

# Lepelle-Nkumpi Municipality

(Registration Number LIM 355)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

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2020  
2019  
Restated

Receivables from exchange transactions continued...

Refuse  
Current (0 - 30 days) 3,706,167  
31 - 60 days 1,764,619  
61 - 90 days 1,760,663  
91 - 120 days 1,731,912  
121 - 365 days 14,418,770  
> 365 days 75,559,318

98,941,449	74,294,483
3,706,167	3,269,026
1,764,619	1,551,114
1,760,663	1,671,461
1,731,912	1,513,090
14,418,770	8,936,380
75,559,318	57,353,412

Summary of debtors by customer classification - Refuse

Business  
Current (0-30days) 555,395  
31 days - 60 days 241,306  
61 days - 90 days 252,727  
91 days - 120 days 246,804  
121 days - 365 days 1,800,281  
> 365 days 12,275,563

15,372,076	10,802,653
555,395	466,554
241,306	201,045
252,727	188,981
246,804	199,005
1,800,281	1,327,573
12,275,563	8,419,495

Domestic  
Current(0-30days) 2,408,850  
31 days - 60 days 1,193,781  
61 days - 91 days 1,180,676  
91 days - 121 days 1,168,005  
121 days - 365 days 10,117,801  
> 365 days 52,110,956

68,180,067	55,323,836
2,408,850	2,377,446
1,193,781	1,181,111
1,180,676	1,316,643
1,168,005	1,142,720
10,117,801	7,107,540
52,110,956	42,198,376

Government  
Current(0-30days) 467,794  
31 days - 60 days 195,353  
61 days - 91 days 195,247  
91 days - 120 days 187,402  
121 days - 365 days 1,338,641  
> 365 days 4,531,498

6,915,935	4,350,140
467,794	210,645
195,353	99,652
195,247	97,588
187,402	95,113
1,338,641	534,034
4,531,498	3,313,107

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*Receivables from exchange transactions continued...*

Church	2020	2019
Current(0-30days)	16,461	19,810
31 days - 60 days	8,095	9,869
61 days - 90 days	8,059	9,789
91 days - 120days	7,864	9,560
121 days - 365 days	65,791	62,944
> 365 days	482,377	447,537
<b>588,647</b>	<b>559,509</b>	
Indigents		
Current(0-30days)	25,110	568,610
31 days - 60 days	12,595	12,150
61 days - 90 days	12,324	11,684
91 days - 120days	12,057	11,154
121 days - 365 days	99,159	69,370
56,164	1,360	
<b>217,410</b>	<b>674,329</b>	
Agriculture		
Current(0-30days)	232,558	86,286
31 days - 60 days	113,489	42,343
61 days - 90 days	111,629	41,604
91 days - 120 days	109,779	40,855
121 days - 365 days	997,097	228,550
6,102,761	2,144,378	
<b>7,667,313</b>	<b>2,584,016</b>	
Total		
Current(0-30days)	3,706,167	3,729,350
31 days - 60 days	1,764,619	1,546,171
61 days - 90 days	1,760,663	1,666,290
91 days - 120 days	1,731,912	1,498,407
14,418,770	9,330,013	
75,559,318	56,524,252	
<b>98,941,449</b>	<b>74,294,483</b>	
Less: Allowance for impairment	(70,284,588)	(57,911,415)
28,656,861	16,383,068	
Reconciliation of allowance for impairment	(57,911,415)	(49,308,677)
Balance at the beginning of the year	(12,373,173)	(8,602,738)
Contribution to allowance for impairment	(70,284,588)	(57,911,415)
<b>(57,911,415)</b>	<b>(57,911,415)</b>	

Consumer debtors pledged as security

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*Receivables from exchange transactions continued...*

No consumer debtors were pledged as security for any liabilities.

Fair value of consumer debtors

The fair value of consumer debtors approximates the carrying amount thereof.

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### 5. Receivables from non-exchange transactions

	2020	2019
Fines	5,384,950	12,275,757
Less: Provision for impairment - Fines	(4,211,834)	(9,724,479)
Sundry debtors	5,639,180	5,186,429
Consumer Debtors - Rates	133,568,221	118,599,840
Less: Provision for impairment - Rates	(83,282,514)	(73,943,312)
	<b>57,098,003</b>	<b>52,394,235</b>
Rates - Ageing	4,341,827	3,947,232
Current (0-30 days)	2,019,954	1,884,185
31 - 60 days	1,903,623	1,741,486
61 - 90 days	1,808,857	1,730,161
91 - 120 days	15,390,977	13,351,479
121 - 365 days	108,102,982	95,945,297
> 365 days	133,568,221	118,599,840
Business	578,152	440,360
Current (0-30days)	253,396	178,694
31 days - 60 days	238,233	144,636
61 days - 90 days	161,733	138,623
91 days - 120 days	1,079,776	891,720
121 days - 365 days	14,010,796	13,461,387
> 365 days	16,322,087	15,255,421
Domestic	1,941,361	1,842,908
Current(0-30days)	962,283	906,196
31 days - 60 days	965,028	901,894
61 days - 91 days	951,800	897,000
91 days - 121 days	8,348,639	7,024,280
121 days - 365 days	69,426,763	61,393,079
> 365 days	82,595,874	72,965,358

### Summary of debtors by customer classification - Rates

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*Receivables from non-exchange transactions continued...*

	2020	2019
Government	1,287,535	1,093,220
Current(0-30days)	564,156	538,770
31 days - 60 days	463,636	438,439
61 days - 91 days	458,957	438,275
91 days - 120 days	4,044,992	3,476,481
121 days - 365 days	13,006,279	9,207,573
> 365 days	19,825,555	15,192,759
<b>Indigents</b>		
Current(0-30days)	28,557	25,361
31 days - 60 days	12,977	12,408
61 days - 90 days	12,855	12,310
91 days - 120days	12,588	12,137
121 days - 365 days	97,549	81,084
> 365 days	90,293	11,172
<b>Agriculture</b>		
Current(0-30days)	506,223	545,383
31 days - 60 days	227,141	248,116
61 days - 90 days	223,871	244,206
91 days - 120 days	223,779	244,125
121 days - 365 days	1,820,021	1,877,913
> 365 days	11,568,850	11,872,085
<b>Total</b>		
Current(0-30days)	4,341,827	3,947,232
31 days - 60 days	2,019,954	1,884,185
61 days - 90 days	1,903,623	1,741,486
91 days - 120 days	1,808,857	1,730,161
121 days - 365 days	15,390,977	13,351,479
> 365 days	108,102,982	95,945,297
<b>Less: Allowance for impairment</b>	<b>(83,282,514)</b>	<b>(73,943,312)</b>
	50,285,707	44,656,528
<b>Reconciliation of provision for impairment - Rates</b>		
Opening balance	(73,943,312)	(66,491,330)
Contribution to allowance	(9,339,202)	(7,451,982)
	<b>(83,282,514)</b>	<b>(73,943,312)</b>

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*Receivables from non-exchange transactions continued...*

	2020	2019
Traffic fines	5,384,950	12,275,757
Traffic fines	(4,211,834)	(9,724,479)
Less: Provision for impairment	1,173,116	2,551,278
Reconciliation of provision for impairment - Traffic fines	(9,724,479)	(9,369,439)
Opening balance	5,512,645	(355,040)
Contribution to allowance	(4,211,834)	(9,724,479)

### Consumer debtors pledged as security

No consumer debtors were pledged as security for any liabilities.

### Fair value of consumer debtors

The fair value of consumer debtors approximates the carrying amount thereof.

### Consumer Debtors Impaired

The amount of the provision for impairment was:

	2020	2019
Traffic fines	4,211,834	9,724,479
Consumer debtors - Refuse	70,284,588	57,911,415
Consumer debtors - Rates	83,282,514	73,943,312

### Interest raised for the period

During the 2019/2020 financial year, interest on outstanding receivables were calculated at a rate of 10% (2019: 10%) as per tariff structure

### Statutory receivables: GRAP 108

The municipality took advantage of the transitional provisions in directive 4 and did not change the accounting policies in respect of the classification and measurement of statutory receivables for the reporting period.

The following statutory receivables are classified and measured in accordance with GRAP 108, and have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 108.

- Traffic fines
- Property Rates

The Municipality has begun the process of drafting and updating the accounting policies that are consistent with the requirements of GRAP 108. The Municipality is planning to implement these accounting policies on 1 July 2021.

## 6. VAT Receivable/(Payable)

Value added tax

1,749,227	(5,327,508)
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	2020	2019
7. Cash and cash equivalents	18,840	1,994,397
Cash and cash equivalents comprise:		
Cash on hand	7,011	1,576,831
FNB Paymaster account	13,186,851	83,867,594
FNB revenue account	1,770,849	2,708,012
FNB salaries account	976,537	708,918
Nedbank call account	5,056	-
Standard Bank Investments	50,423,288	-
ABSA Investments	50,000,000	-
Nedbank Investments	50,557,626	-
VBS Mutual Bank (3 Months notice)	50,000,000	50,000,000
VBS Mutual Bank (12 Months notice)	100,000,000	100,000,000
Provision for impairment	(150,000,000)	(150,000,000)
	<b>168,504,049</b>	<b>89,297,761</b>

The municipality has made provision for the impairment of VBS Mutual bank because of the uncertainty regarding the recovery of the investment of R150 000 000 (2019: R 150 000 000).

## Pledge

The Municipality's FNB Revenue bank account is attached for an amount of R109 863 in respect of legal costs.

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*Cash and cash equivalents continued...*

The municipality had the following bank accounts

Account number / Description	Bank statement balances			Cash book balances		
	June 30 2020	June 30 2019	June 30 2018	June 30 2020	June 30 2019	June 30 2018
<b>Primary bank accounts</b>						
Paymaster General Account -						
FNB - 6206-334-5790	1,627,309	1,999,341	4,645,909	1,576,831	1,994,397	4,709,941
Revenue Account -						
FNB - 6206-334-2720	1,842,494	2,708,012	5,070,241	1,770,849	2,708,012	5,270,319
Salaries Account -						
FNB - 6206-334-5980	976,537	808,918	1,532,756	976,537	708,918	1,532,756
Money Market Account -						
FNB - 6206-335-6888	13,186,851	83,867,594	46,869,114	13,186,851	83,867,594	46,869,114
Nedbank call account	5,056	-	-	5,056	-	-
	<b>17,638,247</b>	<b>89,383,865</b>	<b>58,148,020</b>	<b>17,516,124</b>	<b>89,278,921</b>	<b>58,382,130</b>



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### Cash and cash equivalents continued...

Investments						
Standard Bank - 60 Days	50,423,288	-	-	50,423,288	-	-
ABSA Bank - 90 Days	50,000,000	-	-	50,000,000	-	-
Nedbank	50,557,626	-	-	50,557,626	-	-
3 month Call Account -	-	50,000,000	51,435,340	50,000,000	50,000,000	-
VBS Mutual Bank - (Impaired)	-	-	-	-	-	-
12 month Call Account -	-	100,000,000	103,908,484	100,000,000	100,000,000	-
VBS Mutual Bank (Impaired)	-	-	-	-	-	-
	<b>150,980,914</b>	<b>150,000,000</b>	<b>155,343,824</b>	<b>300,980,914</b>	<b>150,000,000</b>	<b>-</b>
	<b>168,619,161</b>	<b>239,383,865</b>	<b>213,461,844</b>	<b>318,497,038</b>	<b>239,278,921</b>	<b>58,382,130</b>

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### 8. Investment property

Balances at year end and movements for the year

	2020	2019
Balance at start of year	356,072,000	99,316,000
At fair value		
Net book value	356,072,000	99,316,000
Movements for the year		
Gains (losses) on fair value adjustment	8,190,000	3,488,000
Prior period adjustment	-	253,268,000
Investment property at end of year	364,262,000	356,072,000
Closing balance at end of year		
At fair value	364,262,000	356,072,000
Net book value	364,262,000	356,072,000

Pledged as security

No investment properties was pledged as security for liabilities.

### Details of properties

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

At year end, an assessment was conducted on all land owned by the municipality. It was found that certain land met the recognition criteria for investment property and a prior period adjustment was then made to recognise the land as investment property in terms of the requirements of GRAP 16.

The fair values are determined by independent property valuer using comparable sales valuation method.

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### 9. Property, plant and equipment

	2020		2019			
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	111,895,780	(79,752,420)	32,143,360	111,895,780	(79,752,420)	32,143,360
Buildings	122,239,799	(50,086,816)	72,152,983	170,647,361	(94,695,241)	75,952,120
Infrastructure	345,873,022	(80,569,659)	265,303,363	338,169,757	(67,713,075)	270,456,682
Community Assets	228,747,961	(77,797,568)	150,950,393	225,271,849	(66,875,219)	158,396,630
Capital work in progress	152,741,210	(2,357,425)	150,383,785	92,760,018	(2,357,425)	90,402,593
Leased Assets	1,517,724	(1,517,724)	-	1,517,724	(1,517,724)	-
Other Movable assets	62,029,481	(35,790,007)	26,239,474	66,287,966	(31,567,068)	34,720,898
	<b>1,025,044,977</b>	<b>(327,871,619)</b>	<b>697,173,358</b>	<b>1,006,550,455</b>	<b>(344,478,172)</b>	<b>662,072,283</b>

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### Property, plant and equipment continued...

Balances at year end and movements for the year

	Land	Buildings	Infrastructure	Community Assets	Capital work in progress	Leased Assets	Other Movable assets	Total
<b>Reconciliation for the year ended 30 June 2020</b>								
Balance at 1 July 2019	111,895,780	170,647,361	338,169,757	225,271,849	92,760,027	1,517,724	66,287,966	1,006,550,464
At cost	(79,752,420)	(94,695,241)	(67,713,075)	(66,875,219)	(2,357,425)	(1,517,724)	(31,567,068)	(344,478,172)
Accumulated depreciation and impairment	32,143,360	75,952,120	270,456,682	158,396,630	90,402,602	-	34,720,898	662,072,292
Carrying value								
<b>Movements for the year ended 30 June 2020</b>								
Additions	-	-	8,125,364	3,476,113	(11,601,476)	-	118,040	71,700,708
Transfers	-	-	(3,435,539)	(13,056,576)	(7,897,826)	-	(4,743,326)	(29,133,267)
Depreciation	-	-	(330,488)	(222,107)	(3,024,524)	-	(19,200)	(3,596,318)
Impairment loss recognised in surplus or deficit	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	(3,836,938)	(3,836,938)
Other movements	-	(33,110)	-	-	-	-	-	(33,110)
Property, plant and equipment at end of year	32,143,360	72,152,983	265,303,363	150,950,393	150,983,794	-	26,239,474	697,173,366
<b>Closing balance at 30 June 2020</b>								
At cost	111,895,780	122,239,799	345,873,022	228,747,961	152,741,219	1,517,724	62,029,481	1,025,044,986
Accumulated depreciation and impairment	(79,752,420)	(50,086,816)	(80,569,659)	(77,797,568)	(2,357,425)	(1,517,724)	(35,780,007)	(327,871,619)
Net book value	32,143,360	72,152,983	265,303,363	150,950,393	150,383,794	-	26,239,474	697,173,367

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*Property, plant and equipment continued...*

	Land	Buildings	Infrastructure	Community Assets	Capital work in progress	Leased Assets	Other Movable assets	Total
Reconciliation for the year ended 30 June 2019								
Balance at 1 July 2018	161,597,200	167,836,167	305,524,276	216,830,092	87,113,843	1,517,724	70,326,943	1,010,746,245
At cost	(111,952,200)	(84,789,541)	(55,574,286)	(58,883,435)	-	(1,306,929)	(28,761,953)	(341,265,344)
Accumulated depreciation and impairment	49,645,000	83,046,626	249,952,990	157,946,657	87,113,843	210,795	41,564,990	669,480,901
Net book value								
Movements for the year ended 30 June 2019								
Additions from acquisitions	-	-	-	-	49,308,973	-	471,152	49,780,125
Transfers	-	1,716,144	27,906,858	8,462,409	(38,085,411)	-	-	-
Depreciation	-	(3,965,012)	(12,227,577)	(7,817,788)	-	(210,795)	(7,059,242)	(31,290,414)
Impairment loss recognised in surplus or deficit	-	(5,931,010)	-	(176,289)	(2,357,425)	-	-	(8,464,724)
Prior period adjustment	(17,501,640)	1,115,848	4,824,411	(18,359)	(5,577,378)	-	76,542	(17,080,576)
Disposals	-	-	-	-	-	-	(322,544)	(322,544)
Other movements	-	(30,476)	-	-	-	-	-	(30,476)
Property, plant and equipment at end of year	32,143,360	75,952,120	270,456,682	158,396,630	90,402,602	-	34,720,898	662,072,292
Closing balance at 30 June 2019								
At cost	111,895,780	170,647,361	338,169,757	225,271,849	92,760,027	1,517,724	66,287,966	1,006,550,464
Accumulated depreciation and impairment	(79,752,420)	(94,695,241)	(67,713,075)	(66,875,219)	(2,357,425)	(1,517,724)	(31,567,068)	(344,478,172)
Net book value	32,143,360	75,952,120	270,456,682	158,396,630	90,402,602	-	34,720,898	662,072,292

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*Property, plant and equipment continued...*

### Additional disclosures

Assets whose title is restricted and pledged as security

No property, plant and equipment were pledged as security for any financial liability.

### Transfer of land

The municipality was established on the 15 portions of Voortspood farm land donated by the Department of Public Works. The 15 portions of the land are registered in the name of the Municipality at the Office of the Deeds Registry. The Municipality, using experts, has calculated the extent of the township and withdrawn the extent value from the parent farm and valued the remaining extent from the primarily public service infrastructures and servitudes.

### Details of properties

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

During the year the useful lives of the property plant and equipment was reviewed.

The estimated useful lives for certain assets has been adjusted. The effect of the change in accounting estimate has been disclosed in note number 36

Certain assets that were previously recognised as expenditure were capitalised during the current and previous financial year.

During the financial year, the municipality has received amounts for reimbursement due to loss of assets from the insurer. The amounts received are detailed below:

An amount of R30 081 has been received from Guard Risk Holdings Limited for laptops stolen.

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2020	2019
Buildings	154,005	87,027
Infrastructure	3,192,986	10,408,172
Other Assets	372,006	805,870
	<u>3,718,997</u>	<u>11,301,068</u>

### Work in progress

	2020	2019
Reconciliation of Work in progress 2020		
Included within buildings	24,392,677	24,392,677
Included within Community assets	15,581,384	15,581,384
Included within Infrastructure	50,428,540	50,428,540
Opening balance	-	-
Additions/capital expenditure	-	13,167,095
Transfers to completed projects	-	(3,476,113)
Impairment	-	(8,125,364)
	<u>90,402,601</u>	<u>71,582,669</u>
Total	<u>150,383,793</u>	<u>111,601,476</u>

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Property, plant and equipment continued...		Reconciliation of Work in progress 2019	
Opening balance	26,894,661	15,860,965	44,358,216
Prior period adjustment	(1,741,470)	-	(3,835,908)
Additions/capital expenditure	3,313,055	8,182,828	37,813,090
Transfers to completed projects	(1,716,144)	(8,462,409)	(27,906,858)
Impairment	(2,357,425)	-	-
	<b>24,392,677</b>	<b>15,581,384</b>	<b>50,428,540</b>
			<b>90,402,601</b>

Included in the WIP is R4 767 011 relating to electrical projects (electrification of households) that the municipality is undertaking on behalf of Eskom. These projects will be handed over to Eskom upon completion.

The following projects are identified as slow moving:

Project description	Reason for slow moving	Amount
Revitalisation municipal building (Civic)	In progress (under investigation)	1,416,859
Development of sites residential (project was impaired with amount of R2 357 425)	In progress (land invaded)	-
Rakgoatha community hall	In progress (contractor previously abandoned the site)	4,095,104
Upgrading of VTS from Grade B to A	In progress (budget constrains)	609,114
Upgrading of Malakabaneng road to tar	In progress (budget constrains)	775,232
Extension of Municipal offices	In progress (Delay in finalisation of payment dispute)	20,870,251
Construction of Magale Thusong centre	In progress (budget constrains)	1,496,455
Construction of Lebowakgomo stadium	In progress (budget constrains)	357,433
Construction of Madisha Ditiro Community hall	In progress (Contractor terminated, the project is on advert for completion)	3,822,565
Construction of Dublin Community hall	In progress (budget constrains)	3,830,170
Construction of Mathibela Stormwater	In progress (budget constrains)	1,336,726
Construction of Rakgoatha Stormwater	In progress (budget constrains)	932,530
Highmast lights Marulaleng	In progress (Awaiting ernegisation by Eskom)	207,442
Highmast lights - Makgothane	In progress (Awaiting ernegisation by Eskom)	207,442
Highmast lights - Landfill site	In progress (Awaiting ernegisation by Eskom)	207,442
Highmast lights - Makapea	In progress (Awaiting ernegisation by Eskom)	207,442
Electrification - Mashite	In progress (budget constrains)	36,221
Electrification - Mamoagaswa	In progress (budget constrains)	175,674
Electrification - Maweneng	In progress (budget constrains)	34,223
Electrification - Matime	In progress (budget constrains)	17,208
Electrification - Mathibela	In progress (budget constrains)	83,154
Electrification - Manaleng	In progress (budget constrains)	83,154
Electrification - Bolahakgomo	In progress (budget constrains)	105,725
		<b>40,907,562</b>

# Lepelle-Nkumpi Municipality

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*Property, plant and equipment continued...*

Included in Capital work in progress are the following completed projects that have not been capitalised:

Project description	Reason for not capitalising	Amount
Drilling and equipping of borehole at Municipal offices	Project under investigation	369,607
		<u>369,607</u>

### 10. Intangible assets

	2020	2019
Cost / Accumulated amortisation and impairment	938,145	(639,873)
Valuation	(783,391)	855,810
Carrying value	154,754	215,937



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*Intangible assets continued...*

Reconciliation of changes in intangible assets

Reconciliation for the year ended 30 June 2020

Balance at 1 July 2019

At cost

Accumulated amortisation

Net book value

Movements for the year ended 30 June 2020

Acquisitions

Amortisation

Intangible assets at end of period

Closing balance at 30 June 2020

At cost

Accumulated amortisation

Net book value

Reconciliation for the year ended 30 June 2019

Balance at 1 July 2018

At cost

Accumulated amortisation

Net book value

Movements for the year ended 30 June 2019

Acquisitions

Amortisation

Prior period adjustment

Intangible assets at end of period

Closing balance at 30 June 2019

At cost

Accumulated amortisation

Net book value

Intangible assets comprise of computer software.

Computer software	Total
855,810	855,810
(639,873)	(639,873)
215,937	215,937
82,335	82,335
(143,518)	(143,518)
154,754	154,754
938,145	938,145
(783,391)	(783,391)
154,754	154,754
545,251	545,251
(401,787)	(401,787)
143,464	143,464
507,864	507,864
(507,863)	(507,863)
72,472	72,472
215,937	215,937
855,810	855,810
(639,873)	(639,873)
215,937	215,937

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### 11. Heritage assets

Balances at year end and movements for the year

Reconciliation for the year ended 30 June 2020

Balance at 1 July 2019	183,684	183,684
Gross carrying amount	183,684	183,684
Net carrying amount	183,684	183,684

Closing balance at 30 June 2020

Gross carrying amount	183,684	183,684
Net carrying amount	183,684	183,684

Reconciliation for the year ended 30 June 2019

Balance at 1 July 2018	183,684	183,684
Gross carrying amount	183,684	183,684
Net carrying amount	183,684	183,684

Closing balance at 30 June 2019

Gross carrying amount	183,684	183,684
Net carrying amount	183,684	183,684

Heritage assets comprise of Art collections, antiques and exhibits.

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### 12. Payables from exchange transactions

Payables from exchange transactions comprise:

Trade payables	195,889	3,408
Retentions	28,000,103	24,530,695
Leave provision	13,184,845	11,358,670
Bonus provision	2,718,497	2,570,934
Traffic department creditor	48,714	48,714
Debtors with credit balances	1,903,587	2,582,275
CDM Advance Account: R&M	68,169	68,169
Accruals	23,927,150	4,728,896
Bank suspense	4,152	-
CDM Creditor	27,537,847	4,827,615
Deposits Various	145,016	136,616
Salary suspense account	5,082,340	142,489
Unallocated deposits	1,470,961	4,685,779
Traffic department - 80:20 Split	161	920,894
SABS	34,839	228
Probita	133,759	64,306
Road transport management	133,759	91,279
<b>Total payables from exchange transactions</b>	<b>104,456,029</b>	<b>56,760,967</b>

The fair value of trade and other payables approximates their carrying amounts

# Lepelle-Nkumpi Municipality

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	2020	2019
<b>13. Consumer deposits</b>	1,961,236	1,926,836
Consumer deposits		
No interest is paid on consumer deposits		
<b>14. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprise the following balances		
MIG	16,026,664	16,167,540
Integrated National Electrification Programme	-	1,726,947
Finance management grant	165,846	500,000
CDM : Halls	6,135	6,135
CDM : Stadiums	300,000	300,000
CDM : Eradication of Alien Plants	16,455	16,455
CDM : Integrated Transport plan	377,308	377,308
<b>15. Provisions</b>	1,134,353	1,081,548
The total amounts recognised in the statement of financial position are as follows:		
Environmental rehabilitation	1,134,353	1,081,548
Reconciliation of provisions - 2020		
Opening balance	1,081,548	1,081,548
Additions	52,804	52,804
Reductions	-	-
Closing balance	1,134,352	1,134,352
Environmental rehabilitation		
Reconciliation of provisions - 2019		
Opening balance	4,560,719	4,560,719
Additions	237,157	237,157
Reductions	(3,716,328)	(3,716,328)
Total	1,081,548	1,081,548

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

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a liability in the Statement of financial position.

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been met.

See note 24 for reconciliation of grants from National/Provincial Government.

## Conditional Grants

The amounts will be recognised as revenue when conditions have been met.

# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

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*Provisions continued...*

Environmental rehabilitation provision

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrastructure to the existing landfill.

In the previous AFS a landfill closure provision was disclosed for this landfill but a methodology different from the methodology used in the GLCCM was used. This resulted in a significant decrease in the provision.

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 2.4107%. The discount rate used was 7.4107%, and the net effective discount rate was 5%.

The difference between the current year's provision and the provision recalculated for last year is due to unwinding of the provision.

Rehabilitation and closure report was compiled by Environmental and Sustainability Solutions CC appointed by the Council.

Changes in the present value of provision for landfill rehabilitation are as follows:

	2020	2019
Opening balance	1,081,548	4,560,719
Additions	52,804	237,157
Prior period error adjustment	-	(3,716,328)
	<u>1,134,352</u>	<u>1,081,548</u>

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## Notes to the Financial Statements

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### 16. Employee Benefits Obligation

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

	2020	2019
Long service awards	4,380,454	4,380,454
Opening balance	4,380,454	3,784,728
Additions	580,776	783,456
Reductions	(1,647,744)	(187,730)
Closing balance	3,313,486	4,380,454
Reconciliation of provisions - 2020	4,380,454	3,784,728
Long service awards	4,380,454	3,784,728
Opening balance	4,380,454	3,784,728
Additions	580,776	783,456
Reductions	(1,647,744)	(187,730)
Total	3,313,486	4,380,454
Reconciliation of provisions - 2019	3,784,728	3,784,728
Long service awards	3,784,728	3,784,728
Opening balance	3,784,728	3,784,728
Additions	783,456	783,456
Reductions	(187,730)	(187,730)
Total	4,380,454	4,380,454

### Long Service Award

Employees qualify for the long service awards in terms of the SALGA collective agreement: The employees will qualify for long service award for every five years of service completed, from ten years of service to 45 years of services in the following manner:

- 10 year 4%
- 15 years 8%
- 20-45 years 12%

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award. Working days awarded are value at 1/250 of annual salary per day.

An actuarial valuation of the obligation has been performed by One Pangea Expertise and Solutions on all 215 employees that are entitled to long service awards as at 30 June 2020.

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

	2020	2019
Carrying value	2,760,210	3,898,266
Long service awards - Non current portion	2,760,210	3,898,266
Long service awards - Current portion	553,276	482,188
Total	3,313,486	4,380,454

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
Opening balance	4,380,454	3,784,728
Net expense or (gain) recognised in the statement of financial performance	(1,066,968)	595,726
Total	3,313,486	4,380,454

Net expense or (gain) recognised in the statement of financial performance in Employee cost:

	2020	2019
Current service cost	320,795	469,768
Interest cost	259,981	313,688
Benefit vesting	(482,188)	(187,730)
Actuarial (gains) or losses	(1,165,556)	-
Total	(1,066,968)	595,726

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Employee Benefits Obligation continued...

	2020	2019
17. Service charges	6,114,777	5,806,869
Refuse removal (Lebowakomo)	37,160	35,830
Landfill proceeds	6,151,937	5,842,699
18. Rental of facilities and equipment	163,372	247,417
Rental of Communication Network		
Rental of facilities	206,382	275,071
Rental of equipment	1,087	609
	370,841	523,097

Operating leases - as lessor (income)

Certain of the municipality's properties are held to generate rental income. At the reporting date the Municipality has operating lease agreements with various tenants. The minimum lease receivable under operating leases will fall due as follows:

Minimum lease receivable	year	Year inclusive	later than five years
Not later than one year	187,229	408,332	7,611,348
In second to fifth year			

19. Water and Sanitation : Commission earned  
Commission received from sale of water

23,285,023	24,796,837
23,285,023	24,796,837

Lepelle-Nkumpi Municipality entered into a principal agent relationship with the Capricorn District Municipality (CDM) whereby the Municipality performs collection of revenue relating to water and sanitation on behalf of the District Municipality. Lepelle-Nkumpi Municipality is the agent as defined in GRAP 109 as it has been directed by Capricorn District Municipality (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

The current signed SLA allows Lepelle-Nkumpi to receive 30% of the revenue collected during the current year (2019: 30%). There were no changes to significant terms and conditions during the reporting period.

There are no significant risks attached to the arrangement.

Refer to Note 12 for details of the liability resulting from the arrangement.

# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

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### 20. Agency fees: Licences and permits

Licences and permits: Department of transport	3,551,687	4,305,715
	<u>3,551,687</u>	<u>4,305,715</u>

Lepelle-Nkumpi Municipality entered into a principal agent relationship with the Department of Transport (DOT) whereby the Municipality performs vehicle registration and licensing functions on behalf of the Department of Transport.

Lepelle-Nkumpi Municipality is the agent as defined in GRAP 109 as it has been directed by Department of Transport (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

Lepelle-Nkumpi Municipality receives a fixed fee of 20% of all monthly revenue collected in respect of licensing and registration of motor vehicles and shall deposit 80% of the said revenue collected on a monthly basis to Department of Transport Account on or before the 15th day of each month. There were no changes to significant terms and conditions during the reporting period.

There are no significant risks attached to the arrangement.

Refer to Note 12 for details of the liability resulting from the arrangement.



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2020	2019
261,002	462,177
1,626	1,730
73,174	62,038
29,930	103,302
55,995	137,616
16,059	17,494
70,348	65,609
63,170	91,447
4,536	-
38,036	22,356
222,036	154,660
5,009	11,534
29,391	68,575
-	915
722	1,913
2,027	2,795
3,926	2,304
-	3,574
1,029	780
31,254	30,434
1,527,242	5,163,063
90,411	82,921
17,699	1,965
262	396
2,544	15,102
69,846	466,318
6,222	8,478
766	2,738
9,031	-
293	-
2,191	-
565	-
<b>2,636,342</b>	<b>6,982,234</b>
3,514,998	3,955,582
8,283,310	5,315,448
11,292	5,426
<b>11,809,600</b>	<b>9,276,456</b>
10,716,659	11,898,382
<b>22,526,259</b>	<b>21,174,838</b>
Interest receivable - Exchange receivables	
Interest receivable - External Investments	
Interest receivable - Current accounts	
Interest receivable - Non-Exchange receivables	
22. Finance Income	
Replacement of meters	
Written consent	
Disconnection fees	
Reconnection fees	
Library Services	
Relocations of Beacons	
Sundry Income	
Mortgage Bonds	
Stop Clock	
Special consent	
Proof of residence	
Sale of Sites	
Clearance certificate	
Instructor certificate	
Connection sewerage fees	
Rezoning application	
Drain blockage	
Consolidation fees	
Rubble	
Cattle Pound	
Application fees: pto - bussiness	
Skills development program	
Connection fees: water	
Building plans : Rural	
Building plans : Residential	
Burial fees	
2.5% commission on insurance	
Building plans: bussiness	
Advertising boards	
Transfer of property	
Application fees: pto - residential	
Tender Revenue	
21. Other Revenue	

# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

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2020	2019
12,030,874	11,356,722
5,738,763	5,539,648
7,515,385	7,142,210
2,901,422	2,889,098
<b>28,186,444</b>	<b>26,927,678</b>
2,706,305,140	2,698,513,140
879,846,000	880,286,000
2,254,564,100	2,915,159,000
2,915,159,000	2,262,336,100
<b>8,755,874,240</b>	<b>8,756,294,240</b>

### 23. Property rates

Rates received

Residential

Commercial

State

Agriculture

Valuations

Residential

Commercial

State

Small holdings and farms

subdivisions.

Unbilled properties

During the year, the municipality have assessed the ownership of the properties that did not include the name of the registered owner. In terms of paragraph 24(1) of Local Government Municipal property rates Act No 6 of 2004, "A rate levied by a municipality on a property must be paid by the owner of the property". The owner is defined as a person in whose name ownership of the property is registered.

Some of the properties belonging to the Municipality have been invaded therefore, the occupants of these properties are not known to the Municipality.

The balance of these properties relates to RDP houses allocated to beneficiaries by COGHSTA and not yet registered in their names.

The municipality have appointed conveyancers to initiate the process of registering the RDP houses in the name of the beneficiaries. Property rates will be levied on these properties upon finalisation of the registration process.

**Notes to the Financial Statements**

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**24. Government grants and subsidies**

Operating grants	250,041,479	222,970,000
Equitable share	1,979,154	1,645,000
Finance management grant	1,172,000	1,758,000
EPWP	-	327,926
LED Learnership	-	8,271,053
Department of Minerals & Energy - INEP	-	-
Disaster management grant	298,000	-
<b>Capital grants</b>	<b>253,490,633</b>	<b>234,971,979</b>
Municipal Infrastructural Grant	38,047,345	24,881,296
<b>Unconditional and Unconditional</b>	<b>291,537,978</b>	<b>259,853,275</b>

Included in above are the following grants and subsidies received:

**Equitable Share**

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

Finance Management Grant (FMG)	500,000	500,000
Balance unspent at beginning of year	500,000	500,000
Current-year receipts	2,145,000	2,145,000
Conditions met - transferred to revenue	(1,979,154)	(1,645,000)
Withheld	(500,000)	(500,000)
Unspent amount transferred to liabilities	165,846	500,000

Conditions still to be met - remain liabilities (see note 14).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003.

Municipal Infrastructure Grant (MIG)	16,167,540	(954,164)
Balance unspent at beginning of year	16,167,540	42,003,000
Current year receipts	54,074,000	(38,047,345)
Conditions met - transferred to revenue	(16,167,532)	(24,881,296)
Withheld	(16,167,532)	-
Unspent amount transferred to liabilities	16,026,663	16,167,540

Conditions still to be met - remain liabilities (see note 14).

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households.

# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

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### Government grants and subsidies continued...

	2020	2019
Integrated National Electrification Programme (DME)	1,726,947	6,580,000
Balance unspent at beginning of year	-	9,998,000
Current-year receipts	-	(8,271,053)
Conditions met - transferred to revenue	(1,726,947)	(6,580,000)
Unspent amount transferred to liabilities	-	1,726,947

There are no conditions still to be met in the current year (see note 14).

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households.

	2020	2019
LED Learnership	-	327,926
Balance unspent at beginning of year	-	-
Conditions met - transferred to revenue	-	(327,926)
Unspent amount transferred to liabilities	-	-

There are no conditions still to be met in the current year (see note 14).

	2020	2019
EPWP	1,172,000	1,758,000
Current year receipts	1,172,000	1,758,000
Conditions met - transferred to revenue	(1,172,000)	(1,758,000)
Unspent amount transferred to liabilities	-	-

Conditions were met. No unspent grant remain. (see note 14).

	2020	2019
CDM: Refurbishment of Mamadlo Hall	6,135	6,135
Balance unspent at beginning of year	6,135	6,135
Unspent amount transferred to liabilities	6,135	6,135

Conditions still to be met - remain liabilities (see note 14).

	2020	2019
CDM: Seleteng Diamond Softball	300,000	300,000
Balance unspent at beginning of year	300,000	300,000
Unspent amount transferred to liabilities	300,000	300,000

Conditions still to be met - remain liabilities (see note 14).

	2020	2019
CDM: Eradication of Alien Plants	16,455	16,455
Balance unspent at beginning of year	16,455	16,455
Unspent amount transferred to liabilities	16,455	16,455

Conditions still to be met - remain liabilities (see note 14).

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### Government grants and subsidies continued...

	2020	2019
CDM Integrated Transport plan	377,308	377,308
Balance unspent at beginning of year	377,308	377,308
Unspent amount transferred to liabilities	-	-
Conditions still to be met - remain liabilities (see note 14)	-	-
CDM Waste management Cleaning	(40,000)	(40,000)
Balance unspent at beginning of year	(40,000)	(40,000)
Transferred to Receivables	(40,000)	(40,000)
Conditions were met and the grant was overspent by R40 000 during the 2019 financial year. This amount is disclosed under debtors. (see note 4)	-	-
Disaster management grant	298,000	(298,000)
Current year receipts	298,000	-
Conditions met - transferred to revenue	(298,000)	-
Unspent amount transferred to liabilities	-	-
Conditions were met. No unspent grant remain (see note 14)	-	-

### 25. Fair value gains or (losses)

	2020	2019
Fair value on land	8,190,000	3,488,000
Actuarial gain on remeasurement of Long service award	1,165,556	-
	9,355,556	3,488,000

In 2020 financial year, a revaluation was performed on investment properties which consists of vacant land (encroached land, residential stands, business stands and shopping malls).

# Lepelle-Nkumpi Municipality

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### 26. Employee related Cost

64,204,486	63,319,005	Basic
4,828,752	4,712,730	Bonus
3,473,186	3,162,436	Medical aid - company contribution
426,536	437,628	UIF
23,654	22,821	SALGBC
2,009,435	2,237,689	Leave pay provision charge
11,590,151	10,895,028	Pension Funds - Company contribution
7,716,519	7,225,289	Travel, motor car, accommodation, subsistence and other allowances
1,799,894	2,629,077	Overtime payments
580,775	783,457	Long-service awards
855,587	946,338	Acting allowances
283,223	278,629	Housing benefits and allowances
424,868	-	FMG Intern allowance
<b>98,217,066</b>	<b>96,650,127</b>	

#### Remuneration of Municipal Manager -

-	-	Annual Remuneration
-	-	Car Allowance
-	-	Acting allowance
-	-	Contributions to UIF, Medical and Pension Funds
-	-	Leave pay out
-	-	Other allowances
<b>2,000</b>	<b>2,000</b>	

#### Remuneration of Municipal Manager - Mashamba NS

454,510	-	Annual Remuneration
106,944	-	Car Allowance
37,380	28,211	Acting allowance
153,777	141	Contributions to UIF, Medical and Pension Funds
50,905	-	Leave pay out
12,000	-	Other allowances
<b>815,516</b>	<b>28,352</b>	

#### Remuneration of Chief Financial Officer - Ngobeni R.M

813,635	-	Annual Remuneration
-	-	Car Allowance
-	-	Acting allowance
4,015	149	Contributions to UIF, Medical and Pension Funds
-	78,109	Leave pay out
24,000	-	Other allowances
<b>841,650</b>	<b>78,258</b>	

# Lepelle-Nkumpi Municipality

(Registration Number LIM 355)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

Figures in R

2020  
Restated  
2019

### Remuneration of Executive directors

#### Director: Technical Services - Ruters R.S

Annual Remuneration 742,387

Car Allowance 328,280

Acting allowance -

Contributions to UIF, Medical and Pension Funds 62,797

Other allowances 24,000

**1,157,463**

#### Director: Community Services - Moraswi T.S

Annual Remuneration 481,969

Car Allowance 255,996

Acting allowance 84,226

Contributions to UIF, Medical and Pension Funds 156,482

Other allowances 24,000

**918,447**

#### Director: Corporate Services - Noglana Raphela P.F

Annual Remuneration 128,662

Car Allowance 65,155

Contributions to UIF, Medical and Pension Funds 75,633

Other allowances 6,000

**275,450**

#### Director: Strategic Planning (LED) - Monyepao M.A

Annual Remuneration 295,559

Car Allowance 142,386

Acting allowance 54,008

Contributions to UIF, Medical and Pension Funds 87,223

Other allowances 14,000

**593,176**

#### Acting Director: Strategic Planning (LED) - Maphoru LD (July 2019 to June 2020)

Acting allowance -

#### Acting Director: Corporate Services - Mashita WT (12 August 2019 to April 2020)

Acting allowance 25,905

#### Acting Director: Corporate Services - Somo PD (July 2019 to 11 August 2019)

Acting allowance -

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	2020	2019
Acting Chief Finance Officer - Moema M.D (September 2019 to February 2020)	-	-
Acting allowance	-	-
Acting Chief Finance Officer - Ramuhulu R.H (April 2019 to August 2019)	-	-
Acting allowance	-	-
Acting Chief Finance Officer - Masemola M.N (March 2020 to December 2020)	-	-
Acting allowance	-	-
Acting Director: Technical Services - Phasha MT (March 2020 to date)	5,307	5,307
Acting allowance	5,307	5,307

Restated



# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

Figures in R

2020  
2019  
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### 27. Remuneration of councillors

	2020	2019
Mayor	1,135,112	1,064,312
Chief Whip	824,355	796,073
Speaker	876,351	846,184
Executive Committee Members	5,237,206	5,053,995
Councillors	12,883,461	12,474,715
MPAC and Ethics oversight members	1,275,431	1,232,402
<b>Total</b>	<b>22,231,918</b>	<b>21,467,681</b>

The Mayor, Speaker and Chief Whip are employed on a full-time. Each is provided with an office and secretarial support. The Mayor has use of a Council owned vehicle.

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

	30-Jun-20	30-Jun-19
Choung C.M	199	-
Mollo M.I	559	609
Ramalebana L.M	223	6,940
<b>Outstanding less than 90 days</b>	<b>982</b>	<b>7,549</b>
<b>Outstanding more than 90 days</b>	<b>1,168</b>	<b>1,168</b>
<b>Total</b>	<b>1,999</b>	<b>1,999</b>

	30-Jun-19	30-Jun-18
Ramokolo M.M	156	-
Mollo M.I	346	-
<b>Outstanding less than 90 days</b>	<b>502</b>	<b>-</b>
<b>Outstanding more than 90 days</b>	<b>156</b>	<b>156</b>
<b>Total</b>	<b>658</b>	<b>312</b>

### 28. Depreciation, Amortisation and Impairment

Depreciation - Property, plant and equipment	29,133,267	31,290,414
Impairment of assets - Property, plant and equipment	3,596,318	8,479,007
Amortisation - Intangible assets	143,518	507,862
<b>Total</b>	<b>32,873,104</b>	<b>40,277,283</b>

### 29. Finance cost

Interest on finance leases	85,915	86,658
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# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

Figures in R

	2020	2019
30. Provision for impairment adjustment	21,653,781	25,041,642
Provision for impairment - CDM water	12,373,173	8,602,738
Provision for impairment - Refuse	3,952,920	355,040
Provision for impairment - Traffic fines	12,869,902	7,416,859
Provision for impairment - Rates	50,849,776	41,416,279

The provision for impairment adjustment movement for the year has been calculated as follows:

Provision per Statement of Financial Position	Note	30-Jun-20	30-Jun-19	Movement charged to Statement of Financial Performance
CDM advance commission		109,225,082	87,571,301	21,653,781
Refuse		70,284,588	57,911,415	12,373,173
Traffic fines		4,211,834	9,724,479	(5,512,645)
Rates		83,282,514	73,943,312	9,339,202
VBS Mutual Bank		150,000,000	150,000,000	-
Adjustment due to write off		417,004,018	379,150,507	37,853,511
Property rates		3,530,700	9,465,563	(5,849,775)
Traffic fines		9,465,563	15,671,787	(4,184,413)
Security services		14,722,826	4,262,598	18,985,424
Landfill site		4,262,598	19,856,200	(15,593,602)

### 31. Contracted services

Security services	14,722,826	4,262,598
Landfill site	4,262,598	19,856,200

# Lepelle-Nkumpi Municipality

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Figures in R

2020	2019	
1,427,195	1,427,195	Accommodation and meals
407,790	407,790	Advertising
456,770	456,770	Audit committee expense
3,352,537	3,864,371	Audit fees
66,771	280,171	Bank charges
875,940	494,889	Cleaning materials
58,186	47,005	Commission on SAP/easy pay deposits
19,998	-	Unknown Funerals
21,715,070	10,448,813	Consulting and professional fees
295,141	268,159	Cash security services
260,865	-	Electronic traffic fine management
247,000	1,200	Cattle pound
258,200	83,145	Communications
386,964	59,306	Bursaries staff
472,551	197,405	Community participation
52,782	16,413	Council Conferences and congresses
6,103	998	Refreshments: Mayor's office
317,262	1,186,496	Forensic services
-	2,731,052	Bad debts written off
1,186,194	2,731,946	Insurance
181,382	13,954	Conferences and congresses
129,557	170,493	Council: Function
5,152	3,369	Refreshments: speakers office and EXCO
162,748	128,442	Council: skills development levy
1,367,462	980,033	Council: travel & subsistence
361,239	271,367	Council: MPAC sessions
158,302	74,165	IT support services
706	-	Greening
265,147	238,038	Disaster provision
-	24,377	Magazines, books and periodicals
285,153	-	LED Learnerships
802,928	205,014	IDP review process
752,522	242,130	Special programs
7,414,681	-	Electricity projects
381,744	126,013	Environmental and waste management
8,112,291	5,456,108	Municipal vehicles - fuel
336,703	371,502	Municipal fleet - licensing
742,288	805,526	Postage
1,991,448	895,169	Printing & stationary
23,840	10,120	Internal audit services
-	732,420	Protective clothing
644,115	2,717	Internal sporting activities
4,371,774	4,779,033	Legal fees
1,072,145	1,102,390	Membership fees
9,192	1,989	Office refreshments
50,705	187,928	OHS expenses
1,951,876	948,542	Subscriptions and system licensing

# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

Figures in R

	2020	2019
Telephone and fax	709,174	766,659
Training	226,336	316,882
Substance and travelling allowance	849,026	1,158,248
Refuse removal	95,100	-
Skills development levy	549,550	636,188
SME support	223,888	398,649
Electricity	6,128,271	2,856,078
Sports, arts and culture	-	278,261
Sector forum	9,963	16,421
Stores & materials	377,393	588,302
Risk management	37,209	47,404
Rental of office equipment	680,721	497,490
Traffic uniform & tags	82,250	64,865
Traffic expenses	32,559	49,518
Ward committees	5,359,000	5,650,447
Youth programme: campaigns	-	98,698
Road safety programme	70,900	310,333
Refreshments - whippy office	2,000	4,000
Workmen's compensation	428,187	928,747
Recruitment expenses	63,824	17,566
Policy development - labour relations	120	409,318
Employee wellness	89,066	72,530
Post evaluations	224,466	88,448
<b>Total</b>	<b>57,381,883</b>	<b>78,693,471</b>

Restated

**Notes to the Financial Statements**

Figures in R

	2020	2019
<b>33. Cash flows from operating activities</b>		
Surplus for the year	102,359,718	39,611,574
Adjustments for:		
Depreciation and amortisation expense	32,873,105	40,277,283
Provisions adjustment	52,805	(3,479,171)
Employee benefit obligation adjustment	(1,066,968)	482,188
Leave and bonus provision adjustment	1,973,738	2,307,372
Fair value gains and losses	(9,355,556)	(3,488,000)
Debt impairment	50,849,776	41,416,279
Gains and losses on disposal of non-current assets	3,836,938	(150,413)
Other non cash items	(4,375)	3,292,520
<b>Change in operating assets and liabilities:</b>		
Inventories	1,192,226	(1,867,429)
Receivables from non-exchange transactions	(20,353,632)	(16,070,886)
Receivables from exchange transactions	(47,875,538)	(35,413,261)
Payables from exchange transactions	45,721,324	3,616,097
VAT payable/receivable	(7,076,735)	(472,896)
Unspent conditional grants	(2,201,977)	10,986,562
Consumer deposits	34,400	24,000
<b>Net cash flows from operations</b>	<b>150,959,249</b>	<b>81,071,819</b>

# Lepelle-Nkumpi Municipality

(Registration Number LIM 355)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

Figures in R

### 34. Commitments

	2020	2019
<b>Authorised Capital commitments</b>		
Already contracted for but not provided for	64,509,034	106,487,106
Property, plant and equipment		
Prior period error. Refer to Note 35	-	(1,729,495)
<b>Total capital commitments</b>	<b>64,509,034</b>	<b>104,757,611</b>
Already contracted for but not provided for	64,509,034	104,757,611
<b>Authorised Operational Commitments</b>		
Already contracted for but not provided for	7,884,727	24,798,450
Security services		
Landfill		
Integrated Transport Plan	97,052	97,052
Mphahlele Local Spatial Development	-	403,900
Printing and Folding of Monthly Municipal Statements	1,547,392	2,704,690
Cash Collection Services	-	185,455
Revenue Enhancement Strategy, Debt Collection, etc.	513,750	513,750
Maintenance of Fixed Assets Register	722,958	2,836,696
Review of LED Strategy	13,565	185,295
Compilation of Growth and Development Strategy	522,547	522,547
Compilation of Tourism Plan	-	169,422
Zebedie Local Spatial Development Framework	229,691	229,691
Preparation of Annual Financial Statements	1,647,998	1,346,650
<b>Total operational commitments</b>	<b>26,140,180</b>	<b>33,802,827</b>
Already contracted for but not provided for	26,140,180	33,802,827
Prior period error. Refer to Note 35	-	1,786,782
<b>Total Commitments</b>	<b>26,140,180</b>	<b>35,589,609</b>
Authorised capital expenditure	64,509,034	104,757,611
Authorised operational expenditure	26,140,180	35,589,609
<b>Total</b>	<b>90,649,214</b>	<b>140,347,220</b>

This committed expenditure relates to plant and equipment, security services, strategies, landfills, etc. will be financed by available bank facilities and funds internally generated, etc. retained surpluses, grants received during the year and carried forward from prior years, etc.

The following are contracts on which the value of the commitment could not be measured at year end:

# Lepelle-Nkumpi Municipality

(Registration Number LIM 355)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

Figures in R

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Commitments continued...

Name of Contractors	Project name / Description	Approved contract amount, Excluding VAT
Selema Plant hire	Professional Service Provider for hiring of plant	Rate based
Thalema Trading Enterprise	Supply and delivery of Protective clothing for 24 months (as and when required)	Rate based
Mavambo intelligence transport solutions (pty) ltd	Traffic fines	Rate based
Backpocket Trading and projects JV geomatics	Professional land surveying firm	Rate based
Babirwa travel agency	Travel management services	Commission based
NgwanaKadaka Trading and projects	Supply and delivery of cleaning materials	Rate based
Agang Batau Trading and Projects	Supply and delivery of cleaning materials	Rate based
Bafana Ncube Incorporated	Appointment of panel of attorneys	Rate based
SC Mudluli attorneys INC	Appointment of panel of attorneys	Rate based
Popela Maake attorneys	Appointment of panel of attorneys	Rate based
Modise Mabule INC	Appointment of panel of attorneys	Rate based
Makhubela attorneys	Appointment of panel of attorneys	Rate based
Mahowa inc incorporated	Appointment of panel of attorneys	Rate based
Verveen attorneys	Appointment of panel of attorneys	Rate based
White hall Trading and projects	Supply and delivery of traffic uniform	Rate based
White hall Trading and projects	Supply and delivery of printing services for 24 months	Rate based
Cascade Pivotal	Supply and delivery of disaster relief materials	Rate based
Bakgaditse general trading enterprise	Supply and delivery of road maintenance materials	Rate based
Hackfort Investments Pty Ltd	Supply and delivery of Catridges	Rate based
Phelane Suppliers and services	Supply and delivery of Catridges	Rate based
Mogan General trading	Supply and delivery of electrical materials	Rate based
LFP General Suppliers	Supply and delivery of photocopy papers	Rate based
Rekgothe and sons Trading and projects	Supply and delivery of photocopy papers	Rate based
(tirele Serogole Enterprise	Supply and delivery of photocopy papers	Rate based
Molaba Investment	Supply and delivery of photocopy papers	Rate based
Bohlabatsisi Trading and projects	Supply and delivery of photocopy papers	Rate based
BCX	Implementation of MSCOA (SOLAR)	Rate based
Lateral Union	Provision of insurance	Rate based
Manthabo 2 airconditioner	Cleaning of illegal-dumping	Rate based
Nora elle	Supply and delivery of toilet papers and wipes	Rate based

**Notes to the Financial Statements**

Figures in R

Restated  
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**35. Prior period errors**

The following prior period errors were identified and the corrections have now been made to amounts previously reported in the annual financial statements of the Municipality.

**Trade and other payables**

Payables from exchange transactions were overstated by R1 299 860 due to inclusion of balances relating to water transactions in prior year. Receivables from non exchange transactions were also overstated by the same amount in the prior year.  
Debtors with credit balances were overstated by R1 299 860 due to inclusion of balances relating to water transactions in prior year. Payables from exchange transactions were overstated by R13 066 170 in the 2018/19 financial year due to the following:  
Payables relating to Accruals in the prior year. Accruals relating to general expenses were also understated by R22 795 due to omission.  
Leave provision was understated by R111 806 due to omission of leave pay out. The error resulted in understatement of employee related cost in the prior year.  
Salaries accruals were understated by R142 489. The error resulted in understatement of employee related cost in the prior year.  
CDM creditor was overstated by R15 530 444 due to the municipality incorrectly writing off water related bad debts and due to incorrect journals processed in the prior year.

**Property, plant and equipment**

Land - Land was overstated by R17 501 640 due to various properties that were still in the books of the municipality despite the economic benefits/ service potential and risks and rewards transferred to third private parties and government entities. The error amounting to (R2 262 800) relates to 2019 financial year and R19 764 440 relates to periods prior to 2019.  
Buildings - Buildings were understated by R2 395 234 due to completed projects not capitalised, assets not being recognised, landfill site asset omitted in error and change in useful life that was not accounted for in prior years. The error amounting to R1 330 567 relates to 2019 financial year and R1 064 667 relates to periods prior to 2019.  
Infrastructure - Infrastructure assets were understated by R4 832 544 due to roads infrastructure not being recognised in prior years and street lights incorrectly classified as community assets. The errors to the value of R4 824 974 relates to periods prior to 2019 financial year and R7 570 relates to 2019 financial year.

Community assets - Community assets were understated by R108 307 due to change in useful lives that was not accounted for in the prior years and street lights incorrectly classified as community assets. The errors to the value of (R18 931) relates to periods prior to 2019 financial year and R127 240 relates to 2019 financial year.  
Other movable assets - Other movable assets were understated by R629 664 due to depreciation that was incorrectly calculated and assets that were written off in error in the 2019 financial year.  
Work in progress - Work in progress was overstated by R6 458 495 due to completed projects not transferred and capitalised and certain project expenditure previously capitalized in error as work in progress but were subsequently proven to be fruitless and wasteful due to overpayments to suppliers by the municipality. Of the total error, R5 577 378 related to fruitless expenditure incurred in the periods prior to 2019 and the remaining R881 117 relate to 2019 expenditure

**Investment property**

Investment property was understated by R246 658 000 due to properties that were omitted in error and due to omission of fair value measurement of certain investment properties at the reporting dates.  
The impact of the error in periods prior to 2019 was R253 268 000 and a reduction in fair value adjustment of R (6 610 000) previously reported in 2019-year end.

**Intangible assets**

Intangible assets were understated by R101 212 due to non capitalisation of software and depreciation incorrectly calculated on intangible assets with indefinite life. The errors to the value of R330 962 relates to periods prior to 2019 financial year and (R229 750) relates to 2019 financial year.



# Lepelle-Nkumpi Municipality

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## Notes to the Financial Statements

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*Prior period errors continued...*

### Inventory

(Land) inventories were overstated by R59 427 499 due to land inventory which was incorrectly measured at 2017 general valuation roll values instead of fair values at measurement dates prior to 2017 financial year end. A significant portion of land inventory were written down to their net realisable values (NRVs). Of the total overstatement; R57 991 915 relates to overstatement prior to 2019 financial year end and the remaining balance (R1 408 996 related to 2019 financial year end overstatement).

Consumables were overstated by R26 585 due to incorrect treatment of VAT in the prior year.

### Value added tax

VAT payable was understated by R3 017 401 in the 2018/19 financial year due to incorrect accounting of CDM related transactions, exclusion of VAT on retention and accruals and VAT input not accounted for on other expenses.

### Receivables from exchange transactions

Receivables from exchange transactions were overstated by R10 305 813 due to overstatement of commission income and incorrect calculation of impairment. The errors occurred in the 2018/19 financial year.

### Receivables from non-exchange transactions

Receivables from non-exchange transactions were overstated by R1 170 380 due to incorrect allocation of debtors with credit balances. The error occurred in the 2018/19 financial year.

### Water and sanitation : Commission earned

Commission earned was overstated by R3 080 624 due to inclusion of VAT in the 2018/19 financial year.

### Other revenue

Other revenue was overstated by R1 023 746 due to disposal of land inventory cost not derecognised in error. The error occurred in 2019 financial year.

### Fair value gains

Fair value gains were overstated by R6 610 000 due to omission of fair value measurement at each reporting period of certain investment property in the prior periods.

### Finance income

Finance income from exchange transactions were overstated by R11 898 382 due to incorrect classification of interest from non exchange transactions .

### Provisions

Provisions were overstated by R8 096 782 in the 2018/19 financial year due to incorrect valuation of provision for landfill rehabilitation by R3 716 328 and the incorrect classification of long service award amounting to R 4 380 454.

### Employee benefit obligation

Employee benefit obligation was understated by R4 380 454 due to incorrect classification as provisions.

# Lepelle-Nkumpi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

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### Prior period errors continued...

General expenses were overstated by R1 822 316 in the 2019 financial year due to the following:

Electrical capital assets to the value of R1 285 527 were expensed in error.

Software licences to the value of R61 185 were expensed in error.

Rehabilitation expenses were overstated by R237 157 due to incorrect valuation of the provision.

Accrual were understated by R22 795 due to omission.

Incorrect treatment of VAT amounting to R372 371

Free basic services: Electricity  
Free basic services were understated by R74 221 in the 2018/19 financial year due to incorrect treatment of VAT.

### Repairs and maintenance

Repairs and maintenance was understated by R366 392 in the 2018/19 financial year due to incorrect treatment of VAT.

### Employee related cost

Employee related cost were understated by R240 129 in the 2018/19 financial year due to understatement of leave provision and omission of backupay and bonus.

### Remuneration of councillors

Remuneration of councillors was understated by R33 943 in the 2018/19 financial year due to underpayment of allowances.

### Depreciation and amortisation

Depreciation, impairment and amortisation was overstated by R549 654 in the 2018/19 financial year due to incorrect calculation.

### Provision for impairments adjustments

Provision for impairment adjustment was understated by R7 075 744 in the 2018/19 financial year due to incorrect impairment of CDM debtor.

### Gain on disposal of assets

Gain on disposal of assets was overstated by R16 579 in the 2018/19 financial year due to stolen assets not written off.

### Finance cost

Finance costs were understated by R80 822 due to incorrect accounting of provision for landfill and the related asset.

### Expenditure on third party projects

Expenditure on third party projects was understated by R718 043 due to overpayments to third parties for projects expenditure proven to be fruitless and wasteful expenditure.

### Cashflow statement

The cashflow statement for the 2018/19 financial year was reformed with restated figures.

### Irregular expenditure

Irregular expenditure was understated by R12 429 191 due to non inclusion of irregular expenditure identified during the audit.

# Lepelle-Nkumpi Municipality

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Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

Restated  
2019

Figures in R

*Prior period errors continued...*

### Comments

Capital Commitments were overstated by R1 729 495 and Operational commitments understated by R1 786 782 in the 2018/19 financial year due to incorrect contract amounts and/or incorrect payments being captured.

### Statement of financial position

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Inventories	91,711,811	(59,427,499)	-	32,284,312
Receivables from exchange transactions	44,431,370	(10,305,813)	-	34,125,557
Receivables from non-exchange transactions	53,564,615	(1,170,380)	-	52,394,235
Property, plant and equipment	678,066,677	(15,994,396)	-	662,072,281
Investment property	109,414,000	246,658,000	-	356,072,000
Intangible assets	114,725	101,212	-	215,937
Payables from exchange transactions	(69,827,137)	13,066,170	-	(56,760,967)
VAT Receivable/(Payable)	(2,310,107)	(3,017,401)	-	(5,327,508)
Provisions	(9,178,330)	3,716,328	4,380,454	(1,081,548)
Employee benefit obligation - Non current	-	-	(3,898,266)	(3,898,266)
Employee benefit obligation - Current	-	-	(482,188)	(482,188)
<b>895,987,624</b>	<b>173,626,221</b>	<b>-</b>	<b>-</b>	<b>1,069,613,845</b>

### Statement of Financial Performance

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Water and sanitation : Commission earned	27,877,461	(3,080,624)	-	24,796,837
Gain on disposal of assets	166,992	(16,579)	-	150,413
Other revenue	8,005,980	(1,023,746)	-	6,982,234
Fair value gains	10,098,000	(6,610,000)	-	3,488,000
Finance income - Exchange transactions	21,174,837	-	(11,898,382)	9,276,455
Finance income - Non exchange transactions	-	-	11,898,382	11,898,382
Employee related cost	(96,409,998)	(240,129)	-	(96,650,127)
Remuneration of councillors	(21,433,738)	(33,943)	-	(21,467,681)
General expenses	(80,515,787)	1,822,316	-	(78,693,471)
Free basic services: Electricity	(3,645,727)	(74,221)	-	(3,719,948)
Repairs and maintenance	(7,226,775)	(366,392)	-	(7,593,167)
Provision for impairment adjustment	(34,340,535)	(7,075,744)	-	(41,416,279)
Depreciation, impairment and amortisation	(40,826,937)	549,654	-	(40,277,283)
Finance cost	(5,836)	(80,822)	-	(86,658)
Expenditure on third parties	(4,467,405)	(718,043)	-	(5,185,448)
<b>(221,549,468)</b>	<b>(16,948,273)</b>	<b>-</b>	<b>-</b>	<b>(238,497,741)</b>

# Lepelle-Nkumpi Municipality

(Registration Number U/M 355)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

Figures in R

Restated 2020  
2019

Prior period errors continued...  
Disclosures

	Restated	2020	2019
Previously reported	489,063,631	12,486,478	501,550,109
Correction of prior period error	(1,729,495)		
Reclassification			
Restated balance	106,487,106	1,786,782	104,757,611
Commitments - Capital	33,802,827	1,786,782	35,589,609
Commitments - Operational	348,773,698	12,429,191	361,202,889
Irregular expenditure			

### 36. Change in accounting estimates

#### Property, plant and equipment

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice. The basis of preparation is consistent with the prior year except for the change in accounting estimate relating to Property, plant and equipment. The Municipality conducted a re-assessment of the useful lives of Property, plant and equipment within the current financial year. It was established that the useful lives of some categories of assets have changed. The calculation is based on all depreciable assets at the end of 2020 financial year, comparing the actual 2020 depreciation using new useful lives to what the depreciation would have been using old useful lives. The aggregate effect of the change in accounting estimate relating to a change in the useful life of certain categories of assets on the annual financial statements for the year ended 30 June 2020 is as follows:

#### Statement of Financial Performance :

2020 - Accumulated surplus (Increase)

2021 and future years - Accumulated Surplus (Decrease)

1,350,981  
(1,350,981)

#### Statement of financial position:

2020 - Property, Plant and equipment (Net carrying amount)

2021 and future years - Property, plant and equipment (Net carrying amount)

1,350,981  
(1,350,981)

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### 37. Contingencies

	2020	2019
1	72,435	812,818
2		405,050
3		13,230
4		220,000
5		60,000,000
6		335,000
7		466,734
8		2,882,190
9		40,000
10		27,947
11		80,611
12		500,000
13		4,943,578
14		70,799,593

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

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

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**38. Risk Management**

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	At 30 June 2020			At 30 June 2019		
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Less than 1 year	Between 1 and 2 years	Over 5 years
Trade and other payables	104,456,029	-	-	56,760,967	-	-

**Credit risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

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*Risk Management continued...*  
Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Receivables from exchange transactions	47,974,141	34,125,557
Receivables from non-exchange transactions	5,639,180	5,186,429
Cash and cash equivalent	168,504,049	89,297,761

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 4 & 5 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 10% where applicable.

For financial assets which are past due and impaired refer to note 4 & 5. None of the financial assets terms have been renegotiated. None of the financial assets were used as security or collateral.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed above.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed above.

### Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

### Foreign exchange risk

The municipality does not engage in foreign currency transactions.

### Price risk

The municipality is not exposed to price risk.

The municipality does not hedge foreign exchange fluctuations.

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### 39. Financial Instruments disclosure

#### Categories of financial instruments

Financial Assets	Classification	2020	2019
Investments	Held to maturity	150,980,914	-
Short term deposits		-	-
Consumer Debtors		-	-
Receivables from non exchange transactions	Financial instruments at amortised cost	5,639,180	5,186,429
Receivables from exchange transactions	Financial instruments at amortised cost	47,974,141	34,125,557
Bank Balances and Cash		-	-
Call Deposits	Financial instruments at amortised cost	13,191,907	83,867,594
FNB Paymaster account	Financial instruments at amortised cost	1,576,831	1,994,397
FNB revenue account	Financial instruments at amortised cost	1,770,849	2,708,012
FNB salaries account	Financial instruments at amortised cost	976,537	708,918
Cash Floats and Advances	Financial instruments at amortised cost	7,011	18,840
Summary of Financial Assets		<u>222,117,370</u>	<u>128,609,747</u>

Financial Liability	Classification	2020	2019
Trade Payables	Financial instruments at amortised cost	104,456,029	56,760,967
Payables from exchange transactions		-	-
Summary of Financial Liability		<u>104,456,029</u>	<u>56,760,967</u>

### 40. Events after the reporting date

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2020.



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### 41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R1,240,433,791 and that the municipality's total assets exceed its liabilities by R1,240,433,791.

The Council is not aware of any new material changes that may adversely impact the Municipality. The Council is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Municipality.

### 42. Fruitless and wasteful expenditure

Opening balance as previously reported  
Add: Fruitless and wasteful Expenditure - current year  
Closing balance

2,032,791	16,946,882
1,987,888	44,903
<u>2,032,791</u>	<u>18,979,673</u>
2,032,791	2,032,791

Expenditure identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings

Under investigation (Due to late submission of invoices)

19,237

6,028

Under investigation.

In progress

16,921,617

16,946,882

Poor project management

Penalties Charged on Licensing of Municipal Vehicles

accounts

Interest charged on overdue ESKOM

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### 43. Unauthorised expenditure

Opening balance as previously reported	6,345,735	5,828,092
Add: Unauthorised expenditure for the year	14,110,791	517,643
Closing balance	20,456,526	6,345,735

Unauthorised expenditure for the current year

Recreational Facility Majaane - The project was initially budgeted for R3,000,000.00 in 2018-2019 financial year and adjusted downwards to R1,000,000.00 in the same year and not rolled over/ budgeted for in 2019-2020 financial year but adjusted to R1,317,736 during adjustment budget and did not cater the retention. The amount of R317,736.12 was paid to consultant [Aobakwe Consulting Engineers and project managers] and retention of R69,354.53 was withheld and had to be capitalised against the expenditure

vote. The total budget required is R1,387,091, hence the shortfall. The project is not completed. Electrification of Makgophong 110 HH - The project was initially budgeted for R300,000.00 in 2019-2020 financial year and adjusted upwards to R750,000 during adjustment budget and did not cater the retention. Mahlatji Mimetji was paid R946,875 for two (02) certificates and retention on the second certificate and portion of the payment to contractor was over the budget hence the shortfall. The project is not completed.

Electrification of Mahlatjane 109 HH - Unauthorised expenditure is caused by over commitment on the budget vote due to exclusion of consulting fees and it was not adjusted during budget adjustment process in January 2020.

Under budgeting for provision for bad debts - The provision for bad debts vote falling under budget and treasury was not budgeted for the 2019-20 financial period. When actual expenditure for the year was reported upon AFS compilation it resulted in overspending of the vote

Under budgeting for provision for bad debts and depreciation - The provision for bad debts vote and depreciation falling under community services was not adequately budgeted for the 2019-20 financial period. When actual expenditure for the year was reported upon AFS compilation it resulted in overspending of the vote.

14,110,791

10,322,045

3,471,366

184,054

63,971

69,355

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### 44. Irregular expenditure

Opening balance as previously reported	348,773,698	263,729,214
Prior period error. Refer to Note 35	13,849,344	38,615,184
Opening balance as restated	362,623,042	302,344,398
Add: Irregular Expenditure - current	9,280,239	2,572,383
Add: Irregular Expenditure relating to expenditure identified in prior year	9,649,275	43,856,917
Irregular expenditure awaiting condemnation by National Treasury	381,552,556	348,773,698

Incidents/cases identified in the current year include those listed below:

#### Disciplinary steps taken/criminal proceedings

Request for quotation not sent out at least 14 days before the closing date/Request for quotation not sent out at least 14 days before the closing date	Under investigation	651,447
Invitation and local content not part of specification	Under investigation	1,352,524
Bid document not fully initialized	Under investigation	1,706,910
Bidders did not include municipal rates, taxes and service charges for director(s), however they were awarded with contracts.	Under investigation	66,460
The contracts were extended without the approval of council	Under investigation	1,093,755
Bid committees were not involved in the awarding of the bid	Under investigation	7,511,354
Tender above 10m not advertised for 30 days	Under investigation	481,515
Bookings arranged for overnight accommodation for less than 500km (to and from destination) not in line with the cost containment	Under investigation	19,668
Bookings made without approval by delegated officials	Under investigation	31,432
Bid specification and bid document did not include local content production and minimum threshold		2,088,616
Other		3,925,834
		<b>18,929,514</b>

Possible irregular expenditure to the amount of R4 062 070 was identified but still needs to be confirmed based on 80 and 90 consultation. The possible irregular is under investigation to see if it meets the definition of irregular expenditure.

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### 45. Additional disclosure in terms of Section 125 Municipal Finance Management Act Section 2003

#### Contribution to SALGA

Current year subscription / fee	1,102,390	1,064,940
Amount paid - current year	(1,102,390)	(1,064,940)
	-	-

#### Audit fees

Opening balance	9,436	9,436
Current year fee	3,322,609	3,005,877
Amount paid - current year	(3,322,609)	(3,005,877)
Closing balance	9,436	9,436

The outstanding audit fees is part of the creditors accruals for the year.

#### PAYE and UIF

Opening balance	295	295
Current year subscription / fee	17,386,662	16,605,068
Amount paid - current year	(17,386,662)	(16,604,773)
Closing balance	295	295

#### Pension and medical aid deductions

Current year subscription / fee	26,566,193	25,078,570
Amount paid - current year	(26,566,193)	(25,078,570)
Closing balance	-	-

#### VAT

VAT receivable/(payable)

1,749,227	1,749,227
(5,327,508)	(5,327,508)

VAT is payable on the cash basis.

VAT output payables and VAT input receivables are shown in note 6.



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*Related parties continued...*

2019	Basic salary	Other short term employee benefits	Post employment benefits	Other long term benefits	Other benefits received	Total
Municipal Manager	454,510	144,324	153,777	50,902	12,000	815,513
Chief Financial Officer	813,635	-	4,015	-	24,000	841,650
	<b>1,268,145</b>	<b>144,324</b>	<b>157,792</b>	<b>50,902</b>	<b>36,000</b>	<b>1,657,163</b>

## Executive management

2020	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Annual remuneration	742,387	481,969	128,662	-	1,353,018
Acting allowances	5,307	-	25,905	-	31,212
Travel, Motor Car, Accommodation and other allowances	328,280	255,996	65,155	-	649,431
Contribution to UIF, Medical Aid and Pension Funds	62,797	156,482	75,633	-	294,911
Other allowances	24,000	24,000	6,000	-	54,000
	<b>1,162,770</b>	<b>918,447</b>	<b>301,355</b>	<b>-</b>	<b>2,382,572</b>

## 2019

Categories	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Annual remuneration	726,048	569,545	295,559	-	1,591,152
Acting allowances	-	84,226	54,008	-	138,234
Travel, Motor Car, Accommodation and other allowances	311,163	244,090	142,386	-	697,639
Contribution to UIF, Medical Aid and Pension Funds	62,887	152,372	87,223	-	302,482
Other allowances	24,000	24,000	14,000	-	62,000
	<b>1,124,098</b>	<b>1,074,233</b>	<b>593,176</b>	<b>-</b>	<b>2,791,507</b>

For more details on remuneration of executive management, please refer to note 26.

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*Related parties continued...*

### Councillors

2020

Surname and Initials	Basic salary	Allowances	Total
Molala MM	770,183	58,635	828,818
Ntsoane PB	522,586	210,502	733,088
Thobejane TA	489,926	200,121	690,046
Ramokolo MM	520,772	174,253	695,025
Makgati MA	489,926	200,121	690,046
Themane MD	489,926	200,121	690,046
Mollo MI	480,082	196,992	677,074
Mphofela SM	352,689	51,904	404,593
Mogashoa A	273,319	131,273	404,593
Mphahlele RL	273,319	131,273	404,593
Tsela FD	273,319	131,273	404,593
Leshilo GK	272,430	44,400	316,830
Thobejane TC	272,430	44,400	316,830
Rababalela SM	270,443	130,585	401,028
Ratau IG	270,443	130,585	401,028
Doubada NN	265,296	128,723	394,019
Ramatlana LM	212,399	104,431	316,830
Lekoana MR	212,399	104,431	316,830
Seribishane KG	212,399	104,431	316,830
Chidi MV	212,181	104,649	316,830
Kgokolo RD	206,724	110,106	316,830
Makola J	206,724	110,106	316,830
Babile PT	206,724	110,106	316,830
Kgweedi MM	206,724	110,106	316,830
Ledwaba CS	206,724	110,106	316,830
Mallula LM	206,724	110,106	316,830
Masebe BN	206,724	110,106	316,830
Masemola SG	206,724	110,106	316,830
Mathabatha TP	206,724	110,106	316,830
Mohala LN	206,724	110,106	316,830
Molala MJ	206,724	110,112	316,836
Mphahlele TJ	206,724	110,106	316,830
Ntshabeng PS	206,724	110,106	316,830
Ntswane MR	206,724	110,106	316,830
Phela RS	206,724	110,106	316,830
Takalo ME	206,724	110,106	316,830
Thobejane L	206,724	110,106	316,830
Choung CM	206,724	110,106	316,830
Kutumela FM	206,724	110,106	316,830
Ledwaba JL	206,724	110,106	316,830
Ledwaba PE	206,724	110,106	316,830
Mabula RO	206,724	110,106	316,830
Makgahlele MB	206,724	110,106	316,830
Marema TG	206,724	110,106	316,830

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*Related parties continued...*

Matsimela MD	206,724	110,106	316,830
Mmotla MN	206,724	110,106	316,830
Mogamedi VM	206,724	110,106	316,830
Mohala PM	206,724	110,106	316,830
Molaba RG	206,724	110,106	316,830
Molafjana ML	206,724	110,106	316,830
Morotoba NL	206,724	110,106	316,830
Mvundlela MW	206,724	110,106	316,830
Nkuna FM	206,724	110,106	316,830
Petje LT	206,724	110,106	316,830
Ramoshaba RS	206,724	110,106	316,830
Shogole mw	206,724	110,106	316,830
Takalo PS	206,724	110,106	316,830
Tlabjane JB	206,724	110,106	316,830
Phoshoko SD	153,337	80,245	233,582
Mphuti T	138,418	79,439	217,857
Thindisa DM	3,559	4,886	8,446
<b>Total</b>	<b>15,287,287</b>	<b>6,931,716</b>	<b>22,219,004</b>



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*Related parties continued...*

2019

Surname and Initials	Basic salary	Allowances	Total
Sibandà-Kekana NG (resigned May 2019)	408,520	166,748	575,268
Ntsoane PB	500,364	240,595	740,959
Thobejane TA	469,092	208,831	677,923
Mogashoa A	240,053	153,601	393,654
Ramokoto MM	647,380	126,761	774,141
Makgati MA	469,092	262,261	731,353
Mphahlele RL	261,697	187,775	449,472
Mphofela SM	297,774	142,594	440,368
Tsela FD	261,697	154,521	416,218
Maluleke HD (resigned April 2019)	196,758	128,758	325,516
Themane MD	469,092	239,720	708,812
Mollo MI (MPAC Chairperson)	459,667	233,172	692,839
Doubadà NN (Ethics Chairperson)	254,014	126,557	380,571
Makgahlele MB	197,933	109,594	307,527
Marema TG	197,933	108,419	306,352
Takalo PS	197,933	139,500	337,433
Mabula RO	197,933	129,992	327,925
Thobejane TC	261,952	45,040	306,992
Shogole MW	197,933	139,414	337,347
Ledwaba CS	197,933	112,899	310,832
Ratau IG	197,933	110,991	308,924
Rababalela SM	197,933	148,526	346,459
Maleka PI (resigned April 2019)	148,817	92,103	240,920
Molaba RG	197,933	145,854	343,787
Seribishani KG	234,665	74,375	309,040
Thobejane L	197,933	165,166	363,099
Mphuti T	234,665	71,687	306,352
Kgokolo RD	197,933	124,795	322,728
Ntshabeleng PS	197,933	130,501	328,434
Maulula NM	197,933	130,448	328,381
Mphahlele TJ	197,933	128,964	326,897
Mamosebo MI (resigned April 2019)	148,817	97,774	246,591
Thabjane JB	197,933	121,479	319,412
Mimota MN	197,933	165,585	363,518
Mogamedi VM	197,933	165,862	363,795
Babile PT	197,933	145,808	343,741
Kutumela MF	234,665	87,417	322,082
Mvundlela SW	197,933	150,591	348,524
Nkuna FM	197,933	123,413	321,346
Ledwaba JL	197,933	125,257	323,190
Motajana ML	197,933	166,508	364,441
Ledwaba PE	197,933	149,378	347,311
Kgweedi MM	197,933	138,092	336,025
Motoroba NL	197,933	115,225	313,158
Choung CM	234,665	88,023	322,688

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*Related parties continued...*

Takalo ME	197,933	122,421	320,354
Lekoana MR	234,665	71,687	306,352
Leshilo GK	261,952	46,448	308,400
Petje LT	197,933	122,600	320,533
Ntswane MR	197,933	148,835	346,768
Ramalebana LM	78,109	11,100	89,209
Mathabatha MP	197,933	122,023	319,956
Matsimela MD	197,933	172,582	370,515
Ramoshaba RS	197,933	125,689	323,622
Thindisa DM	197,933	120,794	318,727
Masemola SG	197,933	134,503	332,436
Phela RS	197,933	149,485	347,418
Mohala PM	197,933	137,804	335,737
Mofala MJ	197,933	115,024	312,957
Masebe BN	78,109	11,100	89,209
Chidi V	78,109	11,100	89,209
Mohala LN	65,437	23,773	89,210
<b>14,355,415</b>	<b>7,967,542</b>	<b>22,322,957</b>	
Outstanding less than 90 days	197,933	122,421	320,354
Outstanding more than 90 days	199	-	199
Choung CM	559	609	1,168
Mofa M.I	223	6,940	7,163
Ramalebana LM	982	7,549	8,531
<b>8,531</b>	<b>7,549</b>	<b>8,531</b>	

Councillors' arrear consumer accounts owing

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### 47. 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 and includes a note to the annual/interim financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned

# Lepelle-Nkumpi Municipality

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### Deviation from supply chain management regulations continued...

Supplier Name	Services provided	Reason for deviation	Amount
The Institute of Internal Auditors SA	Registration fee for Rampuru Setati attending Public Sector Forum	Institute of Internal Auditors SA was hosting public sector forum on 04-05 February 2019, as a result of obtaining quotes from other service providers becomes impractical.	4,186
Institute of Waste Management	Registration fee for L Kanyane attending Waste Management Conference	The institute of waste management of Southern Africa will be hosting its bi annual waste management conference in Gauteng from 15-19 October 2018, as a result of obtaining quotes from other service providers becomes impractical	6,060
Institute for Municipal Administrators of South Africa	Registration fee for Mr PD Somo attending IMASA annual general meeting	The institute for municipal administrators of South Africa will be hosting its 20 IMASA annual general meeting and conference on 17-19 October 2018, as a result of obtaining quotes from other service providers becomes impractical	4,500
Institute of Traffic and Municipal police officers of Southern Africa	Registration fee for ITMPOSA annual conference at Durban form 9-10 November 2016	ITMPOSA hosted the annual conference at Durban and as a result of obtaining quotes from other service providers becomes impractical.	11,700
Ramsay Media Pty Ltd	Registration fee for exhibition expo for a square meter shell space(stall and design furniture) for 2018 Gauteng gate way show	Ramsay Media is the only service provider that is managing the process of exhibition for the 2018 Gauteng gateway show and as a result of obtaining quotes from other service providers becomes impractical	27,556
Chartered institute of government finance audit and risk officers	Registration fee for CIGFARO 90th annual conference at Durban international convention from 07-09 October 2019 for Mr. Gatane T	CIGFARO hosted the annual conference at Durban and as a result of obtaining quotes from other service providers becomes impractical.	8,024
Chartered institute of government finance audit and risk officers	Registration fee for CIGFARO 90th annual conference at Durban international convention from 07-09 October 2019 for Mr. Rudzani Ramuhulu	CIGFARO hosted the annual conference at Durban and as a result of obtaining quotes from other service providers becomes impractical.	8,024
Pay Day Software System cc	Payday assistance for easy filling from the 05-08 November 2019.	Payroll Unit is using payroll system for easy filling and as a result of obtaining quotes from other service providers becomes impractical.	29,946

# Lepelle-Nkumpi Municipality

(Registration Number LIM 355)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

Figures in R

*Deviation from supply chain management regulations continued...*

	2020	2019
Institute of Internal Auditors of South Africa	10,120	
Renewal of Institute of Internal Auditors South Africa		
membership for Internal Audit officials.		
Preliminary services of the Sheriff Phalala	20,000	
employed staff and purchase of equipment to dismantle the illegal structures by the Sheriff against the court order from the Polokwane High Court against illegal occupiers of the farm Voorspoed 458K5		
Supply and delivery of COVID -19 Protective equipments 100 boxes of medical examination gloves ,100 Saniters (1 litre)	48,790	
Procurement of 08 infrared thermometer temperature scanners (hand held)	17,600	
Supply and delivery of COVID 19 Protective equipments 1000 Surgical cloves,1500 Surgical mask,100 Apron ,20 Saniters and disinfectants (20 liter)and 50 spray bottles (500ml)	59,962	
MJA Brothers Suppliers		
Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to procure temperature scanners in order to flatten the curve of infections for the virus was received hence obtaining three quotations became impractical due of the urgency of the request		
Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to procure temperature scanners in order to flatten the curve of infections for the virus was received hence obtaining three quotations became impractical due of the urgency of the request		
Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to procure temperature scanners in order to flatten the curve of infections was received, service providers were invited and advertising for 7 days on the notice board and website was impractical due of the urgency of the request		
Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to procure temperature scanners in order to flatten the curve of infections was received, service providers were invited and advertising for 7 days on the notice board and website was impractical due of the urgency of the request		
Due to outbreak of the COVID 19 that was declared a national disaster, an urgent request to procure temperature scanners in order to flatten the curve of infections was received, service providers were invited and advertising for 7 days on the notice board and website was impractical due of the urgency of the request		
Advertising on local radio station to attract local residents within Lepelle- nkumpi Municipality area of jurisdiction on call for inputs and comments on 2020/21 draft IDP and budget and 2019-2020 amended budget plan hence obtaining three quotations was impractical	14,400	
Advertisement of IDP of radio advert (02-05 June 2020 and interview of the mayor (for 45 minutes) on Draft IDP and budget 2020/21		



**Notes to the Financial Statements**

Figures in R

2020  
2019  
Restated

**48. Budget information and explanation of differences**

Material differences between the final budget and actual amounts

*Statement of financial performance*

Revenue

Rental of facilities and equipment

There were less bookings than anticipated

Water and sanitation : Commission Earned

The budget was based on 30% actual cash collection while the actual includes billing

Agency fees : Licences and permits

Under collection due to COVID 19 lockdown

Other revenue

Other revenue budget includes accumulated surplus of an amount of R25 500 000,00 from the savings of the previous financial year

Finance income – Exchange

An increase in interest on overdue accounts was due to a decline in payment of municipal services as a result of Covid 19.

Government grants and subsidies received -

Operating

The slow spending is due to the fact that most of the projects are still at various stages of SCM processes and non-adherence of procurement plan due to National State of Disaster of Covid 19 pandemic declared by the President during March 2020

Traffic fines

More traffic fines were issued than anticipated.

Expenditure

Remuneration of councillors

Over budgeting on councillors allowances.

Finance cost

Finance lease contract expired.

Provision for impairments

adjustment

The provision is more that anticipated due to non payment of services.

Repairs and maintenance

Under spending on repairs and maintenance is due limited activities as a result of COVID 19 lockdown.

# Lepelle-Nkumpi Municipality

(Registration Number LIM 355)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements

Figures in R

Restated  
2019

2020

### Budget information and explanation of differences continued...

#### Contracted services

Under spending on contracted services is due to limited activities as a result of COVID 19 lockdown and due to MSCOA budget classification which affect general expenses.

#### Free Basic Services : Electricity

The number of indigent beneficiaries reduced significantly due to low turn up of registration.

#### General expenses

Over spending on general expenses is due to MSCOA budget classification which affect the contracted services budget.

#### Inventories

There was a prior year write down that was not anticipated during budget.

#### Receivables from exchange transactions

The variance resulted from continuous culture of non-payment of municipal services and the interruption implementation of credit control and debt collection policies and by-laws by Covid 19 pandemic.

#### Receivables from non-exchange transactions

There was an anticipation of an increase in property rates billing and debtors as a result of sale and registration of properties in Unit H and by Department of Public Works. The process was therefore interrupted by the Covid 19 pandemic.

#### Cash and cash equivalents

The balance is due to non spending of expenditure as a result of Covid-19

#### Investment property

Unregistered properties belonging to the Municipality were recognised.

#### Intangible assets

The variance is due to software capitalisation that was not anticipated.

#### Heritage assets

Heritage assets were budgeted for under PPE

#### Payables from exchange transactions

The variance is due to retentions withheld as most of the projects are not yet completed due to Covid-19 and also that accrual and leave days budgeted for but no longer encashed.

#### Finance lease obligation

The lease contract expired.

#### Unspent conditional grants and receipts

The budget of R14,557,490 was the unspent grants for 2018-2019 financial year and the actual unspent amount of R16,892,408 was due to FMG and MIG unspent grants for 2019-2020 which was due to the slow spending of the projects that are still at various stages of SCM processes and non-adherence of procurement plan due to National State of Disaster of Covid 19 pandemic declared by the President during March 2020



**Lepelle-Nkumpi Municipality**

(Registration Number LIM 355)

Annual Financial Statements for the year ended 30 June 2020

**Notes to the Financial Statements**

Figures in R

Restated	2020	2019
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*Budget information and explanation of differences continued...*

Provisions

The variance is due to change in valuation methodology on the landfill site provision.

**Chapter 6: Auditor general's report**

**Report of the auditor-general to Limpopo Provincial Legislature and the council on Lepelle-Nkumpi Local Municipality**

**Report on the audit of the financial statements**

**Opinion**

1. I have audited the financial statements of the Lepelle-Nkumpi Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lepelle-Nkumpi Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2019 (Act No. 16 of 2019) (DORA).

**Context for the opinion**

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Emphasis of matter**

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

**Restatement of corresponding figures**

7. As disclosed in note 35 to the financial statements, the corresponding figures for 30 June 2019 have been restated as a result of errors in the financial statements of the municipality at and for the year ended, 30 June 2020.

**Material impairments**

8. As disclosed in note 30 to the financial statements, material impairments to the amount of R50 849 776 were incurred as a result of long outstanding receivables.

Uncertainty relating to the future outcome of litigations

9. With reference to note 37 to the financial statements, the municipality is the defendant in various claims. The municipality is opposing the claims. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

**Other matters**

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

**Unaudited disclosure notes**

11. 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 thereon.

**Unaudited supplementary schedules**

12. The supplementary information as set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

**Responsibilities of the accounting officer for the financial statements**

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

14. 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**

15. 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

- Basic service delivery and infrastructure development

21. I did not identify any material findings on the usefulness and reliability of the reported performance information for this development priority:

20. 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.

Key performance area – basic service delivery and infrastructure development	x – x
Development priority	Pages in the annual performance report

19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priority presented in the municipality's annual performance report for the year ended 30 June 2020:

18. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

**Introduction and scope**

**Report on the audit of the annual performance report**

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

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.

**Other matters**

22. I draw attention to the matters below.

Achievement of planned targets

23. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the opinion expressed on the usefulness and reliability of the reported performance information in paragraph x of this report.

Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Basic Service Delivery and Infrastructure Development. 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**

25. 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.

26. The material findings on compliance with specific matters in key legislation are as follows:

**Financial statements and annual reports**

27. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

Material misstatements of non-current assets, current assets, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

**Expenditure management**

28. Reasonable steps were not taken to prevent irregular expenditure amounting to R18 929 514 as disclosed in note 44 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with the applicable supply chain management legislation. Irregular expenditure amounting to R1 043 870 was incurred on selected key project LNM002/2019/20: Upgrading of Kliphuivel access road from gravel to tar and stormwater control

29. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R16 946 882, as disclosed in note 42 to the annual financial statements, in contravention of

36. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

35. 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.

34. 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 development priorities presented in the annual performance report that have been specifically reported in this auditor's report.

**Other information**

33. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).

- LNM002/2019/20: Upgrading of Kliphuwel access road from gravel to tar and stormwater control
- LNM009/2019/20: Construction of Maraleng community hall
- LNM031/2017/18: Completion of Hwelereng Access Road from Gravel to Tar

32. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the preferential procurement regulations. This non-compliance was identified in the procurement processes for the following key projects:

**Procurement and contract management**

31. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

**Asset management**

30. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R14 110 791, as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by project expenditure in excess of the approved budget amounts.

section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by poor project management.

41. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
42. An independent forensic consultant investigated allegations of employee misconduct, fraud and other irregular activities, which covered the period 2017-18 to 2019-20. The investigation was concluded on 31 August 2020 and resulted in disciplinary actions against employees.

#### Other reports

38. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
39. Non-compliance with legislation as detailed under the *Findings on compliance with legislation* section of this report could have been prevented had compliance been properly reviewed and monitored.
40. The municipality developed and monitored plans to address prior year external audit findings, but the plans did not adequately address the significant findings on compliance with legislation included in this report. This is evident in the repeat findings as detailed under the *Findings on compliance with legislation* section of this report.

#### Internal control deficiencies

37. 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.



43. The municipality instituted civil claims against the former employees that were responsible for investing money at the Venda Building Society. The matter was reported to South African Police Service which was then referred to the South Africa's Directorate for Priority Crime Investigation and was still in progress at the date of this report.

Auditor-General

Polokwane

13 May 2021



AUDITOR-GENERAL  
SOUTH AFRICA

Auditing to build public confidence

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may internal control that I identify during my audit.
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

### Communication with those charged with governance

- 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
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
  - 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
  - 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
  - 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 Lepelle-Nkumpi Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

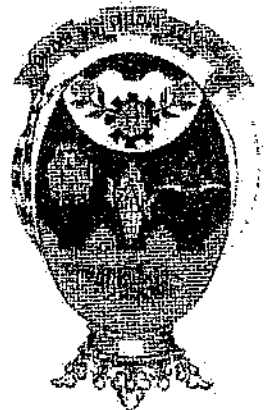
### Financial statements

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### Annexure – Auditor-general's responsibility for the audit

reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied.

**Appendix G: Recommendations of the audit committee**



LEPELLE-NKUMPI

LOCAL MUNICIPALITY

Enquiries: Adv. HM Manthata  
Cell. No: 060 819 8907

Attention: Municipal Council

RE: AUDIT AND PERFORMANCE COMMITTEE HAND OVER REPORT

The purpose of this report is to provide the Council and new Audit and Performance Committee with the background of the performance of the Municipality based on the engagement between the Audit and Performance Committee with Management reports submitted to the Audit and Performance Committee and the reports of Audit and Performance Committee to Council from April 2017 to March 2020.

### 1. Audit and Performance Committee Responsibility

Audit and Performance Committee managed to fulfill its roles and responsibilities as outlined in section 166 of the Municipal Finance Management Act 56 of 2003 (MFMA) and the approved Audit and Performance Committee Charter. The Audit and Performance Committee adopted appropriate formal terms of reference as contained in the Audit and Performance Committee Charter approved by the Municipal Council, regulated its affairs in compliance with the charter and has discharged its responsibilities as contained therein. The Audit and Performance Committee is supported by the Internal Audit Unit of the Municipality in order to discharge and fulfill its responsibilities.

Section 166 of the Municipal Finance Management Act No. (MFMA), provides that the Audit Committee shall:

- "a. advise the Municipal Council, the political office bearers, the accounting officer and the management of the municipality, on matters relating to:
  - i. internal financial control and internal audit
  - ii. risk management

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- iii. accounting policies
- iv. the adequacy, reliability and accuracy of the financial reporting and information
- v. performance management
- vi. effective governance
- vii. Compliance with the MFMA and any other applicable legislation.
- viii. performance evaluation
- ix. Any other issues referred to it by the municipality or municipal entity.

- b) Review the annual financial statements to provide the municipal council and the management with an authoritative and credible view of the financial position of the municipality, its overall level of compliance with MFMA or any other applicable legislation.
- c) Respond to council on any issues raised by the Auditor General in the audit report.
- d) Carry out such investigations into the financial affairs of the municipality as requested by the municipal council.
- e) Perform such other functions as may be prescribed"

**2. Audit and Performance Committee Members**

The Audit and Performance Committee was appointed with effect from 01 April 2017. It is constituted by the members listed hereunder, and it has to meet at least four times a year as prescribed or more when the need arises. The Audit and Performance Committee was able to comply with section 166 (4) (b) of the Municipal Finance Management Act and the approved Audit and Performance Committee Charter.

Date	Name of Member	Portfolio
01 April 2017	Adv. HM Manthata	Chairperson
01 April 2017	Mr. C Sefala	Member
01 April 2017	Mr. MP Mongalo	Member
01 April 2017	Ms. NJ Manthata	Member
01 April 2017	Ms. PN Marota	Member

Note: Audit and Performance Committee Member, Ms. N Marota resigned on 30 November 2017

**3. Attendance of Audit and Performance Committee Meetings by Officials**

- 1. Meetings held were in line with MFMA and Audit and Performance Committee Charter.
- 2. Intended objectives were partially met, due to non – submission of some of the reports.

3. Attendance of meetings by officials was not satisfactory due to unavailability of other Executive Managers during some of the Audit and Performance Committee meetings. It should be noted that this is based on the fact that attendance of meetings by officials has not been consistent.

4. Audit and Performance Committee Inputs on Progress Report on Implementation of Previous Audit Committee Resolutions  
 It should be noted that the percentage reflects the implementation status before the end of the 2019/2020 financial year.

Audit and Performance Committee noted the satisfactory progress reported on implementation of Audit and Performance Committee resolutions. (Refer to the table below on status of implementation of Audit and Performance Committee resolutions as presented by management to the Audit Committee):

**4.1. AUDIT AND PERFORMANCE COMMITTEE RESOLUTIONS FROM FEBRUARY 2014 TO JUNE 2019**

Financial Year	Number of resolutions raised	Number of resolutions addressed	Number of resolutions outstanding	Number of %
2013/2014	101	100	1	99%
2014/2015	113	113	0	100%
2015/2016	118	118	0	100%
2016/2017	268	267	1	99%
2017/2018	106	105	1	99%
2018/2019	129	123	6	95%
2019/2020	129	87	42	67%
<b>Total</b>	<b>963</b>	<b>913</b>	<b>51</b>	<b>95%</b>

4.2 Stakeholders resolutions should be integrated and included in the combined assurance plan for regular monitoring.

4.3 Implementation of the Audit and Performance Committee resolutions is excellent.

**5. The Effectiveness of Internal Control**

5.1 The system of internal control is designed to manage risk in the Municipality and to ensure that the Municipality is able to achieve its objectives and goals. Scrutiny of internal Auditor's reports indicates that there are serious weaknesses in the implementation of the designed internal control system of the Municipality. Audit Committee further determined that Municipality has established a mechanism to ensure that internal Audit findings are addressed. Below is the statistic summary of Internal Audit findings raised and progress on implementing of the findings:

5.2 Total number of findings raised from 2010 to 2020 is 1269, implemented findings are 1162 and outstanding are 107. Municipality is on 92% implementation.

5.3 Internal Audit Findings raised per financial year:

Financial Year	Number of findings raised	Number of findings addressed	Number of findings outstanding	Number of %
2010/2011	32	32	0	100%
2011/2012	125	125	0	100%
2012/2013	114	114	0	100%
2013/2014	85	83	2	98%
2014/2015	105	104	1	99%
2015/2016	224	220	4	98%
2016/2017	265	261	4	98%
2017/2018	134	131	4	98%
2018/2019	141	102	39	72%
2019/2020	35	1	34	03%
<b>Total</b>	<b>1269</b>	<b>1162</b>	<b>107</b>	<b>92%</b>

5.4 Council should take note that non implementation of Internal Audit findings contributes to unfavorable audit opinion, poor performance of the Municipality and non - achievement of Municipal objectives. Internal Audit findings reflect the risk which Municipality is exposed to.

5.5 Management should strive to reduce the Audit findings while preventing any recurrence.



5.7 Implementation of Internal Audit Findings has improved from 88% in 2017/2018 financial year to 91% in 2018/2019 financial year, and 92% in 2019/2020 (July 2019 - March 2020) it is therefore excellent.

#### 6. The Effectiveness of the Internal Audit Activity

6.1. The Internal Audit unit consists of the Chief Audit Executive, Senior Internal Auditor – Risk based, Senior Internal Auditor Performance based and Internal Auditor.

6.2. Effectiveness of Internal Audit Unit is hampered by inadequate staffing.

6.3. The Municipality is advised to capacitate Internal Audit, Risk Management and Performance Management Units as a matter of urgency.

6.4 The Audit Committee is satisfied with the quality of Internal Audit reports.

6.5 Internal Audit Unit provides excellent support to the Audit Committee.

#### 7. Implementation of Internal Audit Plan

In the approved Internal Audit Plan for 2019/2020 financial year, Internal Audit had 16 planned audit projects for the year and 4 projects were scheduled for the first quarter and 1 project for the second quarter of the financial year. 4 x projects were completed in the first quarter and 3 x projects were completed in the second quarter of 2019/2020 financial year, which consist of 1x project planned for the quarter, 1x which was planned for the third quarter and 1x Ad-hoc audit requested by Council. The table below reflects the status of implementation of the approved audit plan and challenges encountered for the stated financial year:

No	Project Name	Timing	Status	Period reported to Audit Committee	Challenges
1.	Review of 2018/2019 Annual Financial Statements	1 <sup>st</sup> quarter	Completed	23 August 2019	Late submission of the draft AFS and non - submission of the Audit file.
2.	Review of 2018/2019 Annual Performance Report	1 <sup>st</sup> quarter	Completed	30 August 2018	Late submission of the draft APR and evidence files
3.	Audit of PMS Processes - Compliance	1 <sup>st</sup> quarter	Completed	21 October 2019	None
4.	Risk Management Processes	1 <sup>st</sup> quarter	Completed	21 October 2019	None
5.	PMS Audit for 1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	Completed	20 January 2020	Delays in responding to Internal Audit



8.1.1 The Cash Flow Analysis report were not regularly submitted to Audit Committee and the submitted reports had inconsistencies, reported information were not accurate and realistic.

8.1.2 Cash Flow Analysis reports are not submitted to Provincial Treasury quarterly as per Limpopo Treasury Circular number 2 of 2019 on Revenue and Cash Management.

8.1.3 It was further observed that the cash flow status of the Municipality remain fragile and Audit Committee recommends implementation of costs containment measures and improvement on revenue collection.

### 8.2 Section 52 Report

8.2.1 Audit Committee was unable to advise municipality on financial matters due to non-submission of the Section 52 report for the First, Third quarter and Fourth Quarter of 2018/2019 financial year.

8.2.2 Section 52 (d) reports submitted were noted with serious concern due to non-performance of the Municipality which lead to withdrawal of the GRANTS.

8.2.3 Audit Committee recommended that measures to capacitate Budget and Treasury department inclusive of accelerating the process for appointment of CFO should be established as there is a serious shortage of staff in this critical department.

8.2.4 Aging of receivables should be attended to by implementing the approved debt collection policy rigorously.

### 8.3 Financial Statement

8.3.1 Management was advised to mitigate the high risk of possible loss of data or lack of information due to reliance on the service providers who owns the system. The Audit Committee raised a concern due to the effect that the Municipality is not in full control of its own information whereas the Municipality is the custodian of the information.

8.3.2 Audit and Performance Committee identified material misstatement during the review of the interim and annual AFS on an annual basis, management was advised to monitor performance of the service providers for preparation of the AFS.

8.3.3 Service level Agreement between the Municipality and service provider appointed to prepare Annual Financial Statements should be reviewed to ensure that a clause for ownership of data is incorporated taking in to consideration the term of appointment. Appropriate records management systems must also be developed.

8.3.4 The Municipality reported to the Audit and Performance Committee that there is no Case – were financial system, which according to the Audit and Performance Committee was contrary to reports in the previous years. It was further identified that there is a likelihood of the risk of loss of data as the Municipality does not own the system. Investigation on case-were financial system that was reported as purchased in 2015/2016 financial year.

8.3.5 Quarterly Financial Statements are not prepared and submitted to Audit and Performance Committee to enable thorough review and preparation for Annual Financial Statement. The Audit and Performance Committee recommended that quarterly AFS be prepared and submitted to the Audit and Performance Committee.

8.3.6 Write offs for indigent consumers should be approved by Council at the correct sphere of government. This matter must be handled in consultation with CDM as the water service authority. (Delegations to be taken into consideration).

8.3.7 Legal Unit should advise on matters relating to the write-off of water and sewer for indigent consumers. Need for consultation with CDM identified.

#### 8.4 Action Plan on Implementation of AGSA Findings

8.4.1 Unavailability of Service provider's replacement plan and skills transfer which result in reliance on Service providers.

8.4.2 Delays in process of appointing key personnel (Municipal Manager, CFO, and other Executive Managers) may negatively affect the audit and jeopardize the approval of rollovers.

### 9 Land Matters

9.1 Development of disposed sites should be accelerated to avoid disputes and the risk of cancellation of sale agreements. Capricorn District Municipality should be engaged on provision of water and sewer.

9.2 All relevant stakeholders should be engaged in their respective competences. In future this process must be done through forward planning.

9.3 Audit Committee noted the progress reported on land matters in particular the process of registration of land in the name of the Municipality which was one of the factors that lead to a qualified audit opinion. The reported engagement with COGSTA

to assist with matters relating to the traditional leaders was appreciated as the long outstanding issue.

## 10 Risk Management

10.1 Audit and Performance Committee was unable to advise municipality quarterly on risk management matters due to non – submission of risk management reports and a concern in this regard was raised.

10.2 Risk Management Unit should be capacitated.

10.3 Executive Managers should take accountability on risk management in their respective departments.

10.4 The chairperson of the Risk Management Committee (RMC) is a person who not in the employ of the Municipality and has extensive experience on risk management matters and has demonstrated commitment to support the Municipality.

10.5 It should be noted that on advice of the Audit Committee, CDM committed to assist and provide support to the municipality on risk management in this regard and it has never been fully implemented.

## 11 Investigation Report

11.1 Management should strengthen controls on monitoring cases reported to SAPS, and ensure that there is follow – up on such cases.

11.2 Presidential, Premier, Municipal Fraud Hotline cases, and cases reported to Public Protector should be investigated and progress be regularly reported to relevant stakeholders.

## 12 Business Continuity Plan

Audit Committee noted the reported progress on the engagement of the Chairperson of the Risk Management Committee in relation to the development of the Business Continuity plan.

## 13 Integrity and Ethical Behaviors

13.1 Management should ensure that consequence management is implemented where appropriate.

13.2 Disciplinary policy should be communicated to all employees at all given times (Continuously).

13.3 Ethics risk register should be developed.

#### 14 ICT Report

14.1 Performance of ICT steering committee should be assessed regularly to ensure effectiveness of the committee. review sentence

14.2 Cost for implementation of the disaster recovery plan should be determined.

14.3 Reports outlining the attempts for unauthorized access to the Municipal firewall should be requested from the service provider appointed for monitoring of the firewall for monitoring purposes.

14.4 ICT policy should be reviewed to incorporate controls relating to unauthorized access to Municipal firewall.

14.5 ICT awareness workshops should be conducted regularly.

#### 15. Performance Management

15.1 Audit and Performance Committee established sub-committee to look into Municipal Performance as outlined in Municipal Planning and Performance regulations. An independent member of the audit and performance committee specializing in performance chaired the performance audit committee. The intervention was aimed at improving the performance of the Municipality as a whole.

15.2 Performance Audit Committee had two meetings in 2018/2019 financial year and Council took a decision to abolish the Performance Committee.

15.3 Audit and Performance Committee was not able to regularly advising municipality on performance management matters due to non – submission of some of the SDBIP reports which lead to limitation of the responsibilities of the Audit and Performance Committee.

15.4 Audit and Performance Committee is concerned by non – achievement of predetermined objectives of the Municipality which is recurring in particular on core objectives related to provision of basic services. Departmental performance should be monitored on a monthly basis.

15.5 Audit and Performance Committee raised a concern on poor planning as challenges raised on non - achievement of the targets was unavailability of budget which was supposed to be adequately budgeted for during planning stage.

15.6 Executive Managers were not assessed in 2018/2019 and 2019/2020 (Mid - Year) financial years which constitutes non-compliance to the PMS regulation and lack of accountability by Executive Managers. Municipality should ensure that Executive Managers are assessed as prescribed.

15.7 Performance Management system should be cascaded down to other employees.

15.8 Audit and Performance Committee held a meeting in collaboration with the Hon. Mayor, the Hon. Speaker, the Hon. Chief Whip, members of EXCO, members of MPAC and management on performance matters in February 2019. The joint session yielded to good results. This demonstrates good combined assurance within the Municipality.

15.9 It is recommended that the Municipality should review its decision to abolish the Performance Committee.

#### 16. Service Providers' Assessment Report

16.1 Audit and Performance Committee was unable to adequately advise municipality quarterly on performance of the service providers due to non - submission of some of the quarterly service providers assessment reports.

16.2 Service provider assessment report submitted was incomplete as some of the service providers where not included in the report and the figures were inaccurate.

16.3 Management should ensure that penalties are imposed on poor and non - performing service providers through enforcement of contract management principles.

#### 17. Infrastructure Report

17.1 Audit and Performance Committee raised a serious concern of under performance of the service providers though out of 2017/2018 and 2018/2019 financial year which lead to withdrawal of GRANTS.

17.2 Audit and Performance Committee advised management to strengthen controls over monitoring of projects and take appropriate action against poor and non performing service providers.

17.3 Poor performing service providers should be reported to National Treasury, e.g Service provider appointed for Upgrading of Hwelereng Internal road.

17.4 Contract amendments should be in line with Section 116 of the MFMA and circular 65.  
17.5 Internal Audit findings on projects should be attended to.

## 18. Audit and Performance Committee Inputs on MSCOA Report

18.1 Sebata Solution (Pty) LTD who was appointed for implementation of Mscosa should be reported to National Treasury for poor performance.

18.2 Audit of performance of Sebata Municipal Solution (PTY) Ltd contract on Mscosa Project should be submitted to Council.

18.3 Expenditure incurred on payment of Sebata Solution (Pty) LTD should be correctly reported to the relevant authority upon completion of the investigations.

18.4 Performance of the new service provider should be regularly monitored.

18.5 Mscosa risk register should be regularly monitored and updated.

## 19. Procurement plan

19.1 Management should adhere to the procurement plan, consequence management should be taken against non-adherence to the procurement plan.

19.2 Management should be specific and accurate when developing the specifications to avoid delays in the implementation of the procurement plan.

19.3 Procurement plan should cover all capital projects.

19.4 Service standards outlining the time frames for evaluation, adjudication and appointment of service provider within the prescribed period should be implemented.

19.5 The Audit and Performance Committee noted that there were several incidents of re-advertisement of bids due to expiry of the validity period and as the Audit Committee previously advised on this matter, it was emphasized that the Municipality should strive to ensure timeous extension of the validity period where appropriate.

## 21. Contract Management

20.1 Audit and Performance Committee raised a serious concern on poor contract management and advised management to strengthen controls on contract management.



20.2 Expiring lease contracts should be renewed on time.

20.3 Tenders should be advertised before the expiry dates of the existing contracts.

20.4 Appropriate action should be taken for poor or non-performance.

20.5 Contracts should be managed through an appropriate contract management system and expenditure incurred per project should be monitored to avoid over payment of service providers.

## 21. Review of 2019/2020 Risk Management policies and 2019/2020 Risk Profile

21.1 The following policies and Risk Management frameworks for 2019/2020 financial year were not submitted to Audit and Performance Committee for review:

21.1.1 Risk Management Strategy

21.1.2 Fraud Prevention Strategy

21.1.3 Whistle Blowing Policy

21.1.4 Gift Policy

21.1.5 Investigation Policy

21.1.6 2019/2020 Strategic Risk Register

21.1.7 Gift Policy

21.2 The following Risk Register should be finalized:

21.2.1 Operational Risk Register

21.2.2 MSCOA risk Register

21.2.3 ICT Risk Register

21.2.4 Ethics Risk Register

21.2.5 Fraud Risk Register

21.3 The Risk Committee is chaired by an independent chairperson, who has vast experience in Risk Management and Auditing. The risk department is not adequately capacitated to deal with its responsibilities adequately. Capacitation of this unit is imperative.

## 22. Review of 2019/2020 JDP, Budget and SDBIP

Municipality should consider forward planning to avoid poor performance.

## 23. 2019/2020 Budget related policies

Management was advised to strengthen consultation with Employees through Local Labour Forum on development of policies which affect employees.

**24. Approval of Strategic Internal Audit Plan**  
Audit and Performance Committee approved 3 years rolling plan and annual Internal Audit plan for 2019/2020, 2020/2021 and 2021/2022 financial years.

**25. Review of Audit and Performance Committee and Internal Audit documents**  
Audit Committee reviewed the following documents and recommended approval by Council:

25.1 Internal Audit Methodology

25.2 Internal Audit Charter

25.3 Audit and Performance Committee Charter

**26. Revenue Collection.**

26.1 Revenue enhancement strategy should be submitted to Council for approval and be implemented.

26.2 Management should strengthen control over collection of revenue in all revenue sources.

26.3 Expired lease agreements on municipal properties should be renewed.

**27 Environmental Management**

Management should implement by – laws on illegal dumping and other non-compliance to environmental prescripts.

**28. Support to Technical Committees**

The Municipality has established Financial Misconduct Disciplinary Board whereby membership includes a member of the Audit and Performance Committee and Chief Audit Executive.

**29. Major Challenges that Need Immediate Attention**

29.1 High vacancy rate on key positions.

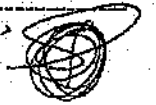
29.2 Delays in finalization of job evaluation processes.

29.3 Delays in SCM Processes.

29.4 Non – compliance with the performance management framework by failure to conduct assessment of the Executive managers.

29.5 Irrespective of the overall improved performance of 61% the percentage of some key performance indicators are not satisfactory.

On behalf of the Audit and Performance Committee  
Adv. HM Mantlata (Chairperson from 01 April 2017 to 31 March)



The Audit and Performance Committee would like to thank Council, Management, Internal Audit and all role players within the spirit of combined assurance for their commitment and support during its tenure. It is recommended that the report should be noted.

### 31. Conclusion

- 30.5. Management should strengthen controls on contract management.
- 30.4. Municipality must ensure improved performance in all key performance indicators in order to achieve the objectives of the Municipality.
- 30.3. Municipality must adhere to the approved procurements plan to avoid delays in the appointment of service providers which affects service delivery negatively.
- 30.2. Municipality must accelerate the finalization of job evaluation processes.
- 30.1. Municipality must accelerate the processes of appointing key personnel.
- ### 30. Measures to address identified challenges

29.6 Poor Contract Management.

**Appendix I: Service Provider Performance Report**

Project Name	Appointed Service Providers	Contract Amount	Expenditure to date	Project Status/eqs	Reason for Non-completion	Project start date	Project End date	Score (1-5 Rating)	Performance description	Mitigation
Upgrading of Mooiplaas access road	Moribo wa Africa/Maditsi JV	R 25 211 028.06	R27 691 349.10	Contractor Finalizing bridge. Surfacing done.	none	22 May 2019	21 March 2020	4	Performance is significantly higher than standard expected in the job	none
	Aphane consulting	R4 424 53 0.33	R2 890 069.4 1					3	Performance fully meet all areas of the job	none
Tarring of main roads from Zone S to Q - Lebowatgomo	PJM Engineering and Plant Hire	R8 461 797.52	R6 903 215.30	The Contractor attending to snaglist. Practical completion.	none	22 May 2019	22 October 2019	3	Performance fully meet all areas of the job	none
	Bawelle Consulting Engineers	R2 104 352.47	R2 104 352.47					3	Performance fully meet all areas of the job	none
Upgrading of Hwelereng Access road	Maditsi Jan Construction and projects	R3 751 844.74	R2 266 705.8 3	Construction progressing well. Progress at 0%	none	13 December 2019	13 March 2019	3	Performance fully meet all areas of the job	none
	Endecon Ubuntu PTY Ltd	R2 031 71 0.00	R0.00					3	Performance meets some of the standard expected for the job	none
Upgrading of Hweleshaneng access road	Not Yet Appointed	none	R18 020 323.11	Contractor terminated.	Contractor vacated site and poorly performed.	n/a	n/a	n/a	n/a	Another contractor to be appointed
	Maswika Consulting Engineers	none	R5 474 278.67					2	Performance meets some of the standard expected for the job	
Construction of Ga-Molapo village	Mahlatji Mmetji Mbako JV	R 5 166 153.90	R4 932 576.4 3	Construction at 65%	Delays caused by rain and labour strikes.	21 May 2019	28 February 2020	3	Performance fully meet all areas of the job	Contractor has applied for extension of time.

Construction of Magette Thuson g Centre.	Consultant - Social Architecture	R 2 892 307.19	R 1 806 968.93	Design finalised - no budget for construction in the current financial year	Insufficient Budget for construction.	n/a	n/a	n/a	3	Performance fully meet all areas of the job	To fast-track the process of BEC and BAC sitting according to their schedule,
Construction of Community crèche at Hlakano	Mmasekgail a Trading JV Bakgaditse General Training	R1 178 75 1.00	R1 133 420.0 0	Contractor attending to Snaglist, Practical completion.	n/a		23 January 2020	3	Performance fully meet all areas of the job	none	
Number of Construction of Community crèche at Kliphuiwel	Mmasekgail a Trading JV Bakgaditse General Training	R1 178 75 1.00	R1 143 861.0 0	Contractor attending to Snaglist, Practical completion.	None	23 July 2019	23 January 2020	3	Performance fully meet all areas of the job	none	
Upgrading of roads from gravel to Tar at Zone S to BA phase 2 (Ward 16 & 17. Multiyear 3.9km)	Nkoane & Phaahle & Mulo Business JV	R 34 207 898.49	R23 218 582. 25	Construction at 60 %	Community disruptions and work stoppages by the department of minerals resources due to borrow pit permit that was not aligned to the relevant coordinates.	02 July 2018	11 December 2019	2	Performance meets some of the standard expected for the job	Contractor to apply for extension of time	
	Phekiso Consulting Engineering	R 4 279 920.24	R3 724 546.8 4					3	Performance meets some of the standard expected for the job	none	

Construction of Stormwater: Mogofoane (Designs Only)	Marumo Consulting Engineers	R 2 226 589.54	R1 267 185.86	Designs finalised – Insufficient budget for Construction.	Insufficient budget for Construction.	n/a	n/a	3	Performance fully meet all areas of the job	Prioritise construction in outer years.
Construction of Stormwater: Sehlabeng/Hlakano (Designs Only)	Ralema Consulting engineers	R2.827 513.86	R1 298 993.14	Designs finalised – Insufficient budget for Construction.	Insufficient budget for Construction.	n/a	n/a	3	Performance fully meet all areas of the job	Prioritise construction in outer years.
Construction of Stormwater: Rakgoatha (Designs Only)	Thuso Projects	R1 914 440.00	R1 072 408.93	Designs finalised – Insufficient budget for Construction.	Insufficient budget for Construction.	n/a	n/a	3	Performance fully meet all areas of the job	Prioritise construction in outer years.
Construction of Stormwater: Mathibela (Designs Only)	Phekiso consulting engineers	R3 700 000.00	R1 537 234.63	Designs finalised – Insufficient budget for Construction.	Insufficient budget for Construction.	n/a	n/a	3	Performance fully meet all areas of the job	Prioritise construction in outer years.
Upgrading of access roads from gravel to tar - Kliphuivel	Dolmen consulting	R3 546 818.84	R1 248 745.56	Final Designs completed. In process of appointing a contractor.	Delay in procurement processes.	n/a	n/a	3	Performance fully meet all areas of the job	none
	Not Yet Appointed	n/a	n/a					n/a	n/a	Expedite SCIM processes.
Development of recreational Facilities Lesetsi (Designs Only)	Maswika Consulting	R395 067.00	R0.00	Designs completed – Insufficient budget for Construction.	Insufficient budget for Construction.	n/a	n/a	3	Performance fully meet all areas of the job	Prioritise construction in outer years.

Development of recreational Facilities at Majjane (Designs Only)	Aobakwe consulting engineers -	R 621 000.00	R1 595 154.21		Designs completed – insufficient budget for Construction	Insufficient budget for Construction	n/a	n/a	3	Performance fully meet all areas of the job.	Prioritise construction in outer years.
	Maswika Consulting engineers	R 395 067.00	R00.00		Designs completed. insufficient budget for Construction	Reprioritised due to lack of budget to cover sufficient scope of work.	n/a	n/a	3	Performance fully meet all areas of the job.	none
Development of recreational Facilities at Lekurung	Not appointed	R00.00	R00.00						n/a	n/a	Reprioritise in subsequent financial year.
	Mont Consulting Engineers	R621 000.00	R00.00		Designs completed – insufficient budget for Construction	Insufficient budget for Construction	n/a	n/a	3	Performance fully meet all areas of the job.	Prioritise construction in outer years.
Number of parks upgraded in Lebowakgomo zone A, B, F, R and S (Design Only)	Dolmen consulting engineers	R 382 629.00	R00.00		Designs completed – insufficient budget for Construction	Insufficient budget for Construction	n/a	n/a	3	Performance fully meet all areas of the job.	Prioritise construction in outer years.



Project Name	Appointed Service Providers	Contract Amount	Expenditure to date	Project Status Quo	Reason for Non-completion	Project start date	Project End Date	Score (1-5 Rating)	Performance Description	Mitigation
Electrification of Makurung ward (180HH)	Bawelile Consulting Engineers	R300 105.00	R300 105.00	Project Complete and Energised	None	10 January 2019	10 July 2019	3	Performance fully meet all areas of the job	none
	Mahlajji Mmetji-Ndingo Technologies JV	R2 856 816.19	R2 786 886.20					3	Performance fully meet all areas of the job	none
Electrification Mahlatjane ward 28 (109)	Kanas Consulting Engineers	R540 000.00	R430 000.00	Construction, Progress at 100%	None	03 February 2020	03 June 2020	3	Performance fully meet all areas of the job	none
	KingKi Electrical Contractor	R1 495 000.00	R1 486 662.00					3	Performance fully meet all areas of the job	none
Electrification of Makushwaneng ward (35HH)	Takusa Consulting and Services	R675 712.40	R00.00	Construction, Progress at 75%	None	16 February 2020	16 April 2020	3	Performance fully meet all areas of the job	none
	Mahlajji Mmetji	R675 712.40	R229 990.42					3	Performance fully meet all areas of the job	none
Electrification of Makgopong (100HH)	Muteo Consulting Engineers	R413 316.29	R288 973.26	Complete and Energised	None	22 February 2019	14 August 2019	3	Performance fully meet all areas of the job	none
	Manco Business Enterprise	R1 471 336.69	R1 291 059.84					2	Performance meets some of the standard expected for the job	none
Construction of 12 High Mast Lights (Public Lights)	Math Engineering CC	R874 000.00	R697 015.00	Tender re-advertised	Delay in procurement processes	n/a	n/a	3	Performance fully meet all areas of the job	none
	Mobofa Trading Services	R4 535 225.10	R1 479 521.00					n/a	n/a	none

Supplementary valuation roll	Mod-Hope	As per the bid tariffs	R1 858 227.50	2020/2021 Supplementary valuation Completed	n/a	11 November 2016	30 June 2022	3	Performance fully effective	none
Registration of properties	Verveen attorneys	As per the bid tariffs	R00.00	Advertised for lodgment with the deeds of office	Delays in the submission of the required individual personal information for registration with the Deeds Office	27 February 2018	27 February 2021	3	Performance fully effective	none
Registration of properties	Popela Maake attorneys	As per the bid tariffs	R1 19210.00	100 properties registered (Lebowatgomo unit H)	n/a	26 February 2018	26 February 2021	3	Performance fully effective	none
Professional services for the Land Surveying services	Back Pocket Trading and Projects JV	As per the bid tariffs	R1 096 071.00	Completed.	n/a	20 December 2018	19 December 2021	4	Performance significantly above expectations	none
Landfill Management	Mascon Trading	R 4 050 000	R1 035 000	Ongoing	Term contract	01 March 2020	28 February 2020	3	Performance fully meet all areas of the job	none
Cleaning of illegal waste dumps	Manthabo2 Aircon, Electrical and General Construction	R 332 000	R103051	As and when	n/a	01 February 2020	31 January 2020	3	Performance fully meet all areas of the job	none
Maintenance and Calibration Testing Equipment's	Workshop Electronics	R 126 228	R29750	Ongoing	Term contract	01 September 2019	31 August 2021	3	Performance fully meet all areas of the job	none
Supply and delivery of traffic uniform	White Hall Trading and Projects	R100 000	R 82070	Not completed	Term contract	01 April 2018	31 May 2021	3	Performance meets some of the standard expected for the job	none

Supply, installation and administration support of the Electronic Traffic Fines Management System	Mvambo Intelligence Transport Solution (PTY) LTD	R0.50 for every R1.00 per paid fine	n/a	Not completed	Term contract	01 February 2019	31 January 2022	4	Performance is significantly higher than standard expected in the job	none
Master Agreement for Payroll	PayDay	R70 360,45	n/a	Active	Ongoing	28 October 2019	31 October 2019	5	The performance is satisfactory	none
Business Agreement	SITA	Costs are as per service requested and rendered	n/a	Active	Ongoing	n/a	n/a	3	The performance is satisfactory	none
Master Service Agreement for implementation of mSCOA enterprise management system	Business Connexion	R600 000.00	n/a	Active	Still in progress	27 November 2019	31 July 2021	3	The performance is satisfactory	none
Website maintenance	SITA	R98 942,29	R 5 553,78	Active	Running on month to month basis	01 August 2017	31 August 2020	5	The performance is satisfactory	none
Maintenance and Support of Wireless Local Area Network	IT Master	As per service rendered for 36 months	n/a	Active	Active	01 March 2018	28 February 2021	3	Performance fully meet all areas of the job	none
Maintenance and support of ICT Production and	IT Master	As per service rendered	n/a	Active	Active	07 July 2018	30 June 2020	3	Performance fully meet all areas of the job	none





Provisioning Of Communication Services	Telkom	R 2 349 675 for 60 months	R39 161.25	Active	Active	14 March 2018	13 March 2023	3	Performance fully meet all areas of the job	none
Bulk messaging ( for communication with councillors )	Vodacom	R00.00	R178.25	Active	Active	21 August 2015	Open - Ended	3	Performance fully meet all areas of the job	none
Fleet Management services (Vigil Monitoring System)	Netstar	R209 58 5,76 for 24 month	R16 882.39	Active	Running on a month to month basis	02 October 2014	On a month to month basis	3	Performance fully meet all areas of the job.	none
Fleet Management services (Petrol and Maintenance system	Wesbank	As per service rendered for 60 months	R 9 495.51	Active	Running on month to month basis	11 April 2007	On month to month basis	3	Performance fully meet all areas of the job	none
Provision of physical Security Services	Bravo 90 span Security services	R488375 52,52 for 36 Months	R1 368 498.67	Active	Active	01 March 2018	28 February 2021	3	Performance fully meet all areas of the job	none
Monitoring and response Security Services	Fidelity ADT	R 24672,96 for 24 Months	R1236.79	Active	Active	07 July 2018	30 June 2020	3	Performance fully meet all areas of the job	none
Leasing of Photocopiers	Nashua	R200253 6,72 for 36 months	R51 852.87	Active	Running on month to month basis	01 December 2019	30 November 2018	3	Performance fully meet all areas of the job	none
Provisioning Of Communication Services	Telkom	R 2 349 675 for 60 months	R39 161.25	Active	Active	14 March 2018	13 March 2023	3	Performance fully meet all areas of the job	none

Bulk messaging ( for communication with councillors ) Provision of Legal Services	Vodacom	R00.00	178.25	Active	Active	Active	21 August 2015	Open - Ended	3	Performance fully meet all areas of the job	none
Provision of Legal Services	Popela Maake	As per the bid tariffs	R00.00	Not completed	Matter still pending	26 February 2018	26 February 2021	3	Performance fully meet all areas of the job	none	
Provision of Legal Services	Verveen Attorneys	As per the bid tariffs	R00.00	Not completed	Matter still pending	27 February 2018	27 February 2021	3	Performance fully meet all areas of the job	none	
Provision of Legal Services	Bafana Ncube Incorporated	As per the bid tariffs	R00.00	n/a	Matter still pending	27 February 2018	27 February 2021	n/a	Performance meets some of the standard expected for the job	none	
Provision of Legal Services	Mahowa Inc Incorporated	As per the bid tariffs	R00.00	Not completed	Matter still pending	08 March 2018	08 March 2021	3	Performance fully meet all areas of the job	none	
Provision of Legal Services	SC Mdhiluli attorneys Inc	As per the bid tariffs	R00.00	Not completed	Matter still pending	23 February 2018	23 February 2021	03	Performance fully meet all areas of the job	none	
Provision of Legal Services	Modise Mabule Inc	As per the bid tariffs	R00.00	completed	Matter still pending	23 February 2018	23 February 2021	n/a	n/a	none	
Provision of Legal Services	Makubela Attorneys	As per the bid tariffs	R00.00	n/a	Matter still pending	26 February 2018	26 February 2021	03	Performance fully meet all areas of the job	none	