                     | 2                          | 0                      | 1  | 0  | 1  | 2      | 2      | G  |
| TL53 | Create full time equivalents (FTE's) through the Expanded Public Works Programme (EPWP) by 30 June 2022 [Person days / FTE (230 days)] | Number full time equivalents (FTE's) created by 30 June 2022 | 25                         | 0                      | 0  | 0  | 14 | 14     | 15     | G2 |
| TL54 | Facilitate quarterly LED forum meetings                                                                                                | Number of meetings Facilitated                               | 3                          | 1                      | 1  | 1  | 1  | 4      | 4      | G  |

Table 55: Promote economic growth in the district

To provide a professional, people-centered human resources and administrative service to citizens,  
staff and Council

| Ref  | KPI                                                                                                                                                                                                                                                                                                           | Unit of Measurement                                                                             | Actual performance 2020/21 | Performance of 2021/22 |       |       |        |        |        |   |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------|------------------------|-------|-------|--------|--------|--------|---|
|      |                                                                                                                                                                                                                                                                                                               |                                                                                                 |                            | Targets                |       |       |        |        | Actual |   |
|      |                                                                                                                                                                                                                                                                                                               |                                                                                                 |                            | Q1                     | Q2    | Q3    | Q4     | Annual |        |   |
| TL34 | Spent 1% of personnel budget on training by 30 June 2022 (Actual total training expenditure divided by total personnel budget)                                                                                                                                                                                | % of the personnel budget spent                                                                 | 1.00%                      | 0.00%                  | 0.00% | 0.00% | 1.00%  | 1.00%  | 1.00%  | G |
| TL35 | Submit a business proposal to LGSETA for discretionary grant to avail funds to train employees and unemployed by 31 May 2022                                                                                                                                                                                  | Proposal submitted by 31 May 2022                                                               | 1                          | 0                      | 0     | 0     | 1      | 1      | 1      | G |
| TL36 | Implement the WPSP measured by the % of identified employees that completed training as identified in WPSP by 30 June 2022 (Total number of officials that received training as was identified in the WPSP for 2021/22 /total number of officials that were identified for training in the WPSP for 2021/22 ) | % of identified employees that completed training as identified in WPSP by 30 June 2022         | 90.00%                     | 0.00%                  | 0.00% | 0.00% | 90.00% | 90.00% | 90.00% | G |
| TL37 | Limit the vacancy rate of all funded and vacant posts to 10% of funded posts by 30 June 2022 so that 90% of posts are filled ((Number of funded posts vacant/Total number of funded posts)x100)                                                                                                               | % vacancy rate of funded posts (Number of funded posts vacant/Total number of funded posts)x100 | 10.00%                     | 0.00%                  | 0.00% | 0.00% | 10.00% | 10.00% | 10.00% | G |
| TL38 | Review the Workplace Skills Plan and submit to the LGSETA by 30 April 2022                                                                                                                                                                                                                                    | Plan submitted to the LGSETA by 30 April 2022                                                   | 1                          | 0                      | 0     | 0     | 1      | 1      | 1      | G |
| TL39 | The number of people from employment equity target groups employed (newly appointed)                                                                                                                                                                                                                          | Number of people employed (newly appointed)                                                     | 2                          | 0                      | 0     | 0     | 1      | 1      | 1      | G |

| Ref  | KPI                                                                                                                             | Unit of Measurement                                                   | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |   |
|------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|---|
|      |                                                                                                                                 |                                                                       |                            | Targets                |    |    |    |        | Actual |   |
|      |                                                                                                                                 |                                                                       |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |   |
|      | in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2022 |                                                                       |                            |                        |    |    |    |        |        |   |
| TL45 | Review the organizational structure of the district Municipality and submit to council by 31 May 2022                           | Reviewed Organizational Structure submitted to council by 31 May 2022 | 0                          | 0                      | 0  | 0  | 1  | 1      | 1      | G |
| TL47 | Review the ICT Strategy and submit to Council by 31 May 2022                                                                    | Reviewed ICT Strategy submitted to Council by 31 May 2022             | New KPI for 2021/22        | 0                      | 0  | 0  | 1  | 1      | 1      | G |

Table 56: To provide a professional, people-centered human resources and administrative service to citizens, staff and Council

To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined

| Ref  | KPI                                                                                                                                                   | Unit of Measurement                                       | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |    |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|----|
|      |                                                                                                                                                       |                                                           |                            | Targets                |    |    |    |        | Actual |    |
|      |                                                                                                                                                       |                                                           |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |    |
| TL16 | Submit a Quality Assurance Plan for Pixley Ka Seme District Municipality to the Audit Committee by 30 June 2022                                       | Quality Assurance Plan submitted annually by 30 June 2022 | 1                          | 0                      | 0  | 0  | 1  | 1      | 1      | G  |
| TL17 | Submit internal audit reports to the local municipalities in terms of the Service Level Agreements                                                    | Number of reports submitted                               | 29                         | 8                      | 8  | 7  | 7  | 30     | 41     | G2 |
| TL18 | Compile the Risk Based Audit Plan (RBAP) for Pixley Ka Seme District Municipality and submit to the Audit Committee for consideration by 30 June 2022 | RBAP submitted by 30 June 2022                            | 1                          | 0                      | 0  | 0  | 1  | 1      | 1      | G  |
| TL19 | Compile the Risk based audit plans (RBAP) for the local municipalities in terms of the                                                                | Number of plans submitted by 30 June 2022                 | 12                         | 0                      | 0  | 0  | 7  | 7      | 4      | R  |

| Ref  | KPI                                                                                                                                                                   | Unit of Measurement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |    |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|----|
|      |                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                            | Targets                |    |    |    |        | Actual |    |
|      |                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |    |
|      | Service Level Agreements and submit to the local municipalities by 30 June 2022                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                            |                        |    |    |    |        |        |    |
|      | Reason and Corrective Measure                                                                                                                                         | The Risk Based Audit Plans were completed by the Internal Audit Department and ready for submission to the APC, but the meeting of the Audit Committees for Kareeberg scheduled for March and May 2022 did not take place. Kareeberg's Audit Committee was only established from 1 May 2022 and the meeting that should have taken place in June 22, was postponed to 7 July 2022 and the RBAP was submitted. In Siyathemba municipality meeting dates were given, but were postponed. The RBAP's will be submitted at the first meeting in 2022/23. In Thembelihle, municipality, meeting dates were given, but were postponed. The meeting was then held on 1 July 2022. Going forward, dates for meetings will be communicated well in advance during the last quarter of the financial year for the following year in order for management and APC to plan in advance.       |                            |                        |    |    |    |        |        |    |
| TL20 | Review the 3 year Strategic Audit Plan for Pixley Ka Seme District Municipality and submit to the Audit Committee by 30 June 2022                                     | Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1                          | 0                      | 0  | 0  | 1  | 1      | 1      | G  |
| TL21 | Review the 3 year Strategic Audit Plan for the Local Municipalities in terms of the Service Level Agreements and submit to the to the Audit Committee by 30 June 2022 | Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 6                          | 0                      | 0  | 0  | 7  | 7      | 4      | R  |
|      | Reason and Corrective Measure                                                                                                                                         | The 3 year Strategic Audit Plans were completed by the Internal Audit Department and ready for submission to the APC, but the meeting of the Audit Committees for Kareeberg scheduled for March and May 2022 did not take place. Kareeberg's Audit Committee was only established from 1 May 2022 and the meeting that should have taken place in June 22, was postponed to 7 July 2022 and the RBAP was submitted. In Siyathemba municipality meeting dates were given, but were postponed. The RBAP's will be submitted at the first meeting in 2022/23. In Thembelihle, municipality, meeting dates were given, but were postponed. The meeting was then held on 1 July 2022. Going forward, dates for meetings will be communicated well in advance during the last quarter of the financial year for the following year in order for management and APC to plan in advance. |                            |                        |    |    |    |        |        |    |
| TL22 | Facilitate the quarterly Audit Committee meetings during the 2021/22 financial year for Pixley Ka Seme District Municipality                                          | Number of Audit Committee meetings facilitated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 4                          | 1                      | 1  | 1  | 1  | 4      | 5      | G2 |

**Table 57:** To provide an independent and objective internal audit assurance and consulting service to add value and to improve the administrative operations of all the municipalities in the district through an approach that is systematic and disciplined

## To provide disaster management services to the citizens

| Ref  | KPI                                                                                          | Unit of Measurement                                        | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |   |
|------|----------------------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------|------------------------|----|----|----|--------|--------|---|
|      |                                                                                              |                                                            |                            | Targets                |    |    |    |        | Actual |   |
|      |                                                                                              |                                                            |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |   |
| TL40 | Host training session by 31 May 2022 to train volunteers to Disaster Management              | Training session hosted by 31 May 2022                     | 3                          | 0                      | 0  | 0  | 1  | 1      | 1      | G |
| TL41 | Review the Disaster Management Plan annually and submit to Council by 31 May 2022            | Reviewed plan annually submitted to council by 31 May 2022 | 1                          | 0                      | 0  | 0  | 1  | 1      | 1      | G |
| TL46 | Submit application for increased funding for disaster management to COGHSTA by 31 March 2022 | Application submitted by 31 March 2022                     | 0                          | 0                      | 0  | 1  | 0  | 1      | 1      | G |

Table 58: To provide disaster management services to the citizens

## To provide municipal health services to improve the quality of life of the citizen

| Ref  | KPI                                                                                                                       | Unit of Measurement         | Actual performance 2020/21 | Performance of 2021/22 |    |    |    |        |        |    |
|------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------|------------------------|----|----|----|--------|--------|----|
|      |                                                                                                                           |                             |                            | Targets                |    |    |    |        | Actual |    |
|      |                                                                                                                           |                             |                            | Q1                     | Q2 | Q3 | Q4 | Annual |        |    |
| TL42 | Compile monthly water quality analysis reports to local municipalities in terms of the Water Quality Monitoring Programme | Number of reports compiled  | 137                        | 24                     | 24 | 24 | 24 | 96     | 109    | G2 |
| TL43 | Submit quarterly reports to Council on municipal health services rendered                                                 | Number of reports submitted | 4                          | 1                      | 1  | 1  | 1  | 4      | 4      | G  |

Table 59: To provide municipal health services to improve the quality of life of the citizen

### 3.3 Service Providers Performance

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

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

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

### 3.4 Municipal Functions

The table below indicates the functional areas that the municipality are responsible for in terms of the Constitution:

| Municipal Function                                                 | Municipal Function<br>Yes / No |
|--------------------------------------------------------------------|--------------------------------|
| <b>Constitution Schedule 4, Part B functions:</b>                  |                                |
| Air pollution                                                      | Yes                            |
| Building regulations                                               | Yes                            |
| Firefighting services                                              | Yes                            |
| Local tourism                                                      | Yes                            |
| Municipal health services                                          | Yes                            |
| Trading regulations                                                | Yes                            |
| <b>Constitution Schedule 5, Part B functions:</b>                  |                                |
| Control of public nuisances                                        | Yes                            |
| Licensing and control of undertakings that sell food to the public | Yes                            |

Table 60: Functional areas

## COMPONENT A: BASIC SERVICES

### 3.5 Housing

Pixley ka Seme DM, a level 2 accredited housing service delivery agent is delivering the housing service as a shared service to seven of the seven local municipalities in the district. The strategic objectives in terms of housing delivery for the institution are:

-  Promote integrated sustainable human settlements;
-  Align housing projects to existing IDP development priorities;
-  Develop and implement a programmed approach to land development for housing;
-  Develop and implement efficient land identification and land release strategies;
-  Ensure effective planning and servicing of identified land;
-  Improve skills and capacity building within the municipalities; and
-  Implement IGR goals and objectives related to housing.

#### Highlights: Housing

| Highlight          | Description                                                                                                                                                                                                  |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer Education | Consumer education was conducted in the following municipalities within the district: Renosterberg 48, Siyathemba 302, Ubuntu 83 and Umsobomvu 159. In total 592 beneficiaries were trained during the year. |

Table 61: Housing Highlights

#### Challenges: Housing

| Challenge                          | Action to Address                                                                                                                                                                                                                          |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accreditation                      | Accreditation Framework to be revised to fit the current housing function delivered by the municipality, as the district is not allowed to fulfil any development functions any more.                                                      |
| Grant Funding for Housing Function | The conditions of the allocation should be relaxed to ease the financial burden on the municipality.                                                                                                                                       |
| Housing Development                | The function should be awarded as per accreditation status.                                                                                                                                                                                |
| Consumer Education                 | Historically the grant allocation to Pixley ka Seme District Municipality was more than R700 000, this was reduced to R200 000 for 2021/22 financial year and due to budget limitations, the district could not achieve the annual target. |

Table 62: Housing Challenges

#### Service Statistics: Housing

A summary of houses built, includes:

| Financial year | Number of houses built | Number of sites serviced |
|----------------|------------------------|--------------------------|
| 2020/21        | 0                      | 0                        |
| 2021/22        | 0                      | 0                        |

Table 63: Houses built and Sites Serviced

## Employees: Housing

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              | Number   |           |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 5        | 4         | 1                                | 20                                |
| 7 - 9        | 0        | 0         | 0                                | 0                                 |
| 10 - 12      | 2        | 1         | 1                                | 50                                |
| 13 - 15      | 1        | 1         | 0                                | 0                                 |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>8</b> | <b>6</b>  | <b>2</b>                         | <b>75</b>                         |

As at 30 June 2022

Table 64: Employees Housing

## Capital Expenditure: Housing

No capital funding is allocated to the district. The provincial department assigns implementation of housing projects to their appointed Project Management Unit (PMU).

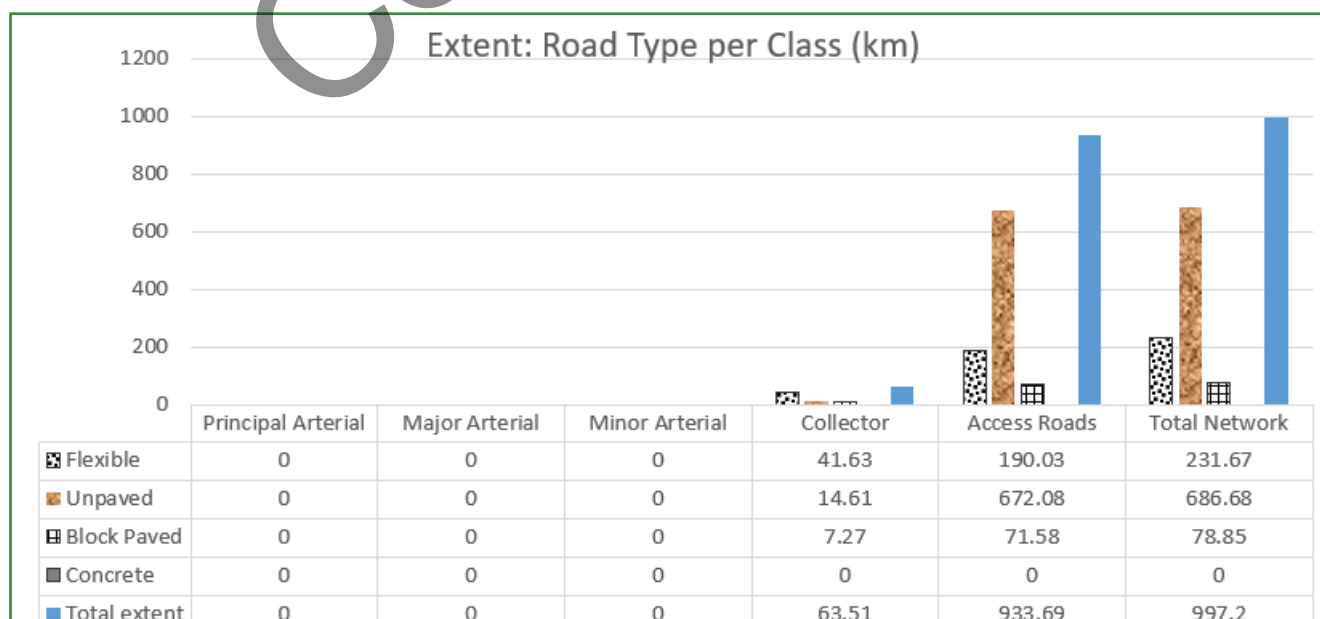
## COMPONENT B: ROAD TRANSPORT

### 3.6 Roads

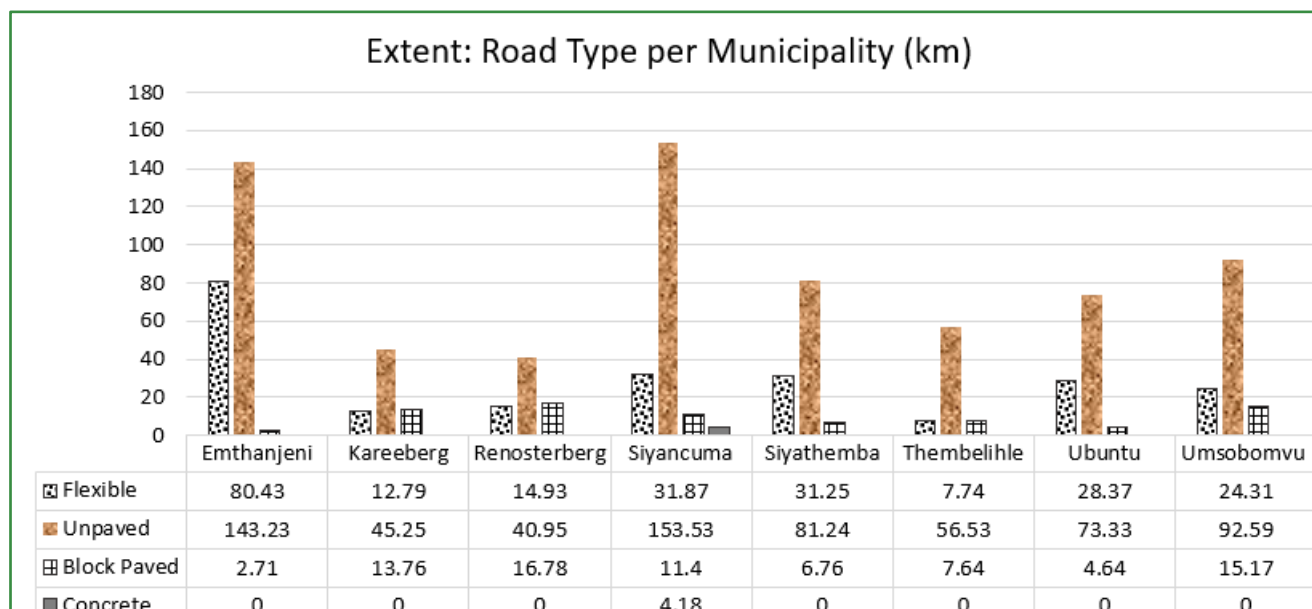
The District Municipality does not have any road assets to maintain, however the municipality is involved with the Rural Road Asset Management which entails the condition assessment of municipal streets, traffic analysis and condition assessment of bridges within the district which is funded by the National Department of Transport.

3 civil engineering graduates and 2 data capturers were employed in order to implement the programme with the available funding. Roads and Highways a business unit of Digital Industries (PTY) Ltd. provide technical assistance as and when needed with the implementation of the programme.

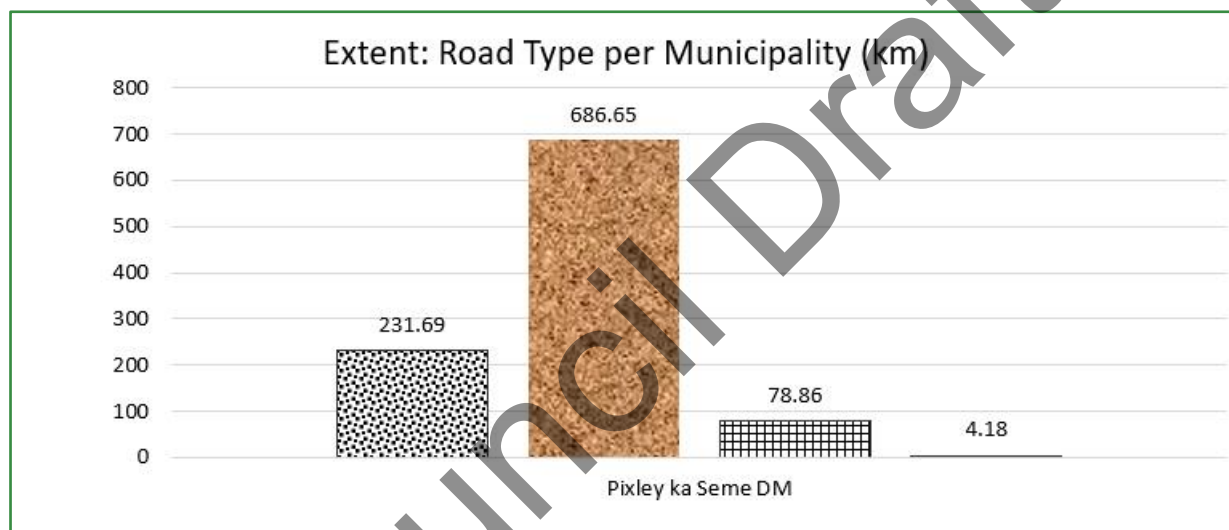
The diagrams below illustrate the network per road typed assessed and the overall condition of the network assessed during the period.



Graph 2: Extent: Road Type per Road Class (km)

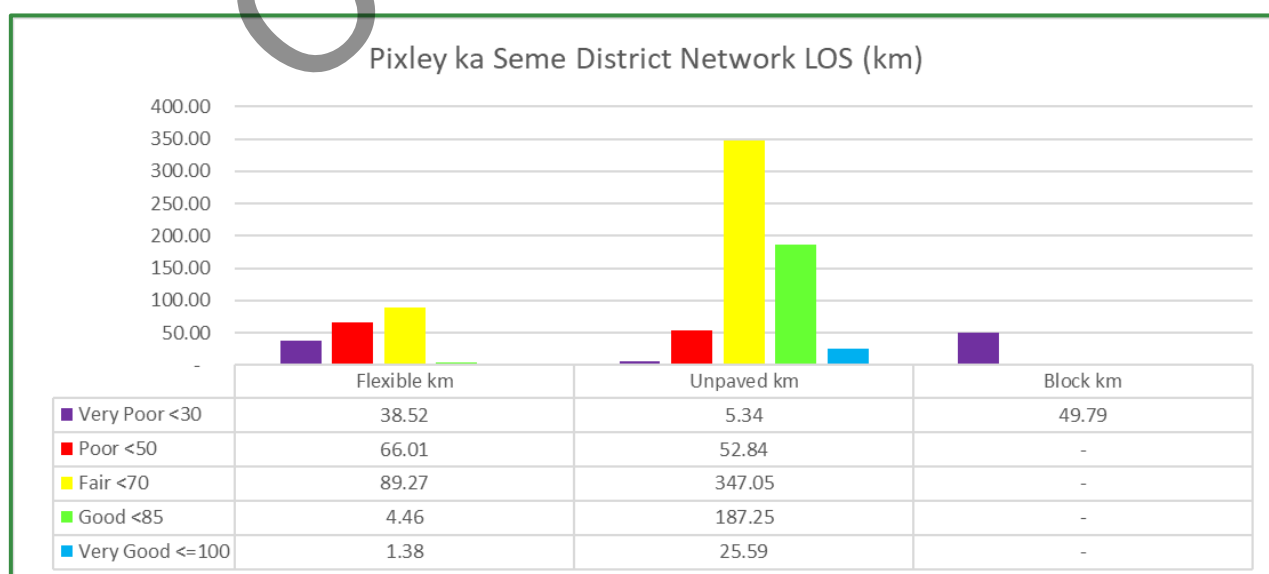


Graph 3: Extent: Total Municipal Road Network



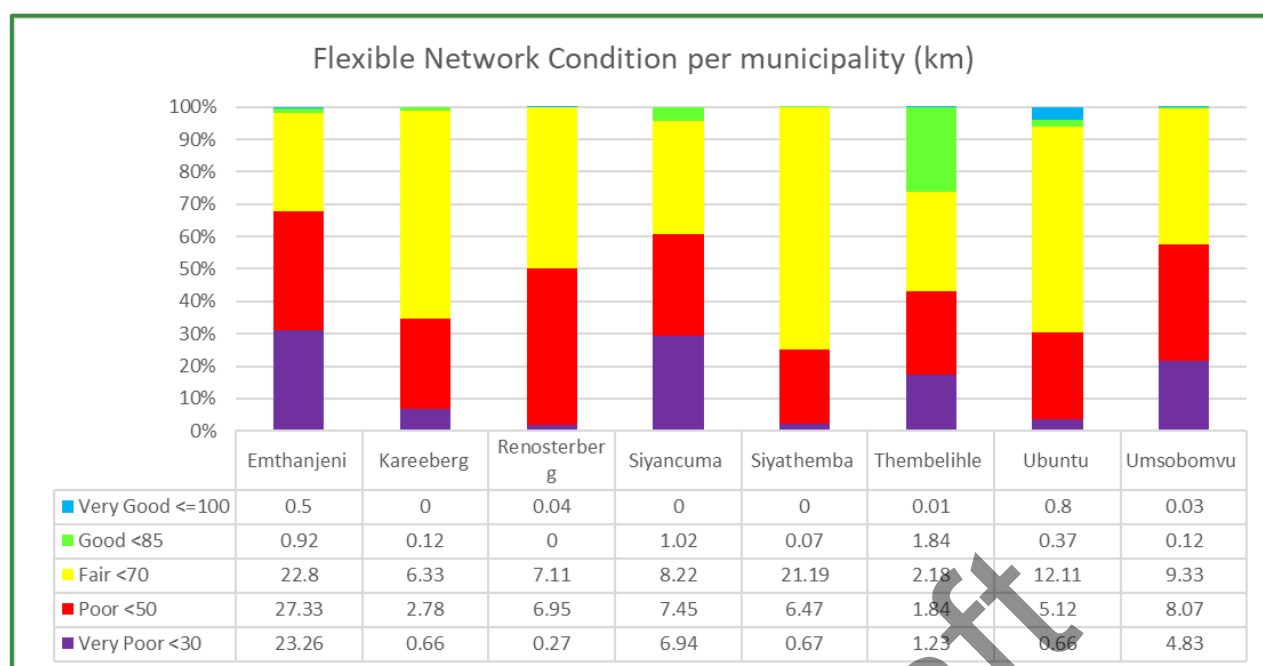
Graph 4: Extent: Road Type per Municipality (km)

The visual condition index (VCI) for the different road types in the district can be summarised as follows:



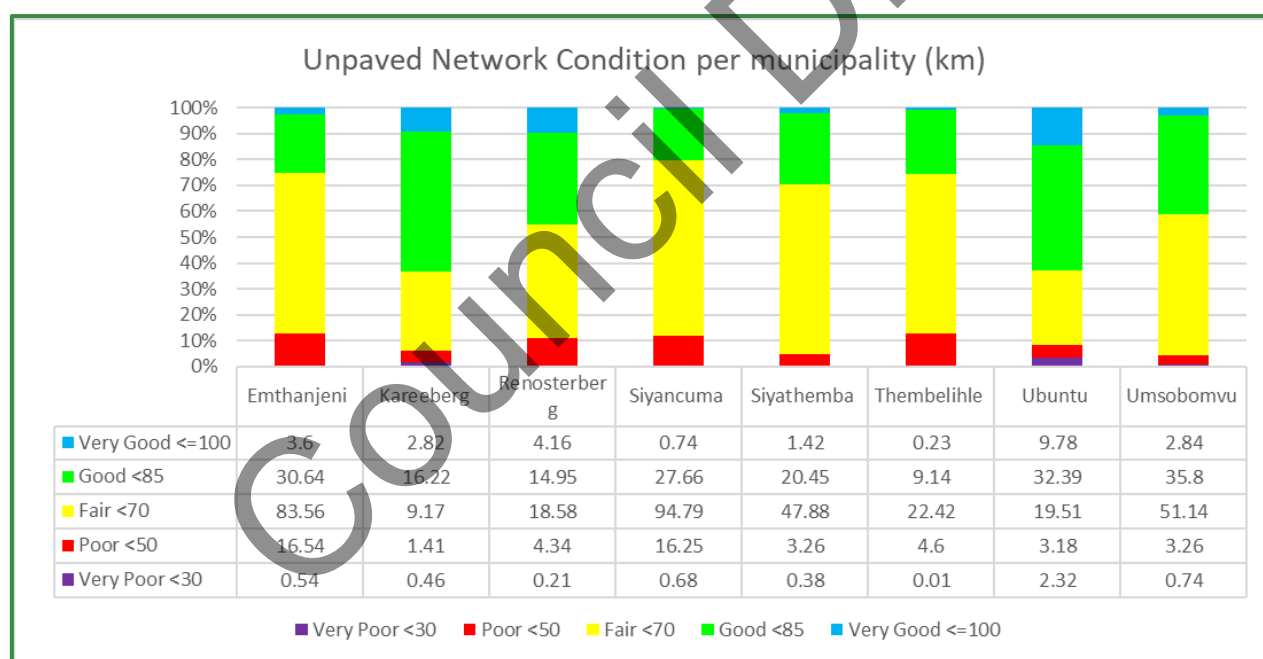
Graph 5: Total Pixley ka Seme Road Network LOS (km)

The VCI for the paved roads in the municipalities can be summarised as follows:



**Graph 6: Paved Road Condition 2021/22 (km)**

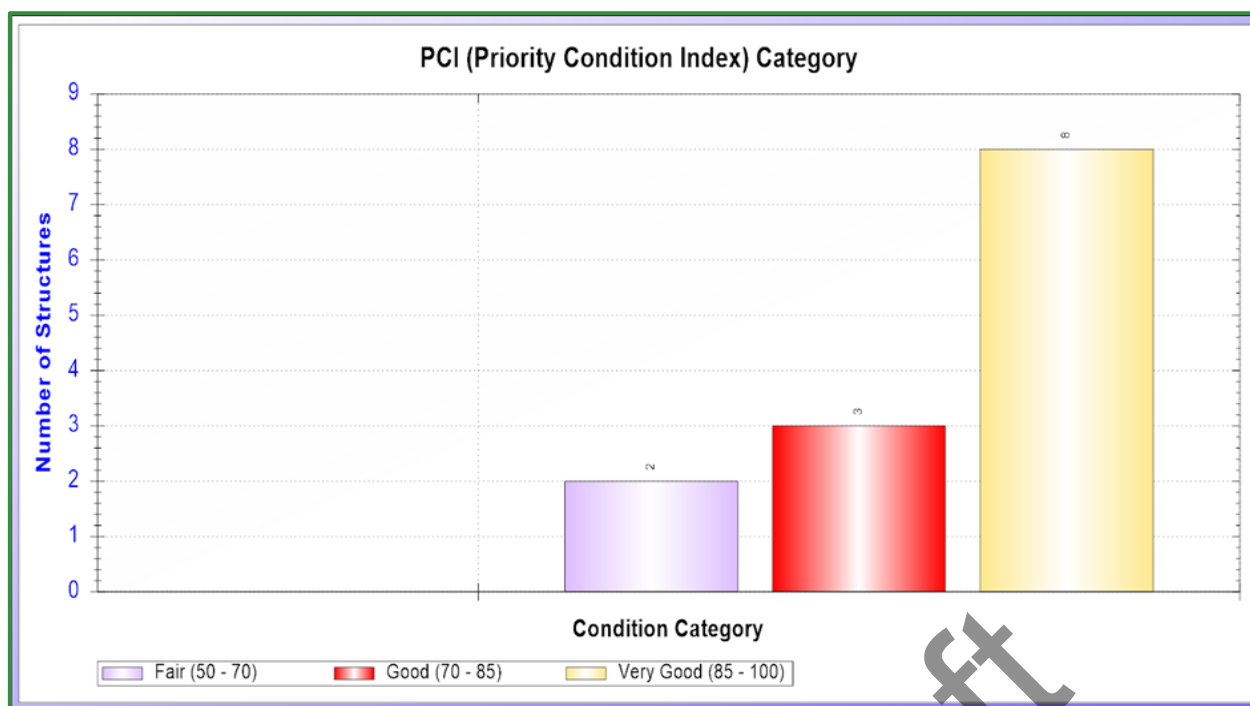
The VCI for the unpaved roads in the municipalities can be summarised as follows:



**Graph 7: Unpaved Roads Condition 2021/22 (km)**

Pixley Ka Seme District has adopted the Struman Bridge Management System developed by the CSIR for the investigation of their local bridges. All structures were assessed according to TMH19 by an accredited structural engineer.

The average condition index (ACI) of bridges / culverts is determined based on the severity and extent of defects in elements. In general, ACI is evaluated the STRUMAN software based on routine bridge inspection defects ratings considering the severity of dominant defects.



Graph 8: Priority Condition Index Category Bridges/Culverts

## Employees: Roads

The following table indicates the staff composition for this division:

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              | Number   |           |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 0        | 0         | 0                                | 0                                 |
| 7 - 9        | 0        | 0         | 0                                | 0                                 |
| 10 - 12      | 2        | 2         | 0                                | 0                                 |
| 13 - 15      | 0        | 0         | 0                                | 0                                 |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>2</b> | <b>2</b>  | <b>0</b>                         | <b>0</b>                          |

As at 30 June 2022

Table 65: Employees - Roads

## Capital Expenditure: Roads

There was no capital expenditure for the 2021/22 financial year.

## COMPONENT C: PLANNING AND DEVELOPMENT

### 3.7 Planning

Sustainable economic development in a region is firstly only possible if there is a balance between the urban-rural and larger-smaller town developments (thus, if there is spatial development balance). Secondly, it requires sufficient protection of all dimensions of the natural environment and, thirdly, the different elements of the physical infrastructure have to develop at a sufficient pace.

These three areas are easily taken for granted in the daily efforts of private enterprises to make a profit, break even or fulfil their short-term goals vs the objectives of public policy to protect and allocate resources to ensure long term sustainability.

The functions of the planning unit consist of:

-  The processing of building plan applications on behalf of local municipalities in the district
-  Assisting local municipalities with zoning and residential layout plans
-  Assist local municipalities with land rezoning and removal of restrictions
-  Establishment of all structures to give effect for the implementation of the Spatial Planning Land Use Management Act (SPLUMA).

## Highlights: Planning

| Highlight                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |           |             |              |              |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|-------------|--------------|--------------|---------|-----------------|------------------------|----|-----|-----|---|-----|-----|------------------------------|-----|-----|---|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|---|---|-------------|----|----|---|----|----|----|-----|
| Processing of building plan applications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>The district is considering building plan applications for some municipalities (Kareeberg, Renosterberg, Thembelihle, Siyancuma, Siyathemba and Ubuntu) in the district.</p> <p>During the financial year the planning unit assessed <b>104</b> building plan applications. The table below provides more information of the number of applications from the relevant municipalities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |           |             |              |              |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <table><tr><th>Municipality</th><th>Kareeberg</th><th>Siyathemba</th><th>Ubuntu</th><th>Siyancuma</th><th>Thembelihle</th><th>Renosterberg</th><th>Total</th></tr><tr><td>Approved</td><td>12</td><td>24</td><td>1</td><td>5</td><td>6</td><td>7</td><td>55</td></tr><tr><td>Not Approved / Referred Back</td><td>12</td><td>12</td><td>5</td><td>12</td><td>5</td><td>3</td><td>49</td></tr><tr><td>Pending</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Grand Total</td><td>24</td><td>36</td><td>6</td><td>17</td><td>11</td><td>10</td><td>104</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Municipality                                                                                                                                        | Kareeberg                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Siyathemba | Ubuntu    | Siyancuma   | Thembelihle  | Renosterberg | Total   | Approved        | 12                     | 24 | 1   | 5   | 6 | 7   | 55  | Not Approved / Referred Back | 12  | 12  | 5 | 12              | 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 3     | 49      | Pending                                                                                                                                             | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Grand Total | 24 | 36 | 6 | 17 | 11 | 10 | 104 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Municipality                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Kareeberg                                                                                                                                           | Siyathemba                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Ubuntu     | Siyancuma | Thembelihle | Renosterberg | Total        |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Approved                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 12                                                                                                                                                  | 24                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1          | 5         | 6           | 7            | 55           |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Not Approved / Referred Back                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 12                                                                                                                                                  | 12                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 5          | 12        | 5           | 3            | 49           |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Pending                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0                                                                                                                                                   | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 0          | 0         | 0           | 0            | 0            |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Grand Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 24                                                                                                                                                  | 36                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 6          | 17        | 11          | 10           | 104          |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
| <p>Building plan applications are assessed according to the National Building Regulations and Building Standards Act No. 103 of 1977, the scheme regulations of the relevant municipality and Title deed conditions. During the year a building plan training was conducted with draughtsman to improve the quality of the building plan submissions. The percentage of non-conforming building plans decreased from more than 60% to 47%. Further training in some municipalities e.g., Siyancuma, Ubuntu and Kareeberg is still necessary in this regard. 93% of the applications were addressed within the 30-day period as prescribed by the Act.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |           |             |              |              |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
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| District Municipal Planning Tribunal (DMPT) was established in terms of Spatial Planning and Land Use Management Act (SPLUMA) to decide on Land Development Applications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>The 5-year District Municipal Planning Tribunal term lapsed in July 2021 and was the 2<sup>nd</sup> DMPT only established in March 2022. New DMPT members were trained and the first DMPT meeting was held in June 2022 considering 50 applications.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |           |             |              |              |         |                 |                        |    |     |     |   |     |     |                              |     |     |   |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |       |         |                                                                                                                                                     |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <table><tr><th>Quarter</th><th>Date of meeting</th><th>Number of applications</th></tr><tr><td>1</td><td>---</td><td>n/a</td></tr><tr><td>2</td><td>---</td><td>n/a</td></tr><tr><td>3</td><td>---</td><td>n/a</td></tr><tr><td>4</td><td>13,14 &amp; 15 June</td><td>Thembelihle - 6 applications of which were approved<br/>Siyathemba - 9 applications of which 7 were approved, 1 rejected and 1 was withdrawn by the municipality<br/>Ubuntu - 3 applications which were approved<br/>Emthanjeni - 13 applications of which 8 were approved and 5 were withdrawn by the municipality<br/>Umsobomvu - 9 applications of which 8 were approved and 1 was withdrawn by the municipality<br/>Kareeberg - 2 applications of which 8 were approved and 1 withdrawn by the municipality<br/>Siyancuma - 8 applications of which 3 were approved, 3 were rejected and 2 were withdrawn by the municipality</td></tr><tr><td>Total</td><td>2021/22</td><td>50 applications were presented to the DMPT of which 36 were approved, 4 rejected and 10 were withdrawn by the municipalities due to incompleteness.</td></tr></table> |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |            |           |             |              |              | Quarter | Date of meeting | Number of applications | 1  | --- | n/a | 2 | --- | n/a | 3                            | --- | n/a | 4 | 13,14 & 15 June | Thembelihle - 6 applications of which were approved<br>Siyathemba - 9 applications of which 7 were approved, 1 rejected and 1 was withdrawn by the municipality<br>Ubuntu - 3 applications which were approved<br>Emthanjeni - 13 applications of which 8 were approved and 5 were withdrawn by the municipality<br>Umsobomvu - 9 applications of which 8 were approved and 1 was withdrawn by the municipality<br>Kareeberg - 2 applications of which 8 were approved and 1 withdrawn by the municipality<br>Siyancuma - 8 applications of which 3 were approved, 3 were rejected and 2 were withdrawn by the municipality | Total | 2021/22 | 50 applications were presented to the DMPT of which 36 were approved, 4 rejected and 10 were withdrawn by the municipalities due to incompleteness. |   |   |   |   |   |   |   |             |    |    |   |    |    |    |     |
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| Highlight                                                               | Description                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Improved IDP Stakeholder and community engagements                      | 5 meetings were conducted during the financial year in reviewing the IDP. These includes IDP Steering committee meeting 12 October 2021; IDP Representative Forums - 15 November 2021 and 29 March 2022, and IDP Public Participation meeting on 11 April 2022 in Carnarvon and 10 May 2022 in Strydenburg. |
| IDP Review support to Municipalities through IDP working group sessions | Support was rendered to Emthanjeni Municipality during their IDP review process, by attending IDP Representative Forum Meetings.                                                                                                                                                                            |
| Adoption of the process plans and IDP framework, draft and final IDP's  | The IDP framework and IDP process plan was compiled and adopted by council on 30 August 2021                                                                                                                                                                                                                |

Table 66: Planning Highlights

### Challenges: Planning

| Description              | Actions to address                                                                                                                                                                                                    |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capacity within the unit | The unit is responsible for 2 crucial strategic functions of the municipality thus IDP and Spatial Planning. 2 Planning interns are needed 1 should be responsible for IDP while the other for town planning matters. |

Table 67: Planning Challenges

### Employees: Planning

The following table indicates the staff composition for this division:

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              | Number   |           |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 0        | 0         | 0                                | 0                                 |
| 7 - 9        | 0        | 0         | 0                                | 0                                 |
| 10 - 12      | 0        | 0         | 0                                | 0                                 |
| 13 - 15      | 1        | 1         | 0                                | 0                                 |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>1</b> | <b>1</b>  | <b>0</b>                         | <b>0</b>                          |

As at 30 June 2022

Table 68: Employees - Planning

### Capital Expenditure: Planning

There was no capital expenditure for the 2021/22 financial year.

### 3.8 Local Economic Development

The purpose of Local Economic Development is to build up the sustainable development capacity of a local area to improve its economic future and the quality of life for all. It is a process by which government, the private sector, labour and civil society work collectively to create better conditions for economic growth, investment and employment generation.

The National LED policy framework 2018-2028 therefore focuses on the following LED Policy Pillars/Thrusts:

- ✿ Building a Diverse and innovation driven local economies.
- ✿ Developing Learning and Skilful Local Economies.
- ✿ Developing Inclusive Economies.
- ✿ Enterprise development and Support.
- ✿ Economic governance and infrastructure.
- ✿ Strengthening local innovation system.

As the Pixley ka Seme district, our economy is predominantly primary sector focused with manufacturing and tourism also contributing to the district economy. In the coming years, the sector contributions will fluctuate with the contributions by the social and personal services sector (including tourism) and the agriculture sector expected to increase and decrease respectively. This is owing to a very low growth rate in certain sectors but a sharp increase in the others, mainly as a result of, as mentioned, the investment in renewable energy generation and the SKA project. We are furthermore excited about the mining prospects coming to the district with the copper mine set to open in Copperton.

The economy in the Pixley ka Seme municipal area is characterised by the following:

- ✿ High levels of poverty and low levels of education.
- ✿ It is a small-town sub-region with a low level of development despite the strategic location in terms of the national transport corridors
- ✿ Sparsely populated towns with a number of larger towns serving as “agricultural service centres”; spread evenly throughout the district as central places
- ✿ High rate of unemployment, poverty and social grant dependence
- ✿ Prone to significant environmental changes owing to long-term structural changes (such as climate change, energy crises and other shifts)
- ✿ Geographic similarity in economic sectors, growth factors and settlement patterns
- ✿ Economies of scale not easily achieved owing to the relatively small size of towns
- ✿ A diverse road network with national, trunk, main and divisional roads of varying quality, and
- ✿ Potential and impact of in renewable energy resource generation.
- ✿ Retail continues to be the leading employment sector outside government in the district.
- ✿ Various mining opportunities that are currently being explored in the district i.e., Copper & Tiger’s eye.

#### Highlights: LED

| Highlight                                       | Description                                                                                                                                                                                                                     |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual workshop to assist SMMEs with compliance | On the 11 <sup>th</sup> of November 2021 an annual workshop was hosted to support SMMEs with registrations in De Aar. We also had different Departments presenting on opportunities on offer for the Pixley business community. |
| District LED Forum                              | Local Economic Development offers local government, private sector, local community and the business community the opportunity to work together to improve the local economy.                                                   |

| Highlight                                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            | <p>During the year we have hosted four (4) LED Forums where we promote the inclusion and promotion of local businesses and SMMEs.</p> <p>LED Forums were conducted in the following LMs:</p> <ul style="list-style-type: none"> <li>-Quarter 1: Siyancuma Local Municipality (Douglas)</li> <li>-Quarter 2: Thembelihle Local Municipality (Hopetown)</li> <li>-Quarter 3: Emthanjeni Local Municipality (Hanover)</li> <li>-Quarter 4: Umsobomvu Local Municipality (Noupoort)</li> </ul> |
| PKSDM Development Fund                                     | We continue to grow the PKSDM Development Fund initiative with each local municipality having a beneficiary.                                                                                                                                                                                                                                                                                                                                                                               |
| PKSDM Global Entrepreneurship Week                         | <p>Global Entrepreneurship Week is a week that inspires/ helps entrepreneurs to take the next step in the entrepreneurial journey; it strengthens the entrepreneurship ecosystem through collaborative dialogue and information dissemination which is a much-needed thing in our slow growing ecosystem as Pixley ka Seme District.</p> <p>From 8 November 2021 - 12 November 2021 we hosted GEW in the District where we visited different local municipalities in the District.</p>     |
| Public/ Private Sector Training                            | Facilitation to mentor commonage and commercial farmers in business with Dept. Agriculture and IPP Development consultants.                                                                                                                                                                                                                                                                                                                                                                |
| Establishment of Business Chambers in Local Municipalities | With a continued lack of business unity and information dissemination, the establishment of five (5) Business Chambers has seen businesses receive development opportunities quicker and efficiently.                                                                                                                                                                                                                                                                                      |

Table 69: LED Highlights

## Challenges: LED

| Description                                              | Actions to address                                                                                                                                                                                                                                                  |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Lack of resources                                        | The LED unit needs to be expanded by adding at least two (2) officials. The PKSDM LED Strategy speaks to this proposal.                                                                                                                                             |
| Lack of visible budget                                   | LED budget continues to be insignificant compared to the population of the Pixley ka Seme district especially considering the lack of resources in local municipalities. The PKSDM Development Fund budget to be increased to reach more SMMEs within the district. |
| Local LED Municipality Capacitation                      | Six (6) of the eight (8) local municipalities in the district continue not to have designated LED officials making it difficult to fulfil the facilitation of development to its full potential.                                                                    |
| Limited Funding Development Institution District Offices | Resources and information dissemination remain a challenge to the SMMEs because of lack of offices for Funding Development Institutions where SMMEs can easily access funding opportunities.                                                                        |

Table 70: LED Challenges

## LED Objectives

LED includes all activities associated with economic development initiatives. The municipality has a mandate to provide strategic guidance to the municipality's integrated development planning and economic development matters and working in partnership with the relevant stakeholders on strategic economic issues. The LED strategy identifies various issues and strategic areas for intervention such as:

| Objectives                    | Strategies                                                            |
|-------------------------------|-----------------------------------------------------------------------|
| Enabling Infrastructure       | Support local municipal, national & provincial government initiatives |
| Impacts on regional planning  | Make inputs in regional forums and conferences                        |
| Land use management practices | Participates in IDP and SDF review processes                          |
| Attracts investors            | Highlights the competitive and comparative advantages                 |

Table 71: LED Objectives and Strategies

## Extended Public Works Programme (EPWP)

The table below indicates the number of projects and jobs created with the EPWP:

| Job creation through Extended Public Works Programme (EPWP) projects |                    |                                     |
|----------------------------------------------------------------------|--------------------|-------------------------------------|
| Year                                                                 | Number of Projects | Number of Job Opportunities Created |
| 2020/21                                                              | 3                  | 54                                  |
| 2021/22                                                              | 3                  | 64                                  |

Table 72: Job creation through EPWP projects

## EPWP Projects

The Council approved the implementation of the following projects in the 2021/22 financial year.

### Renovation of offices and paving of parking area at Pixley ka Seme DM

This phase of the programme consists of two activities e.g., Paving of the parking area and employment of support staff. The district municipality has embarked on a programme to renovate the offices in phases since 2014/15. For this year the priority was to pave of the driveway between the second carport and the Disaster Management Centre as mud is deposited on the driveway and when dry it become dusty causing a health risk to officials. Support staff appointed in the Pixley ka Seme district under the EPWP programme are the communications field worker, EPWP data capturer and tourism field worker. *(14 Beneficiaries)*

### Upgrading of gravel streets in Schmidtsdrift to paved streets

The allocation for 2021/22 was a continuation of the current phase of the project which commence in March 2018 which entails the construction of storm water control measures in order to prevent and to drain flooding in the low laying areas. The project entails the construction of inlet and outlet structures of the storm water pipe installed during the previous financial year. Construction work commences in September 2021 and was completed in December 2021 as delays was experienced with the timeously delivery of material . *(21 Beneficiaries)*

### Refurbishment of Community Halls in Siyancuma and Renosterberg Municipality

Various community halls and other public facilities e.g., Municipal Clinics are in a dilapidated condition and need to be refurbished. Council initiated the project which entails the refurbishment of municipal facilities within the district. A condition assessment of all community halls was completed and a report was tabled before council identifying the worst facilities in the district. The community halls in Griekwastad (Rainbow Valley and Mothlamola) and Philipstown (Lukwanyisweni) was identified as one of the high priority halls and council approve the project. The works entails the cleaning, painting of buildings interior and exterior as well as refurbishment of toilets, wash basins, doors and ceilings. *(29 beneficiaries).*





## Job Creation Projects

### EPWP Cutting of Prosopis Tree Project

Pixley ka Seme District Municipality was successful in obtaining additional funding from the Department of Economic Development for the implementation of an environmental orientated EPWP project in the district. The district municipality has embarked on a programme to eradicate invasive alien vegetation in some local municipalities within the district. The aim is also to provide work opportunities for unemployed persons within the municipality especially women and youth. The project was implemented in Siyancuma and Kareeberg Municipalities in the following towns: Marydale, Carnarvon and Vanwyksvlei.

The project entails of training of the workers in different aspects e.g., vegetation control in cutting/eradication methods of invasive alien vegetation, handling and applying herbicides, storing of raw tools, equipment and raw materials.

The project started in 2020/21 financial year and continue in the 2021/22 as another allocation was solicit for the programme. *(96 beneficiaries)*

## Employees: LED

The following table indicates the staff composition for this division:

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              | Number   |           |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 0        | 0         | 0                                | 0                                 |
| 7 - 9        | 1        | 0         | 1                                | 100                               |
| 10 - 12      | 0        | 0         | 0                                | 0                                 |
| 13 - 15      | 1        | 1         | 0                                | 0                                 |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>2</b> | <b>1</b>  | <b>1</b>                         | <b>50</b>                         |

As at 30 June 2022

Table 73: Employees - LED

## Capital Expenditure: LED

There was no capital expenditure for the 2021/22 financial year.

## COMPONENT D: MUNICIPAL HEALTH

### 3.9 Environmental Health

According to the Constitution of the Republic of South Africa 1996, the Local Government, Municipal Structures Act No.117 of 1998 and the National Health Act, No 61 of 2003, it is the statutory responsibility of a District Municipality and Metropolitan Municipality to render Municipal Health Services.

Section 24 of the Constitution entrenches the right of all citizens to live in an environment that is not harmful to their health or well-being. Section 1 of the National Health Act, 2003 (Act 61 of 2003), defines municipal health services and clearly stipulates the responsibilities of municipalities in the performance of such services.

#### Environmental Health

Environmental health transects several areas of human interaction and existence and is defined by the World Health Organization (WHO) as addressing the physical, chemical and biological factors external to a person and all the related factors impacting behaviours. It encompasses the assessment and control of those environmental factors that can potentially affect public health.

#### Environmental Health Services

In Pixley Ka Seme DM it is still an unfortunate reality that a large proportion of diseases can be attributed to preventable environmental health conditions and it is often the marginalized communities who tend to be worse affected. Protecting the public's health through the protection of the environment is one of Pixley Ka Seme DM's core legislative mandates by the rendering of municipal health services.

## The Role and Function of the Municipal Health Services & Environmental Management Unit

Municipal health services are rendered to ensure protection of public health in the district, it is essential that effective municipal health services are implemented. Pixley Ka Seme DM have nine (10) Environmental Health Practitioners (EHP's) to ensure effective rendering of municipal health services, such officials ensure that the services are rendered in accordance with the National Health Act (Act 61 of 2003).

### Key Performance Areas of Municipal Health are:

- ✿ Water quality monitoring
- ✿ Waste management
- ✿ Food control
- ✿ Health surveillance of premises
- ✿ Disposal of the dead
- ✿ Chemical safety
- ✿ Environmental pollution control
- ✿ Vector control
- ✿ Surveillance and prevention of communicable diseases excluding immunization
- ✿ Air Quality Monitoring

EHP's work together to provide situation analysis and need based risks affecting public health. Routine inspections reveal that new and evolving risks and exposures continuously place demands on our Municipal Health Services and to respond to these risks, Gazetting of Municipal Health Services was done and implementation generating an income for the running of the service, continuous appointment of EHP's are done to respond/address such risks through awareness campaigns, clean-up programs and indoor air quality.

### The District identified seven Key Priority Areas:

- ✿ Municipal Health Services By-law 2019 Implementation.
- ✿ Revenue generation
- ✿ Water Quality Monitoring
- ✿ Food Safety Control
- ✿ Surveillance of premises Early Childhood Development (ECD) Centre's, clinics, hospitals and schools etc.
- ✿ Disposal of the dead
- ✿ Air Quality Monitoring

### Highlights: Municipal Health

| Highlight             | Description                                                                                                                                                      |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community outreach    | Municipal Health services awareness and health hygiene awareness campaign - installing soap dispensers and donating soap to use at schools and day care centers. |
| Unit Admin assistant  | Appointment of MH&EM Services admin assistant.                                                                                                                   |
| Official unit uniform | Launch of MH&EM Services official uniform.                                                                                                                       |

Table 74: Municipal Health Highlights

## Challenges: Municipal Health

| Description                                                 | Actions to address                                                                                                    |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Resignations                                                | Retention policy.                                                                                                     |
| Job evaluation                                              | Complete the job evaluation disputes.                                                                                 |
| Office space at satellite offices                           | Procure office space.                                                                                                 |
| Lack of storage space                                       | Build and procure storage space for condemned food products and archive space for MH&EM Services administration work. |
| Lack of equipment to safely destroy condemned food products | Procure equipment for to ensure safe disposal of condemned food products which are not safe for consumption.          |
| Uniform service provider                                    | Terminate tender with service provider.                                                                               |

Table 75: Municipal Health Challenges

## Service Statistics: Municipal Health

| Type of service                                                                                             | 2020/21 | 2021/22 |
|-------------------------------------------------------------------------------------------------------------|---------|---------|
| Water quality monitoring by conducting monthly sampling to determine compliance to SANS 241-2011            | 2 142   | 2 005   |
| Inspections of food premises                                                                                | 1 756   | 1 682   |
| Inspection to landfill sites                                                                                | 61      | 45      |
| Inspection of funeral undertakers (disposal of the dead)                                                    | 96      | 65      |
| Inspection of non-food premises e.g., schools, crèches, hospitals and clinics (i.e., Surveillance premises) | 867     | 780     |
| Health and Hygiene Promotion Campaigns                                                                      | 772     | 618     |
| Training on funeral Undertaker                                                                              | 70      | 54      |
| Illegal Dumping Campaign                                                                                    | 729     | 607     |
| Chemical safety Campaigns                                                                                   | 729     | 609     |
| Training on food safety for food handlers                                                                   | 729     | 645     |

Table 76: Service Statistics: Municipal Health

## Employees: Municipal Health

The following table indicates the staff composition for this division:

| Job Level    | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
|              | Number    |           |                                  | %                                 |
| 0 - 3        | 0         | 0         | 0                                | 0                                 |
| 4 - 6        | 2         | 2         | 0                                | 0                                 |
| 7 - 9        | 0         | 0         | 0                                | 0                                 |
| 10 - 12      | 19        | 9         | 10                               | 53                                |
| 13 - 15      | 2         | 1         | 1                                | 50                                |
| 16 - 18      | 0         | 0         | 0                                | 0                                 |
| 19 - 20      | 0         | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>23</b> | <b>12</b> | <b>11</b>                        | <b>48</b>                         |

As at 30 June 2022

Table 77: Employees - Municipal Health

## Capital Expenditure: Municipal Health

There was no capital expenditure for the 2021/22 financial year.

## COMPONENT E: PUBLIC SAFETY

### 3.10 Disaster Management

The Disaster Management Act provides for:

- ✿ An integrated and coordinated Disaster Management Policy that focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters, and post-disaster recovery.
- ✿ The establishment of a District Municipal Disaster Management Centre.
- ✿ Disaster management volunteers.
- ✿ Awareness programs.
- ✿ Matters relating to these issues.

#### Highlights: Disaster Management

| Highlights                        | Description                                         |
|-----------------------------------|-----------------------------------------------------|
| Awareness campaign                | Domestic and Veld Fires (Kareeberg LM)              |
| Training                          | Basic Fire Fighting (Renosterberg and Siyancuma LM) |
| Inspection and hazard assessments | Renosterberg and Siyancuma LM's                     |

Table 78: Disaster Management Highlights

#### Challenges: Disaster Management

| Description                                                 | Actions to address                                                                                                                                                                                                                              |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Poor attendance: DDMAF Meetings                             | Municipal Managers and Department Heads to submit disaster management focal persons contact details to the Head of Centre at PKSDM to - <a href="mailto:cmenziwa@pksgdm.gov.za">cmenziwa@pksgdm.gov.za</a><br>Tel: 053-6310891, CELL 0781753117 |
| Late or non- reporting of incidents by local municipalities | Developing a reporting template to be used by all local municipalities for reporting purposes                                                                                                                                                   |
| Poor communication by role-players (EMS)                    | Taken up with Road Incident Management System Forum                                                                                                                                                                                             |
| Lack of equipment in CCC                                    | Procure Voice Locker                                                                                                                                                                                                                            |
| Staff shortage                                              | Fill vacancies                                                                                                                                                                                                                                  |

Table 79: Disaster Management Challenges

#### Activities - Disaster Management

The table below reflects some of the matters addressed by Disaster Management within the Pixley Ka Seme District Municipal Area:

| Items                          | 2020/21 | 2021/22 |
|--------------------------------|---------|---------|
| Campaigns                      | 8       | 1       |
| Firefighting training sessions | 6       | 2       |
| Number of volunteers trained   | 150     | 60      |

Table 80: Activities: Disaster Management

## Employees: Disaster Management

The following table indicates the staff composition for this division:

| Job Level    | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
|              | Number    |           |                                  | %                                 |
| 0 - 3        | 0         | 0         | 0                                | 0                                 |
| 4 - 6        | 14        | 11        | 3                                | 21                                |
| 7 - 9        | 0         | 0         | 0                                | 0                                 |
| 10 - 12      | 0         | 0         | 0                                | 0                                 |
| 13 - 15      | 1         | 1         | 0                                | 0                                 |
| 16 - 18      | 0         | 0         | 0                                | 0                                 |
| 19 - 20      | 0         | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>15</b> | <b>12</b> | <b>3</b>                         | <b>20</b>                         |

As at 30 June 2022

Table 81: Employees - Disaster Management

## Capital Expenditure: Disaster Management

There was no capital expenditure for the 2021/22 financial year.

## COMPONENT F: CORPORATE POLICY OFFICES AND OTHER SERVICES

### 3.12 Office of the Mayor

This division include Communication, Community Liaison and Special Programmes

## Highlights: Office of the Mayor

| Highlights                                             | Description                                                                          |
|--------------------------------------------------------|--------------------------------------------------------------------------------------|
| Handing over food parcels, blankets and hygiene packs. | To assist poor households with food and to promote hygiene during Covid-19 pandemic. |

Table 82: Office of the Mayor Highlights

## Employees: Office of the Mayor

The following table indicates the staff composition for this division:

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              | Number   |           |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 1        | 1         | 0                                | 0                                 |
| 7 - 9        | 2        | 1         | 1                                | 50                                |
| 10 - 12      | 2        | 2         | 0                                | 0                                 |
| 13 - 15      | 2        | 2         | 0                                | 0                                 |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>7</b> | <b>6</b>  | <b>1</b>                         | <b>12</b>                         |

As at 30 June 2022

Table 83: Employees - Office of the Mayor

## Capital Expenditure: Office of the Mayor

There was no capital expenditure for the 2021/22 financial year.

## 3.13 Office of the Municipal Manager

### Highlights: Office of Municipal Manager

| Highlights                                           | Description                                                                     |
|------------------------------------------------------|---------------------------------------------------------------------------------|
| Implementation of the Consequence Management Policy. | The Consequence Policy was approved by the Municipal Council to be implemented. |
| Strategic planning.                                  | Inaugurated strategic planning session of the new Council.                      |
| DMPT Gazette.                                        | The DMPT as adopted by the Municipal Council.                                   |

Table 84: Office of the Municipal Manager Highlights

### Challenges: Office of the Municipal Manager

| Challenge                          | Actions to address                       |
|------------------------------------|------------------------------------------|
| Municipal Financial Sustainability | The grant dependency of the Municipality |

Table 85: Office of the Municipal Manager Challenges

### Employees: Office of the Municipal Manager

The following table indicates the staff composition for this division:

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              |          | Number    |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 0        | 0         | 0                                | 0                                 |
| 7 - 9        | 1        | 1         | 0                                | 0                                 |
| 10 - 12      | 1        | 1         | 0                                | 0                                 |
| 13 - 15      | 0        | 0         | 0                                | 0                                 |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>2</b> | <b>2</b>  | <b>0</b>                         | <b>0</b>                          |

As at 30 June 2022

Table 86: Employees - Office of the Municipal Manager

### Capital Expenditure: Office of the Municipal Manager

There was no capital expenditure for the 2021/22 financial year.

### 3.14 Financial Services

Financial Services is responsible for budgeting, revenue, expenditure and supply chain management.

#### Service Statistics: Supply Chain Management (SCM)

The table below indicates the service statics for the division:

| Description                         | 2020/21  |                 | 2021/22  |                 |
|-------------------------------------|----------|-----------------|----------|-----------------|
|                                     | Total No | Monthly Average | Total No | Monthly Average |
| Orders processed                    | 680      | 56.667          | 610      | 50.83           |
| Extensions                          | 2        | 0.16            | 2        | 0.17            |
| Bids received (number of documents) | 169      | 14.083          | 29       | 2.42            |
| Bids awarded                        | 8        | 0.67            | 6        | 0.50            |
| Bids awarded ≤ R200 000             | 30       | 2.50            | 6        | 0.50            |
| Appeals registered                  | 0        | 0               | 0        | 0               |
| Successful Appeals                  | 0        | 0               | 0        | 0               |

Table 87: Statistics SCM

#### Total Employees - Financial Services

The following table indicates the staff composition for this division:

| Job Level    | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
|              | Number    |           |                                  | %                                 |
| 0 - 3        | 0         | 0         | 0                                | 0                                 |
| 4 - 6        | 4         | 4         | 0                                | 0                                 |
| 7 - 9        | 2         | 2         | 0                                | 0                                 |
| 10 - 12      | 4         | 3         | 1                                | 25                                |
| 13 - 15      | 0         | 0         | 0                                | 0                                 |
| 16 - 18      | 1         | 1         | 0                                | 0                                 |
| 19 - 20      | 0         | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>11</b> | <b>10</b> | <b>1</b>                         | <b>9</b>                          |

As at 30 June 2022

Table 88: Total employees - Financial Services

#### Capital Expenditure: Financial Services

| Capital Projects               | 2021/22 |                   |                    |
|--------------------------------|---------|-------------------|--------------------|
|                                | Budget  | Adjustment Budget | Actual Expenditure |
| R                              |         |                   |                    |
| Transport Assets               | 330 000 | 287 600           | 287 552            |
| Furniture and Office Equipment | 220 000 | 226 550           | 226 513            |
| Computer Equipment             | 75 000  | 937 550           | 937 429            |
| Buildings                      | 375 000 | 0                 | 0                  |
| Machinery and Equipment        | 0       | 33 150            | 33 135             |
| Intangible Assets              | 0       | 0                 | 0                  |

Table 89: Capital Projects: Financial Services

### 3.15 Support Services

#### Highlights: Support Services

| Highlights                  | Description                                                             |
|-----------------------------|-------------------------------------------------------------------------|
| Capacitation of IT Leaner   | Mr S Myburgh has been permanently appointed as an IT Clerk.             |
| Purchase of new vehicles    | One vehicle has been purchased for the Messenger at Corporate Services. |
| IT Infrastructure upgrading | The ICT Masterplan Strategy has been completed and approved by Council. |

Table 90: Support Services Highlights

#### Challenges: Support Services

| Challenge                  | Description                                                                                                                 |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Strong room capacity       | The strongroom of Registry is too small to store all closed files at the Archives as regulated by the National Archive Act. |
| Capacitation for personnel | Lack of training for support services personnel.                                                                            |
| Aging IT Infrastructure    | Insufficient funds for upgrading IT Infrastructure.                                                                         |

Table 91: Support Services Challenges

#### Employees: Support Services

The following table indicates the staff composition for this division:

| Job Level    | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
|              | Number    |           |                                  | %                                 |
| 0 - 3        | 6         | 6         | 0                                | 0                                 |
| 4 - 6        | 4         | 4         | 0                                | 0                                 |
| 7 - 9        | 1         | 1         | 0                                | 0                                 |
| 10 - 12      | 3         | 3         | 0                                | 0                                 |
| 13 - 15      | 1         | 1         | 0                                | 0                                 |
| 16 - 18      | 0         | 0         | 0                                | 0                                 |
| 19 - 20      | 0         | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>15</b> | <b>15</b> | <b>0</b>                         | <b>0</b>                          |

As at 30 June 2022

Table 92: Employees - Support Services

#### Capital Expenditure: Support Services

There was no capital expenditure for the 2021/22 financial year.

### 3.16 Human Resources

#### Highlights: Human Resources

| Highlights                                                   | Description                                                                                                                                                                                 |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Absorption of the unemployed learners                        | In the period under review the municipality was able to absorb 2 interns, one as IT Technician and one as Administrative Support : Municipal Health and Environmental Management Services . |
| Employees who Graduated through our Study Assistance Policy  | Two officials graduating, one with a Bachelor of Commerce in Supply Chain Management and one with a Bachelor of Commerce Accounting .                                                       |
| Certification of Ward Committee Members and Unemployed youth | The ward committee members and unemployed youth all received their certificates of competency in Ward Committee Governance .                                                                |

Table 93: Human Resources Highlights

#### Challenges: Human Resources

| Challenge                                                                            | Actions to address                                                                                                                                            |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Budget for trainings ( an increase in the number of Study assistance beneficiaries ) | The municipality will apply for discretionary grant not only from the Local Government SETA but to other SETA`s and the National Skills Development Authority |

Table 94: Human Resources Challenges

#### Employees: Human Resources

The following table indicates the staff composition for this division:

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              | Number   |           |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 1        | 1         | 0                                | 0                                 |
| 7 - 9        | 0        | 0         | 0                                | 0                                 |
| 10 - 12      | 1        | 1         | 0                                | 0                                 |
| 13 - 15      | 1        | 1         | 0                                | 0                                 |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>3</b> | <b>3</b>  | <b>0</b>                         | <b>0</b>                          |

As at 30 June 2022

Table 95: Employees - Human Resources

#### Capital Expenditure: Human Resources

There was no capital expenditure for the 2021/22 financial year.

### 3.17 Legal Services & Labour Division

#### Highlights: Legal Services & Labour Division

| Highlights                         | Description                                                   |
|------------------------------------|---------------------------------------------------------------|
| All KPI's timely met and exceeded. | Conducted more than the required number of workshop sessions. |

Table 96: Legal Services & Labour Division Highlights

#### Challenges: Legal Services & Labour Division

| Challenge                                                                      | Actions to address                                                |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Lack of Presiding Officers and Employer Reps                                   | Make partaking in disciplinary processes compulsory for managers. |
| Lack of appropriate legal resources e.g., Research Tools                       | Purchase relevant resources                                       |
| Managers not informed or keeping abreast with legal documents and Labour laws. | Provide training sessions for Managers                            |

Table 97: Legal Services & Labour Division Challenges

#### Employees: Legal Services & Labour Division

The following table indicates the staff composition for this division:

| Job Level    | Posts    | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|----------|-----------|----------------------------------|-----------------------------------|
|              | Number   |           |                                  | %                                 |
| 0 - 3        | 0        | 0         | 0                                | 0                                 |
| 4 - 6        | 0        | 0         | 0                                | 0                                 |
| 7 - 9        | 0        | 0         | 0                                | 0                                 |
| 10 - 12      | 1        | 1         | 0                                | 0                                 |
| 13 - 15      | 1        | 0         | 1                                | 100                               |
| 16 - 18      | 0        | 0         | 0                                | 0                                 |
| 19 - 20      | 0        | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>2</b> | <b>1</b>  | <b>1</b>                         | <b>50</b>                         |

As at 30 June 2022

Table 98: Employees - Legal Services & Labour Division

#### Capital Expenditure: Legal Services & Labour Division

There was no capital expenditure for the 2021/22 financial year.

### 3.18 Internal Audit

#### Highlights: Internal Audit

Key projects that were achieved during the financial year:

| Project                                                                              | Description                                                                                               | Duration/Time   |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------|
| Review of Internal audit and APC Charters before the start of the new financial year | Successfully reviewed Internal audit and APC Charters before the start of the new financial year          | May - June 2022 |
| Development RBAP before the start of the new financial year                          | Developed RBAP before the start of the new financial year                                                 | May - June 2022 |
| Professional Development                                                             | Four officials from the IA department successfully applied for Study Assistance during the financial year | 2021/22         |
| Professional Membership                                                              | All officials within the IA department are active members of the IIA(SA).                                 | 2021/22         |

Table 99: Internal Audit Highlights

#### Challenges: Internal Audit

| Challenge                                                 | Actions to address                                                                                                                                                               |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| State of Readiness for External Quality Assessment Review | The IA has made serious strides in their preparation for the External Quality Assessment Review and should be ready for State of Readiness Review during 2022/23 financial year. |

Table 100: Internal Audit Challenges

#### Employees: Internal Audit

The following table indicates the staff composition for this division:

| Job Level    | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|--------------|-----------|-----------|----------------------------------|-----------------------------------|
|              | Number    |           |                                  | %                                 |
| 0 - 3        | 0         | 0         | 0                                | 0                                 |
| 4 - 6        | 0         | 0         | 0                                | 0                                 |
| 7 - 9        | 0         | 0         | 0                                | 0                                 |
| 10 - 12      | 0         | 0         | 0                                | 0                                 |
| 13 - 15      | 6         | 5         | 1                                | 17                                |
| 16 - 18      | 0         | 0         | 0                                | 0                                 |
| 19 - 20      | 0         | 0         | 0                                | 0                                 |
| <b>Total</b> | <b>10</b> | <b>9</b>  | <b>1</b>                         | <b>10</b>                         |

As at 30 June 2022

Table 101: Employees - Internal Audit

#### Capital Expenditure: Internal Audit

There was no capital expenditure for the 2021/22 financial year.

## COMPONENT G: ORGANISATIONAL PERFORMANCE SCORECARD AND INDIVIDUAL PERFORMANCE

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

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

The main development and service delivery priorities for 2022/23 are included in the Municipality's Top Layer SDBIP for 2022/23 and the Key Performance Indicators to achieve the service delivery priorities:

#### Administer Finances in a Sustainable Manner and Strive to Comply with Legislative Requirements to Achieve a Favourable Audit Outcome

| Internal Ref | KPI                                                                                                                                                                                                                                                                                                                                                                     | Unit of Measurement                                                                                   | Target |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------|
| TL22         | Compile and submit an Audit Action Plan to Council by 31 January 2023 to address the issues raised by the AG                                                                                                                                                                                                                                                            | Audit Action Plan compiled and approved by 31 January 2023                                            | 1      |
| TL23         | Report quarterly to council on meetings with and correspondence to defaulting municipalities on debt relating to services rendered                                                                                                                                                                                                                                      | Number of reports submitted                                                                           | 4      |
| TL24         | Prepare and submit the draft budget to Council by 31 March 2023                                                                                                                                                                                                                                                                                                         | Draft budget submitted by 31 March 2023                                                               | 1      |
| TL25         | Prepare and submit the final budget to Council by 31 May 2023                                                                                                                                                                                                                                                                                                           | Final budget submitted by 31 May 2023                                                                 | 1      |
| TL26         | Prepare and submit the adjustments budget to Council by the 28 February 2023                                                                                                                                                                                                                                                                                            | Adjustments budget submitted by 28 February 2023                                                      | 1      |
| TL27         | Submit the annual financial statements to the Auditor-General by 31 August 2022                                                                                                                                                                                                                                                                                         | Statements submitted to the AG by 31 August 2022                                                      | 1      |
| TL28         | Financial viability measured in terms of the Municipality's ability to meet its service debt obligations by 30 June 2023 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)                                                                                   | % debt coverage as at 30 June 2023                                                                    | 45%    |
| TL29         | Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2023 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)) | Number of months it takes to cover fixed operating expenditure with available cash as at 30 June 2023 | 0.01   |

**Table 102:** Service Delivery Priorities for 2022/23- Administer Finances in a Sustainable Manner and Strive to Comply with Legislative Requirements to Achieve a Favourable Audit Outcome

#### Compliance with the Tenets of Good Governance as Prescribed by Legislation and Best Practice

| Internal Ref | KPI                                                                                                   | Unit of Measurement                        | Target |
|--------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------|--------|
| TL1          | Submit a report to council by 31 May 2023 on the monitoring and evaluation of community participation | Report submitted to council by 31 May 2023 | 1      |
| TL2          | Host commemorative days as per the approved list by the Municipal Manager and Mayor                   | Number of commemorative days hosted        | 5      |

| Internal Ref | KPI                                                                                                                 | Unit of Measurement                                                                                           | Target |
|--------------|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------|
| TL3          | Facilitate the meeting of the District HIV/AIDS council                                                             | Number of meetings held                                                                                       | 2      |
| TL4          | Facilitate the meeting of the Youth Council                                                                         | Number of meetings held                                                                                       | 2      |
| TL6          | Facilitate "Council meets the People" meetings for each municipality by 30 June 2023                                | Number of meetings facilitated                                                                                | 8      |
| TL7          | Facilitate the meeting of the District Communication Forum                                                          | Number of meetings held                                                                                       | 2      |
| TL8          | Compile and distribute the District Municipality's external newsletter                                              | Number of newsletters compiled and distributed                                                                | 4      |
| TL9          | Facilitate the quarterly meetings of the Technical District Intergovernmental Forum                                 | Number of meetings facilitated                                                                                | 4      |
| TL10         | Sign 57 performance agreements with all directors by 31 July 2022                                                   | Number of performance agreements signed by 31 July 2022                                                       | 4      |
| TL12         | Facilitate the quarterly meetings of the Political District Intergovernmental Forum                                 | Number of meetings facilitated                                                                                | 4      |
| TL13         | Complete the Risk Assessment and submit the updated risk register to the Risk Management Committee by 31 March 2023 | Risk Analysis completed and updated risk register submitted to the Risk Management Committee by 31 March 2023 | 1      |
| TL14         | Obtain an unqualified audit outcome with no matters of emphasis for the 2022/23 financial year                      | Unqualified audit outcome with no matters of emphasis obtained for the 2022/23 financial year                 | 1      |
| TL30         | Submit the Top layer SDBIP for approval by the Mayor within 14 days after the budget has been approved              | Top Layer SDBIP submitted annually to Mayor within 14 days after the budget has been approved                 | 1      |
| TL31         | Submit the draft Annual Report to Council annually by 31 January 2023                                               | Draft annual report submitted annually to council by 31 January 2023                                          | 1      |
| TL43         | Review the Spatial Development Framework and submit to Council by 31 May 2023                                       | Reviewed Spatial Development Framework submitted to Council by 31 May 2023                                    | 1      |

**Table 103: Services Delivery Priorities for 2022/23- Compliance with the Tenets of Good Governance as Prescribed by Legislation and Best Practice**

### Guide Local Municipalities in the Development of their IDP's and in Spatial Development

| Internal Ref | KPI                                                                      | Unit of Measurement                                    | Target |
|--------------|--------------------------------------------------------------------------|--------------------------------------------------------|--------|
| TL44         | Compile the IDP review and submit draft to Council by 31 March 2023      | Draft IDP review submitted to Council by 31 March 2023 | 1      |
| TL45         | Compile an IDP framework by 31 August 2022 to guide local municipalities | IDP framework completed by 31 August 2022              | 1      |

**Table 104: Services Delivery Priorities for 2022/23- Guide Local Municipalities in the Development of their IDP's and in Spatial Development**

### Monitor and Support Local Municipalities to Enhance Service Delivery

| Internal Ref | KPI                                                                                                                                                                                                                                                               | Unit of Measurement         | Target |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------|
| TL11         | Report quarterly to council on Shared Services                                                                                                                                                                                                                    | Number of reports submitted | 4      |
| TL42         | Submit quarterly progress reports to the Portfolio Committee on the activities in the department including expenditure on all MIG projects of local municipalities in the district and infrastructure grants/allocations implemented by the district municipality | Number of reports submitted | 4      |

**Table 105: Services Delivery Priorities for 2022/23- Monitor and Support Local Municipalities to Enhance Service Delivery**

## Promote Economic Growth in the District

| Internal Ref | KPI                                                                                                                                    | Unit of Measurement                                          | Target |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------|
| TL5          | Facilitate 2 career exhibitions in the Pixley Ka Seme District area by 30 June 2023                                                    | Number of career exhibitions facilitated                     | 2      |
| TL46         | Create full time equivalents (FTE's) through the Expanded Public Works Programme (EPWP) by 30 June 2023 [Person days / FTE (230 days)] | Number full time equivalents (FTE's) created by 30 June 2023 | 14     |
| TL47         | Facilitate quarterly LED forum meetings                                                                                                | Number of meetings Facilitated                               | 4      |

Table 106: Service Delivery Priorities for 2022/23- Promote Economic Growth in the District

## To Provide a Professional, People-Centred Human Resources and Administrative Service to Citizens, Staff and Council

| Internal Ref | KPI                                                                                                                                                                                                                                                                                                         | Unit of Measurement                                                                             | Target |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------|
| TL32         | Spent 1% of personnel budget on training by 30 June 2023 (Actual total training expenditure divided by total personnel budget)                                                                                                                                                                              | % of the personnel budget spent on training as at 30 June 2023                                  | 1%     |
| TL33         | Implement the WPSP measured by the % of identified employees that completed training as identified in WPSP by 30 June 2023 (Total number of officials that received training as was identified in the WPSP for 2022/23/total number of officials that were identified for training in the WPSP for 2022/23) | % of identified employees that completed training as identified in WPSP by 30 June 2023         | 90%    |
| TL34         | Limit the vacancy rate of all funded and vacant posts to 10% of funded posts by 30 June 2023 so that 90% of posts are filled ((Number of funded posts vacant/Total number of funded posts)x100)                                                                                                             | % vacancy rate of funded posts (Number of funded posts vacant/Total number of funded posts)x100 | 10%    |
| TL35         | Review the Workplace Skills Plan and submit to the LGSETA by 30 April 2023                                                                                                                                                                                                                                  | Plan submitted to the LGSETA by 30 April 2023                                                   | 1      |
| TL36         | The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2023                                                                                        | Number of people employed (newly appointed)                                                     | 1      |
| TL41         | Review the organizational structure of the district Municipality and submit to council by 31 May 2023                                                                                                                                                                                                       | Reviewed Organizational Structure submitted to council by 31 May 2023                           | 1      |

Table 107: Service Delivery Priorities for 2022/23- To Provide a Professional, People-Centred Human Resources and Administrative Service to Citizens, Staff and Council

## To Provide an Independent and Objective Internal Audit Assurance and Consulting Service to Add Value and to Improve the Administrative Operations of all the Municipalities in the District through an Approach that is Systematic and Disciplined

| Internal Ref | KPI                                                                                                             | Unit of Measurement                                       | Target |
|--------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|--------|
| TL15         | Submit a Quality Assurance Plan for Pixley Ka Seme District Municipality to the Audit Committee by 30 June 2023 | Quality Assurance Plan submitted annually by 30 June 2023 | 1      |
| TL16         | Submit internal audit reports to the local municipalities in terms of the Service Level Agreements              | Number of reports submitted                               | 28     |
| TL17         | Compile the Risk Based Audit Plan (RBAP) for Pixley Ka Seme District Municipality and submit                    | RBAP submitted by 30 June 2023                            | 1      |

| Internal Ref | KPI                                                                                                                                                                    | Unit of Measurement                                                     | Target |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------|
|              | to the Audit Committee for consideration by 30 June 2023                                                                                                               |                                                                         |        |
| TL18         | Compile the Risk based audit plans (RBAP) for the local municipalities in terms of the Service Level Agreements and submit to the local municipalities by 30 June 2023 | Number of plans submitted by 30 June 2023                               | 7      |
| TL19         | Review the 3 year Strategic Audit Plan for Pixley Ka Seme District Municipality and submit to the Audit Committee by 30 June 2023                                      | Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2023 | 1      |
| TL20         | Review the 3 year Strategic Audit Plan for the Local Municipalities in terms of the Service Level Agreements and submit to the to the Audit Committee by 30 June 2023  | Revised 3 year Strategic Audit plan submitted to the AC by 30 June 2023 | 7      |
| TL21         | Facilitate the quarterly Audit Committee meetings during the 2022/23 financial year for Pixley Ka Seme District Municipality                                           | Number of Audit Committee meetings facilitated                          | 4      |

**Table 108:** Service Delivery Priorities for 2022/23- To Provide an Independent and Objective Internal Audit Assurance and Consulting Service to Add Value and to Improve the Administrative Operations of all the Municipalities in the District through an Approach that is Systematic and Disciplined

### To Provide Disaster Management Services to the Citizens

| Internal Ref | KPI                                                                               | Unit of Measurement                                        | Target |
|--------------|-----------------------------------------------------------------------------------|------------------------------------------------------------|--------|
| TL37         | Host training session by 31 May 2023 to train volunteers to Disaster Management   | Training session hosted by 31 May 2023                     | 1      |
| TL38         | Review the Disaster Management Plan annually and submit to Council by 31 May 2023 | Reviewed plan annually submitted to council by 31 May 2023 | 1      |

**Table 109:** Service Delivery Priorities for 2022/23- To Provide Disaster Management Services to the Citizens

### To Provide Municipal Health Services to Improve the Quality of Life of the Citizens

| Internal Ref | KPI                                                                                                                       | Unit of Measurement         | Target |
|--------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------|
| TL39         | Compile monthly water quality analysis reports to local municipalities in terms of the Water Quality Monitoring Programme | Number of reports compiled  | 96     |
| TL40         | Submit quarterly reports to Council on municipal health services rendered                                                 | Number of reports submitted | 4      |

**Table 110:** Service Delivery Priorities for 2022/23- To Provide Municipal Health Services to Improve the Quality of Life of the Citizens

## 3.20 Municipal Manager and Managers directly accountable to the Municipal Manager

The Municipal Systems Act, 2000 (Act 32 of 2000) prescribes that the municipality must enter into performance-based agreements with the all s57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements of the senior managers for the 2021/22 financial year were signed as prescribed. The appraisal of the actual performance in terms of the signed agreements takes place twice per annum as regulated. The final evaluation of the 2020/21 financial year (1 January 2021 to 30 June 2021) took place on **29 September 2021** and the mid-year performance of 2021/22 (1 July 2021 to 31 December 2021) took place on **8 March 2022**.

## Chapter 4: Organisational Development Performance

### Performance Report Part II

#### 4.1 National Key Performance Indicators - Municipal Transformation and Organisational Development

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

| KPA& Indicators                                                                                                                                                                  | 2020/21 | 2021/22 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan | 1       | 1       |
| The percentage of a municipality's budget actually spent on implementing its workplace skills plan                                                                               | 1.00%   | 1.00%   |

Table 111: National KPIs- Municipal Transformation and Organisational Development

#### 4.2 Introduction to the Municipal Workforce

The Pixley Ka Seme District Municipality currently employs 85 permanent officials as at 30 June 2022, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

#### 4.3 Employment Equity

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

##### Employment Equity Targets/Actual within the 3 highest levels

| African     |             | Coloured    |             | Indian      |             | White       |             |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Target June | Actual June | Target June | Actual June | Target June | Actual June | Target June | Actual June |
| 1           | 0           | 1           | 0           | 0           | 0           | 0           | 0           |

Table 112: 2021/22 EE targets/Actual by racial classification

| Male        |             |              | Female      |             |              | Disability  |             |              |
|-------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------|--------------|
| Target June | Actual June | Target reach | Target June | Actual June | Target reach | Target June | Actual June | Target reach |
| 0           | 0           | 0            | 0           | 0           | 0            | 0           | 0           | 0            |

Table 113: 2021/22 EE targets/actual by gender classification

## Occupational Levels - Race

| Department                                                                                                        | Male      |           |          |          | Female    |           |          |          | Total      |
|-------------------------------------------------------------------------------------------------------------------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|------------|
|                                                                                                                   | A         | C         | I        | W        | A         | C         | I        | W        |            |
| MM & MSA section 57 & 56                                                                                          | 2         | 1         | 0        | 1        | 0         | 1         | 0        | 0        | 5          |
| Managers (Unit heads)                                                                                             | 5         | 1         | 0        | 1        | 0         | 1         | 0        | 0        | 8          |
| Professionals and Middle management                                                                               | 2         | 1         | 0        | 0        | 3         | 1         | 0        | 0        | 7          |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 8         | 3         | 0        | 0        | 11        | 2         | 0        | 0        | 24         |
| Semi - skilled                                                                                                    | 9         | 7         | 0        | 2        | 10        | 6         | 0        | 0        | 34         |
| Unskilled and defined decision making                                                                             | 1         | 2         | 0        | 0        | 2         | 2         | 0        | 0        | 7          |
| <b>Total permanent</b>                                                                                            | <b>27</b> | <b>15</b> | <b>0</b> | <b>4</b> | <b>26</b> | <b>13</b> | <b>0</b> | <b>0</b> | <b>85</b>  |
| Non- permanent employees                                                                                          | 6         | 3         | 0        | 0        | 4         | 5         | 0        | 0        | 18         |
| <b>Grand total</b>                                                                                                | <b>33</b> | <b>18</b> | <b>0</b> | <b>4</b> | <b>30</b> | <b>18</b> | <b>0</b> | <b>0</b> | <b>103</b> |

Table 114: Occupational Levels - Race

## Departments - Race

The following table categories the number of employees by race within the different departments:

| Department                                      | Male      |           |          |          | Female    |           |          |          | Total      |
|-------------------------------------------------|-----------|-----------|----------|----------|-----------|-----------|----------|----------|------------|
|                                                 | A         | C         | I        | W        | A         | C         | I        | W        |            |
| Office of the Municipal Manager                 | 2         | 1         | 0        | 1        | 2         | 1         | 0        | 0        | 7          |
| Office of the Executive Mayor                   | 3         | 0         | 0        | 0        | 2         | 1         | 0        | 0        | 6          |
| Finance                                         | 1         | 2         | 0        | 1        | 3         | 3         | 0        | 0        | 10         |
| Corporate Services                              | 13        | 8         | 0        | 1        | 15        | 6         | 0        | 0        | 43         |
| Infrastructure, Housing, Planning & Development | 7         | 1         | 0        | 0        | 2         | 0         | 0        | 0        | 10         |
| Internal Audit                                  | 1         | 3         | 0        | 1        | 2         | 2         | 0        | 0        | 9          |
| <b>Total permanent</b>                          | <b>27</b> | <b>15</b> | <b>0</b> | <b>4</b> | <b>26</b> | <b>13</b> | <b>0</b> | <b>0</b> | <b>85</b>  |
| Non- permanent employees                        | 6         | 3         | 0        | 0        | 4         | 5         | 0        | 0        | 18         |
| <b>Grand total</b>                              | <b>33</b> | <b>18</b> | <b>0</b> | <b>4</b> | <b>30</b> | <b>18</b> | <b>0</b> | <b>0</b> | <b>103</b> |

Table 115: Departments - Race

## 4.4 Vacancy Rate

The approved organogram for the municipality has **106** posts. The actual positions filled are indicated in the tables below by post level and by functional level. **21** posts were vacant at the end of 2021/22, resulting in a vacancy rate of **19.81%**.

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

| Department                                      | Filled    | Vacant    |
|-------------------------------------------------|-----------|-----------|
| Office of the Municipal Manager                 | 7         | 0         |
| Office of the Executive Mayor                   | 6         | 1         |
| Finance                                         | 10        | 1         |
| Corporate Services                              | 43        | 15        |
| Infrastructure, Housing, Planning & Development | 10        | 3         |
| Internal Audit                                  | 9         | 1         |
| <b>Total</b>                                    | <b>85</b> | <b>21</b> |

Table 116: Vacancy rate per post and functional level

## 4.5 Turnover rate

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the turnover rate within the municipality.

The table below indicates the turn-over rate over the last two years:

| Financial year | Total no appointments at the end of each Financial Year | New appointments | No Terminations during the year | Turn-over Rate |
|----------------|---------------------------------------------------------|------------------|---------------------------------|----------------|
| 2020/21        | 86                                                      | 13               | 3                               | 3.9%           |
| 2021/22        | 85                                                      | 4                | 6                               | 7.1%           |

Table 117: Turnover rate

## 4.6 Managing the Municipal Workforce

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

### Injuries

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

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

| Department                                      | 2020/21  | 2021/22  |
|-------------------------------------------------|----------|----------|
| Office of the Municipal Manager                 | 0        | 0        |
| Office of the Executive Mayor                   | 0        | 1        |
| Finance                                         | 0        | 0        |
| Corporate Services                              | 0        | 0        |
| Infrastructure, Housing, Planning & Development | 0        | 0        |
| Internal Audit                                  | 0        | 1        |
| <b>Total</b>                                    | <b>0</b> | <b>2</b> |

Table 118: Injuries

### Sick Leave

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

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

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

| Year    | Total number of sick leave days taken within the year |
|---------|-------------------------------------------------------|
| 2020/21 | 777                                                   |
| 2021/22 | 1 029                                                 |

Table 119: Sick Leave

### HR Policies and Plans

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

The table below shows the HR policies and plans that are approved:

| Approved policies                |                       |
|----------------------------------|-----------------------|
| Name of policy                   | Date approved/revised |
| Recruitment and Selection Policy | 26 May 2022           |
| Skills Development Policy        | 26 May 2022           |
| Career Pathing Policy            | 26 May 2022           |
| Study Assistance Policy          | 26 May 2022           |

| Approved policies                        |                                         |
|------------------------------------------|-----------------------------------------|
| Staff Induction Policy                   | 26 May 2022                             |
| Bereavement Policy                       | 26 May 2022                             |
| Code of Conduct for Municipal Officials  | Local Government: Municipal Systems Act |
| Dress Code Policy                        | 26 May 2022                             |
| Employee Health and Wellness Policy      | 26 May 2022                             |
| Employment Equity Plan                   | 26 May 2022                             |
| HIV/Aids Policy                          | 26 May 2022                             |
| Human Resources Strategy                 | 26 May 2022                             |
| Placement Policy                         | 26 May 2022                             |
| Performance Management Framework         | 26 May 2022                             |
| Promotion and Succession Planning Policy | 26 May 2022                             |
| Remuneration Policy                      | 26 May 2022                             |
| Rental Allowance Scheme Policy           | 26 May 2022                             |
| Substance Abuse Policy                   | 26 May 2022                             |
| Organisational Structure                 | 31 March 2022                           |

Table 120: HR policies and plans

## 4.7 Capacitating the Municipal Workforce

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training in order to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

### Skills Matrix

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

| Management level                           | Gender | Number of employees identified for training at start of the year | Number of Employees that received training |
|--------------------------------------------|--------|------------------------------------------------------------------|--------------------------------------------|
| MM and S57                                 | Female | 1                                                                | 2                                          |
|                                            | Male   | 2                                                                | 2                                          |
| Legislators, senior officials and managers | Female | 1                                                                | 1                                          |
|                                            | Male   | 3                                                                | 3                                          |
| Associate professionals and Technicians    | Female | 2                                                                | 2                                          |
|                                            | Male   | 4                                                                | 4                                          |
| Professionals                              | Female | 2                                                                | 2                                          |
|                                            | Male   | 2                                                                | 2                                          |
| Clerks                                     | Female | 8                                                                | 8                                          |
|                                            | Male   | 2                                                                | 2                                          |
| Elementary occupations                     | Female | 2                                                                | 0                                          |
|                                            | Male   | 2                                                                | 0                                          |
| Sub total                                  | Female | 16                                                               | 14                                         |
|                                            | Male   | 15                                                               | 13                                         |
| Total                                      |        | 31                                                               | 27                                         |

Table 121: Skills Development: Training provided

## MFMA Competencies

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

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcome based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted until 30 September 2015 as per Government Notice 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

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

| Description                              | Total number of officials employed by municipality (Regulation 14(4)(a) and (c)) | Competency assessments completed (Regulation 14(4)(b) and (d)) | Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f)) | Total number of officials that meet prescribed competency levels (Regulation 14(4)(e)) |
|------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <b>Financial Officials</b>               |                                                                                  |                                                                |                                                                                                        |                                                                                        |
| Accounting officer                       | 1                                                                                | Yes                                                            | 1                                                                                                      | 1                                                                                      |
| Chief financial officer                  | 1                                                                                | Yes                                                            | 1                                                                                                      | 1                                                                                      |
| Senior managers                          | 3                                                                                | Yes                                                            | 3                                                                                                      | 3                                                                                      |
| Any other financial officials            | 7                                                                                | No                                                             | n/a                                                                                                    | 7                                                                                      |
| <b>Supply Chain Management Officials</b> |                                                                                  |                                                                |                                                                                                        |                                                                                        |
| Heads of supply chain management units   | 1                                                                                | No                                                             | n/a                                                                                                    | 1                                                                                      |
| Supply chain management senior managers  | 0                                                                                | No                                                             | n/a                                                                                                    | 0                                                                                      |
| <b>TOTAL</b>                             | <b>12</b>                                                                        | <b>n/a</b>                                                     | <b>4</b>                                                                                               | <b>13</b>                                                                              |

Table 122: Financial competency development: Progress report

## Skills Development - Budget allocation

The table below indicates that a total amount of **R833 960** was allocated to the workplace skills plan and that **99.62%** of the total amount was spent in the 2021/22 financial year:

| Year    | Total Expenditure<br>Salary and<br>Allowances | Total Allocated | Total Spend | % Spent |
|---------|-----------------------------------------------|-----------------|-------------|---------|
|         | R                                             |                 |             |         |
| 2020/21 | 45 223 316                                    | 617 700         | 617 118     | 99.90   |
| 2021/22 | 42 981 927                                    | 833 960         | 830 833     | 99.62   |

Table 123: Budget allocated and spent for skills development

## 4.8 Managing the Municipal 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.

### Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years:

| Financial year | Total Expenditure Salary and Allowances | Total Operating Expenditure | Percentage |
|----------------|-----------------------------------------|-----------------------------|------------|
|                | R                                       |                             | %          |
| 2020/21        | 45 223 316                              | 75 277 509                  | 60.07      |
| 2021/22        | 44 441 828                              | 71 529 103                  | 61.12      |

Table 124: Personnel Expenditure

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

| Financial year                                           | 2020/21          | 2021/22          |                  |                  |
|----------------------------------------------------------|------------------|------------------|------------------|------------------|
| Description                                              | Actual           | Original Budget  | Adjusted Budget  | Actual           |
| R                                                        |                  |                  |                  |                  |
| <u>Councillors (Political Office Bearers plus Other)</u> |                  |                  |                  |                  |
| Executive Mayor                                          | 793 704          | 915 902          | 844 910          | 844 895          |
| Deputy Executive Mayor                                   | 0                | 0                | 0                | 0                |
| Mayoral Committee Members                                | 2 761 011        | 2 062 591        | 1 894 610        | 1 894 603        |
| Speaker                                                  | 699 488          | 733 922          | 683 990          | 683 988          |
| Councillors                                              | 184 083          | 1 139 494        | 1 324 150        | 1324 150         |
| <b>Sub Total - Councillors</b>                           | <b>4 438 286</b> | <b>4 851 909</b> | <b>4 747 660</b> | <b>4 747 636</b> |
| <u>Senior Managers of the Municipality</u>               |                  |                  |                  |                  |
| Annual Remuneration                                      | 4 270 320        | 4 483 836        | 4 454 490        | 4 270 320        |
| Acting Allowance                                         | 0                | 0                | 0                | 0                |
| Car Allowance                                            | 420 000          | 420 000          | 418 599          | 422 015          |
| Settlement Payment                                       | 0                | 0                | 0                | 0                |
| Bonus & Long Service Bonus                               | 280 000          | 294 000          | 318 500          | 280 000          |
| Performance Bonus                                        | 767 125          | 774 728          | 759 560          | 767 125          |
| Contribution to UIF, Medical & Pension                   | 50 920           | 8 925            | 10 634           | 10 625           |
| Housing Subsidy                                          | 0                | 0                | 0                | 0                |
| Telephone Allowance                                      | 0                | 0                | 0                | 0                |
| Leave Pay-Out                                            | 0                | 0                | 0                | 0                |
| Other                                                    | 544 823          | 517 031          | 33 230           | 561 168          |
| <b>Sub Total - Senior Managers of Municipality</b>       | <b>6 343 188</b> | <b>6 498 520</b> | <b>5 995 013</b> | <b>6 303 651</b> |
| <u>Other Municipal Staff</u>                             |                  |                  |                  |                  |
| Basic Salaries and Wages                                 | 25 720 009       | 26 348 117       | 25 536 840       | 26 793 847       |

| Financial year                           | 2020/21           | 2021/22           |                   |                   |
|------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Description                              | Actual            | Original Budget   | Adjusted Budget   | Actual            |
|                                          | R                 |                   |                   |                   |
| Pension Contributions                    | 4 202 855         | 4 865 295         | 4 490 150         | 4 307 123         |
| Medical Aid Contributions                | 1 280 386         | 1 437 766         | 1 354 650         | 1 355 559         |
| Motor vehicle allowance                  | 1 374 910         | 1 462 052         | 1 388 010         | 1 384 536         |
| Cell phone allowance                     | 258 995           | 138 200           | 209 450           | 213 621           |
| Housing allowance                        | 255 516           | 311 900           | 261 320           | 273 051           |
| Overtime                                 | 484 443           | 600 000           | 293 410           | 286 903           |
| Other benefits or allowances             | 5 303 014         | 2 254 914         | 3 460 284         | 3 523 537         |
| <b>Sub Total - Other Municipal Staff</b> | <b>38 880 128</b> | <b>37 418 244</b> | <b>36 994 114</b> | <b>38 138 177</b> |

Table 125: Personnel Expenditure

Council Draft

## Chapter 5: Financial Performance

### Component A: Statements of Financial Performance

The Statement of financial performance provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

#### 5.1 Financial Summary

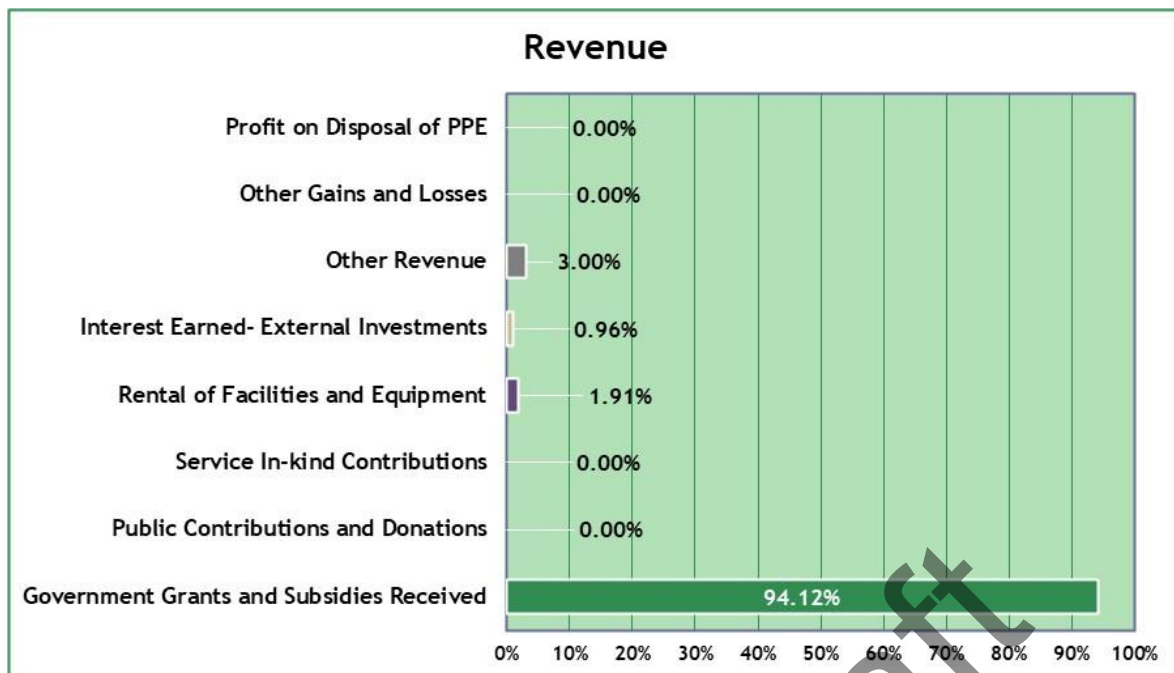
The table below indicates the summary of the financial performance for the 2021/22 financial year:

| Description                                                   | 2020/21 | 2021/22         |                 |         | 2021/22 Variance |                     |
|---------------------------------------------------------------|---------|-----------------|-----------------|---------|------------------|---------------------|
|                                                               | Actual  | Original Budget | Adjusted Budget | Actual  | Original Budget  | Adjust-ments Budget |
|                                                               | R'000   |                 |                 |         | %                |                     |
| Financial Performance                                         |         |                 |                 |         |                  |                     |
| Government Grants and Subsidies Received                      | 60,764  | 63,986          | 62,190          | 62,931  | -1.68            | 1.18                |
| Public Contributions and Donations                            | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Service In-kind Contributions                                 | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Rental of Facilities and Equipment                            | 1,384   | 1,000           | 1,280           | 1,280   | 21.89            | 0.02                |
| Interest Earned- External Investments                         | 796     | 500             | 643             | 643     | 22.22            | -0.02               |
| Other Revenue                                                 | 2,238   | 3,013           | 2,749           | 2,008   | -50.04           | -36.89              |
| Other Gains and Losses                                        | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Profit on Disposal of PPE                                     | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Total Revenue (excluding capital transfers and contributions) | 65,182  | 68,499          | 66,862          | 66,862  | -2.45            | 0.00                |
| Employee costs                                                | 45,223  | 43,917          | 42,989          | 44,442  | 1.18             | 3.27                |
| Remuneration of councillors                                   | 4,438   | 4,852           | 4,748           | 4,748   | -2.20            | -0.01               |
| Depreciation & asset impairment                               | 1,020   | 2,000           | 1,425           | 1,425   | -40.33           | 0.01                |
| Debt Impairment                                               | 868     | 0               | 140             | 140     | 100.00           | -0.11               |
| Repairs and Maintenance                                       | 779     | 2,116           | 3,335           | 474     | -346.72          | -604.07             |
| Finance charges                                               | 1,790   | 0               | 0               | 1,576   | 100.00           | 100.00              |
| Materials                                                     | 650     | 0               | 0               | 388     | 100.00           | 100.00              |
| Transfers and grants                                          | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Other expenditure                                             | 15,125  | 16,424          | 19,100          | 18,336  | 10.43            | -4.16               |
| Loss on Disposal of PPE                                       | 4,934   | 0               | 0               | 0       | 10.43            | -4.16               |
| Total Expenditure                                             | 74,828  | 69,309          | 71,737          | 71,529  | 3.10             | -0.29               |
| Surplus/(Deficit)                                             | (9,646) | (810)           | (4,875)         | (4,667) | 82.64            | -4.46               |
| Transfers recognised - capital                                | 3,034   | -               | 200             | 200     | 100.00           | -                   |
| Contributed assets                                            | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Loss on foreign exchange                                      | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Fair value adjustment                                         | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Acturial gains / (losses)                                     | 0       | 0               | 0               | 0       | 0.00             | 0.00                |
| Surplus/(Deficit)                                             | (6,612) | (810)           | (4,675)         | (4,467) | 81.87            | -4.66               |
| Capital expenditure & funds sources                           |         |                 |                 |         |                  |                     |
| Capital expenditure                                           |         |                 |                 |         |                  |                     |

| Description                                                    | 2020/21      | 2021/22         |                 |              | 2021/22 Variance |                    |
|----------------------------------------------------------------|--------------|-----------------|-----------------|--------------|------------------|--------------------|
|                                                                | Actual       | Original Budget | Adjusted Budget | Actual       | Original Budget  | Adjustments Budget |
|                                                                | R'000        |                 |                 |              | %                |                    |
| Transfers recognised - capital (incl Housing Development Fund) | 3,034        | 295             | 1,164           | 182          | -62.18           | -539.96            |
| Public contributions & donations                               | 0            | 0               | 0               | 0            | 0.00             | 0.00               |
| Borrowing                                                      | 0            | 0               | 0               | 0            | 0.00             | 0.00               |
| Internally generated funds                                     | 0            | 705             | 321             | 1,303        | 45.88            | 75.38              |
| <b>Total sources of capital funds</b>                          | <b>3,034</b> | <b>1,000</b>    | <b>1,485</b>    | <b>1,485</b> | <b>32.64</b>     | <b>-0.01</b>       |
| <b>Financial position</b>                                      |              |                 |                 |              |                  |                    |
| Total current assets                                           | 7,995        | 19,785          | 3,845           | 2,308        | -757.18          | -66.58             |
| Total non-current assets                                       | 12,711       | 17,694          | 19,180          | 12,770       | -38.56           | -50.20             |
| Total current liabilities                                      | 9,985        | (7,390)         | (7,945)         | (9,476)      | 22.02            | 16.16              |
| Total non-current liabilities                                  | 11,256       | (30,900)        | (23,670)        | (10,603)     | -191.42          | -123.23            |
| Community wealth/Equity                                        | (535)        | (811)           | (8,590)         | (5,002)      | 83.79            | -71.74             |
| <b>Cash flows</b>                                              |              |                 |                 |              |                  |                    |
| Cash/cash equivalents at the year begin                        | 12,058       | 12,058          | 2,201           | 6,378        | -89.05           | 65.49              |
| Net cash from (used) operating                                 | (168)        | 724             | 926             | (306)        | 336.79           | 402.81             |
| Net cash from (used) investing                                 | (3,180)      | 10,604          | (1,885)         | (1,485)      | 814.28           | -26.96             |
| Net cash from (used) financing                                 | (2,333)      | 0               | 0               | (2,387)      | 100.00           | 100.00             |
| <b>Cash/cash equivalents at the year end</b>                   | <b>6,378</b> | <b>23,387</b>   | <b>1,242</b>    | <b>2,201</b> | <b>-962.54</b>   | <b>43.56</b>       |
| <b>Cash backing/surplus reconciliation</b>                     |              |                 |                 |              |                  |                    |
| Cash and investments available                                 | 6,378        | 23,387          | 1,242           | 2,201        | -962.54          | 43.56              |
| Application of cash and investments                            | 0            | 0               | 0               | 0            | 0.00             | 0.00               |
| <b>Balance - surplus (shortfall)</b>                           | <b>6,378</b> | <b>23,387</b>   | <b>1,242</b>    | <b>2,201</b> | <b>-962.54</b>   | <b>43.56</b>       |
| <b>Asset management</b>                                        |              |                 |                 |              |                  |                    |
| Asset register summary (WDV)                                   | 12,710       | 16,484          | 19,453          | 12,769       | -29.09           | -52.34             |
| Depreciation & asset impairment                                | 1,020        | 2,000           | 1,425           | 1,425        | -40.33           | -0.00              |
| Renewal of Existing Assets                                     | 3,400        | 1,000           | 1,485           | 1,485        | 32.64            | -0.01              |
| Repairs and Maintenance                                        | 779          | 2,250           | 373             | 474          | -375.01          | 21.34              |

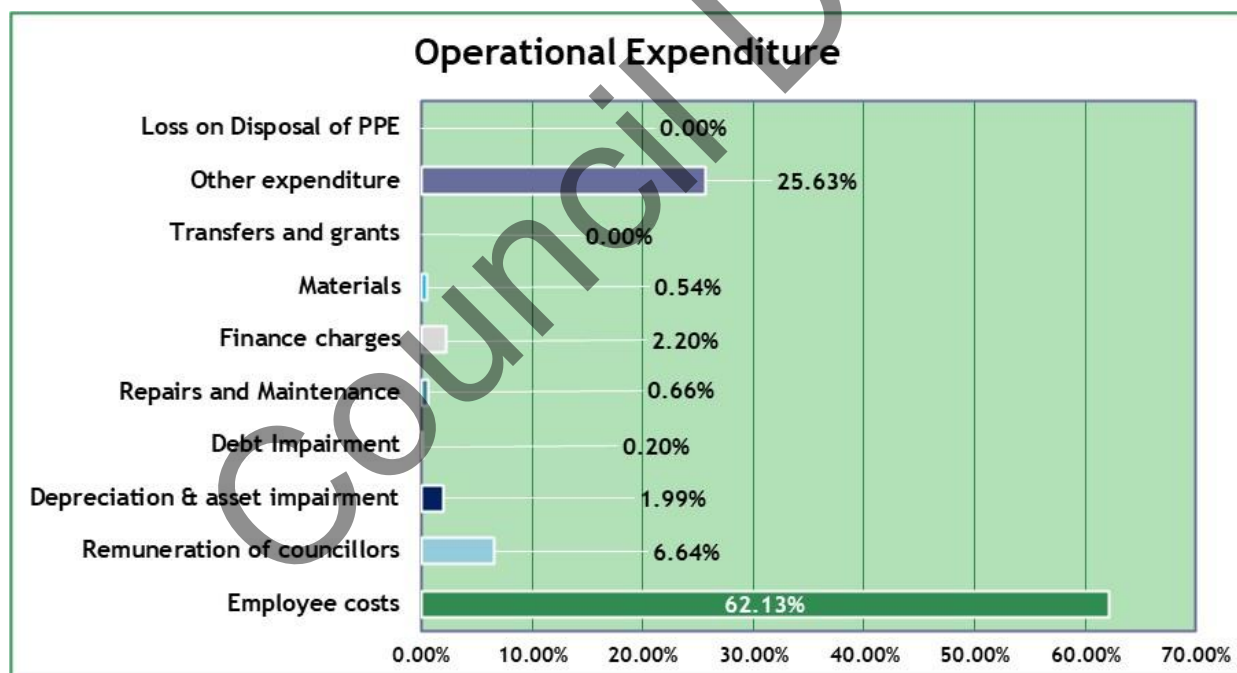
Table 126: Financial Performance

The following graph indicates the various types of revenue received in 2021/22:



Graph 9: Revenue

The following graph indicates the various types of expenditure items in 2021/22:



Graph 10: Operating Expenditure

The table below shows a summary of performance against budgets:

| Financial Year | Revenue |        |       |       | Operating expenditure |        |        |        |
|----------------|---------|--------|-------|-------|-----------------------|--------|--------|--------|
|                | Budget  | Actual | Diff. | %     | Budget                | Actual | Diff.  | %      |
|                | (R'000) |        |       |       | (R'000)               |        |        |        |
| 2020/21        | 63,295  | 68,216 | 4,921 | 7.77% | 63,872                | 74,828 | 10,956 | 17.15% |
| 2021/22        | 67,062  | 67,063 | 1     | 0.00% | 71,737                | 71,529 | (208)  | -0.29% |

Table 127: Performance against budgets

### 5.1.1 Revenue Collection by Vote

The table below indicates the Revenue collection performance by vote

| Vote Description                                                             | 2020/21       | 2021/22         |                 |               | 2021/22 Variance |                    |
|------------------------------------------------------------------------------|---------------|-----------------|-----------------|---------------|------------------|--------------------|
|                                                                              | Actual        | Original Budget | Adjusted Budget | Actual        | Original Budget  | Adjustments Budget |
|                                                                              | R'000         |                 |                 | %             |                  |                    |
| Mayor & Council                                                              | 3,585         | 3,651           | 3,653           | 3,653         | 0.04             | 0.00               |
| Municipal Manager                                                            | 0             | 0               | 0               | 0             | 0.00             | 0.00               |
| Budget and Treasury Office                                                   | 56,826        | 58,187          | 56,564          | 56,564        | -2.87            | 0.00               |
| Corporate Service                                                            | 0             | 0               | 0               | 0             | 0.00             | 0.00               |
| Internal Audit                                                               | 0             | 0               | 0               | 0             | 0.00             | 0.00               |
| Development & Infrastructure                                                 | 0             | 0               | 0               | 0             | 0.00             | 0.00               |
| IDP                                                                          | 5,997         | 5,661           | 5,346           | 5,346         | -5.89            | 0.00               |
| Health                                                                       | 1,384         | 1,000           | 1,280           | 1,280         | 21.89            | -0.01              |
| Housing                                                                      | 423           |                 | 219             | 219           | 100.00           | 0.00               |
| Public Safety                                                                | 0             | 0               | 0               | 0             | 0.00             | 0.00               |
| <b>Total Revenue by Vote (Including capital transfers and contributions)</b> | <b>68,216</b> | <b>68,499</b>   | <b>67,062</b>   | <b>67,062</b> | <b>-2.14</b>     | <b>0.00</b>        |

Table 128: Revenue collection by vote

### 5.1.2 Revenue Collection by Source

The table below indicates the Revenue collection performance by source for the financial year:

| Description                                                          | 2020/21       | 2021/22         |                 |               | 2021/22 Variance |                 |
|----------------------------------------------------------------------|---------------|-----------------|-----------------|---------------|------------------|-----------------|
|                                                                      | Actual        | Original Budget | Adjusted Budget | Actual        | Original Budget  | Adjusted Budget |
|                                                                      | R'000         |                 |                 | %             |                  |                 |
| Government Grants and Subsidies received                             | 63,798        | 63,986          | 62,190          | 63,131        | -1.35            | 1.49            |
| Public Contributions and donations                                   | 0             | 0               | 0               | 0             | 0.00             | 0.00            |
| Service In-kind Contributions                                        | 0             | 0               | 0               | 0             | 0.00             | 0.00            |
| Rentals of facilities and equipment                                  | 1,384         | 1,000           | 1,280           | 1,280         | 21.89            | -0.01           |
| Interest earned - external investments                               | 796           | 500             | 643             | 643           | 22.22            | 0.00            |
| Other revenue                                                        | 2,238         | 3,013           | 2,749           | 2,008         | -50.02           | -36.90          |
| Other Gains and Losses                                               | 0             | 0               | 0               | 0             | 0.00             | 0.00            |
| Profit on disposal of Property Plant and Equipment                   | 0             | 0               | 0               | 0             | 0.00             | 0.00            |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>68,216</b> | <b>68,499</b>   | <b>66,862</b>   | <b>67,062</b> | <b>-2.14</b>     | <b>0.30</b>     |

Table 129: Revenue collection by source

## 5.2 Financial Performance per Municipal Function

### 5.2.1 Housing

| Description                   | 2020/21 | 2021/22         |                   |         |                    |
|-------------------------------|---------|-----------------|-------------------|---------|--------------------|
|                               | Actual  | Original Budget | Adjustment Budget | Actual  | Variance to Budget |
|                               | R'000   |                 |                   |         | %                  |
| Total Operational Revenue     | 423     | 0               | 219               | 219     | 100.00             |
| Expenditure:                  |         |                 |                   |         |                    |
| Employees                     | 2,241   | 2,414           | 2,227             | 2,229   | -8.30              |
| Repairs and Maintenance       | 0       | 0               | 0                 | 0       | 0.00               |
| Other                         | 361     | 320             | 304               | 301     | -6.25              |
| Total Operational Expenditure | 2,602   | 2,734           | 2,530             | 2,530   | -8.06              |
| Net Operational (Service)     | (2,179) | (2,734)         | (2,311)           | (2,311) | -18.28             |

Table 130: Financial Performance: Housing

### 5.2.2 Planning, Infrastructure and Development

| Description                   | 2020/21  | 2021/22         |                   |          |                    |
|-------------------------------|----------|-----------------|-------------------|----------|--------------------|
|                               | Actual   | Original Budget | Adjustment Budget | Actual   | Variance to Budget |
|                               | R'000    |                 |                   |          | %                  |
| Total Operational Revenue     | 5,997    | 5,661           | 5,346             | 5,346    | -5.89              |
| Expenditure:                  |          |                 |                   |          |                    |
| Employees                     | 16,104   | 9,905           | 9,770             | 16,191   | 38.82              |
| Repairs and Maintenance       | 82       | 0               | 0                 | 0        | 0.00               |
| Other                         | 6,143    | 1,101           | 1,086             | 7,948    | 86.15              |
| Total Operational Expenditure | 22,328   | 11,006          | 10,855            | 24,138   | 54.40              |
| Net Operational (Service)     | (16,331) | (5,345)         | (5,509)           | (18,792) | 71.56              |

Table 131: Financial Performance: Planning, Infrastructure and Development

### 5.2.3 Disaster Management

| Description                   | 2020/21 | 2021/22         |                   |         |                    |
|-------------------------------|---------|-----------------|-------------------|---------|--------------------|
|                               | Actual  | Original Budget | Adjustment Budget | Actual  | Variance to Budget |
|                               | R'000   |                 |                   |         | %                  |
| Total Operational Revenue     | 0       | 0               | 0                 | 0       | 0.00               |
| Expenditure:                  |         |                 |                   |         |                    |
| Employees                     | 3,194   | 3,589           | 3,119             | 3,119   | -15.07             |
| Repairs and Maintenance       | 0       | 0               | 0                 | 0       | 0.00               |
| Other                         | 267     | 305             | 360               | 360     | 15.23              |
| Total Operational Expenditure | 3,462   | 3,894           | 3,479             | 3,479   | -11.93             |
| Net Operational (Service)     | (3,462) | (3,894)         | (3,479)           | (3,479) | -11.93             |

Table 132: Financial Performance: Disaster Management

## 5.2.4 Municipal Health Service

| Description                   | 2020/21 | 2021/22         |                   |         |                    |
|-------------------------------|---------|-----------------|-------------------|---------|--------------------|
|                               | Actual  | Original Budget | Adjustment Budget | Actual  | Variance to Budget |
|                               | R'000   |                 |                   |         | %                  |
| Total Operational Revenue     | 1,384   | 1,000           | 1,280             | 1,280   | 21.89              |
| Expenditure:                  |         |                 |                   |         |                    |
| Employees                     | 5,767   | 6,704           | 5,719             | 5,912   | -13.41             |
| Repairs and Maintenance       | 0       | 0               | 0                 | 0       | 0.00               |
| Other                         | 750     | 1,146           | 1,430             | 1,230   | 6.86               |
| Total Operational Expenditure | 6,518   | 7,850           | 7,148             | 7,142   | -9.92              |
| Net Operational (Service)     | (5,133) | (6,850)         | (5,868)           | (5,862) | -16.86             |

Table 133: Financial Performance: Municipal Health Service

## 5.2.5 Council

| Description                   | 2020/21 | 2021/22         |                   |         |                    |
|-------------------------------|---------|-----------------|-------------------|---------|--------------------|
|                               | Actual  | Original Budget | Adjustment Budget | Actual  | Variance to Budget |
|                               | R'000   |                 |                   |         | %                  |
| Total Operational Revenue     | 3,585   | 3,651           | 3,653             | 3,653   | 0.04               |
| Expenditure:                  |         |                 |                   |         |                    |
| Employees                     | 7,881   | 8,181           | 8,172             | 8,138   | -0.52              |
| Repairs and Maintenance       | 0       | 0               | 0                 | 0       | 0.00               |
| Other                         | 2,959   | 1,885           | 2,703             | 2,703   | 30.27              |
| Total Operational Expenditure | 10,840  | 10,066          | 10,876            | 10,841  | 7.15               |
| Net Operational (Service)     | (7,254) | (6,415)         | (7,223)           | (7,188) | 10.77              |

Table 134: Financial Performance: Council

## 5.2.6 Office of the Municipal Manager

| Description                   | 2020/21 | 2021/22         |                   |         |                    |
|-------------------------------|---------|-----------------|-------------------|---------|--------------------|
|                               | Actual  | Original Budget | Adjustment Budget | Actual  | Variance to Budget |
|                               | R'000   |                 |                   |         | %                  |
| Total Operational Revenue     | 0       | 0               | 0                 | 0       | 0.00               |
| Expenditure:                  |         |                 |                   |         |                    |
| Employees                     | 1,958   | 2,069           | 1,899             | 1,841   | -12.37             |
| Repairs and Maintenance       | 0       | 0               | 0                 | 0       | 0.00               |
| Other                         | 127     | 233             | 179               | 179     | -30.30             |
| Total Operational Expenditure | 2,085   | 2,302           | 2,078             | 2,020   | -13.96             |
| Net Operational (Service)     | (2,085) | (2,302)         | (2,078)           | (2,020) | -13.96             |

Table 135: Financial Performance: Office of the Municipal Manager

## 5.2.7 Financial Services

| Description                   | 2020/21 | 2021/22         |                   |        |                    |
|-------------------------------|---------|-----------------|-------------------|--------|--------------------|
|                               | Actual  | Original Budget | Adjustment Budget | Actual | Variance to Budget |
|                               | R'000   |                 |                   |        | %                  |
| Total Operational Revenue     | 56,826  | 58,187          | 56,564            | 56,564 | -2.87              |
| Expenditure:                  |         |                 |                   |        |                    |
| Employees                     | 7,164   | 6,438           | 6,355             | 6,278  | -2.55              |
| Repairs and Maintenance       | 0       | 725             | 1,244             | 0      | 0.00               |
| Grants and subsidies paid     | 0       | 0               | 0                 | 0      | 0.00               |
| Depreciation/Amortisation     | 1,020   | 2,000           | 1,425             | 1,425  | -40.33             |
| Impairment Losses             | 0       | 0               | 0                 | 0      | 0.00               |
| Finance Cost                  | 1,708   | 0               | 0                 | 1,559  | 100.00             |
| Contracted Services           | 0       | 710             | 768               | 0      | 0.00               |
| Other                         | 10,944  | 2,859           | 5,109             | 5,560  | 48.58              |
| Loss on disposal of PPE       | 0       | 0               | 0                 | 0      | 0.00               |
| Total Operational Expenditure | 20,836  | 12,732          | 14,901            | 14,822 | 14.10              |
| Net Operational (Service)     | 35,990  | 45,454          | 41,663            | 41,742 | -8.89              |

Table 136: Financial Performance: Financial Services

## 5.2.8 Corporate Services

| Description                   | 2020/21  | 2021/22         |                   |          |                    |
|-------------------------------|----------|-----------------|-------------------|----------|--------------------|
|                               | Actual   | Original Budget | Adjustment Budget | Actual   | Variance to Budget |
|                               | R'000    |                 |                   |          | %                  |
| Total Operational Revenue     | 0        | 0               | 0                 | 0        | 0.00               |
| Expenditure:                  |          |                 |                   |          |                    |
| Employees                     | 7,881    | 9,044           | 9,557             | 8,138    | -11.13             |
| Repairs and Maintenance       | 0        | 0               | 0                 | 0        | 0.00               |
| Other                         | 2,959    | 2,775           | 3,756             | 2,703    | -2.64              |
| Total Operational Expenditure | 10,840   | 11,818          | 13,313            | 10,841   | -9.01              |
| Net Operational (Service)     | (10,840) | (11,818)        | (13,313)          | (10,841) | -9.01              |

Table 137: Financial Performance: Corporate Services

## 5.2.9 Internal Audit

| Description                   | 2020/21 | 2021/22         |                   |         |                    |
|-------------------------------|---------|-----------------|-------------------|---------|--------------------|
|                               | Actual  | Original Budget | Adjustment Budget | Actual  | Variance to Budget |
|                               | R'000   |                 |                   |         | %                  |
| Total Operational Revenue     | 0       | 0               | 0                 | 0       | 0.00               |
| Expenditure:                  |         |                 |                   |         |                    |
| Employees                     | 5,353   | 5,517           | 5,482             | 5,482   | -0.63              |
| Repairs and Maintenance       | 0       | 0               | 0                 | 0       | 0.00               |
| Other                         | 805     | 1,390           | 1,074             | 1,074   | -29.38             |
| Total Operational Expenditure | 6,158   | 6,907           | 6,557             | 6,557   | -5.34              |
| Net Operational (Service)     | (6,158) | (6,907)         | (6,557)           | (6,557) | -5.34              |

Table 138: Financial Performance: Internal Audit

## 5.3 Grants

### 5.3.1 Grant Performance

The Municipality had a total amount of **R63,131** million for operational expenditure available that was received in the form of grants from the National and Provincial Governments during the 2021/22 financial year. The performance in the spending of these grants is indicated in the table below:

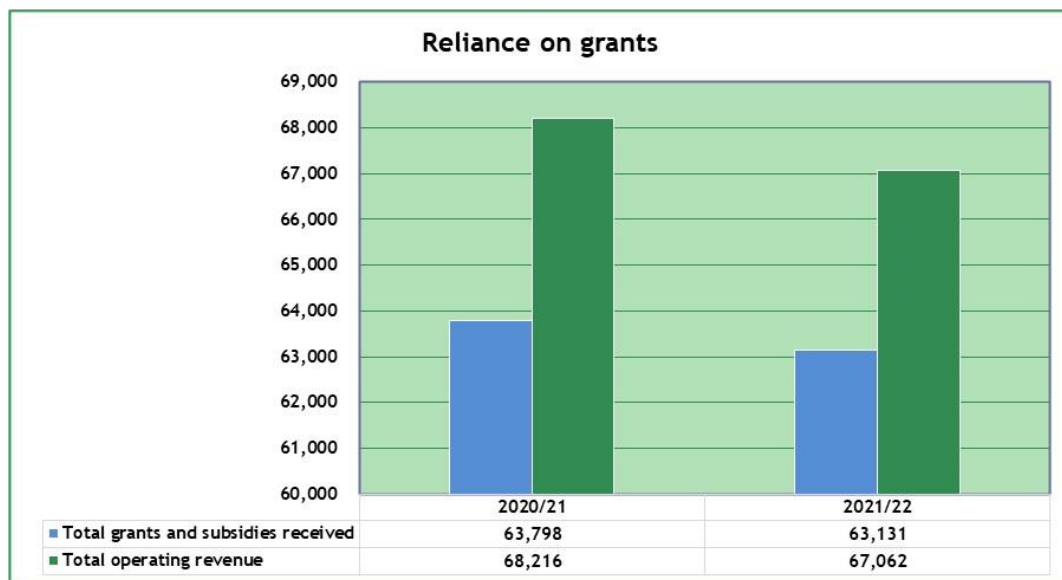
| Description                                                                                 | 2020/21 | 2021/22 |                     |        | 2021/22 Variance |                     |
|---------------------------------------------------------------------------------------------|---------|---------|---------------------|--------|------------------|---------------------|
|                                                                                             | Actual  | Budget  | Adjust-ments Budget | Actual | Original Budget  | Adjust-ments Budget |
|                                                                                             | R'000   |         |                     |        | %                |                     |
| Operating Transfers and Grants                                                              |         |         |                     |        |                  |                     |
| National Government:                                                                        | 57,700  | 59,400  | 57,900              | 57,900 | -2.59            | 0.00                |
| Equitable share                                                                             | 55,142  | 55,175  | 55,175              | 55,175 | 0.00             | 0.00                |
| Expanded Public Works Programme                                                             | 1,058   | 1,075   | 1,075               | 1,075  | 0.00             | 0.00                |
| Finance Management Grant                                                                    | 1,500   | 1,650   | 1,650               | 1,650  | 0.00             | 0.00                |
| MSIG                                                                                        | 0       | 1,500   | 0                   | 0      | -100.00          | 0.00                |
| Provincial Government:                                                                      | 2,231   | 1,510   | 1,388               | 2,129  | 29.08            | 34.80               |
| Cleaning Project                                                                            | 732     | 1,510   | 1,169               | 1,169  | -29.12           | 0.00                |
| COGHTA Grant                                                                                | 423     | 0       | 200                 | 200    | 100.00           | 0.00                |
| Provincial Roads                                                                            | 736     | 0       | 0                   | 741    | 100.00           | 100.00              |
| Disinfection                                                                                | 340     | 0       | 19                  | 19     | 100.00           | 0.00                |
| Other Grant Providers:                                                                      | 3,868   | 3,076   | 3,102               | 3,102  | 0.83             | -0.01               |
| Health Subsidy                                                                              | 832     | 0       | 0                   | 0      | 0.00             | 0.00                |
| RAMS                                                                                        | 3,036   | 3,076   | 3,102               | 3,102  | 0.83             | -0.01               |
| Total Operating Transfers and Grants                                                        | 63,798  | 63,986  | 62,390              | 63,131 | -1.35            | 1.17                |
| Actual amounts represent the total revenue recognised excluding VAT on grants and subsidies |         |         |                     |        |                  |                     |

Table 139: Grant Performance

### 5.3.2 Level of Reliance on Grants & Subsidies

| Financial year | Total grants and subsidies received | Total Operating Revenue | Percentage |
|----------------|-------------------------------------|-------------------------|------------|
|                | R'000                               |                         | %          |
| 2020/21        | 63,798                              | 68,216                  | 93.52%     |
| 2021/22        | 63,131                              | 67,062                  | 94.14%     |

Table 140: Level of reliance on grants



Graph 11: Reliance on grants

## 5.4 Financial Ratios

### 5.4.1 Current Ratio

| Description     | Basis of calculation                | 2020/21 | 2021/22 |
|-----------------|-------------------------------------|---------|---------|
| Current Ratio   | Current assets/current liabilities  | 0.80    | 0.24    |
| Liquidity Ratio | Monetary Assets/Current Liabilities | 0.64    | 0.23    |

Table 141: Liquidity Ratio

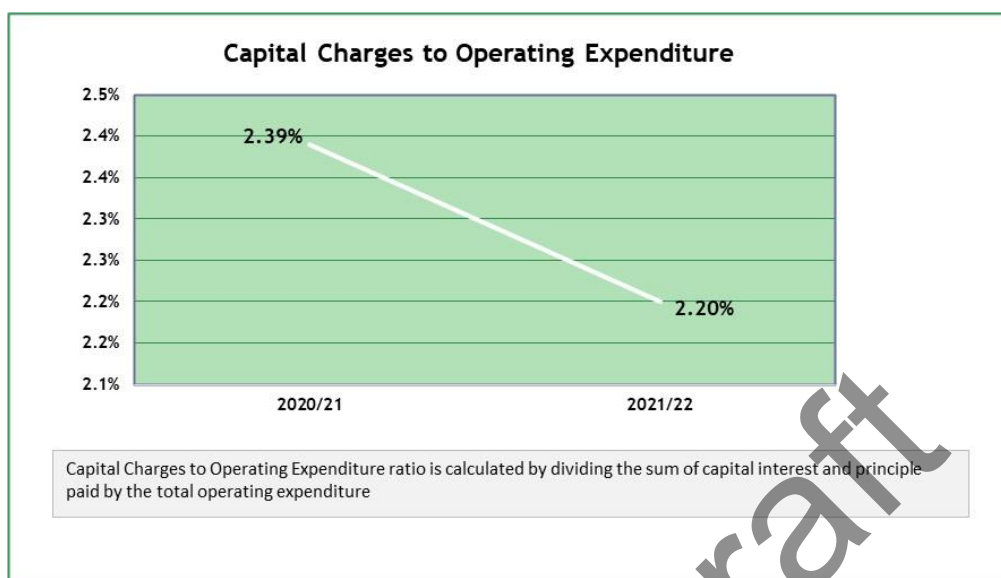
### 5.4.2 Performance Management Regulation Financial Viability Indicators

| Description   | Basis of calculation                                                                                                                                                                                                                                                                                                                                                    | Unit of Measurement                                                              | 2020/21 | 2021/22 |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------|---------|
| Cost Coverage | Financial viability measured in terms of the available cash to cover fixed operating expenditure by 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)) | Number of months it takes to cover fix operating expenditure with available cash | 0.15    | 0.19    |
| Debt coverage | Financial viability measured in terms of the municipality's ability to meet it's service debt obligations by 30 June 2017 ((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)                                                                                  | % of debt coverage                                                               | 13.66%  | 0.64%   |

### 5.4.3 Borrowing Management

| Description                              | Basis of calculation                              | 2020/21 | 2021/22 |
|------------------------------------------|---------------------------------------------------|---------|---------|
| Capital Charges to Operating Expenditure | Interest & Principal Paid / Operating Expenditure | 2.39%   | 2.20%   |

Table 142: Borrowing Management

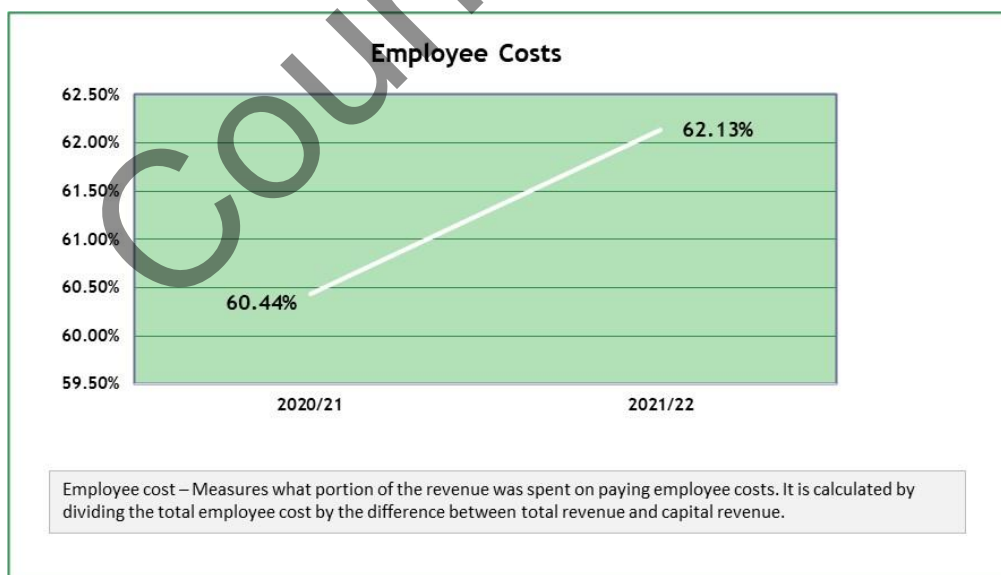


Graph 12: Capital Charges to Operating Expenditure Ratio

### 5.4.4 Employee costs

| Description    | Basis of calculation                               | 2020/21 | 2021/22 |
|----------------|----------------------------------------------------|---------|---------|
| Employee costs | Employee costs / (Total Revenue - capital revenue) | 60.44%  | 62.13%  |

Table 143: Employee Costs

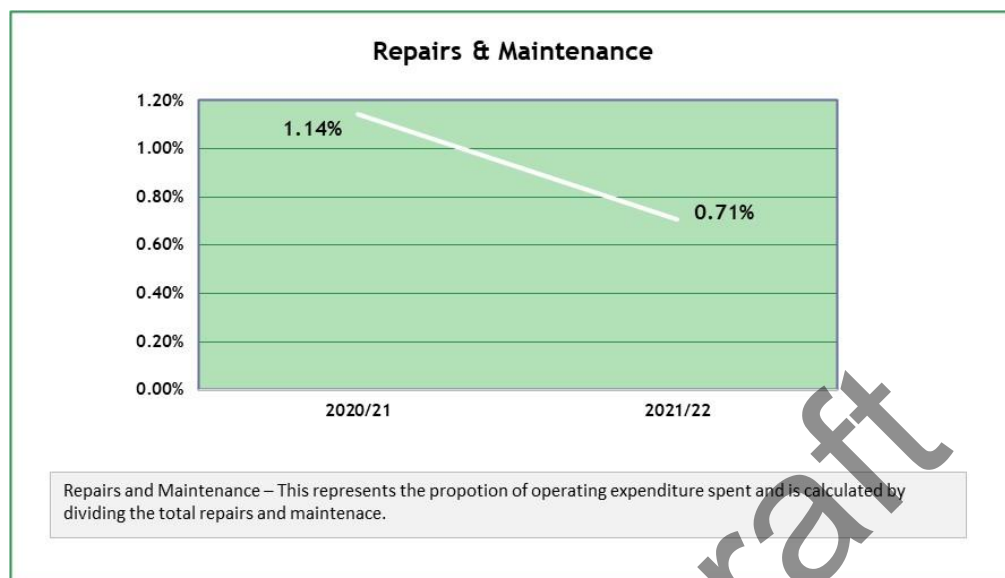


Graph 13: Employee Costs Ratio

### 5.4.5 Repairs & Maintenance

| Description           | Basis of calculation                          | 2020/21 | 2021/22 |
|-----------------------|-----------------------------------------------|---------|---------|
| Repairs & Maintenance | R&M/(Total Revenue excluding capital revenue) | 1.14%   | 0.71%   |

Table 144: Repairs and Maintenance



Graph 14: Repairs and Maintenance Ratio

## COMPONENT B: CASH FLOW MANAGEMENT, BORROWING & INVESTMENTS

### 5.5 Cash Flow

| Description                                      | 2020/21       | 2021/22         |                 |             |
|--------------------------------------------------|---------------|-----------------|-----------------|-------------|
|                                                  | Actual        | Original Budget | Adjusted Budget | Actual      |
| R'000                                            |               |                 |                 |             |
| <b>Cash flow from operating activities</b>       |               |                 |                 |             |
| <b>Receipts</b>                                  |               |                 |                 |             |
| Ratepayers and other                             | 0             | 0               | 0               | 0           |
| Government - operating                           | 59,306        | 62,911          | 59,937          | 62,735      |
| Government - capital                             | 0             | 0               | 1,164           | 182         |
| Interest                                         | 796           | 500             | 643             | 643         |
| Dividends                                        | 0             | 0               | 0               | 0           |
| Other Receipts                                   | 3,543         | 2,474           | 2,865           | 4,310       |
| <b>Payments</b>                                  |               |                 |                 |             |
| Employee cost and suppliers                      | -63,731       | -65,161         | -63,682         | -68,158     |
| Finance charges                                  | -82           | -               | -               | -17         |
| Transfers and grants                             | 0             | 0               | 0               | 0           |
| <b>Net cash from/(used) operating activities</b> | <b>-1,688</b> | <b>7,248</b>    | <b>9,268</b>    | <b>-306</b> |
| <b>Cash flows from investing activities</b>      |               |                 |                 |             |
| <b>Receipts</b>                                  |               |                 |                 |             |
| Proceeds on disposal of PPE                      | 220           | 0               | 0               | 0           |
| Decrease (Increase) in non-current debtors       | 0             | 0               | 0               | 0           |

| Description                                       | 2020/21       | 2021/22         |                 |               |
|---------------------------------------------------|---------------|-----------------|-----------------|---------------|
|                                                   | Actual        | Original Budget | Adjusted Budget | Actual        |
|                                                   | R'000         |                 |                 |               |
| Decrease (increase) other non-current receivables | 0             | 11,604          | 0               | 0             |
| Decrease (increase) in non-current investments    | 0             | 0               | 0               | 0             |
| <b>Payment</b>                                    |               |                 |                 |               |
| Capital assets                                    | -3,400        | -1,000          | -1,885          | -1,485        |
| <b>Net cash from/(used) investing activities</b>  | <b>-3,180</b> | <b>10,604</b>   | <b>-1,885</b>   | <b>-1,485</b> |
| <b>Cash flows from financing activities</b>       |               |                 |                 |               |
| <b>Receipts</b>                                   |               |                 |                 |               |
| Short term loans                                  | 0             | 0               | 0               | 0             |
| Borrowing long term/refinancing                   | 0             | 0               | 0               | 0             |
| Increase (decrease) in consumer deposits          | 0             | 0               | 0               | 0             |
| <b>Payments</b>                                   |               |                 |                 |               |
| Repayment of borrowing                            | -2,333        | 0               | 0               | -2,387        |
| <b>Net cash from/(used) financing activities</b>  | <b>-2,333</b> | <b>0</b>        | <b>0</b>        | <b>-2,387</b> |
| <b>Net increase/ (decrease) in cash held</b>      | <b>-5,680</b> | <b>11,328</b>   | <b>-959</b>     | <b>-4,177</b> |
| <b>Cash/cash equivalents at the year begin:</b>   | <b>12,058</b> | <b>12,058</b>   | <b>2,201</b>    | <b>6,378</b>  |
| <b>Cash/cash equivalents at the year-end:</b>     | <b>6,378</b>  | <b>23,386</b>   | <b>1,242</b>    | <b>2,201</b>  |

Table 145: Cash Flow

## 5.6 Borrowing

### 5.6.1 Actual Borrowings

| Instrument         | 2020/21      | 2021/22      |
|--------------------|--------------|--------------|
|                    | R'000        |              |
| Financial Leases   | 1,488        | 1,708        |
| Current Borrowings | 82           | 17           |
| <b>Total</b>       | <b>1,570</b> | <b>1,725</b> |

Graph 15: Actual Borrowings

## 5.7 Investments

### 5.7.1 Actual Investments

| Investment type | 2020/21 | 2021/22 |
|-----------------|---------|---------|
|                 | R'000   |         |
| Deposits - Bank | 5,982   | 1,885   |

Graph 16: Municipal Investments

## 5.8 Municipal Cost Containment Measures

The Municipal Cost Containment Regulations (MCCR) were promulgated on 7 June 2019, with the effective date of 1 July 2019. The objective of these Regulations, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Municipal Finance Management Act, is to ensure that the resources of a municipality are used effectively, efficiently and economically by implementing cost containment measures.

Regulation 4(1) of the MCCR require that a municipality must develop or revise and implement a cost containment policy which must -

- be adopted by the municipal council as part of its budget related policies;
- define a municipality's objectives for the use of consultants; and
- be consistent with the MFMA and these Regulations

In terms of section 15. (1) of the MCCR, cost containment measures applied by the municipality must be disclosed and included in the municipal in -year budget reports and annual costs savings in the annual report. The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution.

The following cost savings for the financial year are disclosed for the 2021/22 financial year:

| Cost Containment Measure                    | Actual Expenditure 2020/21 | Adjustment Budget 2021/22 | Actual Expenditure 2021/22 | Saving/(Over spending) 2021/22 | Saving/(Increase) between 2020/21 and 2021/22 |
|---------------------------------------------|----------------------------|---------------------------|----------------------------|--------------------------------|-----------------------------------------------|
|                                             | R                          |                           |                            |                                |                                               |
| Consultants and Professional services       | 2 292 639                  | 3 033 000                 | 4 069 180                  | 1 036 180                      | 1 776 541                                     |
| Vehicles used for political office -bearers | 12 152                     | 12 000                    | 26 787                     | 14 787                         | 14 635                                        |
| Travel and subsistence                      | 1 769 144                  | 1 039 728                 | 2 288 160                  | 1 248 432                      | 519 016                                       |
| Domestic accommodation                      | 1 033 143                  | 1 617 400                 | 1 559 726                  | (57 674)                       | 526 583                                       |
| Sponsorships, events and catering           | 1 799 040                  | 1 250 000                 | 1 284 144                  | 34 144                         | (514 896)                                     |
| Communication                               | 222 933                    | 250 000                   | 339 842                    | 89 842                         | 116 909                                       |
| Other related expenditure items             | 7 995 597                  | 3 395 096                 | 8 834 657                  | 5 439 561                      | 839 060                                       |
| <b>Total</b>                                | <b>15 124 648</b>          | <b>10 597 224</b>         | <b>18 402 496</b>          | <b>7 805 272</b>               | <b>3 277 848</b>                              |

Graph 17: Municipal Cost Containment Measures

## CHAPTER 6: AUDITOR-GENERAL AUDIT FINDINGS

### Component A: Auditor-General Report 2020/21

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

| Main issues raised                                        | Corrective steps implemented/ to be implemented                                                 |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <b>Emphasis of Matter</b>                                 |                                                                                                 |
| Restatement of corresponding figures.                     | Already addressed this matter by the new set of AFS submitted to the Auditor-General.           |
| <b>Other Matters</b>                                      |                                                                                                 |
| Adjustment of material misstatements.                     | Already addressed this matter by a revised Performance Report submitted to the Auditor-General. |
| Amendments in AFS, Performance Reports and Annual Report. | AFS matters to be addressed as from January 2022.                                               |
| Expenditure Management.                                   | SCM Guidelines to be revised.                                                                   |
| Strategic Planning and Performance Management.            | Reporting timeline to be adjusted.                                                              |

Graph 18: AG Report 2020/21

### Component B: Auditor-General Report 2021/22

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

| Main issues raised                                                                                                                                        | Corrective steps implemented/ to be implemented                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Emphasis of Matter</b>                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                       |
| SCM - Three quotation not obtained.                                                                                                                       | Will be done accordingly in 2023.                                                                                                                                                                                                                                                                                                                     |
| <b>Other Matters</b>                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                       |
| SCM- Supplier did charge not in terms of MFMA circular 102 par 4.3 for PPE items and cloth masks.                                                         | As from 1 January 2023 will income from licenses and permits be declared on the monthly VAT 201 returns and also be treated Accounting correctly.                                                                                                                                                                                                     |
| SCM- Preference point system not applied on the evaluation report.                                                                                        | A point system has been developed and submitted to the AG. The eventual outcome did not changed as Standard Bank still scored the best in this regard.                                                                                                                                                                                                |
| No VAT charged for a commission percentage charged on administration fees services performed.                                                             | As from 1 January 2023 will income from licenses and permits be declared on the monthly VAT 201 returns and also be treated Accounting correctly.                                                                                                                                                                                                     |
| PPE- Computer Equipment: Audit Finding- could not confirm existence of assets recorded in the fixed asset register.                                       | An item will be prepared for Council Meeting of March 2023 for the write-off of the asset. (Laptop Cnlr Smit). The issue regarding the Acer Projector has been resolved.                                                                                                                                                                              |
| Incorrect classification of unspent conditional grant.                                                                                                    | The amount in question will be moved to payables during 2022/2023 as per consultation with the AG.                                                                                                                                                                                                                                                    |
| IT: No offsite backup storage facility.                                                                                                                   | The municipality has identified the Control Room Center as the offsite storage facility and a server has been placed there to serve for this purpose. The municipality is in the process, depending on availability of funds, of ensuring that the server is fully secured and is placed in a safe lockable area and having a secured gate as access. |
| PPE -Movable Computer Equipment - Could not Confirm Existence of Computer Equipment Assets.                                                               | The issue of barcoding the individual microphones is still under discussion and will be resolved before 30 June 2023.                                                                                                                                                                                                                                 |
| PPE: Additions - Movable Assets - Useful life applied for computer equipment asset is not consistent with useful life stipulated in the accounting policy | The Accounting Policy within the AFS to be updated before the compilation of the 2022/2023 AFS.                                                                                                                                                                                                                                                       |
| Human resource management- performance evaluation was not conducted for employees other than senior managers.                                             | The Municipal Systems Amendment Act (MSAA) under sub regulation 34 makes provision for the establishment of performance management and development systems. The regulations came into effect as from 1 July 2022. This meant                                                                                                                          |

| Main issues raised | Corrective steps implemented/ to be implemented                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                    | <p>that all municipalities must put systems in place so as to ensure compliance. However, COGSTA postponed the implementation and cascading down of PMS to all levels to 1 July 2023. This gave the municipality opportunity to put systems in place so as to ensure that come 1 July 2023 the municipality will be able to roll out the implementation of the Regulations. The following measures have been put in place by the municipality so as to ensure compliance:</p> <ul style="list-style-type: none"> <li>• All job descriptions are being aligned to the new PMS template as provided for in the regulations.</li> <li>• The municipality is in the process of developing the PDP of all employees of the municipality.</li> <li>• Municipality is busy aligning its PMS Policy to the regulations.</li> <li>• The draft policy MUST be tabled to the LLF Meeting and after that the Draft PMS Policy will be tabled before the March Council meeting for approval.</li> <li>• All the other structures as per PMS Policy will be established and they will be trained on the implementation/execution of PMS Policy.</li> <li>• The municipality will be ready to implement the PMS Policy to all levels within the organisation come 1 July 2023.</li> </ul> |

Graph 19:

AG Report 2021/22

## LIST OF ABBREVIATIONS

|              |                                                       |
|--------------|-------------------------------------------------------|
| <b>AG</b>    | Auditor-General                                       |
| <b>CAPEX</b> | Capital Expenditure                                   |
| <b>CFO</b>   | Chief Financial Officer                               |
| <b>DPLG</b>  | Department of Provincial and Local Government         |
| <b>DWAF</b>  | Department of Water Affairs and Forestry              |
| <b>EE</b>    | Employment Equity                                     |
| <b>GRAP</b>  | Generally Recognised Accounting Practice              |
| <b>HR</b>    | Human Resources                                       |
| <b>IDP</b>   | Integrated Development Plan                           |
| <b>IFRS</b>  | International Financial Reporting Standards           |
| <b>IMFO</b>  | Institute for Municipal Finance Officers              |
| <b>KPA</b>   | Key Performance Area                                  |
| <b>KPI</b>   | Key Performance Indicator                             |
| <b>LED</b>   | Local Economic Development                            |
| <b>MAYCO</b> | Executive Mayoral Committee                           |
| <b>MFMA</b>  | Municipal Finance Management Act (Act No. 56 of 2003) |
| <b>MIG</b>   | Municipal Infrastructure Grant                        |
| <b>MM</b>    | Municipal Manager                                     |
| <b>MSA</b>   | Municipal Systems Act No. 32 of 2000                  |
| <b>NGO</b>   | Non-governmental organisation                         |
| <b>NT</b>    | National Treasury                                     |
| <b>OPEX</b>  | Operating expenditure                                 |
| <b>PMS</b>   | Performance Management System                         |
| <b>PT</b>    | Provincial Treasury                                   |
| <b>SALGA</b> | South African Local Government Organisation           |
| <b>SAMDI</b> | South African Management Development Institute        |
| <b>SCM</b>   | Supply Chain Management                               |
| <b>SDBIP</b> | Service Delivery and Budget Implementation Plan       |
| <b>SDF</b>   | Spatial Development Framework                         |

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## Annexure A: Financial Statements

Council Draft



Pixley-ka-Seme District Municipality (DC7)  
Annual Financial Statements  
for the year ended 30 June 2022  
Auditor-General of South Africa (AGSA)

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Country of incorporation and domicile</b>       | South Africa                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Legal form of entity</b>                        | A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Nature of business and principal activities</b> | A local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-Seme district.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Members of Council</b>                          | UR Itumeleng (Executive Mayor)<br>TA Sintu (Speaker)<br>GL Nkumbi (previous Executive Mayor)<br>CC Jantjies (previous Speaker)<br>K Gous<br>S Swartling<br>NS van Wyk<br>N Booysen<br>HL Brits<br>VP Harmse<br>WD Horne<br>MJ Katz<br>A Kwinana<br>MN Mackay<br>SW Makhandula<br>MA Maloi<br>F Mans<br>H Marais<br>NS Mlungwana<br>PA Olyn<br>LM Zenani<br>B Swanepoel<br>Members of former council (not re-elected)<br>NJ Batties<br>J Hoffman<br>JEJ Hoorne<br>E Humphries<br>AM Matebus<br>PP Mhlawuli<br>A Oliphant<br>R Smith<br>DV Smous<br>CS Papashe-Hugo<br>CJ Pieterse<br>T Yawa |
| <b>Accounting officers</b>                         | RE Pieterse (resigned 30 June 2022)<br>TA Loko (acting)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Chief financial officer</b>                     | BF James                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Registered office</b>                           | Culvert Road<br>De Aar<br>7000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

## Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

### General Information

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**Business address**

Culvert Road  
De Aar  
7000

**Postal address**

Private Bag X1012  
De Aar  
7000

**Bankers**

Standard Bank of South Africa Limited

**Auditors**

Auditor-General of South Africa (AGSA)

Council Draft

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Index

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

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### Abbreviations used:

|       |                                                     |
|-------|-----------------------------------------------------|
| AGSA  | Auditor-General of South Africa                     |
| COID  | Compensation for Occupational Injuries and Diseases |
| DBSA  | Development Bank of Southern Africa                 |
| DoRA  | Division of Revenue Act                             |
| GRAP  | Generally Recognised Accounting Practice            |
| HDF   | Housing Development Fund                            |
| IAS   | International Accounting Standards                  |
| IPSAS | International Public Sector Accounting Standards    |
| mSCOA | Municipal Standard Chart of Accounts                |
| mSCOA | Municipal Standard Chart of Accounts                |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

---

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 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 entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, 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:

---

**TA Loko (acting)**  
**Accounting Officer**

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

---

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

### 1. Review of activities

#### Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Pixley-ka-Seme district. 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.

Net deficit of the entity was R 4 466 932 (2021: deficit R 6 611 500).

### 2. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus (deficit) of R (5 001 754) and that the municipality's total liabilities exceed its assets by R (5 001 754).

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.

### 3. Subsequent events

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

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

The accounting officer had no interest in any contracts.

### 5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Non-current assets

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

### 7. Auditors

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

The annual financial statements set out on page 5, 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:

---

**TA Loko (acting)**  
**Accounting Officer**

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

| Figures in Rand                         | Note | 2022               | 2021              |
|-----------------------------------------|------|--------------------|-------------------|
| <b>Assets</b>                           |      |                    |                   |
| Current Assets                          |      |                    |                   |
| Receivables from exchange transactions  | 3    | 107 098            | 1 616 388         |
| Cash and cash equivalents               | 4    | 2 201 043          | 6 378 495         |
|                                         |      | <b>2 308 141</b>   | <b>7 994 883</b>  |
| Non-Current Assets                      |      |                    |                   |
| Property, plant and equipment           | 5    | 12 769 488         | 12 709 809        |
| Intangible assets                       | 6    | 331                | 729               |
|                                         |      | <b>12 769 819</b>  | <b>12 710 538</b> |
| <b>Total Assets</b>                     |      | <b>15 077 960</b>  | <b>20 705 421</b> |
| <b>Liabilities</b>                      |      |                    |                   |
| Current Liabilities                     |      |                    |                   |
| Other financial liabilities             | 7    | -                  | 480 953           |
| Finance lease obligation                | 8    | 380 353            | 136 500           |
| Payables from exchange transactions     | 9    | 6 453 936          | 6 162 760         |
| VAT payable                             | 10   | 190 960            | 539 231           |
| Employee benefit obligation             | 11   | 1 010 400          | 1 010 500         |
| Unspent conditional grants and receipts | 12   | 1 440 755          | 1 654 639         |
|                                         |      | <b>9 476 404</b>   | <b>9 984 583</b>  |
| Non-Current Liabilities                 |      |                    |                   |
| Finance lease obligation                | 8    | -                  | 661 762           |
| Employee benefit obligation             | 11   | 10 603 310         | 10 593 900        |
|                                         |      | <b>10 603 310</b>  | <b>11 255 662</b> |
| <b>Total Liabilities</b>                |      | <b>20 079 714</b>  | <b>21 240 245</b> |
| <b>Net Assets</b>                       |      | <b>(5 001 754)</b> | <b>(534 824)</b>  |
| Accumulated surplus                     |      | (5 001 754)        | (534 824)         |
| <b>Total Net Assets</b>                 |      | <b>(5 001 754)</b> | <b>(534 824)</b>  |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

| Figures in Rand                                   | Note | 2022                | 2021                |
|---------------------------------------------------|------|---------------------|---------------------|
| <b>Revenue</b>                                    |      |                     |                     |
| <b>Revenue from exchange transactions</b>         |      |                     |                     |
| Licences and permits                              | 13   | 1 280 244           | 1 384 406           |
| Other income                                      | 14   | 2 008 172           | 2 237 643           |
| Interest received - investment                    | 15   | 642 880             | 796 051             |
| <b>Total revenue from exchange transactions</b>   |      | <b>3 931 296</b>    | <b>4 418 100</b>    |
| <b>Revenue from non-exchange transactions</b>     |      |                     |                     |
| <b>Transfer revenue</b>                           |      |                     |                     |
| Government grants and subsidies                   | 16   | 63 130 875          | 63 798 066          |
| <b>Total revenue</b>                              |      | <b>67 062 171</b>   | <b>68 216 166</b>   |
| <b>Expenditure</b>                                |      |                     |                     |
| Employee related costs                            | 17   | (44 441 828)        | (45 223 315)        |
| Remuneration of councillors                       | 18   | (4 747 636)         | (4 438 286)         |
| Depreciation and amortisation                     | 19   | (1 425 202)         | (1 019 859)         |
| Finance costs                                     | 20   | (1 576 361)         | (1 789 801)         |
| Debt Impairment                                   | 21   | (139 845)           | (868 474)           |
| Repairs and maintenance                           | 22   | (473 672)           | (778 592)           |
| Materials                                         | 23   | (387 916)           | (650 251)           |
| Gain (loss) on disposal of assets and liabilities | 24   | (147)               | (4 934 440)         |
| General expenses                                  | 25   | (18 336 496)        | (15 124 648)        |
| <b>Total expenditure</b>                          |      | <b>(71 529 103)</b> | <b>(74 827 666)</b> |
| <b>Deficit for the year</b>                       |      | <b>(4 466 932)</b>  | <b>(6 611 500)</b>  |

## Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

### Statement of Changes in Net Assets

| Figures in Rand                | Accumulated<br>surplus / deficit | Total net<br>assets |
|--------------------------------|----------------------------------|---------------------|
| <b>Balance at 01 July 2020</b> | <b>6 076 676</b>                 | <b>6 076 676</b>    |
| Changes in net assets          |                                  |                     |
| Surplus for the year           | (6 611 500)                      | (6 611 500)         |
| Total changes                  | (6 611 500)                      | (6 611 500)         |
| <b>Balance at 01 July 2021</b> | <b>(534 822)</b>                 | <b>(534 822)</b>    |
| Changes in net assets          |                                  |                     |
| Surplus for the year           | (4 466 932)                      | (4 466 932)         |
| Total changes                  | (4 466 932)                      | (4 466 932)         |
| <b>Balance at 30 June 2022</b> | <b>(5 001 754)</b>               | <b>(5 001 754)</b>  |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

| Figures in Rand                                             | Note(s) | 2022                | 2021                |
|-------------------------------------------------------------|---------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |         |                     |                     |
| <b>Receipts</b>                                             |         |                     |                     |
| Grants and subsidies received                               |         | 62 916 991          | 59 306 046          |
| Interest income                                             |         | 642 880             | 796 051             |
| Other receipts                                              |         | 4 309 594           | 4 972 029           |
|                                                             |         | <u>67 869 465</u>   | <u>65 074 126</u>   |
| <b>Payments</b>                                             |         |                     |                     |
| Employee costs                                              |         | (49 348 219)        | (48 334 577)        |
| Suppliers                                                   |         | (18 810 046)        | (16 825 414)        |
| Finance costs                                               |         | (17 024)            | (81 839)            |
|                                                             |         | <u>(68 175 289)</u> | <u>(65 241 830)</u> |
| <b>Net cash flows from operating activities</b>             | 27      | <b>(305 824)</b>    | <b>(167 704)</b>    |
| <b>Cash flows from investing activities</b>                 |         |                     |                     |
| Purchase of property, plant and equipment                   | 5       | (1 484 631)         | (3 399 739)         |
| Proceeds from sale of property, plant and equipment         | 5       | -                   | 220 230             |
| <b>Net cash flows from investing activities</b>             |         | <b>(1 484 631)</b>  | <b>(3 179 509)</b>  |
| <b>Cash flows from financing activities</b>                 |         |                     |                     |
| Repayment of other financial liabilities                    |         | (480 953)           | (686 821)           |
| Finance lease payments                                      |         | (1 906 044)         | (1 645 804)         |
| <b>Net cash flows from financing activities</b>             |         | <b>(2 386 997)</b>  | <b>(2 332 625)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>(4 177 452)</b>  | <b>(5 679 838)</b>  |
| Cash and cash equivalents at the beginning of the year      |         | 6 378 495           | 12 058 333          |
| <b>Cash and cash equivalents at the end of the year</b>     | 4       | <b>2 201 043</b>    | <b>6 378 495</b>    |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|                                                 |                  |                |                  |                  |                  |           |
|-------------------------------------------------|------------------|----------------|------------------|------------------|------------------|-----------|
| Licences and permits                            | 1 000 000        | 280 000        | 1 280 000        | 1 280 244        | 244              | Note 44.1 |
| Other income                                    | 3 013 000        | (264 000)      | 2 749 000        | 2 008 172        | (740 828)        |           |
| Interest received - investment                  | 500 000          | 143 000        | 643 000          | 642 880          | (120)            |           |
| <b>Total revenue from exchange transactions</b> | <b>4 513 000</b> | <b>159 000</b> | <b>4 672 000</b> | <b>3 931 296</b> | <b>(740 704)</b> |           |

##### Revenue from non-exchange transactions

##### Transfer revenue

|                                 |                   |                    |                   |                   |            |  |
|---------------------------------|-------------------|--------------------|-------------------|-------------------|------------|--|
| Government grants and subsidies | 63 986 000        | (1 596 000)        | 62 390 000        | 63 130 875        | 740 875    |  |
| <b>Total revenue</b>            | <b>68 499 000</b> | <b>(1 437 000)</b> | <b>67 062 000</b> | <b>67 062 171</b> | <b>171</b> |  |

#### Expenditure

|                                            |                     |                    |                     |                     |                |           |
|--------------------------------------------|---------------------|--------------------|---------------------|---------------------|----------------|-----------|
| Employee related costs                     | (43 917 000)        | 928 000            | (42 989 000)        | (44 441 828)        | (1 452 828)    | Note 44.2 |
| Remuneration of councillors                | (4 852 000)         | 104 000            | (4 748 000)         | (4 747 636)         | 364            |           |
| Depreciation and amortisation              | (2 000 000)         | 575 000            | (1 425 000)         | (1 425 202)         | (202)          |           |
| Finance costs                              | -                   | -                  | -                   | (1 576 361)         | (1 576 361)    | Note 44.3 |
| Debt Impairment                            | -                   | (140 000)          | (140 000)           | (139 845)           | 155            |           |
| Repairs and maintenance                    | (2 116 000)         | (1 219 000)        | (3 335 000)         | (473 672)           | 2 861 328      | Note 44.4 |
| Materials                                  | -                   | -                  | -                   | (387 916)           | (387 916)      |           |
| General expenses                           | (16 424 000)        | (2 676 000)        | (19 100 000)        | (18 336 496)        | 763 504        |           |
| <b>Total expenditure</b>                   | <b>(69 309 000)</b> | <b>(2 428 000)</b> | <b>(71 737 000)</b> | <b>(71 528 956)</b> | <b>208 044</b> |           |
| <b>Operating deficit</b>                   | <b>(810 000)</b>    | <b>(3 865 000)</b> | <b>(4 675 000)</b>  | <b>(4 466 785)</b>  | <b>208 215</b> |           |
| Loss on disposal of assets and liabilities | -                   | -                  | -                   | (147)               | (147)          |           |
| <b>Deficit for the year</b>                | <b>(810 000)</b>    | <b>(3 865 000)</b> | <b>(4 675 000)</b>  | <b>(4 466 932)</b>  | <b>208 068</b> |           |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

|                                        |                   |                     |                  |                  |                    |           |
|----------------------------------------|-------------------|---------------------|------------------|------------------|--------------------|-----------|
| Receivables from exchange transactions | 6 227 000         | (4 549 000)         | 1 678 000        | 107 098          | (1 570 902)        | Note 44.5 |
| Cash and cash equivalents              | 13 558 000        | (11 391 000)        | 2 167 000        | 2 201 043        | 34 043             |           |
|                                        | <b>19 785 000</b> | <b>(15 940 000)</b> | <b>3 845 000</b> | <b>2 308 141</b> | <b>(1 536 859)</b> |           |

##### Non-Current Assets

|                               |                   |                  |                   |                   |                    |           |
|-------------------------------|-------------------|------------------|-------------------|-------------------|--------------------|-----------|
| Investment property           | 1 210 000         | (1 210 000)      | -                 | -                 | -                  |           |
| Property, plant and equipment | 16 484 000        | 2 696 000        | 19 180 000        | 12 769 488        | (6 410 512)        | Note 44.6 |
| Intangible assets             | -                 | -                | -                 | 331               | 331                |           |
|                               | <b>17 694 000</b> | <b>1 486 000</b> | <b>19 180 000</b> | <b>12 769 819</b> | <b>(6 410 181)</b> |           |

#### Total Assets

|  |                   |                     |                   |                   |                    |  |
|--|-------------------|---------------------|-------------------|-------------------|--------------------|--|
|  | <b>37 479 000</b> | <b>(14 454 000)</b> | <b>23 025 000</b> | <b>15 077 960</b> | <b>(7 947 040)</b> |  |
|--|-------------------|---------------------|-------------------|-------------------|--------------------|--|

#### Liabilities

##### Current Liabilities

|                                         |                  |                |                  |                  |                  |            |
|-----------------------------------------|------------------|----------------|------------------|------------------|------------------|------------|
| Finance lease obligation                | -                | -              | -                | 380 353          | 380 353          | Note 44.7  |
| Payables from exchange transactions     | 7 390 000        | 555 000        | 7 945 000        | 6 453 936        | (1 491 064)      | Note 44.8  |
| VAT payable                             | -                | -              | -                | 190 960          | 190 960          | Note 44.9  |
| Employee benefit obligation             | -                | -              | -                | 1 010 400        | 1 010 400        | Note 44.10 |
| Unspent conditional grants and receipts | -                | -              | -                | 1 440 755        | 1 440 755        | Note 44.11 |
|                                         | <b>7 390 000</b> | <b>555 000</b> | <b>7 945 000</b> | <b>9 476 404</b> | <b>1 531 404</b> |            |

##### Non-Current Liabilities

|                             |            |             |            |            |              |            |
|-----------------------------|------------|-------------|------------|------------|--------------|------------|
| Employee benefit obligation | 30 900 000 | (7 230 000) | 23 670 000 | 10 603 310 | (13 066 690) | Note 44.10 |
|-----------------------------|------------|-------------|------------|------------|--------------|------------|

#### Total Liabilities

|  |                   |                    |                   |                   |                     |  |
|--|-------------------|--------------------|-------------------|-------------------|---------------------|--|
|  | <b>38 290 000</b> | <b>(6 675 000)</b> | <b>31 615 000</b> | <b>20 079 714</b> | <b>(11 535 286)</b> |  |
|--|-------------------|--------------------|-------------------|-------------------|---------------------|--|

#### Net Assets

|  |                  |                    |                    |                    |                  |  |
|--|------------------|--------------------|--------------------|--------------------|------------------|--|
|  | <b>(811 000)</b> | <b>(7 779 000)</b> | <b>(8 590 000)</b> | <b>(5 001 754)</b> | <b>3 588 246</b> |  |
|--|------------------|--------------------|--------------------|--------------------|------------------|--|

#### Net Assets

##### Reserves

|                     |           |             |             |             |           |  |
|---------------------|-----------|-------------|-------------|-------------|-----------|--|
| Accumulated surplus | (811 000) | (7 779 000) | (8 590 000) | (5 001 754) | 3 588 246 |  |
|---------------------|-----------|-------------|-------------|-------------|-----------|--|

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|                                                         | Approved budget     | Adjustments         | Final Budget        | Actual amounts on comparable basis | Difference between final budget and actual | Reference  |
|---------------------------------------------------------|---------------------|---------------------|---------------------|------------------------------------|--------------------------------------------|------------|
| Figures in Rand                                         |                     |                     |                     |                                    |                                            |            |
| <b>Cash Flow Statement</b>                              |                     |                     |                     |                                    |                                            |            |
| <b>Cash flows from operating activities</b>             |                     |                     |                     |                                    |                                            |            |
| <b>Receipts</b>                                         |                     |                     |                     |                                    |                                            |            |
| Grants and subsidies received                           | 62 911 000          | (1 810 000)         | <b>61 101 000</b>   | 62 916 991                         | <b>1 815 991</b>                           |            |
| Interest income                                         | 500 000             | 142 880             | <b>642 880</b>      | 642 880                            | -                                          |            |
| Other income                                            | 2 474 000           | 390 550             | <b>2 864 550</b>    | 4 309 594                          | <b>1 445 044</b>                           | Note 44.12 |
|                                                         | <b>65 885 000</b>   | <b>(1 276 570)</b>  | <b>64 608 430</b>   | <b>67 869 465</b>                  | <b>3 261 035</b>                           |            |
| <b>Payments</b>                                         |                     |                     |                     |                                    |                                            |            |
| Suppliers and employees                                 | (65 161 000)        | 1 478 650           | <b>(63 682 350)</b> | (68 158 265)                       | <b>(4 475 915)</b>                         |            |
| Finance costs                                           | -                   | -                   | -                   | (17 024)                           | <b>(17 024)</b>                            | Note 44.13 |
|                                                         | <b>(65 161 000)</b> | <b>1 478 650</b>    | <b>(63 682 350)</b> | <b>(68 175 289)</b>                | <b>(4 492 939)</b>                         |            |
| <b>Net cash flows from operating activities</b>         | <b>724 000</b>      | <b>202 080</b>      | <b>926 080</b>      | <b>(305 824)</b>                   | <b>(1 231 904)</b>                         |            |
| <b>Cash flows from investing activities</b>             |                     |                     |                     |                                    |                                            |            |
| Purchase of property, plant and equipment               | (1 000 000)         | (884 850)           | <b>(1 884 850)</b>  | (1 484 631)                        | <b>400 219</b>                             | Note 44.14 |
| Decrease (increase) in non-current receivables          | 11 604 000          | (11 604 000)        | -                   | -                                  | -                                          |            |
| <b>Net cash flows from investing activities</b>         | <b>10 604 000</b>   | <b>(12 488 850)</b> | <b>(1 884 850)</b>  | <b>(1 484 631)</b>                 | <b>400 219</b>                             |            |
| <b>Cash flows from financing activities</b>             |                     |                     |                     |                                    |                                            |            |
| Repayment of other financial liabilities                | -                   | -                   | -                   | (480 953)                          | <b>(480 953)</b>                           | Note 44.15 |
| Finance lease payments                                  | -                   | -                   | -                   | (1 906 044)                        | <b>(1 906 044)</b>                         | Note 44.16 |
| <b>Net cash flows from financing activities</b>         | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>(2 386 997)</b>                 | <b>(2 386 997)</b>                         |            |
| Net increase/(decrease) in cash and cash equivalents    | 11 328 000          | (12 286 770)        | <b>(958 770)</b>    | (4 177 452)                        | <b>(3 218 682)</b>                         |            |
| Cash and cash equivalents at the beginning of the year  | 12 058 000          | (9 856 957)         | <b>2 201 043</b>    | 6 378 495                          | <b>4 177 452</b>                           |            |
| <b>Cash and cash equivalents at the end of the year</b> | <b>23 386 000</b>   | <b>(22 143 727)</b> | <b>1 242 273</b>    | <b>2 201 043</b>                   | <b>958 770</b>                             |            |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

| Figures in Rand | Note(s) | 2022 | 2021 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

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

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

##### Revenue recognition

Accounting policy on Revenue from exchange transactions and accounting policy on Revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting policy on financial assets and financial liabilities classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial instruments.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

#### Impairment of financial assets

Accounting policy on Impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions is disclosed in note 3 to the annual financial statements.

#### Useful lives of Property, plant and equipment, Intangible assets and Investment property

As described in accounting policies 1.4, 1.5 and 1.6 the municipality depreciates its property, plant and equipment and investment property, and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### Impairment: write down of Property, plant and equipment, Intangible assets and Investment property

Accounting policies 1.7 and 1.8 on Impairment of assets describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing and intangible assets impairment testing.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-cash generating assets and GRAP 26: Impairment of cash generating assets. In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 6 to the annual financial statements, whilst no impairments were made to intangible assets.

#### Defined benefit plan liabilities

As described in accounting policy 10, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 12 to the annual financial statements.

#### Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

### 1.4 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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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

| Item                    | Depreciation method | Average useful life |
|-------------------------|---------------------|---------------------|
| Buildings               | Straight-line       | 30 - 100 years      |
| Specialised vehicles    | Straight-line       | 5 - 20 years        |
| Machinery and equipment | Straight-line       | 3 - 7 years         |
| Furniture and fittings  | Straight-line       | 7 - 10 years        |
| Motor vehicles          | Straight-line       | 5 - 10 years        |
| Office equipment        | Straight-line       | 3 - 7 years         |
| Computer equipment      | Straight-line       | 3 - 7 years         |

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

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

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

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

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

### 1.5 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.5 Intangible assets (continued)

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

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

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

### 1.6 Financial instruments

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

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.

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 municipality's statement of financial position.

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 municipality 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Financial instruments (continued)

Liquidity risk is the risk encountered by an municipality 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.

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 municipality 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 municipality 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:

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

### Classification

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

#### Class

Receivables from exchange transactions  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost

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

#### Class

Other financial liabilities  
Payables from exchange transactions  
VAT payable  
Unspent conditional grants

#### Category

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

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

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

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

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

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

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

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

#### Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

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

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

#### Gains and losses

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

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

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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 municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - 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 municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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### 1.6 Financial instruments (continued)

#### Financial liabilities

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

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 municipality 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 municipality 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 municipality 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 municipality does not offset the transferred asset and the associated liability.

### 1.7 Grants and receipts

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the municipality, meet the definition and criteria for recognition of an asset.

A corresponding liability is recognised to the extent that the grant, transfer or donation recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants, transfers or donations, are met. Grants, transfers or donations that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

### 1.8 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

# Pixley-ka-Seme District Municipality (DC7)

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### 1.9 Impairment of cash-generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

# Pixley-ka-Seme District Municipality (DC7)

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## Accounting Policies

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

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the statement of financial performance.

### 1.11 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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.11 Revenue from exchange transactions (continued)

#### Interest and dividends

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

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

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

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

### 1.12 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.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

#### 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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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

#### 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.

#### 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.

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

### 1.14 Employee benefits

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

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

- an municipality'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.

# Pixley-ka-Seme District Municipality (DC7)

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### 1.14 Employee benefits (continued)

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

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

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality 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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

#### Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which a municipality 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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

#### 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.

# Pixley-ka-Seme District Municipality (DC7)

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### 1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Pixley-ka-Seme District Municipality (DC7)

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### 1.14 Employee benefits (continued)

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

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

### 1.15 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

#### Operating leases - lessee

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

### 1.16 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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 Grants-in-aid

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

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

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

### 1.18 Value added taxation

The municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act, 1991 (Act no. 89 of 1991).

### 1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003). 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.

### 1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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.

### 1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act no. 56 of 2003), the Municipal Systems Act, 2000 (Act no. 32 of 2000) and the Public Office Bearers Act, 1998 (Act no. 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

### 1.22 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, executive mayor, mayoral committee members, municipal manager, executive directors and all other managers reporting directly to the municipal manager or as designated by the municipal manager.

### 1.24 Budget information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2022.

### 1.25 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.

### 1.26 Contingent assets and liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.27 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).

#### 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 entity 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 entity concludes that it is not the agent, then it is the principal in the transactions.

The entity 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 entity 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 entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

#### Recognition

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

### 1.28 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.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.28 Segment information (continued)

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.

#### 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.

### 1.29 In-kind donations and contributions

In-kind donations and contributions are recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise. In-kind donations and contributions are recognised at the fair value of the consideration received or receivable.

In the case of donated assets, the donation is recognised at the fair value of the asset received.

### 1.30 Public Private Partnerships (PPP)

A PPP can generally be described as an agreement between a public sector entity (entity) and a private sector institution (private party). In terms of this the private party assumes some substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project. It typically involves a private party that supplies an asset and/or services that previously were developed or provided by an entity. The private party provides a service to the public on behalf of the entity through the use of assets and/or the management of such an asset. In return, the private party is rewarded through payments from the entity. Such payments are based on service outputs delivered to specification, charges to users of such services, or a combination of these.

The definition of a PPP agreement in the MFMA identifies two broad categories of PPP agreements - one where the private party performs an institutional function on behalf of the entity, and the other where the private party acquires the use of state property for its own commercial purposes. The PPP agreement can also be a combination of these.

The Standard of GRAP on Revenue from non-exchange transactions (taxes and transfers) (GRAP 23) states that control of an asset arises when the entity 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. GRAP 23 requires that the ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity's assets from those public goods that all entities have access to and from which they benefit.

Under the control approach, the Municipality uses the following criteria to determine whether it controls the use of the underlying asset in the PPP agreement:

- The municipality controls or regulates what services the private party must provide with the associated asset, to whom it must provide them and at what price.
- The municipality controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the agreement.

The control approach to assets that are developed, constructed, acquired or used in terms of PPP agreements. These assets are used by the private party to perform part of an entity's service delivery or administrative functions (institutional function).

## Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.30 Public Private Partnerships (PPP) (continued)

The control approach is also applied to PPP agreements where the municipality provides the private party with an existing asset, and the private party upgrades, operates and maintains the asset for a specified period of time. If the PPP agreement requires the private party to use its own asset, the municipality only recognises the asset in its financial statements if both the control approach criteria are met.

#### 1.31 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.

# Pixley-ka-Seme District Municipality (DC7)

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

| Standard/ Interpretation:                                                                                                                          | Effective date:<br>Years beginning on or after | Expected impact:                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------|
| <ul style="list-style-type: none"> <li>Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards</li> </ul> | 01 April 2021                                  | The impact of the standard is not material. |

#### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods:

| Standard/ Interpretation:                                                                                                                                                                       | Effective date:<br>Years beginning on or after | Expected impact:                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Guideline: Guideline on the Application of Materiality to Financial Statements</li> <li>iGRAP 21: The Effect of Past Decisions on Materiality</li> </ul> | 01 April 2022<br>01 April 2023                 | Unlikely there will be a material impact<br>Unlikely there will be a material impact |

### 3. Receivables from exchange transactions

|                     |                |                  |
|---------------------|----------------|------------------|
| Medical aid debtors | 26 471         | 91 185           |
| Prepaid expenses    | -              | 475 000          |
| Shared services     | -              | 960 821          |
| Sundry debtors      | 80 627         | 89 382           |
|                     | <b>107 098</b> | <b>1 616 388</b> |

#### Medical aid debtors

|               |        |        |
|---------------|--------|--------|
| Gross balance | 26 471 | 91 185 |
|---------------|--------|--------|

#### Payables with debit balances

|                          |          |          |
|--------------------------|----------|----------|
| Gross balance            | 26 757   | 26 757   |
| Provision for impairment | (26 757) | (26 757) |
|                          | -        | -        |

#### Prepaid expenses

|               |   |         |
|---------------|---|---------|
| Gross balance | - | 475 000 |
|---------------|---|---------|

#### Property rental debtors

|                          |         |         |
|--------------------------|---------|---------|
| Gross balance            | 4 182   | 4 182   |
| Provision for impairment | (4 182) | (4 182) |
|                          | -       | -       |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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### 3. Receivables from exchange transactions (continued)

#### Shared services

|                          |             |                |
|--------------------------|-------------|----------------|
| Gross balance            | 2 035 163   | 4 062 532      |
| Provision for impairment | (2 035 163) | (3 101 711)    |
|                          | <b>-</b>    | <b>960 821</b> |

#### Sundry debtors

|               |        |        |
|---------------|--------|--------|
| Gross balance | 80 626 | 89 382 |
|---------------|--------|--------|

#### Total receivables from exchange transactions

|         |           |
|---------|-----------|
| 107 098 | 1 616 388 |
|---------|-----------|

#### Trade and other receivables pledged as security

None of the receivables have been pledged as security for the municipality's financial liabilities.

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables 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.

#### Trade receivables

##### Counterparties without external credit rating

|         |                  |                  |
|---------|------------------|------------------|
| Group 1 | 107 098          | 591 139          |
| Group 2 | -                | 95 367           |
| Group 3 | 2 066 102        | 4 052 533        |
|         | <b>2 173 200</b> | <b>4 739 039</b> |

Group 1 – new customer (less 6 months).

Group 2 – existing customer (more than 6 months) with no defaults in the past.

Group 3 – existing customer (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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

#### Fair value of trade and other receivables

|                             |         |           |
|-----------------------------|---------|-----------|
| Trade and other receivables | 107 098 | 1 616 388 |
|-----------------------------|---------|-----------|

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R - (2021: R 567 289) were past due but not impaired.

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

|                   |   |         |
|-------------------|---|---------|
| 1 month past due  | - | 565 773 |
| 2 months past due | - | 1 516   |

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### 3. Receivables from exchange transactions (continued)

#### Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R 2 066 102 (2021: R 4 181 750) were impaired and provided for.

The amount of the provision was R (2 066 102) as of 30 June 2022 (2021: R 3 132 650).

The ageing of these debtors is as follows:

|               |           |           |
|---------------|-----------|-----------|
| Over 6 months | 2 066 102 | 3 132 650 |
|---------------|-----------|-----------|

#### Reconciliation of provision for impairment of trade and other receivables

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Opening balance                      | 3 132 650        | 2 137 919        |
| Provision for impairment             | 160 822          | -                |
| Amounts written off as uncollectible | (1 227 370)      | 994 731          |
|                                      | <b>2 066 102</b> | <b>3 132 650</b> |

The average credit period for receivables are 30 days. No interest is charged on outstanding debtors. The municipality strictly enforces its approved credit control policy to ensure the recoverability of its receivables.

The municipality does not hold deposits or other securities for its receivables.

Management is of the opinion that the carrying value of the receivables approximate their fair values.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings, and assessing the recoverability.

In determining the recoverability, management considered any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provisions required in excess of the provision for impairment.

### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                  |                  |
|---------------------|------------------|------------------|
| Bank balances       | 315 613          | 396 673          |
| Short-term deposits | 1 885 430        | 5 981 822        |
|                     | <b>2 201 043</b> | <b>6 378 495</b> |

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

|                      |           |           |
|----------------------|-----------|-----------|
| <b>Credit rating</b> |           |           |
| AAA                  | 2 201 043 | 6 378 495 |

#### Cash and cash equivalents pledged as collateral

The call deposits are ring-fenced and attributable to the unspent conditional grants (refer to note 12).

Call deposits are investments with a maturity period of less than 3 months and earn interest at rates that vary from 5,10% to 5,75% (2021: 5,10% to 5,75%) per annum.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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### 4. Cash and cash equivalents (continued)

For purposes of the statement of financial and the cash flow statement, cash and cash equivalents include cash on hand, cash in bank and investments in deposit accounts (money market instruments), net of outstanding bank overdrafts.

The entity had the following bank accounts

| Account number / description                  | Bank statement balances |                  |                   | Cash book balances |                  |                   |
|-----------------------------------------------|-------------------------|------------------|-------------------|--------------------|------------------|-------------------|
|                                               | 30 June 2022            | 30 June 2021     | 30 June 2020      | 30 June 2022       | 30 June 2021     | 30 June 2020      |
| Standard Bank - Current Account - 04 171 8046 | 315 613                 | 396 674          | 1 253 660         | 315 613            | 396 674          | 1 253 660         |
| Standard Bank - Call Deposit - 04 887 2555    | 1 869 691               | 5 943 635        | 10 793 353        | 1 869 691          | 5 943 635        | 10 793 353        |
| Standard Bank - Call Deposit - 08 292 9963    | 15 739                  | 38 186           | 11 320            | 15 739             | 38 186           | 11 320            |
| <b>Total</b>                                  | <b>2 201 043</b>        | <b>6 378 495</b> | <b>12 058 333</b> | <b>2 201 043</b>   | <b>6 378 495</b> | <b>12 058 333</b> |

### 5. Property, plant and equipment

|                         | 2022              |                                                     |                   | 2021              |                                                     |                   |
|-------------------------|-------------------|-----------------------------------------------------|-------------------|-------------------|-----------------------------------------------------|-------------------|
|                         | Cost / Valuation  | Accumulated depreciation and accumulated impairment | Carrying value    | Cost / Valuation  | Accumulated depreciation and accumulated impairment | Carrying value    |
| Buildings               | 15 387 673        | (10 798 496)                                        | 4 589 177         | 15 387 673        | (10 568 409)                                        | 4 819 264         |
| Plant and machinery     | 91 076            | (49 041)                                            | 42 035            | 63 500            | (49 068)                                            | 14 432            |
| Furniture and fittings  | 4 069 323         | (2 754 119)                                         | 1 315 204         | 3 756 816         | (2 451 223)                                         | 1 305 593         |
| Motor vehicles          | 6 160 244         | (1 505 255)                                         | 4 654 989         | 6 117 379         | (1 181 535)                                         | 4 935 844         |
| IT equipment            | 3 213 949         | (1 635 604)                                         | 1 578 345         | 2 342 922         | (1 358 624)                                         | 984 298           |
| Other leased Assets # 1 | 731 231           | (141 493)                                           | 589 738           | 731 231           | (80 853)                                            | 650 378           |
| <b>Total</b>            | <b>29 653 496</b> | <b>(16 884 008)</b>                                 | <b>12 769 488</b> | <b>28 399 521</b> | <b>(15 689 712)</b>                                 | <b>12 709 809</b> |

### Reconciliation of property, plant and equipment - 2022

|                         | Opening balance   | Additions        | Disposals    | Reclassification on | Depreciation       | Total             |
|-------------------------|-------------------|------------------|--------------|---------------------|--------------------|-------------------|
| Land and buildings      | 4 819 264         | -                | -            | -                   | (230 087)          | 4 589 177         |
| Machinery and equipment | 14 432            | 33 135           | -            | (487)               | (5 045)            | 42 035            |
| Furniture and fittings  | 1 305 593         | 226 514          | (147)        | 51 002              | (267 758)          | 1 315 204         |
| Motor vehicles          | 4 935 844         | 287 553          | -            | -                   | (568 408)          | 4 654 989         |
| Computer equipment      | 984 298           | 937 429          | -            | (50 515)            | (292 867)          | 1 578 345         |
| Leased assets           | 650 378           | -                | -            | -                   | (60 640)           | 589 738           |
| <b>Total</b>            | <b>12 709 809</b> | <b>1 484 631</b> | <b>(147)</b> | <b>-</b>            | <b>(1 424 805)</b> | <b>12 769 488</b> |

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### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

|                         | Opening balance   | Additions        | Disposals          | Reclassification on | Depreciation       | Total             |
|-------------------------|-------------------|------------------|--------------------|---------------------|--------------------|-------------------|
| Buildings               | 4 919 221         | 124 428          | -                  | -                   | (224 385)          | 4 819 264         |
| Machinery and equipment | 316 687           | 10 256           | (33)               | (310 718)           | (1 760)            | 14 432            |
| Furniture and fittings  | 546 078           | 711 538          | (38 600)           | 243 765             | (157 188)          | 1 305 593         |
| Motor vehicles          | 3 604 038         | 1 938 529        | (301 549)          | -                   | (305 174)          | 4 935 844         |
| Computer equipment      | 618 767           | 614 808          | (47 191)           | 67 138              | (269 224)          | 984 298           |
| Infrastructure          | 4 768 337         | -                | (4 768 337)        | -                   | -                  | -                 |
| Leased assets           | 711 019           | -                | -                  | -                   | (60 641)           | 650 378           |
|                         | <b>15 484 147</b> | <b>3 399 559</b> | <b>(5 155 710)</b> | <b>185</b>          | <b>(1 018 372)</b> | <b>12 709 809</b> |

#### Pledged as security

The municipality's obligations under finance leases (see note 8) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

#### Depreciation rates Item

|                         | Depreciation method | Average useful life |
|-------------------------|---------------------|---------------------|
| Buildings               | Straight-line       | 30 - 100 years      |
| Machinery and equipment | Straight-line       | 3 - 7 years         |
| Furniture and fittings  | Straight-line       | 3 - 10 years        |
| Motor vehicles          | Straight-line       | 5 - 20 years        |
| Computer equipment      | Straight-line       | 3 - 7 years         |
| Leased assets           | Straight-line       | 3 - 7 years         |

#### Compensation received for losses on property, plant and equipment – included in operating profit

|                    |   |       |
|--------------------|---|-------|
| Computer equipment | - | 4 955 |
|--------------------|---|-------|

#### Assets subject to finance lease (net carrying amount)

|               |         |         |
|---------------|---------|---------|
| Leased assets | 589 738 | 650 378 |
|---------------|---------|---------|

#### Details of properties

##### Old Divisional Council Workshop, Van der Merwe Street, De Aar

|                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| Terms and conditions                    |                   |                   |
| - Purchase price: 30 June 1984          | 300 000           | 300 000           |
| - Additions since purchase or valuation | 13 495 908        | 13 495 908        |
|                                         | <b>13 795 908</b> | <b>13 795 908</b> |

##### Office Building, Culvert Road, De Aar

|                                |         |         |
|--------------------------------|---------|---------|
| Terms and conditions           |         |         |
| - Purchase price: 30 June 1984 | 610 000 | 610 000 |

##### Vacant Land, De Villiers Street, Hanover RD (Outspan)

|                            |        |        |
|----------------------------|--------|--------|
| Terms and conditions       |        |        |
| - Deemed cost: 1 July 2009 | 27 000 | 27 000 |

##### Workshop, Wiccus Street, Philipstown

|                                |        |        |
|--------------------------------|--------|--------|
| Terms and conditions           |        |        |
| - Purchase price: 30 June 1984 | 50 000 | 50 000 |

# Pixley-ka-Seme District Municipality (DC7)

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### 5. Property, plant and equipment (continued)

#### Reconciliation of work-in-progress 2021

|                        | included within Infrastructure | Total       |
|------------------------|--------------------------------|-------------|
| Opening balance        | 4 768 337                      | 4 768 337   |
| Disposed / transferred | (4 768 337)                    | (4 768 337) |
|                        | -                              | -           |

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the entity.

### 6. Intangible assets

|                   | 2022             |                                                     |                | 2021             |                                                     |                |
|-------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
|                   | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 387 893          | (387 562)                                           | 331            | 397 692          | (396 963)                                           | 729            |

#### Reconciliation of intangible assets - 2022

|                   | Opening balance | Amortisation | Total |
|-------------------|-----------------|--------------|-------|
| Computer software | 729             | (398)        | 331   |

#### Reconciliation of intangible assets - 2021

|                   | Opening balance | Amortisation | Total |
|-------------------|-----------------|--------------|-------|
| Computer software | 1 182           | (453)        | 729   |

#### Pledged as security

All of the municipality's intangible assets are held under freehold interest and no intangible assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the intangible assets of the municipality.

### 7. Other financial liabilities

#### At amortised cost

|                                       |   |         |
|---------------------------------------|---|---------|
| Standard Bank of South Africa Limited | - | 480 953 |
|---------------------------------------|---|---------|

The loans are unsecured, bears interest at 12,25% (2021: 12,25%) and are repayable in equal monthly instalments over 36 months.

#### Current liabilities

|                   |   |         |
|-------------------|---|---------|
| At amortised cost | - | 480 953 |
|-------------------|---|---------|

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### 7. Other financial liabilities (continued)

#### Financial liabilities at amortised cost

#### Fair values of financial liabilities measured or disclosed at amortised cost

|         |   |         |
|---------|---|---------|
| Class 1 | - | 480 953 |
|---------|---|---------|

The fair value of the annuity loans were determined after considering the standard terms and conditions of the agreements entered into between the municipality and the relevant financing institution.

Management is of the opinion that the carrying value of the other financial liabilities approximate their fair values.

#### Defaults and breaches

The municipality did not default on any payment of its annuity loans. No terms for payment have been renegotiated by the municipality.

### 8. Finance lease obligation

#### Minimum lease payments due

|                                                |                |                |
|------------------------------------------------|----------------|----------------|
| - within one year                              | 1 376 289      | 1 902 073      |
| - in second to fifth year inclusive            | -              | 1 376 289      |
|                                                | 1 376 289      | 3 278 362      |
|                                                | (995 936)      | (2 480 100)    |
| less: future finance charges                   |                |                |
| <b>Present value of minimum lease payments</b> | <b>380 353</b> | <b>798 262</b> |

#### Present value of minimum lease payments due

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| - within one year                   | 380 353        | 136 500        |
| - in second to fifth year inclusive | -              | 661 762        |
|                                     | <b>380 353</b> | <b>798 262</b> |

|                         |                |                |
|-------------------------|----------------|----------------|
| Non-current liabilities | -              | 661 762        |
| Current liabilities     | 380 353        | 136 500        |
|                         | <b>380 353</b> | <b>798 262</b> |

It is the municipality's policy to lease certain computer equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was between 2% and 8% (2021:2% and 8%).

Interest rates are fixed at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

#### Defaults and breaches

The municipality did not default on any payment of its finance lease liabilities. No terms for repayment have been renegotiated by the municipality.

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|--------------------------------------------------------|------------------|------------------|
| <b>9. Payables from exchange transactions</b>          |                  |                  |
| Trade payables                                         | 445 311          | 405 973          |
| Property rental debtors (payments received in advance) | 11 313           | 11 313           |
| Medical aid debtors (payments received in advance)     | 41 480           | 34 381           |
| Staff bonuses                                          | 1 099 287        | 1 168 029        |
| Accrued leave                                          | 3 009 546        | 3 226 314        |
| Performance bonuses                                    | 767 125          | 774 728          |
| Department of Roads (payments received in advance)     | -                | 58 644           |
| Salary control accounts                                | 159 266          | 34 220           |
| Office of the Compensation Commissioner                | 913 556          | 447 492          |
| Unknown deposits                                       | 3 982            | 1 666            |
| Other creditors                                        | 3 070            | -                |
|                                                        | <b>6 453 936</b> | <b>6 162 760</b> |

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

#### Fair value of trade and other payables

Management is of the opinion that the carrying value of the payables approximate their fair values.

#### 10. VAT payable

|             |         |         |
|-------------|---------|---------|
| VAT payable | 190 960 | 539 231 |
|-------------|---------|---------|

#### 11. Employee benefit obligations

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

##### Carrying value

|                                   |                     |                     |
|-----------------------------------|---------------------|---------------------|
| Ex-gratia benefit liability       | 42 710              | 47 400              |
| Post-retirement benefit liability | 11 571 000          | 11 557 000          |
|                                   | <b>(11 613 710)</b> | <b>(11 604 400)</b> |
| Non-current liabilities           | 10 603 310          | 10 593 900          |
| Current liabilities               | 1 010 400           | 1 010 500           |
|                                   | <b>11 613 710</b>   | <b>11 604 400</b>   |

Changes in the present value of the defined benefit obligation are as follows:

|                                                                  |                   |                   |
|------------------------------------------------------------------|-------------------|-------------------|
| Opening balance                                                  | 11 604 400        | 10 914 328        |
| Net expense recognised in the statement of financial performance | 9 310             | 690 072           |
|                                                                  | <b>11 613 710</b> | <b>11 604 400</b> |

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## Notes to the Annual Financial Statements

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|-----------------|------|------|

### 11. Employee benefit obligations (continued)

#### Net expense recognised in the statement of financial performance

|                          |              |                |
|--------------------------|--------------|----------------|
| Interest cost            | 1 007 540    | 920 991        |
| Actuarial (gains) losses | (192 850)    | 638 508        |
| Expenditure incurred     | (1 098 380)  | (1 058 427)    |
| Current service cost     | 293 000      | 189 000        |
|                          | <b>9 310</b> | <b>690 072</b> |

#### Ex-gratia benefit liability

Changes in the present value of the defined benefit obligation are as follows:

|                                                                  |               |               |
|------------------------------------------------------------------|---------------|---------------|
| Opening balance                                                  | 47 400        | 68 328        |
| Net expense recognised in the statement of financial performance | (4 690)       | (20 928)      |
|                                                                  | <b>42 710</b> | <b>47 400</b> |

#### Net expense recognised in the statement of financial performance

|                          |                |                 |
|--------------------------|----------------|-----------------|
| Interest cost            | 2 540          | 2 991           |
| Actuarial (gains) losses | 5 270          | (9 951)         |
| Expenditure incurred     | (12 500)       | (13 968)        |
|                          | <b>(4 690)</b> | <b>(20 928)</b> |

The municipality provides certain ex-gratia (pension) benefits by funding the pension fund contributions of qualifying retired members of the municipality. According to the rules of the pension funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such a pension fund on retirement, in which case the municipality is liable for a certain portion of the fund contribution. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

#### Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

The members of the ex-gratia benefit plan are made up as follows:

|                                                       |   |   |
|-------------------------------------------------------|---|---|
| Continuation members (retirees, widowers and orphans) | 1 | 1 |
|-------------------------------------------------------|---|---|

The liability in respect of past service has been estimated as follows:

|                                                       |        |        |
|-------------------------------------------------------|--------|--------|
| Continuation members (retirees, widowers and orphans) | 42 710 | 47 400 |
|-------------------------------------------------------|--------|--------|

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 11. Employee benefit obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

|                                   |        |        |
|-----------------------------------|--------|--------|
| Discount rates used               | 8,04 % | 6,16 % |
| Expected retirement age - females | 62     | 62     |
| Expected retirement age - males   | 62     | 62     |

Other information and assumptions:

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

|                                                               | One percentage point increase | One percentage point decrease |
|---------------------------------------------------------------|-------------------------------|-------------------------------|
| Effect on the aggregate of the service cost and interest cost | 2 860                         | 2 200                         |
| Effect on defined benefit obligation                          | 41 650                        | 43 840                        |

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

|                                           | 2022<br>R | 2021<br>R | 2020<br>R | 2019<br>R | 2018<br>R |
|-------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Defined benefit obligation                | 42 710    | 47 400    | 68 328    | 80 094    | 76 220    |
| Experience adjustment on plan liabilities | 42 710    | 47 400    | 68 328    | 80 094    | 76 220    |

### Post-retirement health care benefit liability

Changes in the present value of the defined benefit obligation are as follows:

|                                                                  |                   |                   |
|------------------------------------------------------------------|-------------------|-------------------|
| Opening balance                                                  | 11 557 000        | 10 846 000        |
| Net expense recognised in the statement of financial performance | (4 690)           | 711 000           |
|                                                                  | <b>11 552 310</b> | <b>11 557 000</b> |

Net expense recognised in the statement of financial performance

|                          |                |                |
|--------------------------|----------------|----------------|
| Interest cost            | 2 540          | 918 000        |
| Actuarial (gains) losses | 5 270          | 648 459        |
| Expenditure incurred     | (12 500)       | (1 044 459)    |
| Current service cost     | -              | 189 000        |
|                          | <b>(4 690)</b> | <b>711 000</b> |

The municipality provides certain post-retirement health care benefits by funding the medical aid fund contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such a medical aid fund on retirement, in which case the municipality is liable for a certain portion of the fund contribution. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out on 30 June 2022 by Mr. C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

# Pixley-ka-Seme District Municipality (DC7)

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### 11. Employee benefit obligations (continued)

#### Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on the municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

The members of the post-employment medical aid benefit plan are made up as follows:

|                                                       |           |           |
|-------------------------------------------------------|-----------|-----------|
| Continuation members (retirees, widowers and orphans) | 20        | 21        |
| In-service members (employees)                        | 46        | 45        |
|                                                       | <b>66</b> | <b>66</b> |

The liability in respect of past service has been estimated as follows:

|                                                       |                   |                   |
|-------------------------------------------------------|-------------------|-------------------|
| Continuation members (retirees, widowers and orphans) | 8 259 000         | 8 421 000         |
| In-service members (employees)                        | 3 312 000         | 3 136 000         |
|                                                       | <b>11 571 000</b> | <b>11 557 000</b> |

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

- Hosmed
- Keyhealth
- LA Health
- Samwumed

The current-service cost for the year ending 30 June 2022 is estimated to be R293 000 (2021: R189 000), whereas the cost for the ensuing year is estimated to be R288 000 (2021: R293 000).

The municipality expects to make a contribution of R1 033 000 (2021: R998 000) to the defined benefit plans during the next financial year.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

|                                   |         |        |
|-----------------------------------|---------|--------|
| Discount rates used               | 11,18 % | 9,08 % |
| Health care cost inflation        | 7,85 %  | 6,35 % |
| Net effective discount rate       | 2,57 %  | 2,57 % |
| Expected retirement age - females | 62      | 62     |
| Expected retirement age - males   | 62      | 62     |

# Pixley-ka-Seme District Municipality (DC7)

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### 11. Employee benefit obligations (continued)

Other information and assumptions:

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

|                                                               | One<br>percentage<br>point increase | One<br>percentage<br>point<br>decrease |
|---------------------------------------------------------------|-------------------------------------|----------------------------------------|
| Effect on the aggregate of the service cost and interest cost | 1 505 000                           | 1 133 000                              |
| Effect on defined benefit obligation                          | 12 883 000                          | 10 478 000                             |

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

|                                           | 2022<br>R  | 2021<br>R  | 2020<br>R  | 2019<br>R  | 2018<br>R  |
|-------------------------------------------|------------|------------|------------|------------|------------|
| Defined benefit obligation                | 11 571 000 | 11 557 000 | 10 846 000 | 12 704 717 | 13 363 381 |
| Experience adjustment on plan liabilities | 11 857 000 | 10 850 000 | 12 775 289 | 13 780 922 | 14 496 087 |

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

|                                                                 |                  |                  |
|-----------------------------------------------------------------|------------------|------------------|
| Provincial: DPSA Grant                                          | 43 700           | 43 700           |
| Provincial: NEAR Grant                                          | 1 274 130        | 1 274 130        |
| Provincial: Electrification Programme                           | 898              | 898              |
| National: Rural Roads Asset Management System (RRAMS)           | -                | 25 718           |
| Provincial: Expanded Public Works Programme (EPWP) Renosterberg | 11 842           | 11 842           |
| Provincial: Expanded Public Works Programme (EPWP) De Aar       | 68 629           | 238 045          |
| Provincial: Housing Disinfection                                | 41 556           | 60 306           |
|                                                                 | <b>1 440 755</b> | <b>1 654 639</b> |

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

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

See note 16 for reconciliation of grants from National/Provincial Government.

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

### 13. Licences and permits

|                     |           |           |
|---------------------|-----------|-----------|
| Health certificates | 1 280 244 | 1 384 406 |
|---------------------|-----------|-----------|

### 14. Other income

|                     |                  |                  |
|---------------------|------------------|------------------|
| Administration fees | 257 550          | 289 882          |
| Commission received | 53 893           | 71 582           |
| Insurance refunds   | -                | 4 955            |
| Recoveries          | 12 594           | -                |
| SETA refunds        | 79 530           | 108 284          |
| Shared service fees | 1 591 739        | 1 739 130        |
| Sundry income       | 1 666            | -                |
| Tender documents    | 11 200           | 23 810           |
|                     | <b>2 008 172</b> | <b>2 237 643</b> |

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Annual Financial Statements for the year ended 30 June 2022

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| <b>15. Investment revenue</b> |                |                |
| <b>Interest revenue</b>       |                |                |
| Bank                          | 642 880        | 795 469        |
| Interest received - other     | -              | 582            |
|                               | <b>642 880</b> | <b>796 051</b> |

The amount included in Investment revenue arising from exchange transactions amounted to R 642 880.

### 16. Government grants and subsidies

#### Operating grants

|                                                             |                   |                   |
|-------------------------------------------------------------|-------------------|-------------------|
| Equitable share                                             | 55 175 000        | 55 142 000        |
| Provincial: Health Subsidy                                  | -                 | 832 069           |
| National: Expanded Public Works Programme (EPWP)            | 1 075 000         | 1 057 702         |
| National: Financial Management Grant (FMG)                  | 1 650 000         | 1 500 000         |
| National: Rural Roads Asset Management System (RRAMS) Grant | 3 101 718         | 3 035 740         |
| Provincial: Department of Roads                             | 740 991           | 735 976           |
| Provincial: COGHSTA (Housing Accreditation)                 | 200 000           | 422 619           |
| Provincial: Housing Disinfection                            | 18 750            | 339 694           |
| Provincial: Cleaning Project (De Aar)                       | 1 169 416         | 732 266           |
|                                                             | <b>63 130 875</b> | <b>63 798 066</b> |

#### Equitable Share

The municipality's share of the revenue raised annually by the Local Government.

No funds were withheld.

#### Provincial: Health Subsidy

|                                         |   |           |
|-----------------------------------------|---|-----------|
| Balance unspent at beginning of year    | - | 332 069   |
| Current year receipts                   | - | 500 000   |
| Conditions met - transferred to revenue | - | (832 069) |
|                                         | - | -         |

Conditions still to be met - remain liabilities (see note 12).

To promote and support HIV AIDS programmes and initiatives within the municipal area.

No funds were withheld.

#### Provincial: DPSA Grant

|                                      |        |        |
|--------------------------------------|--------|--------|
| Balance unspent at beginning of year | 43 700 | 43 700 |
|--------------------------------------|--------|--------|

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grants is to assist the municipality financially to comply with the Mscoa regulations and to upgrade its computer service, in order to be able to run GIS.

All conditions of the grant were met and no funds were withheld.

# Pixley-ka-Seme District Municipality (DC7)

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### 16. Government grants and subsidies (continued)

#### Provincial: NEAR

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Balance unspent at beginning of year | 1 274 130 | 1 274 130 |
|--------------------------------------|-----------|-----------|

Conditions still to be met - remain liabilities (see note 12).

The grant is provided to assist with disaster management within the boundaries of the municipality.

All conditions of the grant were met and no funds were withheld.

#### National: Expanded Public Works Programme (EPWP)

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Balance unspent at beginning of year    | -           | 57 702      |
| Current year receipts                   | 1 075 000   | 1 000 000   |
| Conditions met - transferred to revenue | (1 075 000) | (1 057 702) |
|                                         | -           | -           |

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

#### National: Financial Management Grant (FMG)

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Current year receipts                   | 1 650 000   | 1 500 000   |
| Conditions met - transferred to revenue | (1 650 000) | (1 500 000) |
|                                         | -           | -           |

Conditions still to be met - remain liabilities (see note 12).

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grants also pays for the cost of the financial management internship programme.

All conditions of the grant were met and no funds were withheld.

#### Provincial: Electrification Grant

|                                      |     |     |
|--------------------------------------|-----|-----|
| Balance unspent at beginning of year | 898 | 898 |
|--------------------------------------|-----|-----|

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated to improve and upgrade the electricity infrastructure and enhance the electricity capacity within the municipality.

All conditions of the grant were met and no funds were withheld.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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|-----------------|------|------|

### 16. Government grants and subsidies (continued)

#### National: Municipal Infrastructure Grant (MIG)

|                                      |   |             |
|--------------------------------------|---|-------------|
| Balance unspent at beginning of year | - | 3 975 930   |
| Repayment made                       | - | (3 975 930) |
|                                      | - | -           |

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions. To provide for new, rehabilitation and upgrading of infrastructure within the municipal boundaries. All conditions of the grant were met and no funds were withheld.

All conditions of the grant were met and no funds were withheld.

#### National: Rural Roads Asset Management System (RRAMS)

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Balance unspent at beginning of year    | 25 718      | 27 458      |
| Current year receipts                   | 3 076 000   | 3 034 000   |
| Conditions met - transferred to revenue | (3 101 718) | (3 035 740) |
|                                         | -           | 25 718      |

Conditions still to be met - remain liabilities (see note 12).

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in road infrastructure and usage.

All conditions of the grant were met and no funds were withheld.

#### Provincial: Expanded Public Works Programme (Renosterberg)

|                                      |        |        |
|--------------------------------------|--------|--------|
| Balance unspent at beginning of year | 11 842 | 11 842 |
|--------------------------------------|--------|--------|

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

#### Provincial: Expanded Public Works Programme (De Aar)

|                                         |             |           |
|-----------------------------------------|-------------|-----------|
| Balance unspent at beginning of year    | 238 045     | 311       |
| Current year receipts                   | 1 000 000   | 970 000   |
| Conditions met - transferred to revenue | (1 169 416) | (732 266) |
|                                         | 68 629      | 238 045   |

Conditions still to be met - remain liabilities (see note 12).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with the EPWP guidelines.

All conditions of the grant were met and no funds were withheld.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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|-----------------|------|------|
|-----------------|------|------|

### 16. Government grants and subsidies (continued)

#### Provincial: Department of Roads

|                                         |           |           |
|-----------------------------------------|-----------|-----------|
| Current year receipts                   | 740 991   | 735 976   |
| Conditions met - transferred to revenue | (740 991) | (735 976) |
|                                         | -         | -         |

Conditions still to be met - remain liabilities (see note 12).

The grant is allocated to the municipality for the payment of the medical aid ex-gratia contributions for personnel that is and has been on pension.

All conditions of the grant were met and no funds were withheld.

#### Provincial: COGHSTA (Housing Accreditation)

|                                         |           |           |
|-----------------------------------------|-----------|-----------|
| Balance unspent at beginning of year    | -         | 422 619   |
| Current year receipts                   | 200 000   | -         |
| Conditions met - transferred to revenue | (200 000) | (422 619) |
|                                         | -         | -         |

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated to improve capacity within the administration of the municipality in respect to the housing department.

All conditions of the grant were met and no funds were withheld.

#### Provincial: Disinfection

|                                         |          |           |
|-----------------------------------------|----------|-----------|
| Balance unspent at beginning of year    | 60 306   | -         |
| Current year receipts                   | -        | 400 000   |
| Conditions met - transferred to revenue | (18 750) | (339 694) |
|                                         | 41 556   | 60 306    |

Conditions still to be met - remain liabilities (see note 12).

The grant was allocated to financial assist municipalities in their fight against the pandemic.

All conditions of the grant were met and no funds were withheld.

## Pixley-ka-Seme District Municipality (DC7)

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### Notes to the Annual Financial Statements

| Figures in Rand                                           | 2022              | 2021              |
|-----------------------------------------------------------|-------------------|-------------------|
| <b>17. Employee related costs</b>                         |                   |                   |
| Basic salaries and wages                                  | 31 064 167        | 29 990 239        |
| Leave pay                                                 | 156 006           | 642 084           |
| Service bonus                                             | 2 601 726         | 2 369 165         |
| Performance bonus                                         | 759 523           | 736 369           |
| Pensioners allowance                                      | 13 680            | 20 238            |
| Travel allowance                                          | 1 806 551         | 1 804 910         |
| Overtime payments                                         | 286 903           | 484 443           |
| Housing benefits and allowances                           | 273 051           | 255 516           |
| Long-service awards                                       | 32 948            | 92 849            |
| Acting allowances                                         | 17 853            | 207 072           |
| Leaverships                                               | 204 696           | 197 772           |
| Cellphone allowance                                       | 213 621           | 258 995           |
| Other allowances                                          | 7 112             | 53 099            |
| Scarcity allowance                                        | 44 526            | 534 306           |
| Shift allowance                                           | 13 403            | 160 854           |
| UIF - council contribution                                | 193 027           | 172 291           |
| Bargaining council - council contribution                 | 11 500            | 11 375            |
| Pension fund - council contribution                       | 4 307 123         | 4 202 855         |
| Medical aid - council contribution                        | 1 355 559         | 1 280 384         |
| Defined contribution plans                                | 1 078 853         | 1 748 499         |
|                                                           | <b>44 441 828</b> | <b>45 223 315</b> |
| <b>Remuneration of municipal manager</b>                  |                   |                   |
| Annual remuneration                                       | 924 000           | 924 000           |
| Performance bonus                                         | 167 420           | 167 420           |
| Service bonus                                             | 77 000            | 77 000            |
| Car and other allowances                                  | 206 273           | 206 273           |
| Contributions to UIF, medical aid- and pension funds      | 2 125             | 10 855            |
|                                                           | <b>1 376 818</b>  | <b>1 385 548</b>  |
| The municipal manager's contracted ended on 30 June 2022. |                   |                   |
| <b>Remuneration of chief finance officer</b>              |                   |                   |
| Annual remuneration                                       | 840 000           | 840 000           |
| Performance bonus                                         | 153 413           | 153 413           |
| Service bonus                                             | 70 000            | 70 000            |
| Car and other allowances                                  | 194 822           | 194 822           |
| Contributions to UIF, medical aid- and pension funds      | 2 125             | 9 399             |
|                                                           | <b>1 260 360</b>  | <b>1 267 634</b>  |
| <b>Remuneration of infrastructure manager</b>             |                   |                   |
| Annual remuneration                                       | 840 000           | 840 000           |
| Performance bonus                                         | 153 413           | 153 413           |
| Service bonus                                             | 70 000            | 70 000            |
| Car and other allowances                                  | 194 822           | 194 822           |
| Contributions to UIF, medical aid- and pension funds      | 2 125             | 11 800            |
|                                                           | <b>1 260 360</b>  | <b>1 270 035</b>  |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2022             | 2021             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>17. Employee related costs (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                              |                  |                  |
| <b>Remuneration of chief audit executive</b>                                                                                                                                                                                                                                                                                                                                                                                                               |                  |                  |
| Annual remuneration                                                                                                                                                                                                                                                                                                                                                                                                                                        | 756 000          | 756 000          |
| Performance bonus                                                                                                                                                                                                                                                                                                                                                                                                                                          | 139 466          | 139 466          |
| Service bonus                                                                                                                                                                                                                                                                                                                                                                                                                                              | 63 000           | 63 000           |
| Car and other allowances                                                                                                                                                                                                                                                                                                                                                                                                                                   | 184 404          | 184 404          |
| Contributions to UIF, medical aid- and pension funds                                                                                                                                                                                                                                                                                                                                                                                                       | 2 125            | 8 832            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>1 144 995</b> | <b>1 151 702</b> |
| <b>Remuneration of chief corporate services</b>                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
| Annual remuneration                                                                                                                                                                                                                                                                                                                                                                                                                                        | 910 320          | 910 320          |
| Performance bonus                                                                                                                                                                                                                                                                                                                                                                                                                                          | 153 413          | 153 413          |
| Car and other allowances                                                                                                                                                                                                                                                                                                                                                                                                                                   | 195 260          | 194 502          |
| Contributions to UIF, medical aid- and pension funds                                                                                                                                                                                                                                                                                                                                                                                                       | 2 125            | 10 034           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>1 261 118</b> | <b>1 268 269</b> |
| <b>18. Remuneration of councillors</b>                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                  |
| Mayor                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 844 895          | 793 704          |
| Speaker                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 683 988          | 699 488          |
| Executive committee members                                                                                                                                                                                                                                                                                                                                                                                                                                | 1 894 603        | 2 761 011        |
| Councillors                                                                                                                                                                                                                                                                                                                                                                                                                                                | 1 324 150        | 184 083          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>4 747 636</b> | <b>4 438 286</b> |
| <p>The councillors occupying the positions of Mayor, Speaker and Executive committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.</p> <p>Councillors may utilise official council transportation when engaged in official duties. The Mayor has use of a council owned vehicle for official duties.</p> |                  |                  |
| <b>19. Depreciation and amortisation</b>                                                                                                                                                                                                                                                                                                                                                                                                                   |                  |                  |
| Property, plant and equipment                                                                                                                                                                                                                                                                                                                                                                                                                              | 1 424 804        | 1 019 406        |
| Intangible assets                                                                                                                                                                                                                                                                                                                                                                                                                                          | 398              | 453              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>1 425 202</b> | <b>1 019 859</b> |
| <b>20. Finance costs</b>                                                                                                                                                                                                                                                                                                                                                                                                                                   |                  |                  |
| Current borrowings                                                                                                                                                                                                                                                                                                                                                                                                                                         | 17 024           | 81 839           |
| Finance leases                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1 488 135        | 1 707 962        |
| Trade and other payables                                                                                                                                                                                                                                                                                                                                                                                                                                   | 71 202           | -                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>1 576 361</b> | <b>1 789 801</b> |
| <b>21. Debt impairment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 |                  |                  |
| Debt impairment                                                                                                                                                                                                                                                                                                                                                                                                                                            | 139 845          | 868 474          |
| <b>22. Repairs and maintenance</b>                                                                                                                                                                                                                                                                                                                                                                                                                         |                  |                  |
| Other assets                                                                                                                                                                                                                                                                                                                                                                                                                                               | 473 672          | 778 592          |

## Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

| Figures in Rand                                                                                                                                                                                                   | 2022              | 2021               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|
| <b>23. Materials</b>                                                                                                                                                                                              |                   |                    |
| <b>Projects</b>                                                                                                                                                                                                   |                   |                    |
| Building                                                                                                                                                                                                          | 387 916           | 650 251            |
| <b>24. Gain (loss) on disposal of assets and liabilities</b>                                                                                                                                                      |                   |                    |
| Proceeds on sale of assets                                                                                                                                                                                        | -                 | 220 231            |
| Carrying value of assets disposed                                                                                                                                                                                 | (147)             | (5 155 711)        |
|                                                                                                                                                                                                                   | <b>(147)</b>      | <b>(4 935 480)</b> |
| Included in the 2021 carrying value is an infrastructure project that was transferred to the respective municipality. The carrying value of the asset amounted to R4 768 337, while no compensation was received. |                   |                    |
| <b>25. General expenses</b>                                                                                                                                                                                       |                   |                    |
| Accommodation                                                                                                                                                                                                     | 1 559 726         | 1 033 143          |
| Administration costs                                                                                                                                                                                              | 169 759           | 314 462            |
| Advertising                                                                                                                                                                                                       | 339 842           | 222 933            |
| Audit committee                                                                                                                                                                                                   | 90 513            | 75 541             |
| Auditors' remuneration                                                                                                                                                                                            | 2 224 237         | 1 872 708          |
| Bank charges                                                                                                                                                                                                      | 71 498            | 74 146             |
| Bursaries                                                                                                                                                                                                         | 351 563           | 26 900             |
| Cleaning                                                                                                                                                                                                          | 841 716           | 751 074            |
| Computer expenses                                                                                                                                                                                                 | 156 655           | 117 642            |
| Conferences and seminars                                                                                                                                                                                          | 5 230             | 26 283             |
| Consulting and professional fees                                                                                                                                                                                  | 4 069 180         | 2 292 639          |
| Electricity                                                                                                                                                                                                       | 226 194           | 184 708            |
| Entertainment                                                                                                                                                                                                     | 1 284 144         | 1 799 040          |
| Fuel and oil                                                                                                                                                                                                      | 857 669           | 524 014            |
| Hire                                                                                                                                                                                                              | 30 886            | -                  |
| Insurance                                                                                                                                                                                                         | 470 817           | 392 643            |
| Medical expenses                                                                                                                                                                                                  | -                 | 14 380             |
| Motor vehicle expenses                                                                                                                                                                                            | 26 787            | 12 152             |
| Postage and courier                                                                                                                                                                                               | -                 | 39 816             |
| Printing and stationery                                                                                                                                                                                           | 319 506           | 740 983            |
| Protective clothing                                                                                                                                                                                               | 575 393           | 442 923            |
| Skills development levy                                                                                                                                                                                           | 373 145           | 320 876            |
| Subscriptions and membership fees                                                                                                                                                                                 | 565 319           | 591 476            |
| Telephone and fax                                                                                                                                                                                                 | 286 754           | 258 354            |
| Training                                                                                                                                                                                                          | 461 736           | 617 118            |
| Travel - local                                                                                                                                                                                                    | 2 288 160         | 1 769 144          |
| Property rates                                                                                                                                                                                                    | 42 746            | 46 248             |
| Water sample and tests                                                                                                                                                                                            | 252 459           | 331 627            |
| Workmens Compensation                                                                                                                                                                                             | 394 862           | 231 675            |
|                                                                                                                                                                                                                   | <b>18 336 496</b> | <b>15 124 648</b>  |
| <b>26. Auditors' remuneration</b>                                                                                                                                                                                 |                   |                    |
| Fees                                                                                                                                                                                                              | 2 224 237         | 1 872 708          |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 27. Cash used in operations

|                                                        |                  |                  |
|--------------------------------------------------------|------------------|------------------|
| Deficit                                                | (4 466 932)      | (6 611 500)      |
| <b>Adjustments for:</b>                                |                  |                  |
| Depreciation and amortisation                          | 1 425 202        | 1 019 859        |
| Gain on sale of assets and liabilities                 | 147              | 4 934 440        |
| Finance costs - Finance leases                         | 1 488 135        | 1 707 962        |
| Movements in retirement benefit assets and liabilities | 9 310            | 690 072          |
| <b>Changes in working capital:</b>                     |                  |                  |
| Receivables from exchange transactions                 | 1 509 290        | 2 610 576        |
| Payables from exchange transactions                    | 291 176          | 365 027          |
| VAT                                                    | (348 269)        | (392 120)        |
| Unspent conditional grants and receipts                | (213 883)        | (4 492 020)      |
|                                                        | <b>(305 824)</b> | <b>(167 704)</b> |

### 28. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

|                                 |           |         |
|---------------------------------|-----------|---------|
| • Property, plant and equipment | 1 333 571 | 828 762 |
|---------------------------------|-----------|---------|

##### Total capital commitments

|                                             |           |         |
|---------------------------------------------|-----------|---------|
| Already contracted for but not provided for | 1 333 571 | 828 762 |
|---------------------------------------------|-----------|---------|

#### Authorised operational expenditure

##### Already contracted for but not provided for

|                                       |                  |                  |
|---------------------------------------|------------------|------------------|
| • Consulting fees                     | 3 956 768        | 2 496 889        |
| • Personal protective equipment (PPE) | 223 329          | 267 323          |
|                                       | <b>4 180 097</b> | <b>2 764 212</b> |

##### Total operational commitments

|                                             |           |           |
|---------------------------------------------|-----------|-----------|
| Already contracted for but not provided for | 4 180 097 | 2 764 212 |
|---------------------------------------------|-----------|-----------|

#### Total commitments

##### Total commitments

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Authorised capital expenditure     | 1 333 571        | 828 762          |
| Authorised operational expenditure | 4 180 097        | 2 764 212        |
|                                    | <b>5 513 668</b> | <b>3 592 974</b> |

### 29. Financial instruments disclosure

#### Categories of financial instruments

##### 2022

#### Financial assets

|                                        | At amortised cost | Total            |
|----------------------------------------|-------------------|------------------|
| Receivables from exchange transactions | 107 098           | 107 098          |
| Cash and cash equivalents              | 2 201 043         | 2 201 043        |
|                                        | <b>2 308 141</b>  | <b>2 308 141</b> |

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### 29. Financial instruments disclosure (continued)

#### Financial liabilities

|                                         | At amortised<br>cost | Total              |
|-----------------------------------------|----------------------|--------------------|
| Payables from exchange transactions     | (6 453 936)          | (6 453 936)        |
| VAT payable                             | (190 960)            | (190 960)          |
| Unspent conditional grants and receipts | (1 440 756)          | (1 440 756)        |
|                                         | <b>(8 085 652)</b>   | <b>(8 085 652)</b> |

#### 2021

#### Financial assets

|                                        | At amortised<br>cost | Total            |
|----------------------------------------|----------------------|------------------|
| Receivables from exchange transactions | 1 616 388            | 1 616 388        |
| Cash and cash equivalents              | 6 378 495            | 6 378 495        |
|                                        | <b>7 994 883</b>     | <b>7 994 883</b> |

#### Financial liabilities

|                                     | At amortised<br>cost | Total              |
|-------------------------------------|----------------------|--------------------|
| Other financial liabilities         | (480 953)            | (480 953)          |
| Payables from exchange transactions | (6 162 760)          | (6 162 760)        |
| VAT payable                         | (539 231)            | (539 231)          |
| Unspent conditional grants          | (1 654 639)          | (1 654 639)        |
|                                     | <b>(8 837 583)</b>   | <b>(8 837 583)</b> |

### 30. Risk management

#### Financial risk management

##### Liquidity risk

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

##### Credit risk

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.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

##### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

# Pixley-ka-Seme District Municipality (DC7)

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### 31. Related parties

#### Relationships

Members of council  
Members of key management

Refer to the remuneration of management  
RE Pieterse (Municipal manager)  
BF James (Chief financial officer)  
HP Greeff (Technical manager)  
RA Sors (Chief audit executive)  
TA Loko (Chief corporate services)

All related party transactions are concluded at arm's length, unless stated otherwise. The municipality did not conduct any business with a party that was considered to be a related party.

#### Remuneration of management

##### Councillors

##### 2022

| Name            | Basic salary     | Allowances    | Total            |
|-----------------|------------------|---------------|------------------|
| HL Brits        | 220 184          | 2 840         | 223 024          |
| NJ Batties      | 6 350            | -             | 6 350            |
| CS Papashe-Hugo | 6 350            | -             | 6 350            |
| CJ Pieterse     | 6 350            | -             | 6 350            |
| K Gous          | 627 056          | 9 008         | 636 064          |
| R Smith         | 99 770           | 1 280         | 101 050          |
| MJ Katz         | 9 746            | -             | 9 746            |
| A Kwinana       | 180 833          | 2 320         | 183 153          |
| VP Harmse       | 53 130           | -             | 53 130           |
| UR Itumeleng    | 748 021          | 10 317        | 758 338          |
| J Hoffman       | 6 350            | -             | 6 350            |
| WD Horne        | 9 746            | -             | 9 746            |
| JEJ Hoorne      | 6 350            | -             | 6 350            |
| E Humphries     | 6 350            | -             | 6 350            |
| CC Jantjies     | 252 212          | 3 840         | 256 052          |
| TA Sintu        | 651 248          | 9 662         | 660 910          |
| GL Nkumbi       | 315 265          | 4 267         | 319 532          |
| S Swartling     | 396 955          | 5 594         | 402 549          |
| NS van Wyk      | 390 606          | 5 594         | 396 200          |
| LM Zenani       | 9 746            | -             | 9 746            |
| N Booyesen      | 9 746            | -             | 9 746            |
| NS Mlungwana    | 9 746            | -             | 9 746            |
| F Mans          | 9 746            | -             | 9 746            |
| MA Maloi        | 9 746            | -             | 9 746            |
| SW Makhandula   | 9 746            | -             | 9 746            |
| H Marais        | 308 871          | 3 600         | 312 471          |
| MN Mackay       | 9 746            | -             | 9 746            |
| AM Matebus      | 99 770           | 1 280         | 101 050          |
| PA Olyn         | 180 833          | 2 320         | 183 153          |
| PP Mhlawuli     | 6 350            | -             | 6 350            |
| A Oliphant      | 6 350            | -             | 6 350            |
| DV Smous        | 6 350            | -             | 6 350            |
| T Yawa          | 6 350            | -             | 6 350            |
| B Swanepoel     | 9 746            | -             | 9 746            |
|                 | <b>4 685 714</b> | <b>61 922</b> | <b>4 747 636</b> |

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### 31. Related parties (continued)

2021

| Name            | Basic salary     | Allowances    | Total            |
|-----------------|------------------|---------------|------------------|
| GL Nkumbi       | 805 496          | 11 210        | 816 706          |
| CC Jantjies     | 688 688          | 10 800        | 699 488          |
| UR Itumeleng    | 610 532          | 9 035         | 619 567          |
| TA Sintu        | 610 532          | 9 035         | 619 567          |
| K Gous          | 584 900          | 8 697         | 593 597          |
| H Marais        | 349 618          | 3 600         | 353 218          |
| AM Matebus      | 272 430          | 3 600         | 276 030          |
| KJ Arens        | 2 890            | -             | 2 890            |
| R Smith         | 272 430          | 3 600         | 276 030          |
| NJ Batties      | 17 339           | -             | 17 339           |
| ME Bitterbos    | 4 335            | -             | 4 335            |
| JEJ Hoorne      | 10 307           | -             | 10 307           |
| CS Papashe-Hugo | 10 500           | -             | 10 500           |
| CJ Pieterse     | 17 339           | -             | 17 339           |
| J Hoffman       | 17 339           | -             | 17 339           |
| E Humphries     | 17 339           | -             | 17 339           |
| S Swartling     | 17 339           | -             | 17 339           |
| PP Mlawuli      | 17 339           | -             | 17 339           |
| A Oliphant      | 17 339           | -             | 17 339           |
| DV Smous        | 17 339           | -             | 17 339           |
| T Yawa          | 17 339           | -             | 17 339           |
|                 | <b>4 378 709</b> | <b>59 577</b> | <b>4 438 286</b> |

Refer to Note 17 for the remuneration of key management.

### 32. Unauthorised expenditure

|                                        |          |           |
|----------------------------------------|----------|-----------|
| Opening balance as previously reported | -        | 251 246   |
| Less: Amount written off - prior       | -        | (251 246) |
| <b>Closing balance</b>                 | <b>-</b> | <b>-</b>  |

### Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

### 33. Fruitless and wasteful expenditure

|                                                              |               |             |
|--------------------------------------------------------------|---------------|-------------|
| Opening balance as previously reported                       | -             | 1 021 020   |
| Add: Fruitless and wasteful expenditure identified - current | 71 202        | -           |
| Less: Amount written off - prior                             | -             | (1 021 020) |
| <b>Closing balance</b>                                       | <b>71 202</b> | <b>-</b>    |

Fruitless and wasteful expenditure is presented inclusive of VAT.

### Details of fruitless and wasteful expenditure

|                                           | Disciplinary steps taken/criminal proceedings |          |
|-------------------------------------------|-----------------------------------------------|----------|
| Interest on overdue Workmens Compensation | Council to condone expenditure                | 71 202 - |

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### 33. Private Public Partnerships (continued)

#### Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

### 34. Irregular expenditure

|                                               |                  |                  |
|-----------------------------------------------|------------------|------------------|
| Opening balance as previously reported        | 1 480 959        | 3 546 003        |
| Correction of prior period error              | (635 944)        | -                |
| <b>Opening balance as restated</b>            | <b>845 015</b>   | <b>3 546 003</b> |
| Add: Irregular Expenditure - current          | 3 948 099        | 3 012 753        |
| Less: Amount written off by council - current | (2 597 266)      | (2 189 738)      |
| Less: Amount written off by council - prior   | -                | (3 524 003)      |
| <b>Closing balance</b>                        | <b>2 195 848</b> | <b>845 015</b>   |

Irregular expenditure is presented inclusive of VAT,

Incidents/cases identified/reported in the current year include those listed below:

|                                                       | <b>Disciplinary steps taken/criminal proceedings</b>                                                                                                                                |                  |                  |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Bid adjudication committee composition not adhered to | No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation. | 382 626          | 793 015          |
| Non-compliance to SCM processes                       | No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred.                                          | 3 565 473        | 2 219 738        |
|                                                       |                                                                                                                                                                                     | <b>3 948 099</b> | <b>3 012 753</b> |

#### Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

The irregular expenditure was investigated and presented to MPAC and Council. Council wrote-off / condoned the expenditure on 24 August 2022 (council resolution no. R2022-08-24 8.4).

### 35. Contingent liabilities

Litigation is in the process against the entity relating to a dispute with an individual who has brought a discrimination, intimidation and sexual harassment case against the entity. The individual is seeking damages of R 1,000,000. The entity's lawyers and management consider the likelihood of the action against the entity being successful as unlikely, and the case should be resolved within the next years.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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### 36. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette no. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

The following deviations from the SCM stipulations in terms of the municipality's SCM policy were rectified by the municipal manager and reported to the council:

|                                                                                 |               |                |
|---------------------------------------------------------------------------------|---------------|----------------|
| Exceptional cases (minimum required number of quotations could not be obtained) | -             | 55 708         |
| Sole service provider                                                           | 87 032        | 68 409         |
| Emergency cases                                                                 | -             | 152 004        |
|                                                                                 | <b>87 032</b> | <b>276 121</b> |

### 37. Additional disclosure note in terms of the MFMA

#### Audit fees

|                              |             |             |
|------------------------------|-------------|-------------|
| Opening balance              | -           | 20 631      |
| Current year audit fee       | 2 557 872   | 2 153 614   |
| Amount paid - current year   | (2 557 872) | (2 153 614) |
| Amount paid - previous years | -           | (20 631)    |
|                              | -           | -           |

#### PAYE, UIF and SDL

|                            |             |             |
|----------------------------|-------------|-------------|
| Current year fee           | 8 443 095   | 8 049 166   |
| Amount paid - current year | (8 443 095) | (8 049 166) |
|                            | -           | -           |

#### Pension and medical aid fund contributions

|                                                           |              |             |
|-----------------------------------------------------------|--------------|-------------|
| Current year payroll deductions and council contributions | 10 071 167   | 9 892 668   |
| Amount paid - current year                                | (10 071 167) | (9 892 668) |
|                                                           | -            | -           |

#### Contributions to local government (SALGA)

|                                                |           |                  |
|------------------------------------------------|-----------|------------------|
| Opening balance                                | (475 000) | (475 000)        |
| Current year subscriptions                     | 475 000   | 475 000          |
| Amount paid - following year (prepaid expense) | -         | (475 000)        |
|                                                | -         | <b>(475 000)</b> |

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### 38. Accounting by principals and agents

The municipality was a party to a principal-agent arrangement.

#### Details of the arrangement is as follows:

The municipality was the agent in the principal-agent arrangement with Ubuntu Local Municipality, whereby the municipality was the implementing agent for a MIG project during the financial year ended 30 June 2021.

Refer to note 1.3 for significant judgements applied in making this assessment.

#### Entity as agent

#### Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The MIG funds were transferred to the municipality, which was responsible for the monitoring of the project and to make the necessary payments to the suppliers. The Ubuntu Local Municipality acted as the principal as it instructed the municipality to act as the agent, for which it received commission.

The arrangement was ended during the year ended 30 June 2021.

The corresponding infrastructure asset was transferred from the agent to the principal, including risks flowing to the entity as a result of its custodianship over the resources.

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R- (2021: R-).

### 39. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of eight functional areas (listed below). The segments represents the municipal votes and were organised around the type of service delivered. The municipal votes have been determined to be appropriate for segment reporting as management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.

The eight functional areas comprise of:

- Mayor and council;
- Municipal manager;
- Budget and treasury office;
- Internal audit;
- Planning and development;
- Municipal health;
- Housing; and
- Public safety.

The municipality operates throughout the the Pixley-ka-Seme district area, in the Northern Cape Province, which consists of eight municipal areas. Segments represents the basis of services delivered.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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### 39. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2022

|                                                    | Mayor and council | Municipal manager | Budget and treasury office | Internal audit   | Planning and development | Municipal health | Housing          | Public safety    | Total               |
|----------------------------------------------------|-------------------|-------------------|----------------------------|------------------|--------------------------|------------------|------------------|------------------|---------------------|
| <b>Revenue</b>                                     |                   |                   |                            |                  |                          |                  |                  |                  |                     |
| External revenue from non-exchange transactions    | 3 652 585         | -                 | 53 913 406                 | -                | 5 346 133                | -                | 218 750          | -                | 63 130 874          |
| External revenue from exchange transactions        | -                 | -                 | 2 008 173                  | -                | -                        | 1 280 244        | -                | -                | 3 288 417           |
| Interest revenue                                   | -                 | -                 | 642 880                    | -                | -                        | -                | -                | -                | 642 880             |
| <b>Total segment revenue</b>                       | <b>3 652 585</b>  | <b>-</b>          | <b>56 564 459</b>          | <b>-</b>         | <b>5 346 133</b>         | <b>1 280 244</b> | <b>218 750</b>   | <b>-</b>         | <b>67 062 171</b>   |
| <b>Municipality's revenue</b>                      |                   |                   |                            |                  |                          |                  |                  |                  | <b>67 062 171</b>   |
| <b>Expenditure</b>                                 |                   |                   |                            |                  |                          |                  |                  |                  |                     |
| Salaries and wages                                 | 8 137 897         | 1 841 229         | 6 277 947                  | 5 482 409        | 16 190 522               | 5 911 502        | 2 228 985        | 3 118 973        | 49 189 464          |
| Other expenses                                     | 2 703 168         | 178 812           | 5 559 638                  | 1 074 356        | 7 930 709                | 1 230 438        | 301 175          | 359 779          | 19 338 075          |
| Depreciation and amortisation                      | -                 | -                 | 1 425 201                  | -                | -                        | -                | -                | -                | 1 425 201           |
| Interest expense                                   | -                 | -                 | 1 559 337                  | -                | 17 024                   | -                | -                | -                | 1 576 361           |
| <b>Total segment expenditure</b>                   | <b>10 841 065</b> | <b>2 020 041</b>  | <b>14 822 123</b>          | <b>6 556 765</b> | <b>24 138 255</b>        | <b>7 141 940</b> | <b>2 530 160</b> | <b>3 478 752</b> | <b>71 529 101</b>   |
| <b>Total surplus/(deficit)</b>                     |                   |                   |                            |                  |                          |                  |                  |                  | <b>(4 466 930)</b>  |
| <b>Assets</b>                                      |                   |                   |                            |                  |                          |                  |                  |                  |                     |
| Segment assets                                     | -                 | -                 | 15 077 961                 | -                | -                        | -                | -                | -                | 15 077 961          |
| <b>Total assets as per financial position</b>      |                   |                   |                            |                  |                          |                  |                  |                  | <b>15 077 961</b>   |
| <b>Liabilities</b>                                 |                   |                   |                            |                  |                          |                  |                  |                  |                     |
| Segment liabilities                                | -                 | -                 | (20 079 714)               | -                | -                        | -                | -                | -                | (20 079 714)        |
| <b>Total liabilities as per financial position</b> |                   |                   |                            |                  |                          |                  |                  |                  | <b>(20 079 714)</b> |

## Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 39. Segment information (continued)

|                                                               | Mayor and council | Municipal manager | Budget and treasury office | Internal audit | Planning and development | Municipal health | Housing     | Public safety |
|---------------------------------------------------------------|-------------------|-------------------|----------------------------|----------------|--------------------------|------------------|-------------|---------------|
| <b>Other information</b>                                      |                   |                   |                            |                |                          |                  |             |               |
| Additions to non-current assets                               | -                 | -                 | 1 484 629                  | -              | -                        | -                | -           | -             |
| Cash flows from operating activities                          | (7 083 717)       | (2 153 154)       | 45 999 966                 | (6 552 851)    | (18 779 689)             | (5 953 389)      | (2 308 228) | (3 474 762)   |
| Cash flows from investing activities                          | -                 | -                 | (3 179 509)                | -              | -                        | -                | -           | -             |
| Cash flows from financing activities                          | -                 | -                 | (2 332 625)                | -              | -                        | -                | -           | -             |
| <b>Non-cash items excluding depreciation and amortisation</b> |                   |                   |                            |                |                          |                  |             |               |
| Non-cash expenses (included above)                            | (104 763)         | 133 113           | (4 077 850)                | (3 915)        | (12 432)                 | 91 694           | (3 182)     | (3 989)       |

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 39. Segment information (continued)

2021

|                                                                 | Mayor and council | Municipal manager | Budget and treasury | Internal audit   | Planning and development | Municipal health | Housing          | Public safety    | Total               |
|-----------------------------------------------------------------|-------------------|-------------------|---------------------|------------------|--------------------------|------------------|------------------|------------------|---------------------|
| <b>Revenue</b>                                                  |                   |                   |                     |                  |                          |                  |                  |                  |                     |
| Revenue from non-exchange transactions                          | 3 585 455         | -                 | 53 792 521          | -                | 5 997 473                | -                | 422 616          | -                | 63 798 065          |
| Revenue from exchange transactions                              | -                 | -                 | 2 237 644           | -                | -                        | 1 384 406        | -                | -                | 3 622 050           |
| Interest revenue                                                | -                 | -                 | 796 051             | -                | -                        | -                | -                | -                | 796 051             |
| <b>Total segment revenue</b>                                    | <b>3 585 455</b>  | <b>-</b>          | <b>56 826 216</b>   | <b>-</b>         | <b>5 997 473</b>         | <b>1 384 406</b> | <b>422 616</b>   | <b>-</b>         | <b>68 216 166</b>   |
| <b>Municipality's revenue</b>                                   |                   |                   |                     |                  |                          |                  |                  |                  | <b>68 216 166</b>   |
| <b>Expenditure</b>                                              |                   |                   |                     |                  |                          |                  |                  |                  |                     |
| Salaries and wages                                              | 7 880 592         | 1 957 947         | 7 164 172           | 5 352 836        | 16 103 793               | 5 767 292        | 2 240 756        | 3 194 210        | 49 661 598          |
| Other expenses                                                  | 2 959 078         | 126 625           | 10 944 210          | 805 197          | 6 142 843                | 750 295          | 360 864          | 267 296          | 22 356 408          |
| Depreciation and amortisation                                   | -                 | -                 | 1 019 860           | -                | -                        | -                | -                | -                | 1 019 860           |
| Interest expense                                                | -                 | -                 | 1 707 962           | -                | 81 838                   | -                | -                | -                | 1 789 800           |
| <b>Total segment expenditure</b>                                | <b>10 839 670</b> | <b>2 084 572</b>  | <b>20 836 204</b>   | <b>6 158 033</b> | <b>22 328 474</b>        | <b>6 517 587</b> | <b>2 601 620</b> | <b>3 461 506</b> | <b>74 827 666</b>   |
| <b>Total segmental surplus/(deficit)</b>                        |                   |                   |                     |                  |                          |                  |                  |                  | <b>(6 611 500)</b>  |
| <b>Assets</b>                                                   |                   |                   |                     |                  |                          |                  |                  |                  |                     |
| Segment assets                                                  | -                 | -                 | 20 705 421          | -                | -                        | -                | -                | -                | 20 705 421          |
| <b>Total assets as per Statement of financial position</b>      |                   |                   |                     |                  |                          |                  |                  |                  | <b>20 705 421</b>   |
| <b>Liabilities</b>                                              |                   |                   |                     |                  |                          |                  |                  |                  |                     |
| Segment liabilities                                             | -                 | -                 | (21 240 245)        | -                | -                        | -                | -                | -                | (21 240 245)        |
| <b>Total liabilities as per Statement of financial position</b> |                   |                   |                     |                  |                          |                  |                  |                  | <b>(21 240 245)</b> |

## Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 39. Segment information (continued)

|                                                               | Mayor and council | Municipal manager | Budget and treasury | Internal audit | Planning and development | Municipal health | Housing     | Public safety |
|---------------------------------------------------------------|-------------------|-------------------|---------------------|----------------|--------------------------|------------------|-------------|---------------|
| <b>Other information</b>                                      |                   |                   |                     |                |                          |                  |             |               |
| Additions to non-current assets                               | -                 | -                 | 3 399 739           | -              | -                        | -                | -           | -             |
| Cash flows from operating activities                          | (7 254 211)       | (2 084 573)       | 41 512 816          | (6 158 033)    | (16 331 006)             | (4 212 190)      | (2 179 001) | (3 461 503)   |
| Cash flows from investing activities                          | -                 | -                 | (3 179 509)         | -              | -                        | -                | -           | -             |
| Cash flows from financing activities                          | -                 | -                 | (2 332 625)         | -              | -                        | -                | -           | -             |
| <b>Non-cash items excluding depreciation and amortisation</b> |                   |                   |                     |                |                          |                  |             |               |
| Non-cash revenue (included above)                             | -                 | -                 | 6 171               | -              | -                        | -                | -           | -             |
| Non-cash expenses (included above)                            | (101 924)         | (17 818)          | (7 233 314)         | (125 698)      | (189 550)                | (881 264)        | 18 339      | (132 714)     |

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

#### Measurement of segment surplus or deficit, assets and liabilities

#### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 40. Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving contingent assets.

### 41. Private Public Partnerships

The municipality was not a party to any Private Public Partnership during the year under review.

### 42. In-kind donations and assistance

The municipality did not receive any in-kind donations and assistance during the year under review.

### 43. Utilisation of Long-term liabilities reconciliation

|                                               |   |           |
|-----------------------------------------------|---|-----------|
| Long-term liabilities raised                  | - | 480 953   |
| Used to finance property, plant and equipment | - | (480 953) |
|                                               | - | -         |

Long-term liabilities have been utilized in accordance with the MFMA. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 44. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% was identified. The following material differences between the final budget and the actual amounts were noted:

#### Statement of financial performance:

1. Other income: The municipality did not generate the budgeted income due to shared services not being rendered to the Renosterberg Local Municipality.
2. Finance cost: Management did not budget for finance cost.
3. Repairs and maintenance: Due to cost cutting and cash flow constraints, the expected costs were not incurred.
4. Materials: Materials were not budgeted for separately, but was included in the general expenses budget.

#### Statement of financial position:

5. Receivables from exchange transactions: The municipality did not generate the budgeted income due to shared services not being rendered to the Renosterberg Local Municipality. In addition to the aforementioned, all outstanding shared service balances were either recovered or impaired by year end.
6. Property, plant and equipment: Due to cost cutting and cash flow constraints, the expected costs were not incurred.
7. Finance lease obligations: Management did not budget for the finance lease obligation at year end.
8. Payables from exchange transactions: Due to cost cutting and cash flow constraints, the expected costs were not incurred.
9. VAT payable: Management did not budget for the payable at year end.
10. Employee benefit obligation: Management over provided for the liability as it was unsure of the results of the actuarial valuation to be performed at year end.
11. Unspent conditional grants and subsidies: Management did not budget for the payable at year end.

# Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

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### 44. Budget differences (continued)

#### Cash flow statement:

12. Other income: The municipality did not generate the budgeted income due to shared services not being rendered to the Renosterberg Local Municipality.
13. Finance cost: Management did not budget for finance cost.
14. Purchase of property, plant and equipment: Due to cost cutting and cash flow constraints, the expected costs were not incurred.
15. Repayment of other financial liabilities: The repayment of the Standard Bank loans were not budgeted for.
16. Finance lease payments: Management did not budget for the finance lease obligation at year end.

### 45. Events after the reporting date

No events having financial implications, requiring disclosure, occurred subsequent to 30 June 2022.

### 46. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus (deficit) of R (5 001 754) and that the municipality's total liabilities exceed its assets by R (5 001 754).

During January 2022 the council adopted the 2021/22 adjusted budget. This three-year Medium-Term Revenue and Expenditure Framework (MTREF) supports the ongoing delivery of municipal services to residents and reflected that the budget was cash-backed over the three-year period.

Strict daily cash management processes are embedded in the municipality's operations to manage and monitor actual cash inflows and outflows in terms of the cashflow forecast, supporting the budget. The cash management processes are complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

The unspent conditional grant balance is currently cash-backed. Certain expenses were incurred during the current and previous financial years, which did not meet the requirements of certain grants. These costs were reversed against the grant. The municipality is generating the shortfall within its own operating budget.

Due to financial constraints, the municipality is currently unable to ensure short-term debt is paid within the legislative period, as per section 65(2)(e) of the MFMA. The municipality has prioritised outstanding payments and made the necessary arrangements with the respective third parties to ensure the debt is settled.

During the current year, the municipality incurred a net deficit of R(4 466 930) (2021: surplus of R6 611 500). The deficit is due to:

- The Increase in general expenses of approximately R3 200 000, which is due to the increases in fuel and oil (R300 000); travel and accommodation (R1 000 000); audit fees (R350 000); and professional fees (R1 800 000). These increases are mainly the effect that world interest rate and inflation increases have had due to uncertainties (such as the Ukraine war).
- The increase of R140 000 in the provision of doubtful debt; and
- The decrease of R200 000 in the shared services income no longer received from the Renosterberg Local Municipality; and
- The decrease in smaller operating grants, such as the R200 000 decrease in the housing accreditation grant whilst the related expenditure increases.

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.

## Pixley-ka-Seme District Municipality (DC7)

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 46. Contingent assets (continued)

Currently, in the municipal environments, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2023 financial year, the allocated Equitable share amounts to R57 143 000 and the Financial management improvement grant to R1 650 000.

The municipality was affected by the Covid-19 pandemic as follow:

- It will have to fulfil its health and environmental objectives through the use of its own funds as the funding is not sufficient for all operation, with specific reference to the combat of the Covid-19 pandemic.
- The municipality will continue as a going concern in a fiscally constrained environment.

Council Draft

## Annexure B: Report of the Auditor-General

Council Draft

# Report of the auditor-general to Northern Cape Provincial Legislature and the council on Pixley-ka-Seme District Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Pixley-ka-Seme District 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, the financial statements present fairly, in all material respects, the financial position of the Pixley-ka-Seme District Municipality set as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (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 opinion

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

### Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Unaudited disclosure notes (MFMA 125)

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

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

8. 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 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.
9. 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**

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected Objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. 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.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2022:

| Objectives                                                                         | Pages in the annual performance report |
|------------------------------------------------------------------------------------|----------------------------------------|
| Objective 4 – Monitor and support local municipalities to enhance service delivery | x – x                                  |

15. 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.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:
- Monitor and support local municipality to enhance service delivery

## Other matters

17. I draw attention to the matters below.

### Achievement of planned targets

18. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of targets.

### Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Monitor and support local municipalities to enhance service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Report on the audit of compliance with legislation

### Introduction and scope

20. 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.

21. The material findings on compliance with specific matters in key legislation are as follows:

#### Procurement and contract management

22. 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).

#### Other information

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

#### Internal control deficiencies

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

28. The municipality did not review and monitor compliance with applicable legislation. Material findings were identified in areas scoped for the audit.

*Auditor General*  
Kimberley

27 November 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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

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

### **Financial statements**

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

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.

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