

**BLUE CRANE ROUTE LOCAL MUNICIPALITY (102 EC )**



**ANNUAL PERFORMANCE REPORT  
2019/2020 FINANCIAL YEAR**

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## 1. INTRODUCTION

In May 2017 BCRM adopted its 5-year Integrated Development Plan as guided by section 25 of the Municipal Systems Act of 2000, subsequent to that SDBIP was developed and approved by the Mayor as per circular 13 and further revised after budget adjustments. The report seeks to give an overview of the BCRM performance during the 2019/2020 financial year.

## 2. LEGISLATIVE REQUIREMENTS

As per section 40 of the Municipal Systems Act of 2000 (MSA), a Municipality must establish mechanisms to monitor and review its Performance Management System (PMS). This is done to ensure that performance of the municipality is measured, monitored, reviewed and evaluated in order to improve performance at all levels and be able to detect non-performance.

Section 41 of the MSA requires a Municipality to set appropriate KPI's as a yardstick for measuring performance as well as measurable performance targets, with regard to each of the Municipality's development priorities and objectives as set out in the IDP. With regard to these KPI's and targets, S41 (1) (c) requires that the Municipality monitors performance and that it measures and reviews this performance at least annually.

Section 46 of the Municipal Systems Act (MSA) requires the Municipality to prepare a performance report for each financial year reflecting the performance of the service providers during that financial year, comparison of the performances with set targets for and the performances of the previous financial year and measures taken to improve performance. The Act further requires that the report forms part of the Municipality's annual report, in terms of Chapter 12 of the Municipal Finance Management Act (MFMA).

## 3. COMPARISON OF BCRM'S CURRENT PERFORMANCE WITH THE PREVIOUS TWO FINANCIAL YEAR'S PERFORMANCE:

MUNICIPAL PERFORMANCE RESULTS OVER 3 YEARS BASED ON SDBIP TARGETS			
FINANCIAL YEAR	2017/2018	2018/2019	2019/2020
OVERALL PERFORMANCE	69%	74%	58%

#### 4. MUNICIPAL OVERALL PERFORMANCE FOR THE YEAR UNDER REVIEW: 2019/2020

##### 4.1 OVERALL MUNICIPAL PERFORMANCE PER QUARTER

Reporting Period	Total targets per quarter	Targets achieved per quarter	Targets Not Achieved per quarter	Overall performance per quarter %
Q1	31	20	11	64.5
Q2	31	25	6	80.6
Q3	36	20	16	55.5
Q4	34	11	23	32.3
<b>Annual Performance</b>	<b>132</b>	<b>77</b>	<b>55</b>	<b>58</b>

##### Comments

The above table depicts the performance information of the municipality per quarter. The recorded performance information is according to the performance targets set per quarter for each key performance indicator. Performance targets set for key performance indicators (KPI) varies for each quarter depending on the scope of work or project to be implemented in order to reach the planned annual performance target as set in the SDBIP. This means that; in some quarters the target for a certain key performance indicator will not be applicable and therefore a target for that KPI will not be set for that quarter hence there are variances in terms of number of targets set per quarter as reflected on the table above. Another contributing factor to the differences on the quarterly performance targets is due to the revisions that were done for the fourth quarter after the budget was adjusted in February 2020.

##### 4.2 DEPARTMENTAL PERFORMANCE AS PER THE SDBIP 2019/2020

The following table reflects the number of targets achieved during the financial year.

Departments	Q 1	Q2	Q 3	Q4	Annual Performance
Municipal Transformation and Institutional Development: <b>(Corporate Services)</b>	5	4	0	1	10
Service Delivery and Infrastructure Development: <b>(Technical Services)</b>	1	5	5	2	13
Service Delivery and Infrastructure Development <b>(Community Services)</b>	8	7	9	2	26
Municipal Finance Viability <b>(Financial Services)</b>	2	3	2	4	11
Local Economic Development	1	n/a	n/a	n/a	1
Good Governance and Public Participation <b>(Office of the Municipal Manager)</b>	3	6	5	2	16
<b>Municipal overall performance</b>	<b>20</b>	<b>25</b>	<b>20</b>	<b>11</b>	<b>77</b>

#### 4.3 GENERAL COMMENTS

- The overall municipal performance as at end of quarter four is sitting at 58%.
- Revisions of Key Performance Indicators and Targets were done for Q4
- Some indicators were newly developed, and some were removed.
- Low performance in quarter 4 is due to COVID -19 pandemic.

#### 5. COMMENTS BY THE MUNICIPAL MANAGER

According to section 54 of the MFMA the Mayor must; on receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget. The necessary changes have been made in both performance indicators and performance targets.

The following documents are attached as annexures:

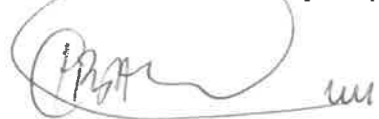
- **Annexure A: Blue Crane Route Local Municipality Annual Performance Report 2019/2020**
- **Annexure B: Blue Crane Route Local Municipality Annual Performance indicator schedule for 2019/20**
- **Annexure C: Blue Crane Route Local Municipality Performance of the Service Providers 2019/2020**

Approved by:

T Klaas Municipal Manager



Cllr B A Manxoweni: Mayor/Speaker





Annexure A: Blue Chip Report on Municipal Performance Report 2019/2020

Priority Area	Strategic Objective	Delivery	Indicator	Measurement Source	Budget & Source	Expenditure	Q1 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q2 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q3 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Annual Target	Actual Performance	Reason for variation	Corrective measure	2019/2020 Target	Actual Performance 2019/2020	Outcome	Responsible	No of PFT				
Records Management	To establish a fully functional and legally compliant records management system by 2022	By developing Records Management Policy that complies with legislation	% In progress of review of the Draft Records Management Policy	Records Management Policy developed	OPEX	0	Draft Records Management Policy Developed	Target not met. The review of the policy is at the initial stage	The municipality was still in consultation with the external stakeholders (provincial records management)	To do follow up with the DSRM Provincial Records Management and Archives Directorate	Internal Stakeholders consulted for inputs	Target met. Internal stakeholders were consulted for inputs	n/a	n/a	Draft Policy submitted to Council for approval	Target not met. The Draft Policy not yet finalised to be presented to Council.	The Policy development is in progress as the municipality is still in consultation with external stakeholders.	Policy to be finalised and presented to the standing committee	Draft Records management policy submitted to Internal Stakeholders for Review	Target not met. The Draft Policy is still under review at 50%.	Feedback not yet received from the Internal Stakeholders as the employees were not available due to COVID lockdown restrictions.	To do a follow up with the internal stakeholders and update with the input.	75% progress in the review of Draft Records Management policy	Target not met. The Draft Policy is still under review at 50%.	Feedback not yet received from the Internal Stakeholders as the employees were not available due to COVID lockdown restrictions.	To do a follow up with the internal stakeholders and update with the input.	n/a	n/a	New Indicator	Director Corporate Services	1
Human Resource Services	To ensure uninterrupted supply of competent Human Resources	By reviewing HR policies	No of HR Policies Reviewed (Retention and Termination HR Policies)	Retention & Termination HR Policies Reviewed	OPEX	0	Draft Retention and Termination HR Policies Submitted to Council for approval	Target met. Draft Talent Attraction & Acquisition & Retention Policy emailed to all for inputs	n/a	n/a	n/a	n/a	n/a	n/a	Draft Termination Policy submitted to Council for approval	Target not met. The Draft Policy is not yet finalised to be presented to Council.	The policy development is in progress. The municipality is still in consultation with external stakeholders.	Policy to be finalised and presented to the standing committee and to council in the next quarter.	n/a	n/a	n/a	n/a	2 HR Policies Reviewed (Retention and Termination Policy, Termination Policy)	Target Not met. The policy has been reviewed and tabled to the stakeholders but has not been submitted for approval to Council.	COVID-19 Pandemic and lock down restrictions the policy could not be workshopped as it was not permissible to conduct workshops.	The workshop of the Policy will be undertaken during the 1 <sup>st</sup> COVID 19 restrictions and be submitted to Council for Approval.	3 HR Policies Reviewed	3 HR Policies Reviewed	New Indicator	Director Corporate Services	2
Human Resource Development	To promote employment equity and ensure competent workforce by 2022	By establishing Human Resource Development training committee and Employment Equity committee	No of Human Resource Development training committees established	Human Resource Development training committee established	OPEX	0	1 HR Development Training Committee established	Target not met. The TOR development is in progress. The municipality is in consultation with the external stakeholders to have clear guidelines.	The committee is still awaiting inputs from the external stakeholders reference.	To finalise terms of reference	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1 Human Resource Development training committee established	Target not met. The training committee was established but not finalised	The appointment of the committee members was not finalised due to lockdown restrictions and all members were working from home.	To revise the committee by signing appointment letters and arrange regular meetings.	n/a	n/a	New Indicator	Director Corporate Services	3	
Human Resource Development	To promote employment equity and ensure competent workforce by 2022	By establishing Human Resource Development training committee and Employment Equity committee	No of Employment Equity committees established	Employment Equity committee established	OPEX	0	1 Employment Equity committee established	Target not met. The TOR development is in progress. The municipality is in consultation with the external stakeholders to have clear guidelines.	The committee is still awaiting inputs from the external stakeholders reference.	To finalise terms of reference	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1 Employment Equity committee established	Target not met. The training committee was established but not finalised	The appointment of the committee members was not finalised due to lockdown restrictions and all members were working from home.	To revise the committee by signing appointment letters and arrange regular meetings.	n/a	n/a	New Indicator	Director Corporate Services	4	
Employee Relations	To promote sound employee relations by 2022	By promoting awareness and building capacity on identified areas	No of employee relations awareness sessions conducted in directorates	Quarterly reports	OPEX	5	5 roadshows on awareness and capacity building conducted in directorates	Target met. 1 roadshows on awareness and capacity building conducted in directorates	n/a	n/a	n/a	n/a	n/a	n/a	1 roadshow on awareness and capacity building conducted in directorates	Target not met. No roadshow was conducted.	SALGA was requested to facilitate the session but due to their commitments they could not conduct the awareness session.	SALGA to be backed for future dates to conclude capacity building for Managers and foreman	1 employee relations awareness sessions conducted in directorates	Target Not met. 2 awareness sessions were held in the financial year and the other 2 could not be undertaken due to COVID 19 restrictions and unavailability of external stakeholders that were expected to facilitate.	The awareness could not be undertaken due to COVID 19 restrictions and unavailability of external stakeholders that were expected to facilitate.	To conduct the awareness sessions after COVID 19 regulations have been lifted	4 employee relations awareness sessions conducted in directorates	Target Not met. 3 awareness sessions were held in the financial year and the other 2 could not be undertaken due to COVID 19 restrictions and unavailability of external stakeholders that were expected to facilitate.	The awareness could not be undertaken due to COVID 19 restrictions and unavailability of external stakeholders that were expected to facilitate.	To conduct the awareness sessions after COVID 19 regulations have been lifted	n/a	n/a	New Indicator	Director Corporate Services	5
Complaints management	To ensure functional and effective customer care management	By developing an institutional complaints management system	No of institutional complaints management systems established	Quarterly reports	No Budget	Customer Care Policy and Complaint Register	Register of complaints compiled	Target met. Register of complaints compiled	n/a	n/a	Register of complaints compiled	Target not met. No register of complaints compiled	The was no performance for the quarter due to incapacity of the employees (poor health)	To temporarily designate another official to be responsible for Customer Care support	Register of complaints compiled	Target not met. 0 institutional complaints management system established and the register was also not compiled	COVID 19 Pandemic and lock down restrictions the officer responsible was booked off from his duties as he had underlying conditions	To temporarily designate another official to be responsible for Customer Care support	1 institutional complaints management system established	Target not met. 0 institutional complaints management system established	COVID 19 Pandemic and lock down restrictions the officer responsible was booked off from his duties as he had underlying conditions.	To temporarily designate another official to be responsible for Customer Care support	n/a	n/a	New Indicator	Director Corporate Services	6				
Occupational Health and Safety	To ensure health and safety of employees in the workplace and compliance with OHS Act by 2022	By implementing OHS policy	No of OHS sub-structures established	Functional structures in place	OPEX	0	Draft OHS Policy and OHS Act	SHE Representatives elected and trained	Target met. SHE Representatives elected and trained	n/a	n/a	n/a	n/a	n/a	OHS Committees established	Target not met. No OHS Committees established	The committee could not be established due to labour and community unrest	To revise the target during the adjustment of the SDGP	OHS sub-structures established	Target met. OHS sub-structures established	n/a	n/a	4 OHS sub-structures established	Target Met. 4 OHS sub-structures established	n/a	n/a	n/a	n/a	New Indicator	Director Corporate Services	7
Information and Communication Technology	To ensure Effective ICT Governance and Control by 2022	By developing an ICT Strategy	% progress in development of the ICT Strategy	ITP Identified IT related needs, ICT Structure, Public Services Corporate Governance Framework	Existing Budget	ICT Policies and PS Corporate Governance Framework	IT Challenges assessed and identified	Target met. IT Challenges assessed and identified	n/a	n/a	IT Strategy developed	Target met. IT Strategy developed	n/a	n/a	Draft IT Strategy submitted to IT Steering Committee	Target not met. The IT Strategy development is in progress at 75 %.	The Draft IT Strategy has not been finalised, due to failure by the committee to sit.	To finalise the IT strategy.	Present the draft strategy to management and corporate steering committee	Target not met. The Draft ICT strategy was not yet presented to the steering committee due to COVID related restrictions	COVID-19 Pandemic and lock down only urgent and emergency items were prioritised in the council meetings that were virtually organised. The strategy needed the ICT Steering Committee's approval before it can be submitted to council.	Submit the strategy to the ICT committee and to the Standing committee as soon as Covid-19 Regulations are lifted.	80% progress in development of the ICT Strategy	Target not met. The Draft ICT strategy was not yet presented to the steering committee and Council due to COVID related restrictions	COVID-19 Pandemic and lock down only urgent and emergency items were prioritised in the council meetings that were virtually organised. The strategy needed the ICT Steering Committee's approval before it can be submitted to council.	Draft ICT strategy to be prioritised and presented to all relevant Council Committees in 2021 financial year for Consideration and Approval	n/a	n/a	New Indicator	Director Corporate Services	8

Annexure A: This Council's Local Multi-Year Annual Performance Report 2019/20																																										
1.3.3. SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT																																										
Priority Area (PWA)	Strategic Plan Objective	Strategy	Indicator	Measurement Source and Frequency	Budget Source	Baseline	Q1 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q1 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q1 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Annual Target	Actual Performance	Reason for variation	Corrective measure	Annual Target	Actual Performance	Comments	Custodian	Row # of RPA															
Water Supply	To ensure efficient, economical and quality provision of water and sewer Services by 2022 and beyond	By upgrading bulk water supply in Cookhouse	Distance in km of 315mm diameter pipeline to be installed	Quarterly progress reports	MIG - R7m	Existing ineffective 150mm diameter bulk water pipeline	0.5 km of 315mm diameter pipeline to be installed	Target not met - 0km of 315mm diameter pipeline installed. Appointment of a contractor/inspection meeting, site establishment	Contractor appointment was delayed due to prolonged procurement processes.	Contractor will expedite progress once construction commences on site. Programme will be closely monitored to ensure targets are met.	0.3km of 315mm diameter pipeline to be installed	Target met. 1.5km of 315mm diameter pipe has been laid in quarter 3. The progress is 1.5km ahead of the planned target.	N/A	N/A	0.25 km of 315mm diameter pipe to be installed	Target met. 0.8km of 315mm diameter pipe has been laid in quarter 3. The annual target has been met	n/a	n/a	Enables: To complete pressure test on laid pipelines as well as minor gation work and construct the final gate valve chamber.	Target met. Finishes were done and complete.	n/a	n/a	2.7km of 315mm diameter pipeline to be installed and complete	Target met. 2.85km of 315mm diameter pipeline to be installed and complete	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	9											
		By constructing the water Treatment plant in Pearson	% progress on site of Pearson Water Treatment Works	Quarterly progress reports	WSSG - R13m	none	10% progress on site of Pearson Water Treatment Works	Target met - Site establishment and Site clearance are completed. Activities in progress are as follows: Bulk earth works, ponds, sewer and water reticulation, existing reservoir upgrade, mechanical works, ducts, building works and Mechanical & electrical services.	n/a	n/a	n/a	25% progress on site of Pearson Water Treatment Works	Target met. Site establishment, Site clearance, Bulk earth works, ponds, sewer and water reticulation, existing reservoir upgrade mechanical works, building works completed. Activities in progress are as follows: Ducts, building works and Mechanical & electrical services. The overall progress achieved to date is approximately 70%. The progress is 45% ahead of planned target.	N/A	N/A	40% progress on site of Pearson Water Treatment Works	Target met. Site establishment, Site clearance, Bulk earth works, ponds, sewer and water reticulation, existing reservoir upgrade mechanical works, building works completed. Activities in progress are as follows: Ducts and Mechanical & electrical services. 80% progress has been achieved to date. Current progress is at 80%.	n/a	n/a	65% progress on site of Pearson Water Treatment Works	Target met.	n/a	n/a	65% progress on site of Pearson Water Treatment Works	Target met.	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	10										
		By submitting business plans to secure funding for water and sanitation services	Number of business plans submitted	Business plan	OPEX	Treatment works operating beyond its design capacity	n/a	n/a	n/a	n/a	n/a	n/a	2 business plans submitted	Target met. 2 x business plans were submitted in this quarter.	N/A	N/A	2 business plans submitted	Target met. two business plans were submitted to OWS	n/a	n/a	n/a	n/a	n/a	n/a	4 business plans submitted	Target met. 4 business plans were submitted	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	11							
Electricity supply	To ensure quality electricity supply and reduction of electricity losses by 2022	By electrifying low cost houses in Cookhouse, Somerset East and Pearson	Number of houses electrified	Quarterly progress reports	WEP - R410000	150 and detached electrified houses	10 houses electrified	Target not met - 0 number of houses electrified	Awaiting bid committee and Accounting Officer for the appointment of service provider to supply material	More resources (human resource, tools and materials) will be assigned on the project to fast track it.	20 houses electrified	Target met. 44 houses electrified in Cookhouse	N/A	N/A	20 houses electrified	Target met. 31 houses electrified in Cookhouse	n/a	n/a	n/a	n/a	n/a	n/a	25 houses electrified	Target met. 75 houses electrified in Cookhouse	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	12							
		By upgrading Sportsfield in Aenerville	% progress on the completion of detailed project design	Quarterly reports	MIG - R1.6m	Unusable Sportsfield	n/a	n/a	n/a	n/a	n/a	15% progress on site construction of Aerovilla Sportsfield	Target not met. 0% complete in construction. The RFQ was sent to the service providers on the 29th of November 2019.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes (reported in Q1)	Evaluation is expected to take place in one week time from now and appointment to be done by end of January 2020. Programme will be closely monitored to ensure targets are met.	20% progress on site construction of Aerovilla Sportsfield	Target not met. The Consultant was appointed on the 11th of February 2020 and currently the project is in design stage.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes	Approved programme is in place which will be monitored closely to ensure that targets are met. Implementing agent will expedite progress once construction commences on site.	100% progress on the completion of detailed project design report.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Project progress was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	100% progress on the completion of detailed project design report.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Project progress was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	n/a	n/a	n/a	n/a	n/a	n/a	New Indicator	Director Technical Services	13						
Job Creation	To strive for reduction on household poverty by labour intensive construction methods in 2022 and beyond	By strengthening functionality of EPWP steering committee	Number of EPWP steering committee meetings held	Quarterly reports / Minutes and Registers	OPEX	Teams of Reference	One meeting held per quarter	Target not met - 0 meeting held per quarter.	Meeting did not take place due to unavailability of stakeholders, as they were busy with council engagements.	Two meetings will take place in the second quarter	One steering committee meeting	Target met. An EPWP Steering committee meeting was held in October 2019	N/A	N/A	one steering committee held	Target met. One Steering committee meeting held.	n/a	n/a	one steering committee meeting	Target not met - 0 meeting held due to Disaster Management Act and Regulations for COVID-19	No meeting held due to Disaster Management Act and Regulations for COVID-19	The meeting will be held in the next financial year.	4 EPWP steering committee meetings held	Target not met - 2 EPWP steering committee meetings held	Meetings were not held due to Disaster Management Act and Regulations for COVID-19	The meetings will be held in the next financial year.	4 EPWP steering committee meetings held	1 EPWP steering committee meetings held	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Director Technical Services	14				
		By paving of internal streets in Pearson	100 % progress on the completion of detailed project design.	Quarterly reports	MIG - R1.6m	Displaced gravel roads	50m of internal streets paved in Pearson	Target not met - Appointment of the panel of Consulting Engineers to act as an implementing agent in the project was done on the 25th September 2019.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes	Implementing agent will expedite progress once construction commences on site. Programme will be closely monitored to ensure targets are met.	150m of internal streets paved in Pearson	Target not met. RFQs were issued to the Service Providers on the 29th of November 2019 for Suppliers and Implementing Agent.	Delay in appointment of panel of Consulting Engineers and Suppliers of Paving Material due to prolonged procurement processes (reported in Q1)	Evaluation is in progress and an appointment of a Consulting Engineer is expected to have taken place by end of January 2020. Programme will be closely monitored to ensure targets are met.	20m paved internal streets paved in Pearson	Target not met. The Consultant was appointed on the 11th of February 2020 and currently the project is in design stage.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes (reported in Q1 & 2)	Approved programme is in place which will be monitored closely to ensure that targets are met. Implementing agent will expedite progress once construction commences on site.	100% progress on the completion of detailed project design report.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	The project progress was delayed by COVID-19 lockdown. The Geotechnical investigation and survey necessary for designs were only started later after easing of the lockdown from level 5 to 4.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	100% progress on the completion of detailed project design.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	The project progress was delayed by COVID-19 lockdown. The Geotechnical investigation and survey necessary for designs were only started later after easing of the lockdown from level 5 to 4.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	15					
Roads and stormwater	To ensure that communities have access to reliable and efficient roads	By paving of internal streets in Cookhouse	100 % progress on the completion of detailed project design.	Quarterly reports	MIG - R1250000	Displaced gravel roads	50m of internal streets paved in Cookhouse	Target not met - Appointment of the panel of Consulting Engineers to act as an implementing agent in the project was done on the 25th September 2019.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes	Implementing agent will expedite progress once construction commences on site. Programme will be closely monitored to ensure targets are met.	200m of internal streets paved in Cookhouse	Target not met. RFQs were issued to the Service Providers on the 29th of November 2019 for Suppliers and Implementing Agent.	Delay in appointment of panel of Consulting Engineers and Suppliers of Paving Material due to prolonged procurement processes (reported in Q1)	Evaluation is in progress and an appointment of a Consulting Engineer is expected to have taken place by end of January 2020. Programme will be closely monitored to ensure targets are met.	300m paved internal streets paved in Cookhouse	Target not met. The Consultant was appointed on the 11th of February 2020 and currently the project is in design stage.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes (reported in Q1 & 2)	Approved programme is in place which will be monitored closely to ensure that targets are met. Implementing agent will expedite progress once construction commences on site.	100% progress on the completion of detailed project design report.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	The project progress was delayed by COVID-19 lockdown. The Geotechnical investigation and survey necessary for designs were only started later after easing of the lockdown from level 5 to 4.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	100% progress on the completion of detailed project design.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	The project progress was delayed by COVID-19 lockdown. The Geotechnical investigation and survey necessary for designs were only started later after easing of the lockdown from level 5 to 4.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	16			
		By paving of internal streets in Somerset East	% progress on the completion of detailed project design.	Quarterly reports	MIG - R1400000	Displaced gravel roads	0.5 km of internal streets paved in Somerset East	Target not met. Appointment of the panel of Consulting Engineers to act as an implementing agent in the project was done on the 15th September 2019.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes	Implementing agent will expedite progress once construction commences on site. Programme will be closely monitored to ensure targets are met.	0.2km of internal streets paved in Somerset East	Target not met. RFQs were issued to the Service Providers on the 29th of November 2019 for Suppliers and Implementing Agent.	Delay in appointment of panel of Consulting Engineers and Suppliers of Paving Material due to prolonged procurement processes (reported in Q1)	Evaluation is in progress and an appointment of a Consulting Engineer is expected to have taken place by end of January 2020. Programme will be closely monitored to ensure targets are met.	0.5km of internal streets paved in Somerset East	Target not met. The Consultant was appointed on the 11th of February 2020 and currently the project is in design stage.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes (reported in Q1 & 2)	Approved programme is in place which will be monitored closely to ensure that targets are met. Implementing agent will expedite progress once construction commences on site.	100% progress on the completion of detailed project design report.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	The project progress was delayed by COVID-19 lockdown. The Geotechnical investigation and survey necessary for designs were only started later after easing of the lockdown from level 5 to 4.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	100% progress on the completion of detailed project design.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	The project progress was delayed by COVID-19 lockdown. The Geotechnical investigation and survey necessary for designs were only started later after easing of the lockdown from level 5 to 4.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	17		
Roads and stormwater	To ensure that communities have access to reliable and efficient roads	By upgrading Stormwater in Mahabi Street, Belgarda Road, P' Avenue, Koffie Street, Panki, Pabus Street and Mackay Street	% progress on the completion of detailed project design.	Quarterly reports	MIG - R1240000	Ineffective Stormwater drainage system	n/a	n/a	n/a	n/a	n/a	0.1km of stormwater pipes installed	Target not met. The RFQ was sent to the service providers on the 29th of November 2019.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes (reported in Q1)	Evaluation is in progress and an appointment of a Consulting Engineer is expected to have taken place by end of January 2020. Programme will be closely monitored to ensure targets are met.	0.2km of stormwater pipes installed	Target not met. The Consultant was appointed on the 11th of February 2020 and currently the project is in design stage.	Delay in appointment of panel of Consulting Engineers due to prolonged procurement processes (reported in Q1 & 2)	Approved programme is in place which will be monitored closely to ensure that targets are met. Implementing agent will expedite progress once construction commences on site.	100% progress on the completion of detailed project design report.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Project progress was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	100% progress on the completion of detailed project design.	Target not met. The project was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Project progress was delayed by the COVID-19 lockdown. Preliminary designs are in a draft stage which will be completed in the first quarter of the next financial year.	Progress meetings are held regularly with the service provider to ensure that information is shared and progress is monitored closely in order to catch-up with progress. The target will be transferred to the next FY quarter 1.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Technical Services	18



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KPA 7 : SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT (COMMUNITY SERVICES)

Priority Area	Strategic Plan Objective	Strategy	Indicator	Measurement Source	Budget & Source	Baseline	Q1 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q2 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q3 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q4 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Annual Target	Actual Performance	Reason for variation	Corrective measure	Annual target 2018/2019	Actual Performance 2018/2019	Comments	Custodian	No of KPI					
Solid waste management	To ensure a well maintained clean and healthy environment by 2022 and beyond	By conducting environmental awareness campaigns in all 3 towns	Number of environmental awareness campaigns conducted	Quarterly Report submitted to Community Services Portfolio Committee, dated photos, attendance register & Programme Report	OPEX	8 environmental awareness campaigns conducted	2 environmental awareness campaigns conducted	Target met- 2 environmental awareness campaigns conducted	n/a	n/a	2 environmental awareness campaigns conducted	Target met. 2 environmental awareness campaigns were conducted on the 18 October at Msobomvu Primary School. The second one was conducted on the 22 October in Westview, Voslosdal and Francisvale.	n/a	n/a	2 environmental awareness campaigns	Target met. Three environmental awareness campaigns were undertaken. The first was on the 17 March at the Hoop Primary School. The second on the 17 March and third on the 23 & 24 March 2020 in Mandl. A clean up campaign was also conducted.	n/a	n/a	2 environmental awareness campaigns	Target not met. No awareness campaigns were conducted	Awareness campaigns could not be undertaken due to lockdown restrictions.	Will only be down when restrictions are lifted	8 Environmental awareness campaigns conducted	Target not met. 7 Environmental awareness campaigns conducted	Awareness campaigns could not be undertaken due to lockdown restrictions.	Will only be down when restrictions are lifted	8 Environmental awareness campaigns conducted	Target not met. 6 Environmental awareness campaigns conducted	n/a	Director Community Services	19					
		By submitting business plan to source funding for landfill site	No of business plans to source funding submitted	Business plan	OPEX	0	N/A	N/A	n/a	n/a	n/a	n/a	n/a	n/a	1 business plan to source funding submitted	Target met. One business plan was submitted to DEDEA on the 28 January 2020.	n/a	n/a	n/a	n/a	n/a	n/a	1 business plans to source funding submitted	1 business plans to source funding submitted	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Community Services	20			
Water quality	To improve drinking water quality to improve human health by 2022	By conducting water quality monitoring and education awareness programmes in the community	No of school based water quality education awareness programmes conducted	Quarterly Reports	OPEX	0	1 school based water quality education awareness programmes conducted.	Target met- 1 school based water quality education awareness programmes conducted.	n/a	n/a	1 school based water quality education awareness programmes conducted	Target met. 2 water quality awareness campaigns were conducted on the 29 and 30 October at Nonwakesi Primary School and Cookhouse Primary School respectively.	n/a	n/a	1 school based water quality education awareness programmes conducted	Target met. Two school based water quality awareness campaign were undertaken on the 25 February 2020. This was done at Njolli Primary School and Gilbert Xuza.	n/a	n/a	1 school based water quality education awareness programmes conducted	Target not met. No education awareness programmes conducted	Awareness campaigns could not be undertaken due to lockdown restrictions.	Will only be down when restrictions are lifted	4 school based water quality education awareness programmes conducted	Target met. 5 school based water quality education awareness programmes conducted	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Community Services	21	
			Number of water samples submitted for bacteriological and chemical analysis	Quarterly Reports	OPEX - Env Health subsidy	96 water samples submitted for bacteriological and 4 chemical analysis	24 water samples taken for bacteriological and 1 chemical analysis	Target met- 31 water samples taken for bacteriological and 1 chemical analysis	n/a	n/a	24 water samples submitted for bacteriological and 1 chemical analysis	Target met. 27 samples were taken for bacteriological analysis and 1 for chemical analysis.	n/a	n/a	24 water samples submitted for bacteriological and 1 chemical analysis	Target met. A total of 28 bacteriological tests and one chemical test were done.	Awaiting results for chemical tests from the laboratory.	n/a	n/a	24 water samples submitted for bacteriological and 1 chemical analysis	Target met. 24 water samples submitted for bacteriological and 1 chemical analysis	24 samples for bacteriological test were submitted and results were received. One sample for chemical test was submitted and results have not been received.	The department is communicating with the laboratory.	96 water samples submitted for bacteriological and 4 chemical analysis	110 water samples submitted for bacteriological and 4 chemical analysis	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Director Community Services	22
Traffic Services	To ensure that all road users comply with the roads and traffic laws by 2022 and beyond to ensure a safe environment	By conducting law enforcement and education programmes with the schools in BCRM	Number of school leavers programme conducted	Quarterly Reports	OPEX	4 school leavers programmes conducted	One school leaver programme conducted	Target met- One school leaver programme conducted	n/a	n/a	n/a	n/a	n/a	n/a	One school leaver programme conducted	Target not met. 0 school leaver programme conducted.	Could not secure an appointment with local schools due to their busy matric schedule.	The programme will be implemented in the next quarter.	One school leaver programme conducted	Target not met. No school leaver programme was conducted	For the better part of the fourth quarter schools were closed.	The programme will be implemented when schools are open.	3 school leavers programme conducted	Target not met. 1 school leavers programme conducted	For the better part of the fourth quarter schools were closed.	The programme will be implemented when schools are open.	5 school leavers programme conducted	4 school leavers programme conducted	n/a	Director Community Services	23					
			Number of roadblocks conducted at National roads in BCRM area	Quarterly Reports	OPEX	4 roadblocks conducted	One roadblock conducted at National roads in BCRM area	Target met- One roadblock conducted at National roads in BCRM area	n/a	n/a	One roadblock conducted at National roads in BCRM area	Target met. A roadblock was conducted on the 29 November 2019 on the R63 road.	n/a	n/a	One roadblock conducted at National roads in BCRM area	Target met. One roadblock was held on the 19 March 2020	n/a	n/a	One roadblock conducted at National roads in BCRM area	Target met. A roadblock was held on the 14 May 2020.	n/a	n/a	4 roadblocks conducted at National roads in BCRM area	Target met. 4 roadblocks conducted at National roads in BCRM area	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Director Community Services	24	
Fire & Disaster Management Services	To ensure prevention and management of fire incidences to promote safety of the environment, properties and humans by 2022 and beyond	By conducting fire prevention awareness programmes to schools and communities	Number of fire prevention awareness programmes conducted	Quarterly Report submitted to Portfolio Committee, dated photos, attendance register & Program Report	OPEX	12 fire prevention awareness programmes to schools and communities conducted	2 fire prevention awareness programmes conducted	Target met- 5 fire prevention awareness programmes conducted	n/a	n/a	2 prevention awareness programmes to schools and communities conducted	Target met. 2 prevention awareness programmes were undertaken. One was on the 15 October at the Callax garage. The other one was the 15 November at Gilbert Xuza.	n/a	n/a	2 prevention awareness programmes to schools and communities conducted	Target met. Nine prevention awareness campaigns were undertaken	n/a	n/a	2 prevention awareness programmes to schools and communities conducted	Target not met. No awareness campaigns were conducted	Awareness campaigns could not be undertaken due to lockdown restrictions.	Awareness campaigns will be done when restrictions are lifted.	8 fire prevention awareness programmes conducted	Target met. 16 fire prevention awareness programmes conducted	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Director Community Services	25	
		By conducting fire safety and prevention inspections at commercial entities and public amenities	Number of fire safety and prevention inspections conducted in commercial entities and public amenities	Quarterly Report submitted to Portfolio Committee, dated photos, attendance register & Program Report	OPEX	24 fire safety and prevention inspections conducted in commercial entities and public amenities	6 fire safety and prevention inspections conducted in commercial entities and public amenities	Target met- 11 fire safety and prevention inspections conducted in commercial entities and public amenities	n/a	n/a	6 fire safety and prevention inspections conducted in commercial entities and public amenities	Target met. 35 fire safety and prevention inspections conducted in commercial entities and public amenities.	n/a	n/a	6 fire safety and prevention inspections conducted in commercial entities and public amenities	Target met. 22 fire safety and prevention inspections conducted in commercial entities and public amenities.	n/a	n/a	24 fire safety and prevention inspections conducted in commercial entities and public amenities	Target not met. 10 fire safety and prevention inspections conducted in commercial entities and public amenities	Only ten inspections were done. Due to lockdown restrictions.	The inspections will be conducted in the next financial year.	96 fire safety and prevention inspections conducted in commercial entities and public amenities	Target not met. 78 fire safety and prevention inspections conducted in commercial entities and public amenities	Due to lockdown restrictions	The inspections will be conducted in the next financial year.	24 fire safety and prevention inspections conducted in commercial entities and public amenities	Target met. 133 fire safety and prevention inspections conducted in commercial entities and public amenities	n/a	Director Community Services	26					
		By establishing a 24hr satellite fire station in Pearston and Cookhouse	No of satellite fire station in Pearston and Cookhouse established	Quarterly Report	OPEX	0	N/A	N/A	n/a	n/a	N/A	n/a	n/a	n/a	One 24hr satellite fire station in Pearston and one 24hr satellite fire station in Cookhouse established	Target met. One satellite was established in Cookhouse and one in Pearston.	n/a	n/a	n/a	n/a	n/a	n/a	One satellite fire station in Pearston and one satellite fire station in Cookhouse established	Target met. One satellite was established in Cookhouse and one in Pearston.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	New indicator	Director Community Services	27	

Library Services	To promote a culture of learning amongst the communities of BCM by 2022 and beyond	By conducting library awareness campaigns amongst the communities	Number of library awareness campaigns conducted	Quarterly Report submitted to Portfolio Committee, dated photos, attendance register & Program Report	OPEX	8 Library awareness campaigns done	2 library awareness campaigns conducted	Target met - 2 library awareness campaigns conducted	n/a	n/a	2 library awareness campaigns conducted	Target met. Two awareness campaigns were conducted on the 13 November 2019 and from the 25 to 29 November 2019.	n/a	n/a	2 library awareness campaigns conducted	Target not met. No awareness campaigns were conducted	Libraries have not been opened since the beginning of the lockdown.	Will only be down when restrictions are lifted	8 library awareness campaigns conducted	Target not met. 6 library awareness campaigns conducted	Libraries have not been opened since the beginning of the lockdown.	Will only be down when restrictions are lifted	8 library awareness campaigns conducted	Target met. 9 library awareness campaigns conducted	n/a	Director Community Services	28
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Annexure A: Blue Crane Route Local Municipality Annual Performance Report 2019/2020

KPA 3: LOCAL ECONOMIC DEVELOPMENT

Priority Area	Strategic Plan Objective	Strategy	Indicator	Activity	Measurement Source	Budget & Source	Vote No.	Baseline	Q1 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q2 Deliverable Target	Q2 Actual Performance	Q3 Deliverable Target	Q3 Actual Performance	Q4 Deliverable Target	Q4 Actual Performance	Annual Target	Actual Performance	Annual target 2018/2019	Actual Performance 2018/2019	Custodian	No of KPI
Job Creation	To strive for reduction on household poverty through labour intensive construction methods in 2022 and beyond	By creating jobs	Number of jobs created through grant funding	Create jobs through grant funding	Quartely progress reports	EPWP GRANT: R1,000,000	20170609024671	94 jobs created through EPWP	10 jobs created through grant funding	Target met- 76 work opportunities	N/A	N/A	20 jobs created through grant funding	76 jobs were created in the 1st quarter	20 jobs created through grant funding	76 jobs were created in the 1st quarter	n/a	n/a	76 jobs created through EPWP	76 jobs created through EPWP	56 jobs created through EPWP	229 jobs were create	Director Technical Services ,CFO	29

Appendix 5 - Budget Performance Monitoring Annual Performance Report 2019/20																																					
CITY OF MORNINGSIDE - FINANCIAL LIABILITY																																					
Priority Area	Strategic Plan Objective	Strategy	Instrument	Measurement Method	Budget & Control	Responsible	Q1 Deliverable target	Actual Performance	Reason for variation	Corrective measure	Q2 Deliverable target	Actual Performance	Reason for variation	Corrective measure	Q3 Deliverable target	Actual Performance	Reason for variation	Corrective measure	Q4 Deliverable target	Actual Performance	Reason for variation	Corrective measure	Annual Target 2019/20	Actual Performance 2019/20	Comments	Responsible	RP of RP										
Supply Chain Management	To ensure compliance with MFMA and SCM regulations & Policies by 2022	By monitoring compliance with SCM check lists	% Reduction of irregular Expenditure	Reports	N/A	2018/2019 Irregular Expenditure Amount to the amount of R 12.4 m	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10% reduction of irregular expenditure	Target met. As per regulation 6 as well as first draft AFS, the total irregular expenditure amount for the 2019/20 financial year amounts to 6,116,038.00. This is a reduction of 48% based on the irregular expenditure amount as per base line report of AFS for 2017/18	n/a	n/a	10% reduction of irregular expenditure	Target met. As per regulation 6 as well as first draft AFS, the total irregular expenditure amount for the 2019/20 financial year amounts to 6,116,038.00. This is a reduction of 48% based on the irregular expenditure amount as per base line report of AFS for 2017/18	n/a	n/a	n/a	n/a	New Indicator	Director Financial Services	30		
GRAP compliant Asset register	To ensure that the municipality has no material errors on the Asset Register by 2022	By developing, adopting, implementing and monitoring of a credible, realistic and implementable asset management plan	Maximum % of error and misstatement allowed on the total value of assets disclosed in AFS	Reports	N/A	2017/2018 GRAP compliant Asset Register	N/A	N/A	N/A	N/A	Maximum 1.5% of error and misstatement allowed on the total carrying value of non-current assets disclosed in audited AFS dated 30 June 2019	Target Met. No misstatement of assets findings were issued by the Auditor General in 2018/2019. (Error rate is at 0%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Maximum 1.5% of error and misstatement allowed on the total value of assets disclosed in AFS	Target met. No misstatement of assets findings were issued by the Auditor General (Error rate is at 0%)	N/A	N/A	Maximum 1.5% of error and misstatement allowed on the total value of assets disclosed in AFS	Target met. No misstatement of assets findings were issued by the Auditor General (Error rate is at 0%)	N/A	N/A	n/a	n/a	New Indicator	Director Financial Services	31		
Cashflow Turnaround	To ensure that the municipality is financially viable to sustain short, medium and long term obligations to be able to provide services to the community in a sustained manner by 2022.	By reviewing, adoption, implementing and monitoring a credible revenue enhancement plan	% of existing liquidity ratio maintained	Reports	N/A	Liquidity Ratio based on 2017/2018 AFS - 1 : 0,875	≥ 1: 0,85	Target Met Current assets R74537 Current liabilities : R63378 Ratio: 1:1,173	N/A	N/A	≥ 1: 0,86	Target Met Current assets R74537 Current liabilities : R63378 Ratio: 1:1,256	N/A	N/A	≥ 1: 0,86	Target Met Current assets R74537 Current liabilities : R63378 Ratio: 1:1,21	N/A	N/A	N/A	N/A	N/A	N/A	N/A	As per first draft AFS, the total for current assets amounts to R 53,7 m and current liabilities amounts to R 58,9 m - Ratio on year end is 1:1,057 - Target achieved	100% of existing liquidity ratio maintained	Target met. 100% of existing liquidity ratio maintained	N/A	N/A	n/a	n/a	New Indicator	Director Financial Services	32				
Financial Accounting & Reporting	To ensure optimal use of the mSCOA financial system to improve the operations of the municipality by generating accurate, valid, complete and cost-effective financial and performance information by 2022.	By ensuring accurate mSCOA reports through ongoing SAMRAS support and interventions	Status of outcome on mSCOA reports submitted to Treasury	Monthly reports	FRG	SAMRAS support contract Web based system that does extract some reports but inaccurate	Green outcome on mSCOA reports submitted to Treasury	Target Met. Green outcome on mSCOA reports submitted to Treasury	N/A	N/A	Green outcome on mSCOA reports submitted to Treasury	Target met. Green outcome on mSCOA reports submitted to Treasury	N/A	N/A	Green outcome on mSCOA reports submitted to Treasury	Target met. Green outcome on mSCOA reports submitted to Treasury	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Green outcome on mSCOA reports submitted to Treasury	Target met. Green outcome on mSCOA reports submitted to Treasury	N/A	N/A	Green outcome on mSCOA reports submitted to Treasury	Target met. Green outcome on mSCOA reports submitted to Treasury	N/A	N/A	n/a	n/a	New Indicator	Director Financial Services	33	
Budget Management	To ensure that the municipality compile a funded budget each financial year	By ensuring to table and approve a funded budget with a surplus	Outcome of budget on assessment conducted by PT on adjustment and annual budget	Schedule A & B - Budget reports	FRG	Funded 2018/2020 Budget	N/A	N/A	N/A	N/A	N/A	n/a	n/a	n/a	1. Funded budget on assessment conducted by PT on adjustment and annual budget	Target not met. Draft Budget was prepared by the finance department for tabling at the scheduled Council meeting dated 31 March 2020. However the Council implemented the exemption granted by the Finance Minister as per MFMA circular 99 dated 8 April 2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A	The draft Budget was tabled 15 March 2020.	Funded budget on assessment conducted by PT on adjustment and annual budget	Target Met. Funded budget on assessment conducted by PT on adjustment and annual budget	N/A	N/A	Funded budget on assessment conducted by PT on adjustment and annual budget	Target met. Funded budget on assessment conducted by PT on adjustment and annual budget	N/A	N/A	n/a	n/a	New Indicator	Director Financial Services	34
Fleet management	To ensure that the municipality's fleet are safeguarded against theft and misuse by 2022	By developing, adopting, implementing and monitoring of a credible, realistic and implementable fleet management plan	% progress in the development of the Fleet management policy	Reports	N/A	Draft Fleet management policy already developed by management (will needs to be workshoped with Council then to be approved.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Submitted Draft Fleet Management Policy to Council	Target Not Met. The draft fleet management policy was tabled in Council on 15 June 2020, but Council referred it back to the LLF for discussions. The progress of developing a strategy is at 50%.	The 4th quarter LLF meetings could not be organized by the LLF. The policy will be tabled in the next LLF meeting that will be organized by the LLF.	100% progress in the development of the Fleet management policy	Target Not Met. The draft fleet management policy was tabled to Council on 15 June 2020, but Council referred it back to the LLF for discussions. The progress of developing a strategy is at 50%.	The 4th quarter LLF meetings could not be organized by the LLF. The policy will be tabled in the next LLF meeting that will be organized by the LLF.	n/a	n/a	n/a	n/a	New Indicator	Director Financial Services	35	

Annexure A: Blue Crane Route Local Municipality Annual Performance Report 2019/2020

KPA 5 - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Priority Area	Strategic Objective	Strategy	Indicator	Activity / Project	Measurement Source	Budget & Source	Vote No.	Baseline	Q1 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q2 Deliverable Target	Actual Performance	Reason for variation	Corrective measure	Q3 Deliverable Target 31 MARCH 2020	Actual Performance	Reason for variation	Corrective measure	Q4 Deliverable Target 30 June 2020	Actual Performance	Reason for variation	Corrective measure	Annual Target	Actual Performance	Reason for variation	Corrective measure	Annual target 2018/2019	Actual Performance 2018/2019	Comments	Gustodian	No of KPI				
Internal Controls	To ensure effective Audit, Risk management and Corporate governance function that will result in improved compliance and clean administration by 2022	By institutionalizing the AP and ensure implementation at all levels	Number of Audit Committee meetings organized	Organise AC meetings	Quarterly	Internal	Internal	4 AC Meetings	2 Audit Committee meetings organized	Target met. Audit Committee meetings organized	n/a	n/a	1 Audit Committee meetings organized	Target met. 1 Audit Committee meeting organized	n/a	n/a	1 Audit Committee meetings organized	Target met - 1 Audit committee organised	n/a	n/a	1 Audit Committee meetings organized	Target met - 1 Audit Committee meetings organized	n/a	n/a	5 Audit Committee meetings organized	Target met. 5 Audit Committee meetings organized	n/a	n/a	4 Audit Committee meetings organized	Target met. 4 Audit Committee meetings organized	n/a	Municipal Manager	36				
Internal Controls	To ensure effective Audit, Risk management and Corporate governance function that will result in improved compliance and clean administration by 2022	By reviewing municipal internal controls through execution of the Internal Audit Plan	Number of reports on progress against approved IAP submitted to AC	Internal Audit Execution	Quarterly	Internal	Internal	0	1 reports on progress against approved IAP submitted to AC	Target met -1 reports on progress against approved IAP submitted to AC	n/a	n/a	1 reports on progress against approved IAP submitted to AC	Target met. 1 reports on progress against approved IAP submitted to AC	n/a	n/a	1 reports on progress against approved IAP submitted to AC	Target met -1 reports on progress against approved IAP submitted to AC	n/a	n/a	1 reports on progress against approved IAP submitted to AC	Target met. 1 reports on progress against approved IAP submitted to AC	n/a	n/a	4 reports on progress against approved IAP submitted to AC	Target met. 4 reports on progress against approved IAP submitted to AC	n/a	n/a	4 reports on progress against approved IAP submitted to AC	Target met. 4 reports on progress against approved IAP submitted to AC	n/a	Municipal Manager	37				
Fraud and Anti-Corruption	To ensure effective Implementation of the Fraud and Anti-corruption Policy by 2022	By reviewing and institutionalization of the Fraud and Anti-corruption policy	No of Fraud prevention policies reviewed	Review Fraud prevention policy	Quarterly	Internal	Internal	Fraud prevention policy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1 Fraud prevention policy reviewed	Target not met. No Fraud prevention policy reviewed	The activity could not be taken due to the declaration of cCOVID 19 state of disaster.	The Fraud and Prevention Policy will be reviewed in the 2020/21 FY and consultation with relevant stakeholders will be undertaken prior to tabling to Council for approval	1 Fraud prevention policy reviewed	Target not met. No Fraud prevention policy reviewed	The activity could not be taken due to the declaration of cCOVID 19 state of disaster.	The Fraud and Prevention Policy will be reviewed in the 2020/21 FY and consultation with relevant stakeholders will be undertaken prior to tabling to Council for approval	1 Fraud prevention policy reviewed	Target not met. No Fraud prevention policy reviewed	The activity could not be taken due to the declaration of cCOVID 19 state of disaster.	The Fraud and Prevention Policy will be reviewed in the 2020/21 FY and consultation with relevant stakeholders will be undertaken prior to tabling to Council for approval	n/a	n/a	New indicator	Municipal Manager	38				
Performance Management	To ensure that the municipality is responsive to the needs of community as well as the to strengthen a culture of performance management by 2022	By reviewing PMS policy	No of PMS policies reviewed	Review PMS policy	Quarterly	Internal	Internal	PMS policy	n/a	n/a	n/a	n/a	1 PMS policy reviewed	Target met. The PMS policy was taken on review for comments by Directors and will be tabled at the policy workshop.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1 PMS policy reviewed	Target not met. PMS policy not reviewed.	The activity could not be taken due to the declaration of COVID 19 state of disaster.	The Policy will be reviewed in the 2020/21 FY and consultation with relevant stakeholders will be undertaken prior to tabling to Council for approval	n/a	n/a	New indicator	Municipal Manager	39				
Performance Management	To ensure that the municipality is responsive to the needs of community as well as the to strengthen a culture of performance management by 2022	By facilitating the implementation of the approved performance management system	No of performance assessment of senior management conducted.	PMS implementation	Quarterly	Internal funds	Internal funds	0	1 performance assessment of senior management conducted.	Target not met. The assessments were not conducted due to that the Accounting Officer was on suspension.	The assessments were not conducted due to that the Accounting Officer was on suspension.	To perform the assessments at mid-term	1 performance assessment of senior management conducted.	Target met. The assessments were conducted all Senior Managers	N/A	n/a	1 performance assessment of senior management conducted.	Target met -1 performance assessment of senior management conducted.	n/a	n/a	n/a	n/a	n/a	n/a	4 performance assessment of senior management conducted.	Target not met. However the performance report was submitted to the council	Due to COVID 19 the PMS assessment could not be conducted	The assessments will be conducted virtually during Q1 of the next financial year	4 performance assessment of senior management conducted.	Target not met. However the Performance report was submitted to council	Due to COVID 19 the PMS assessment could not be conducted	The assessments will be conducted virtually during Q1 of the next financial year	4 performance assessment of senior management conducted.	performance assessment of senior management conducted.	n/a	Municipal Manager	40
Public Participation	To ensure effective and compliant public participation by 2022 and beyond	By reviewing and implementing the public participation strategy	No of public participation strategy reviewed	Review public participation strategy	Quarterly	Internal	Internal funds	Public participation strategy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1 Public participation strategy reviewed	Target not met. Public participation strategy not reviewed.	The activity could not be taken due to the declaration of cCOVID 19 state of disaster.	The Public Participation Strategy will be reviewed in the 2020/21 FY and consultation with relevant stakeholders will be undertaken prior to tabling to Council for approval	1 Public participation strategy reviewed	Target not met. Public participation strategy not reviewed.	The activity could not be taken due to the declaration of cCOVID 19 state of disaster.	The Public Participation Strategy will be reviewed in the 2020/21 FY and consultation with relevant stakeholders will be undertaken prior to tabling to Council for approval	1 Public participation strategy reviewed	Target not met. Public participation strategy not reviewed.	The activity could not be taken due to the declaration of cCOVID 19 state of disaster.	The Public Participation Strategy will be reviewed in the 2020/21 FY and consultation with relevant stakeholders will be undertaken prior to tabling to Council for approval	n/a	n/a	New indicator	Municipal Manager	41				
Public Participation	To ensure effective and compliant public participation by 2022 and beyond	By implementing the public participation strategy	Number of Public Participation sessions convened	Conduct Public Participation	Quarterly	Internal	Internal funds	4 Public Participation sessions convened	1 Public Participation session convened	Target not met. The public participation could not convene due to other conflicting commitments of council	The public participation could not convene due to other conflicting commitments of council	To conduct the public participation in quarter 2	1 Public Participation session convened	Target met and exceeded. 7 Public Participation sessions convened	n/a	n/a	1 Public Participation session convened	Target met. 1 Public Participation convened.	N/A	n/a	n/a	n/a	n/a	n/a	1 Public Participation session convened	Target not met. The activity could not be taken due to the declaration of COVID 19 state of disaster.	The activity could not be taken due to the declaration of COVID 19 state of disaster.	To conduct the public participation session in 2020/21 once the state of disaster is lifted	4 Public Participation sessions convened	Target met. 8 Public Participation sessions convened	n/a	n/a	4 Public Participation session convened	5 Public Participation sessions convened	n/a	Municipal Manager	42
Social cohesion	To ensure mainstreaming of Special Programmes in the institution by 2022	By Strengthening Moral Regeneration	No of social cohesion programmes hosted	Social cohesion programmes hosted	Quarterly report	Internal	Internal funds	0	1 social cohesion programmes hosted	Target met -1 social cohesion programmes hosted	n/a	n/a	2 social cohesion programmes hosted	Target met. 2 Social cohesion programmes hosted.	n/a	n/a	1 social cohesion programmes hosted	Target met - 1 social cohesion programme was conducted	n/a	n/a	n/a	n/a	n/a	n/a	1 social cohesion programmes hosted	Target not met - no social cohesion programmes hosted	Due to lockdown restrictions we were unable to organise meetings for the review of the public participation strategy	To be conducted in the next financial year.	5 social cohesion programmes hosted	Target not met - 3 social cohesion programmes were conducted	Due to lockdown restrictions we were unable to organise meetings	To be conducted in the next financial year.	n/a	n/a	New Indicator	Municipal Manager	43



**Annexure C: Blue Crane Route Local Municipality Performance of the Service Providers 2019/2020**

Project Number	Appointment Date	Contract Start Date	SCM Process Followed	Project Name	Contractor	FUNDING	Contract Amount	Amount Paid to Date	Amount Outstanding	19/20 EXPENDITURE	VARIATION ORDERS	CONTRACT EXTENSION/ AMMENDMENT	CONTRACT EXPIRY DATE	Comments on Performance
T03/2014	19-Mar-14	19-Mar-14	TENDER	PROFESSIONAL ENGINEERING SERVICES: UPGRADING OF SPORTFIELDS & PARKS	HATCH GOBA (PTY)LTD	MIG	R 1 235 874,00	2 729 754,14	R -1 493 880,14	R 169 631,33	N/A	N/A	A month after the completion of the last sportsfield (Upgrading of sportsfield, Glen Avon Street, Somerset East)	Consultant progressing well. The fact that the consultant was appointed for 5 x sportsfields that cannot be done at a specific period because of budget constraints is presenting a challenge. This service provider was appointed in 2014 but only 2 of the
T 17/2014	18/03/2015	01-Jul-15	TENDER	PROVISION OF BANKING SERVICES	FIRST NATIONAL BANK	OWN FUNDS	R 1 050 449,52	86 428,93	R 964 020,59		N/A	N/A	30-Jun-20	Estimated Monthly fee is R87 537,46. contract is from 01 Jul 2015. Service Provider prompt with service
T 01/2015	07/05/2015	01-Jun-15	TENDER	PROVISION OF EXTERNAL LOAN FINANCE	ABSA	OWN FUNDS / MIG	R 20 505 645,37	20 505 645,37	R -		N/A	N/A	May-20	Supplier is prompt with service
T 03/2016	03-Jun-16	01-Jun-16	TENDER	PROVISION OF EXTERNAL LOAN FINANCE	STANDARD BANK OF SOUTH AFRICA	OWN	R 4 436 445,70	R 3 549 156,56	R 887 289,14		N/A	N/A	May-21	Service Provider prompt with service
T 05/2017	23-Aug-17	11-Sep-17	TENDER	SUPPLY AND DELIVERY OF MULTI-FUNCTION PHOTOCOPIER MACHINES	KONICA MINOLTA SA A DIV OF BIDVEST OFFICE (PTY) LTD	OWN	R 1 697 420,52	R 1 916 645,30	R -219 224,78	R 764 198,72	N/A	N/A	01-Oct-20	Service Provider prompt with service and machines are working well.
T 07/2017	08-Dec-17	08-Dec-17	TENDER	SUPPLY AND DELIVERY OF WATER PURIFICATION CHEMICALS	NDULAMISO AQUA SOLUTIONS	OWN	R 1 716 880,00	R 1 746 419,83	R -29 539,83	R 597 544,29	N/A	N/A	01-Dec-20	Supplier is prompt with service
T 13/2017	11-Dec-17	11-Dec-17	TENDER	SUPPLY AND DELIVERY OF REFUSE BAGS	BRODSKY TRADING 194 (PTY) LTD	OWN	R 936 480,00	R 964 560,96	R -28 080,96	R 276 626,52	N/A	N/A	Dec-20	Supplier is prompt with service
T 15/2017	27-Oct-17	27-Oct-17	TENDER	PROVISION OF SHORT-TERM INSURANCE	AON SOUTH AFRICA	OWN	R 1 193 617,88	R 1 193 617,88	R -	R 1 193 617,88		N/A	30-Sep-20	Supplier is prompt with service
T03/2018	04-Jul-18	04-Jul-18	TENDER	GENERAL VALUATION ROLL	F2 WAARDEERDERS t/a SUID KAAP WAARDEERDERS	OWN	R 594 373,00	R 591 858,04	R 2 514,96	R 23 000,00	N/A	N/A	Jun-23	Contract & SLA signed. Meetings regularly held and a GV is out for comments. SP performing fairly well.
T 07/2018	03-Oct-18	09-Oct-18	TENDER	PROF ENGINEERING SERVICES FOR CONSTRUCTION OF PEARSTON WTW	AURECON SA	WSIG	R 3 859 807,45	R 3 497 429,68	R 362 377,77	R 993 822,77	COVID Related	Original A/ment = R2 865 984,68 A/ment 17 APR 2019 Council = R993 822,77	At the end of construction	Consultant progressing well.
T 08/2018	25-Sep-18	01-Oct-18	TENDER	PROF ENGINEERING SERVICES FOR CONSTRUCTION OF PEARSTON WWTW	IX ENGINEERS	WSIG	R 2 858 535,45	R 3 232 159,58	R -373 624,13	R 2 275 528,71	COVID Related	N/A	At the end of construction	Consultant performs well.
T 16/2018	16-Nov-18	16-Nov-18	TENDER	PROVISION OF SCM & BID COMMITTEE TRAINING	FACHS BUSINESS CONSULTING	OWN	R 108 291,67	97 462,50	R 10 829,17		N/A	N/A	28-Feb-19	Training conducted in Feb 2019, POEs submitted already. Balance to be paid on receipt of certificates.
S 32 SRVM	29-Oct-18	20-Nov-18	S36	UPGRADING OF PEARSTON WWTW	RUDCOR CONTRACTORS	WSIG	R 9 846 712,72	9 468 793,06	R 377 919,66	R 1 101 537,72	N/A	N/A	06-Jun-19	Contractor completed the construction
	01-Nov-18	01-Nov-18	Disaster Relief Fund	PROF ENGINEERING SERVICES FOR WATER CONSERVATION & DEMAND MANAGEMENT	AURECON SA (PTY) LTD	DROUGHT	R 4 587 338,50	4 587 119,60	R 218,90		N/A	N/A	8 MONTHS	Contract finalised. Consultant appointment letter reflects the amount excluding VAT as the contract value. Correct contract amount is R4 587 338,50 - to be corrected. Consultant performed well.
	01-Nov-18	18-Nov-18	Disaster Relief Fund	WATER CONSERVATION AND DEMAND MANAGEMENT	BOSCH MUNITECH	DROUGHT	R 37 412 661,00	37 413 412,53	R -751,53	R 2 545 023,42	N/A	N/A	8 MONTHS	Contract completed.
T 29/2018	27-Feb-19		TENDER	UPGRADING OF SPORTSFIELD, GLEN AVON STREET, SOMERSET EAST	OWENCO (PTY) LTD		R 1 400 918,50	1 283 906,09	R 117 012,41	R 829 266,81	N/A	N/A		Contract completed.
T 34/2018	29-Mar-19	30-May-20	TENDER	CONSTRUCTION OF PEARSTON WATER TREATMENT WORKS (1.5 ML/DAY)	WATER PURIFICATION CHEMICAL & PLANT HIRE CC	WSIG	R 31 071 628,17	19 185 253,03	R 11 886 375,14	R 18 515 506,86	COVID Related	Extension of Time.	22-Dec-20	Contractor progressing fairly. The contract is a design and build contract not just a build contract. There are challenges being experienced due to this.
T 01/2019			TENDER	DISCONNECTION, RECONNECTION AND INSPECTION/AUDIT OF ELECTRICAL SERVICES	AM ENGINEERING	OWN			R -	R -	N/A	N/A		SP appointed at a rate and is progressing fairly. Took a long time for them to register on the database hence there are no payments up to this point.
T 02/2019	29-Mar-19	05-Apr-19	TENDER	UPGRADING OF PEARSTON WASTE WATER TREATMENT WORKS: PHASE 1A	MIZOTECH TRADING CC	WSIG	R 2 723 568,00	599 300,01		R -	N/A	N/A	13-Aug-19	Contract Cancelled Ito GCC 2015 due to non performance.
T 03/2019	24-Jul-19		TENDER	PROVISION OF TRAFFIC MANAGEMENT SYSTEM FOR A PERIOD OF THREE YEARS	TMT SERRVICES & SUPPLIES (PTY) LTD	OWN	R 169,05		R 169,05	R -	N/A	N/A		Appointment amount is the rate per summon paid
T 07/2019	14-Jan-20	14-Jan-20	TENDER	SUPPLY AND DELIVERY OF ION LITHIUM BATTERY OPERATED RESCUE TOOLS AND EQUIPMENT	HAMILTON HYDRAULIC SERVICES	OWN	R 634 294,00	-	R 634 294,00	R 634 294,00	N/A	N/A	Supply & Deliver	
	27-Nov-19	27-Nov-19	COUNCIL RESOLUTION	PSP: AUGMENTATION OF COOKHOUSE BULK WATER SUPPLY SCHEME - PHASE IIB	WATER AND PUMPING SOLUTIONS	MIG	R 1 532 623,17	1 470 506,14	R 62 117,03	R 1 470 506,14	N/A	N/A	At the end of construction	Consultant performing well
T 09/2019	21-Aug-19	04-Sep-19	TENDER	AUGMENTATION OF COOKHOUSE BULK WATER SUPPLY SCHEME - PHASE IIB	LRC CIVILS	MIG	R 5 311 298,00	5 178 203,41	R 133 094,59	R 5 178 203,41	R 218 957,26	N/A	27-Apr-20	Contractor performs very well and their work is of quality.
T 10/2019	25-Jul-19	25-Jul-19	TENDER	SUPPLY AND DELIVERY OF PROTECTIVE CLOTHING	SAFETYMATE EC (PTY) LTD	OWN			R -	R 264 408,48	N/A	N/A	30-Jun-20	awarded at the rate per unit pprice quoted
T 11/2019	01-Oct-19	01-Jan-20	TENDER	PROVISION OF GUARDING SERVICES AND MONITORING OF ALARM SYSTEM FOR A PERIOD OF THREE YEARS	ROYAL SECURITY CC	OWN	R 3 497 135,79	392 944,58	R 3 104 191,21	R 392 944,58	N/A	N/A	31-Dec-22	SP performing well

Project Number	Appointment Date	Contract Start Date	SCM Process Followed	Project Name	Contractor	FUNDING	Contract Amount	Amount Paid to Date	Amount Outstanding	19/20 EXPENDITURE	VARIATION ORDERS	CONTRACT EXTENSION/ AMMENDMENT	CONTRACT EXPIRY DATE	Comments on Performance
t 12/2019	01-Oct-19	01-Oct-19	TENDER	SUPPLY AND DELIVERY OF NEW TYRES	SILUMKO TRANSPORT	OWN	AS PER RATES ON OPTION 1 OF TENDER RESPONSE		#VALUE!		N/A	N/A	30-Sep-22	
T 13/2019	10-Mar-20	01-Jul-20	TENDER	PROVISION OF DEBT COLLECTION SERVICES FOR A PERIOD OF 3 YEARS	SMITH TABATA INC	OWN			R -	R -	N/A	N/A	30-Aug-23	10% of amount successfully collected.
T 14/2019	03-Feb-20	01-Jul-20	TENDER	PROVISION OF BANKING SERVICES	ABSA BANK	OWN			R -		N/A	N/A	30-Jun-25	Fixed rate of 4% on +bank bal, c/dep fee R0,20/R1000.00, cheq fee R5.00, d/order fee R3.41ea, EFT R0.67/trans (salaries incl). All fees incl VAT.
T 16/2019	18-Mar-20	18-May-20	TENDER	UPGRADING OF PEARSTON WWTW:PHASE 2	DE JAGERS LOODGIETER KONTRAKTEURS	WSIG	R 11 308 269,40	4 043 314,42	R 7 264 954,98	R 4 043 314,42	COVID Related	N/A	05-Nov-20	Contractor performing very well and their pace is fast.
T 17/2019	24-Mar-20	19-May-20	TENDER	COOKHOUSE BULK WATER SUPPLY - PHASE 2C (Section 1 & 2)	LRC CIVILS cc	MIG	R 12 472 596,68	3 399 557,41	R 9 073 039,27	R 3 399 557,41	COVID Related	N/A	15-Dec-20	Contractor performing very well.
T 18/2019	26-Feb-20	13-Mar-20	TENDER	SUPPLY AND DELIVERY OF INTERLOCK PAVING BRICKS AND CEMENT FOR A PERIOD OF THREE YEARS	OWENCO (PTY) LTD	MIG				R 499 999,99	N/A	N/A	28-Feb-23	Appointed at a rate of R3 133.13
RFQ 2 OF T32/2018	11-Feb-20	17-Feb-20	TENDER	PES: UPGRADING OF AEROVILLE SPORTSFIELDS	KCS CONSULTANTS	MIG	R 696 890,00	56 221,65	R 640 668,35	R 56 221,65	N/A	N/A	At the end of construction	Consultant performing fairly well.
RFQ 3 OF T32/2018	11-Feb-20	17-Feb-20	TENDER	PES: UPGRADING OF STORMWATER DRAINAGE IN WARD 5 (WESTVIEW, FRANCISVALE, OLD LOCATION)	KCS CONSULTANTS	MIG	R 908 152,50	108 532,80	R 799 619,70	R 6 552,00	N/A	N/A	At the end of construction	Consultant performing fairly well.
RFQ 4 OF T32/2018	11-Feb-20	14-Feb-20	TENDER	PES: PAVING OF INTERNAL STREETS IN COOKHOUSE, PEARSTON AND SOMERSET EAST	NEMORANGO CONSULTING ENGINEERS	MIG	R 1 406 794,99	467 251,80	R 939 543,19	R 467 251,80	N/A	N/A	At the end of construction	Consultant performing fairly well.
	13-May-20	01-May-20	DEVIATION	REFURBISHMENT OF BESTERSHOEK WATER TREATMENT WORKS	LRC CIVILS cc	MIG/WSIG	R 1 563 494,36							
	29-May-20		COUNCIL RESOLUTION	PSP: AUGMENTATION OF COOKHOUSE BULK WATER SUPPLY SCHEME - PHASE 2C	WATER & PUMPING SOLUTIONS	MIG	R 2 814 740,00	1 003 145,34	R 1 811 594,66	R 1 003 145,34	COVID Related	N/A	At the end of construction	



## **BLUE CRANE ROUTE MUNICIPALITY**

### **1. REPORT OF THE AUDIT COMMITTEE**

We present our report for the financial year ended 30 June 2020.

### **2. ROLE AND RESPONSIBILITY OF THE AUDIT COMMITTEE**

The function of the Audit Committee (hereinafter referred to as the Committee) is primarily to assist the Blue Crane Route Municipality (hereinafter referred to as the Council) in discharging its duties relating to, amongst others, the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements.

The Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003 and has endeavoured to comply with its responsibilities arising from those requirements. The Committee has performed its duties according to its terms of reference as per the approved Audit Committee Charter.

The Committee has no executive function and its primary objective is to review and advise rather than assume responsibility for any matters within its remit.

### **3. AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

The current Audit Committee was effective as of 1 July 2018, met 5 times for the 2019/20 financial year and has four members as per its approved terms of reference. Two of the members served in the previous term (2017/2018), and the other two members including the Chairperson are new.

The following Audit/Performance Audit Committee (AC) meeting was held during the 2019/20 financial year:

- 1<sup>st</sup> Meeting: 12 August 2019 (AFS and Annual Performance Review )
- 2<sup>nd</sup> Meeting: 25 September 2019 (Q4 2018/19 review, delayed meeting)
- 3<sup>rd</sup> Meeting: 22 October 2019 (Quarter 1 – 2019/20)
- 4<sup>th</sup> Meeting: 28 January 2020 (Mid-year assessment 2019/20)
- 5<sup>th</sup> Meeting: 19 June 2020 (Quarter 3 review 2019/20).

Following are the members of the Audit Committee:

Name of Member	# of Meetings Attended for 2019/20
WA Plaatjes	5
Denny Emslie	5
P Songo	5
N Mzamo	4

The committee meetings are also attended by the Mayor/Speaker, the MPAC Chair, the Municipal Manager, Chief Financial Officer, Provincial Treasury, CoGTA, Internal and External Auditors (AG).

#### **4. The Effectiveness of Internal Control**

The system of internal control was not entirely effective for the period under review. During the period under review, several deficiencies in the system of internal control and/or deviations were identified by the audit committee, the internal auditors and external auditors, the areas of Financial Health, Human Resources Management, Supply Chain Management and Quality of Performance Information.

Management has committed to working on improving the internal control environment and the committee will continue to monitor the improvement.

#### **5. Information and Communications Technology (ICT)**

The committee recommended that ICT activities be adequately budgeted as the risks may outweigh the cost. The AC recommends that IT Security and Disaster Recovery be expedited for the implementation of the ICT governance framework. The ICT strategy remains in draft form.

#### **6. Risk Management**

The Audit Committee has noted that the risk management function is not improving within the municipality. The internal audit unit facilitated the risk function; however, management did not submit information timeously.

Implementation of management actions every quarter is not reported regularly with valid evidence. As the municipality matures, risk management should form part of the performance agreements. Management actions lacked SMARTness, and the Risk Appetite level of Council is yet to be determined. CoGTA has agreed to assist with the risk assessment.

#### **7. Performance Management**

The Audit Committee, for the 3<sup>rd</sup> successive year, did not receive the Annual Performance Report for review at its meeting dated 14 September 2020.

Due to this limitation, the Audit Committee could not provide an opinion regarding the adequacy, accuracy, completeness and reliability of reported performance information by the municipality. The non-submission of information is viewed in a serious light by the Committee. Internal audit reviews highlighted the same challenges reported previously i.e. Portfolio of Evidence (POE) not submitted or not submitted late, or the validity of the POE questionable, and the reasons for underperformance absent. The cascading of PMS remains a challenge in the municipality.

Although the Auditor-General provided an unqualified opinion, their scope only related to KPA 2 – Service Delivery and Infrastructure Development, hence management need to demonstrate consistent and sustainable improvement regarding performance management in general.

#### **8. INTERNAL AUDIT (IA)**

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality during the year under review, despite the challenges it faces.

These challenges include, but are not limited to:

- Unable to complete its work programme for the year;
- The lack of a permanent CAE for a few months, due to a resignation; and,
- The COVID-9 pandemic (isolation of staff) and the lockdown.

#### **9. Compliance with the MFMA, the Annual Division of Revenue Act and any other applicable legislation**

The Audit Committee reports that it is not aware of any material occurrence or omission resulting or potentially resulting in non-compliance with the Municipal Finance Management Act; and any other key legislation applicable to the Municipality, other than those alluded to by internal Audit and the Auditor-General in its Management Report and the Audit Report. No investigations were initiated by the Audit Committee or referred to the Audit Committee by Council.

#### **10. Evaluation of the Financial Statements**

The Audit Committee has:

- Reviewed and discussed the unaudited annual financial statements that were submitted to the Auditor-General for review.
- Reviewed changes in accounting policies and practices;
- Reviewed the municipality's compliance with legal and regulatory provisions;
- Reviewed the information on pre-determined objectives to be included in the annual report, and
- Reviewed significant adjustments used in the compilation of the annual financial statements.

The Auditor-General reported an Unqualified Audit Opinion with findings 2019/20, meaning the Financial Statements contain no material misstatements. But, findings have been raised on either performance objectives or non-compliance with legislation, or both.

Special mention should be made of the following challenges:

- A full population of infrastructure assets re-evaluation for Water Infrastructure, Roads and Stormwater, Sanitation and, Work-in-Progress. This was an enormous task and the CFO must be applauded for successfully driving this project for both the current and prior year. The latter project recognised that the assets of the municipality are just below a billion rand.

The electrical infrastructure population will be re-evaluation in 2020/21. Maintenance of these assets is a major risk as this is expensive.

- Legal matters and the possible related liabilities are major concerns as this has not been brought into account as contingent liabilities.
- The above two matters will have a serious negative impact on the cash flow for 2020/21 and outwards years.

**11. Auditor-General South Africa**

The Audit Committee has met with the Auditor-General during the year to ensure that there are no outstanding issues relating to the Municipality.



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Prof. W. Platjies  
Chairperson of the Audit Committee (on behalf of the Audit Committee)  
Date: 19 March 2021

# BLUE CRANE ROUTE MUNICIPALITY(EC102)

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Annual Financial Statements for the  
year ended 30 June 2020

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**Blue Crane Route Local Municipality (EC 102)**

Annual Financial Statements for the year ended 30 June 2020

**General Information**

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<b>Legal form of entity</b>	Local Municipality
<b>Grade</b>	2
<b>Nature of business and principal activities</b>	Local Government. Principal activities inline with the Constitution of South Africa, Schedule 4 B and 5 B
<b>The following is included in the scope of operation</b>	Service Delivery - (Basic service delivery such as electricity, sanitation , refuse removal Infrastructure development, economic development, community services)
<b>Council members</b>	
<b>Mayor/Speaker</b>	BA Manxoweni
<b>Councillors</b>	A Hufkie MS Kwatsha P Sonkwala JM Martin TC Xakaxa FP Brown C Nel (From December 2019) KC Brown NP Nkonyeni TA Grootboom C Du Plessis (Up to August 2019)
<b>Accounting Officer</b>	T Klaas (mmanager@bcm.gov.za)
<b>Chief Finance Officer (CFO)</b>	NB Delo (nigeld@bcm.gov.za)
<b>Registered office</b>	67 Nojoli Street Somerset East 5850
<b>Postal address</b>	P.O. Box 21 Somerset East 5850
<b>Auditors</b>	Auditor General South Africa
<b>Bankers</b>	First National Bank
<b>Attorneys</b>	Not appointed

**Blue Crane Route Local Municipality (EC 102)**  
Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the annual financial statements presented to the Council.

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**Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
mSCOA	Municipal Standard Chart Of Accounts
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
SBDM	Sarah Baartman District Municipality
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Program
INEP	Integrated National Electrification Program

## Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

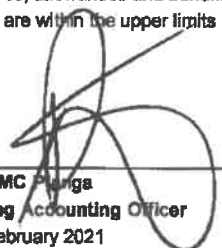
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. Note 47 of this Annual Financial Statements has given more clarity on this matter.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the Chief Financial Officer.

The external auditors are responsible for expressing an audit opinion on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on the following pages have been prepared on the going concern basis, were approved by the accounting officer on 18 September 2020 and were signed by him.

The accounting officer hereby certifies as required by Section 124(1)(a) of the Municipal Finance Management Act (Act 56 of 2003) that the salaries, allowances and benefits of political office-bearers and councillors of the Blue Crane Route Municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.

  
Adv MC Mungu  
Acting Accounting Officer  
25 February 2021



**Blue Crane Route Local Municipality (EC 102)**

Annual Financial Statements for the year ended 30 June 2020

**STATEMENT OF FINANCIAL POSITION**

	Notes	2020 R	2019 R (Restated)
<b>ASSETS</b>			
<b>Current assets</b>			
Other financial assets	4	-	2,982
Inventories	6	1,213,851	1,305,445
Other receivables from exchange transactions	7	1,371,209	1,231,766
Other receivables from non-exchange transactions	8	7,798,039	5,606,637
Trade receivables from exchange transactions	9	34,270,679	28,978,610
Cash and cash equivalents	10	9,882,437	27,634,697
		<u>54,536,215</u>	<u>64,760,137</u>
<b>Non-current assets</b>			
Investment property	11	24,527,190	24,593,834
Property, plant and equipment	12	802,713,559	809,987,908
Intangible assets	13	4,963	6,825
Heritage assets	14	458,067	458,067
		<u>827,703,779</u>	<u>835,046,634</u>
<b>Total assets</b>		<b><u>882,239,994</u></b>	<b><u>899,806,771</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Employee benefit obligation	15	1,782,000	1,732,586
Other financial liabilities	16	815,759	3,857,176
Finance lease obligation	17	228,331	1,008,468
Unspent conditional grants and receipts	18	2,254,113	25,264,283
Payables from exchange transactions	20	47,270,704	36,684,508
Trade and other payables from non-exchange	21	204,137	46,983
VAT payable	22	4,057,136	2,307,923
Consumer deposits	23	2,733,983	2,673,592
		<u>59,346,163</u>	<u>73,575,519</u>
<b>Non-current liabilities</b>			
Employee benefit obligation	15	22,779,000	24,560,565
Other financial liabilities	16	-	815,759
Finance lease obligation	17	-	228,331
Provisions	19	25,142,849	23,707,624
		<u>47,921,849</u>	<u>49,312,279</u>
<b>Total liabilities</b>		<b><u>107,268,012</u></b>	<b><u>122,887,798</u></b>
<b>Net assets</b>		<b><u>774,971,982</u></b>	<b><u>776,918,973</u></b>
<b>Accumulated surplus</b>		<b><u>774,971,982</u></b>	<b><u>776,918,973</u></b>

**Blue Crane Route Local Municipality (EC 102)**

Annual Financial Statements for the year ended 30 June 2020

**STATEMENT OF FINANCIAL PERFORMANCE**

	Notes	2020 R	2019 R (Restated)
<b>Revenue</b>			
Property rates	26	21,550,618	13,222,692
Service charges	27	132,964,954	119,882,184
Rental of facilities and equipment	25	712,659	495,142
Interest earned - outstanding debtors	25	5,542,512	4,492,869
Interest earned - external investments	28	1,389,562	2,052,498
Agency Services	25	753,971	1,013,340
Fines	25	162,231	125,798
Licences and permits	25	396,517	540,216
Transfers and Subsidies	29	113,675,032	145,657,745
Gain on disposal of assets	25	-	78,270
Other income	30	1,757,694	1,937,233
<b>Total revenue</b>		<b>278,905,750</b>	<b>289,497,987</b>
<b>Expenditure</b>			
Employee related costs	31	83,124,880	79,497,360
Remuneration of councillors	32	4,050,729	3,993,698
Debt Impairment	33	23,280,573	19,452,883
Depreciation and asset impairments/amortisation	11-13	53,948,014	62,140,805
Finance costs	34	1,888,409	3,308,278
Bulk purchases	35	92,597,013	79,992,493
Contracted services	36	6,792,416	7,985,647
Inventory consumed	37	5,066,433	5,978,427
Transfers and Subsidies	38	841,086	838,760
Operational Cost	39	12,743,158	12,365,819
Loss on disposal of assets	11/12	40,202	-
<b>Total expenditure</b>		<b>284,372,913</b>	<b>275,554,170</b>
Actuarial gain	15	3,520,172	3,247,659
<b>Surplus/(deficit) for the year</b>		<b>(1,946,991)</b>	<b>17,191,476</b>

**Blue Crane Route Local Municipality (EC 102)**

Annual Financial Statements for the year ended 30 June 2020

**STATEMENT OF CHANGES IN NET ASSETS**

	Notes	R	R
		Accumulated Surplus/(Deficit)	Total: Net Assets
<b>Opening balance as previously reported (2018)</b>		<b>541,639,253</b>	<b>541,639,253</b>
Adjustments:			
Prior period adjustments (2018 and earlier)	45	218,088,244	218,088,244
<b>Balance at 1 July 2018 as restated</b>		<b>759,727,497</b>	<b>759,727,497</b>
Changes in net assets			
Surplus for the year		17,191,476	17,191,476
<b>Balance at 30 June 2019 as restated</b>		<b>776,918,973</b>	<b>776,918,973</b>
<b>Opening balance as previously reported (2019)</b>		<b>585,864,837</b>	<b>585,864,837</b>
Prior period adjustments (2019 and earlier)	45	191,054,136	191,054,136
<b>Balance at 1 July 2019 as restated</b>		<b>776,918,973</b>	<b>776,918,973</b>
Changes in net assets			
Deficit for the year		(1,946,991)	(1,946,991)
<b>Balance at 30 June 2020</b>		<b>774,971,982</b>	<b>774,971,982</b>

**Blue Crane Route Local Municipality (EC 102)**  
Annual Financial Statements for the year ended 30 June 2020

**CASH FLOW STATEMENT**

	Notes	2020 R	2019 R (Restated)
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sales of goods and services		123,771,149	112,774,287
Grants		90,295,443	168,939,056
Interest received		1,353,597	2,014,088
Other receipts		11,212,330	4,322,607
		<u>226,632,519</u>	<u>288,050,038</u>
<b>Payments</b>			
Employee costs		(81,336,859)	(76,319,446)
Remuneration of councillors		(4,050,729)	(3,993,698)
Suppliers		(15,945,523)	(15,592,873)
Bulk purchases		(90,309,765)	(73,835,597)
Interest paid		(367,265)	(738,266)
Other payments		(841,087)	(7,661,129)
		<u>(192,851,228)</u>	<u>(178,141,009)</u>
<b>Net cash flows from operating activities</b>	41	<b><u>33,781,291</u></b>	<b><u>109,909,029</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(46,656,802)	(78,875,475)
Nett proceeds on disposal of assets and liabilities		11,441	416,496
Proceeds from Other financial assets	4	2,982	3,419
<b>Net cash flows used in investing activities</b>		<b><u>(46,642,379)</u></b>	<b><u>(78,455,560)</u></b>
<b>Cash flows from financing activities</b>			
Consumer deposits		60,391	94,829
Repayment of other financial liabilities		(3,857,176)	(3,510,272)
Finance lease received			
Finance lease payments		(1,094,387)	(1,625,891)
<b>Net cash used in financing activities</b>		<b><u>(4,891,172)</u></b>	<b><u>(5,041,334)</u></b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(17,752,260)</b>	<b>26,412,135</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>27,634,697</b>	<b>1,222,562</b>
<b>Net cash and cash equivalents at end of period</b>	10	<b><u>9,882,437</u></b>	<b><u>27,634,697</u></b>

**Blue Crane Route Local Municipality (EC 102)**  
Annual Financial Statements for the year ended 30 June 2020

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Notes	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
<b>Statement of Financial Position</b>						
Total current assets		36,200,000	4,036,793	<b>40,236,793</b>	54,536,215	<b>(14,299,422)</b>
Total non-current assets		651,276,138	37,443,635	<b>688,719,773</b>	827,703,779	<b>(138,984,006)</b>
Total current liabilities		(31,847,942)	(29,085,018)	<b>(60,932,960)</b>	(59,346,163)	<b>(1,586,797)</b>
Total non-current liabilities		(49,000,000)	22,916,068	<b>(26,083,932)</b>	(47,921,849)	<b>21,837,917</b>
<b>Net Assets</b>		<b>606,628,196</b>	<b>35,311,478</b>	<b>641,939,674</b>	<b>774,971,982</b>	<b>(133,032,308)</b>
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Property rates	52	18,026,690		<b>18,026,690</b>	21,561,237	<b>(3,534,547)</b>
Service charges	52	148,405,472	509,448	<b>148,914,920</b>	143,764,234	<b>5,150,686</b>
Interest earned - external investments		850,000	500,000	<b>1,350,000</b>	1,389,562	<b>(39,562)</b>
Interest earned - outstanding debtors		4,197,650	1,268,000	<b>5,465,650</b>	5,542,512	<b>(76,862)</b>
Rental of facilities and equipment		390,000	75,000	<b>465,000</b>	712,659	<b>(247,659)</b>
Fines		423,000	-	<b>423,000</b>	162,231	<b>260,769</b>
Licences and permits		480,300	-	<b>480,300</b>	396,517	<b>83,783</b>
Agency services		850,000	100,000	<b>950,000</b>	753,971	<b>196,029</b>
Transfers and Subsidies		87,983,000	27,791,210	<b>115,774,210</b>	113,675,032	<b>2,099,178</b>
Gains on disposal of PPE		-	-	<b>-</b>	-	<b>-</b>
Other Income	52	1,277,140	7,477,600	<b>8,754,740</b>	5,277,866	<b>3,476,874</b>
<b>Total Revenue</b>		<b>262,883,252</b>	<b>37,721,258</b>	<b>300,604,510</b>	<b>293,235,821</b>	<b>7,368,689</b>
<b>Expenditure</b>						
Employee related costs	52	83,150,120	(2,693,134)	<b>80,456,986</b>	80,785,145	<b>(328,159)</b>
Remuneration of councillors		4,253,900	(75,410)	<b>4,178,490</b>	4,050,729	<b>127,761</b>
Debt impairment		11,103,750	3,886,310	<b>14,990,060</b>	23,280,573	<b>(8,290,513)</b>
Depreciation & asset impairment		42,179,290	300,000	<b>42,479,290</b>	53,948,014	<b>(11,468,724)</b>
Finance charges	52	5,018,550	17,640	<b>5,036,190</b>	4,228,144	<b>808,046</b>
Bulk Purchases		97,294,100	-	<b>97,294,100</b>	92,597,013	<b>4,697,087</b>
Inventory consumed	52	4,677,790	(9,130)	<b>4,668,660</b>	2,674,829	<b>1,993,831</b>
Contracted services		8,453,450	6,450	<b>8,459,900</b>	6,792,416	<b>1,667,484</b>
Transfers and Subsidies		883,740	(42,640)	<b>841,100</b>	841,086	<b>14</b>
Other expenditure	52	25,817,350	3,185,040	<b>29,002,390</b>	25,984,863	<b>3,017,527</b>
<b>Total expenditure</b>		<b>282,832,040</b>	<b>4,575,126</b>	<b>287,407,166</b>	<b>295,182,812</b>	<b>(7,775,646)</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget</b>		<b>(19,948,788)</b>	<b>33,146,132</b>	<b>13,197,344</b>	<b>(1,946,991)</b>	<b>15,144,335</b>
<b>And Actual Comparative Statement</b>						

Refer to note 54 for explanations for material variances between final budget and actual amounts as well as note 55 for differences between the final budget and the original budget

**Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Notes	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<u>Receipts</u>						
Ratepayers and other		156,965,589	(4,726,140)	<b>152,239,449</b>	123,771,149	<b>28,468,300</b>
Other Revenue		6,944,005	9,046,638	<b>15,990,643</b>	11,212,330	<b>4,778,313</b>
Government - operating		60,969,000	396,390	<b>61,365,390</b>	62,020,487	<b>(655,097)</b>
Government - capital		27,014,000	26,821,813	<b>53,835,813</b>	28,274,956	<b>25,560,857</b>
Interest		4,627,885	(4,627,885)	-	1,353,597	<b>(1,353,597)</b>
<u>Payments</u>						
Suppliers and employees		(223,646,710)	(413,816)	<b>(224,060,526)</b>	(191,642,877)	<b>(32,417,649)</b>
Finance charges		(460,850)	(4,575,340)	<b>(5,036,190)</b>	(367,265)	<b>(4,668,925)</b>
Transfers and Grants		(883,740)	42,640	<b>(841,100)</b>	(841,086)	<b>(14)</b>
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>31,529,179</b>	<b>21,964,300</b>	<b>53,493,479</b>	<b>33,781,291</b>	<b>19,712,188</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<u>Receipts</u>						
Proceeds on disposal of PPE		-	-	-	11,441	<b>(11,441)</b>
Decrease (Increase) in non-current debtors		4,000	-	-	2,982	<b>(2,982)</b>
<u>Payments</u>						
Capital assets		(27,674,000)	(26,978,213)	<b>(54,652,213)</b>	(46,656,802)	<b>(7,995,411)</b>
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(27,670,000)</b>	<b>(26,978,213)</b>	<b>(54,652,213)</b>	<b>(46,642,379)</b>	<b>(8,009,834)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<u>Receipts</u>						
Borrowing long term/finance lease		-	-	-	-	-
Increase (decrease) in consumer deposits		50,000	-	<b>50,000</b>	60,391	<b>(10,391)</b>
<u>Payments</u>						
Repayment of borrowing		(4,000,000)	168,185	<b>(3,831,815)</b>	(4,951,563)	<b>1,119,748</b>
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(3,950,000)</b>	<b>168,185</b>	<b>(3,781,815)</b>	<b>(4,891,172)</b>	<b>1,109,357</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(90,821)</b>	<b>(4,849,728)</b>	<b>(4,940,549)</b>	<b>(17,752,260)</b>	<b>12,811,711</b>
Cash/cash equivalents at the year begin:		1,000,000	26,438,211	<b>27,438,211</b>	27,634,697	-
Cash/cash equivalents at the year end:		<b>909,179</b>	<b>21,588,483</b>	<b>22,497,662</b>	<b>9,882,437</b>	<b>12,811,711</b>

**Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

**ACCOUNTING POLICIES**

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**1. Presentation of Annual Financial Statements**

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

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below.

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise. Details on any changes in accounting policies are provided in note Changes in accounting policy.

**1.1. Presentation of currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures in the annual financial statement are rounded to the nearest Rand value.

**1.2. Going concern**

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

**1.3. Budget information**

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

The approved budget is prepared on an accrual basis.

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

**1.4. Comparative figures**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

## **Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

### **ACCOUNTING POLICIES**

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Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 42 to the financial statements.

#### **1.5. Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

#### **1.6. Significant judgements and sources of estimation uncertainty**

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

##### **Judgements**

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

##### **Estimates**

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

##### **Inventory**

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

##### **Impairments of non-financial assets**

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement



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cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

**Provisions**

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

**Pension and other post-employment benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**Effective interest rate**

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

**Allowance for doubtful debts**

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis.

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

**Provision for rehabilitation of refuse landfill sites**

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and

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then discounted to their present value using an appropriate discounting rate, representing the time value of money.

**Depreciation and amortisation**

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

**1.7. Property, plant and equipment****Initial recognition**

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

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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property, plant and equipment.

**Subsequent measurement**

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

**Subsequent expenditure**

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

**Depreciation**

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

<b>Item</b>	<b>Average useful life</b>
Land (PPE)	Indefinite
Buildings	30 - 60 years
Plant	5 – 15 years
Furniture and fixtures	5 – 15 years
Motor vehicles	5 – 20 years
Office equipment	3 – 10 years
Other equipment	3 – 10 years
Infrastructure	5 – 80 years
Landfill site	15 – 30 years

**Impairments**

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

**Derecognition**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.8. Investment property**

**Initial Recognition**

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

**Cost Model**

Investment property is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

<b>Item</b>	<b>Useful life</b>
Property – land	indefinite

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Property – buildings 30 years.

#### Derecognition

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

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

#### Impairments

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

### 1.9. Intangible assets

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

An internally generated intangible asset is subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale
- it is technically feasible to complete the intangible asset
- the entity has the resources to complete the project
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

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An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

#### **Subsequent measurement**

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

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

For all other intangible assets amortisation is provided on a straight line basis over their useful life. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

#### **Amortisation and impairment**

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software      5 years

#### **Impairments**

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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**Derecognition**

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

**1.10. Heritage Assets**

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

**Initial Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Heritage assets are measured at cost.

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

**Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

**Impairments**

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

**Transfers**

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

**Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or

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service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

#### 1.11. Financial instruments

##### Initial recognition

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

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

##### Initial measurement

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

##### Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

##### a) Financial instruments at fair value:

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

##### b) Financial instruments at amortised cost:



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Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates, at fair value, at initial recognition or, are held for trading.

c) Financial instruments at cost:

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

**Gains and losses**

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

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

**Impairments**

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal

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does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

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

##### Financial liabilities

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

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

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

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accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

**Policies relating to specific financial instruments****Investments at amortised cost**

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

**Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

**Trade and other receivables**

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

**Trade and other payables**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost. Trade payables are recognised VAT included.

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#### Other financial assets

These include loans receivable and initially measured at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost.

#### 1.12. Leases

##### Finance leases - lessee

###### Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

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

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

###### Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

##### Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are

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recognised as either an operating lease asset or operating lease liability.

An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

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

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

#### **Operating leases - lessee**

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

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

#### **1.13. Inventories**

##### **Initial recognition and measurement**

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### **Subsequent measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated

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volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

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

#### **Derecognition**

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

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.14. Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

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

##### **Identification**

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

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

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

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**Value in use**

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

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

**Discount rate**

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

**Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

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

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

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

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

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

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



**Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

**ACCOUNTING POLICIES**

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**1.15. Employee benefits****Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

**Post-employment benefits**

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

**Defined contribution plans**

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

**Post-retirement Medical Obligations**

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method.

The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly,

## Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2020

### ACCOUNTING POLICIES

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plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.16. Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

#### 1.17. Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

## **Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

### **ACCOUNTING POLICIES**

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#### **Recognition**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

#### **Specific exchange revenue sources**

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly based.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

## Blue Crane Route Municipality

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### ACCOUNTING POLICIES

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#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

#### 1.18. Revenue from non-exchange transactions

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

#### Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount and once all the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

## **Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

### **ACCOUNTING POLICIES**

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#### **Measurement**

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

#### **1.19. Borrowing costs**

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

#### **1.20. Expenditure – Operation Cost**

An operating expense is a day to day expense such as sales and administration, or research & development, accounting expenses, licence fees, advertising, office expenses, utilities, such as telephone, insurance, property management, travel and vehicle expenses.

#### **1.21. Expenditure – Bulk Purchases**

Bulk purchases of Electricity and Water from Eskom (Including alternative service providers) and Water sources such as Water Boards and other providers.

#### **1.22. Expenditure – Contracted Services**

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special Services.

#### **1.23. Expenditure – Inventory Consumed**

The amount of inventories recognised as an expense during the period. GRAP 12.45(d). The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consist of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. (Grap 12.47)

#### **1.24. Unauthorised expenditure**

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in

## Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2020

### ACCOUNTING POLICIES

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accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) a grant by the municipality otherwise than in accordance with this Act;

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.25. Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.26. Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.27. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is

## **Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

### **ACCOUNTING POLICIES**

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reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

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

#### **1.28. Taxes - Value added tax**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis.

#### **1.29. Capital commitments**

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.30. Consumer deposits**

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in-line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### **2. Post-reporting date events**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

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### ACCOUNTING POLICIES

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#### 3. New standards and Interpretations

##### New Standards and Interpretations

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

###### GRAP 20 : Related Party Disclosures

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

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

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

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:



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### ACCOUNTING POLICIES

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

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

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

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

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

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

#### **GRAP 32 : Service Concession Arrangements: Grantor**

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

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

## **Blue Crane Route Municipality**

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### **ACCOUNTING POLICIES**

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

#### **GRAP 108 : Statutory Receivables**

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

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

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

#### **GRAP 109 : Accounting by Principals and Agent**

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

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

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

#### **IGRAP 17 : Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset**

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

## **Blue Crane Route Municipality**

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### **ACCOUNTING POLICIES**

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

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

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

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

#### **IGRAP 18 : Recognition and Derecognition of Land**

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

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

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

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

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### ACCOUNTING POLICIES

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#### IGRAP 19 : Liabilities to Pay Levies

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

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

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

Consensus reached in this interpretation:

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

The entity has adopted the interpretation for the first time in the 2019/2020 annual financial statements. The adoption of these amendment is not expected to impact on the results of the municipality but has resulted in more disclosures in the annual financial statements

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### **ACCOUNTING POLICIES**

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#### **3.1. Standards and Interpretations issued, but not yet effective**

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 104 Financial Instruments (No effective date)

The following changes to GRAP standards became effective for financial years starting on or after 1 April 2020 and therefore fall outside the current financial year:

GRAP 18 Segmental Reporting

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in Associates and Joint Ventures

GRAP 37 Joint Arrangements

GRAP 38 Disclosure of Interest in other Entities

GRAP 110 Living and Non-living Resources

#### **GRAP 18 Segmental Reporting**

This standard requires the municipality to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.

#### **GRAP 34 Separate Financial Statements**

This standard requires the disclosure of investments in controlled entities , joint ventures and associates to present separate financial statements.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will not have any impact on this Municipality as it does not have entities.

#### **GRAP 35 Consolidated Financial Statements**

The objective of the standard is to prescribe the accounting for entities that is a controlling entity and need to present consolidated financial statements.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will not have any impact on this Municipality as it does not have entities.

## **Blue Crane Route Municipality**

Annual Financial Statements for the year ended 30 June 2020

### **ACCOUNTING POLICIES**

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#### **GRAP 36 Investments in Associates and Joint Ventures**

This standard prescribes the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

#### **GRAP 37 Joint Arrangements**

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

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

#### **GRAP 38 Disclosure of Interest in other Entities**

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

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

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

#### **GRAP 110 Living and Non-living Resources**

The objective of this Standard is to prescribe the:

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

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

#### **3.2. Interpretations and Directives issued, but not yet effective**

The following interpretations have been issued by the Accounting Standards Board but has not been given an effective date by the Minister of Finance. The entity has not early-adopted this new interpretation, but has referred to it for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset - Issued August 2013

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

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March 2017

IGRAP 19 Liabilities to Pay Levies – Issued March 2017

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities – Issued August 2015

**IGRAP 17 – Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset**

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

The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

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

The Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as its asset.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected it will have an impact on Standard of GRAP on Inventories (GRAP 12), Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103) should the land use change.

**IGRAP 19 – Liabilities to Pay Levies**

This Interpretation addresses the recognition of a liability to pay a levy if that liability is within the scope of GRAP 19. It also addresses the recognition of a liability to pay a levy whose timing and amount is certain. The measurement of a liability to pay a levy is not addressed in this Interpretation, instead an entity refers to GRAP 19.

The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

**Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities**

There is no impact as they directive only applies to public entities that are not currently applying Standards of GRAP.

Management has considered all the above-mentioned GRAP standards issued but not yet effective and

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anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>4 Other financial assets</b>		
<b>Amortised cost</b>		
<b>Long term loans</b>	-	<b>2,982</b>
This loan is for a sport club and is repayable in monthly instalments over a period of twenty years. It has a fixed interest rate of 5% and is fully redeemed in April 2020. This loan was not secured		
Opening Balance	2,982	6,401
Interest accrued	69	243
Installments	(3,051)	(3,662)
Closing Balance	-	<b>2,982</b>
<b>Current assets</b>		
Amortised cost	-	<b>2,982</b>
	-	<b>2,982</b>

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2020 and 2019, as all the financial assets were disposed of at their redemption date.

**Loans and receivables past due but not impaired**

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2020 - Rnil (2019 - Rnil) were past due but not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>5 Financial assets by category</b>		
The accounting policies for financial instruments have been applied to the line items below:		
<b>2020</b>		Financial assets at amortised cost
Other financial assets		-
Other receivables from exchange transactions		1,371,209
Other receivables from non-exchange transactions		7,798,039
Cash and cash equivalents		6,892,437
Trade receivables from exchange transactions		34,270,679
		<u>53,322,364</u>
<b>2019</b>		
Other financial assets		2,982
Other receivables from exchange transactions		1,231,766
Other receivables from non-exchange transactions		5,606,837
Cash and cash equivalents		27,634,697
Trade receivables from exchange transactions		28,978,610
		<u>63,454,692</u>
<b>6 Inventories</b>		
Housing in process	55,080	55,080
Consumable stores	1,004,707	1,056,514
Water	154,064	193,851
	<u>1,213,851</u>	<u>1,305,445</u>

Stores issues amounted to R 1 331 556 and R 1 816 258 (2019).

No inventory write downs were required for the year.

No inventory were pledged as security.

No amount included in inventory is carried at current replacement cost or NRV.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>7 Other receivables from exchange transactions</b>		
Deposits (Eskom and Fuel)	940 632	834 615
Government Grants and Subsidies	158 842	158 842
Other receivables	35 448	35 448
Expenditure paid in advance (Insurance & Registration cost)	266 220	232 794
Provision for bad debts: Other Receivables	(29 933)	(29 933)
	<b>1 371 209</b>	<b>1 231 766</b>

The ageing of other receivables from exchange transactions and not impaired is as follows:

Current (0-30days)	148,279	71,490
91-120 days	1,222,930	232,794
> 121 days	<b>1,371,209</b>	<b>1,231,766</b>

**Other receivables pledged as security**

Other receivables were not pledged as security.  
Other receivables is a financial assets at amortised cost.

**Credit quality of other receivables from exchange transactions**

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.  
Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>8 Other receivables from non-exchange transactions</b>		
Property rates	7,596,651	5,286,096
Other receivables	201,388	340,541
	<b>7,798,039</b>	<b>5,606,637</b>
<b>Property rates</b>		
Property rates: Statutory	6,574,705	4,584,551
Property Rates: All Other Categories	13,135,033	4,635,583
Provision for bad debts: Property rates	(12,113,087)	(3,954,038)
	<b>7,596,651</b>	<b>5,266,096</b>
<b>Property rates age analysis: Statutory</b>		
Current (0-30days)	5,031	-
31-60 days	3,429	47,105
61-90 days	1,540	-
91-120 days	1,553	-
> 121 days	6,563,152	4,537,446
	<b>6,574,705</b>	<b>4,584,551</b>
<b>Property rates age analysis: All other Categories</b>		
Current (0-30days)	633,349	446,744
31-60 days	109,273	104,779
61-90 days	84,383	65,937
91-120 days	72,872	86,076
> 121 days	12,235,156	3,932,047
	<b>13,135,033</b>	<b>4,635,583</b>
<b>Credit quality of receivables from non-exchange transactions</b>		
The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
<b>Allowance for impairment: Property rates</b>		
Impairment balance prior year	(3,954,038)	(3,067,599)
Contributions to provision	8,159,049	(886,439)
	<b>(12,113,087)</b>	<b>(3,954,038)</b>
<b>Property rates : Statutory</b>		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009.		
No debt impairment is calculated on Statutory rates receivables as legal action is currently taken against Sanparks which owe the Municipality the biggest amount of R4,5m. Interest are charged at prime plus 1 percent which was at 30 June 2020, 8,25%.		
<b>Other receivables</b>		
Employees overpayment on backpay	231,831	231,831
Provision for bad debts: Employees overpayment	(231,831)	(231,831)
Insurance claims	17,121	17,121
Provision for bad debts: Insurance claims	(17,121)	(17,121)
Employee overpayments	50,714	50,714
SARS UIF paid for Councillors	150,674	150,674
SARS PAYE overpayment		110,996
Other		28,157
	<b>201,388</b>	<b>340,541</b>
<b>Prior Period adjustment</b>		
Balance as previously reported		201,388
Prior to 2019: Overpayment of PAYE to SARS during the tax years 2017 and 2018		110,996
Prior to 2019: Overpayment of salaries and allowances to Mayor BA Manxoweni for the period 2016 - 2018		28,157
		<b>340,541</b>
The amount of impairment for Property Rates was R 12 113 087 as at 30 June 2020 (2019: R 3 954 038). The amount of impairment for other receivables was R248 952 as at 30 June 2020 (2019: R248 952) Other receivables from non-exchange transactions is a financial assets at amortised cost. Other receivables from non-exchange transactions were not pledged as security.		
<b>Other receivables from non-exchange transactions past due but not impaired</b>		
The ageing of amounts for property rates past due but not impaired is as follows:		
1 month past due	526,708	297,594
2 months past due	101,874	146,846
3 months past due	74,043	59,229
Older than 3 months	6 666,846	4,615,373
	<b>7,369,471</b>	<b>5 119 042</b>
<b>Other receivables from non-exchange transactions past due but not impaired</b>		
Older than 3 months	201,388	201,388
	<b>201,388</b>	<b>201,388</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>9 Trade receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	29,397,456	24,960,989
Water	21,387,262	18,318,330
Sanitation	2,815,821	2,457,389
Sewerage	8,225,725	7,103,614
Refuse	15,444,230	13,194,201
Other	2,487,499	1,592,529
	<u>79,767,993</u>	<u>67,617,052</u>
<b>Prior Period adjustment</b>		
Balance as previously reported		67,480,260
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of electricity		8,921
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of water		54,029
Indigent subsidy incorrectly given to consumers in 2018/19 for Sewerage charges		20,443
Indigent subsidy incorrectly given to consumers in 2018/19 for Refuse removal charges		44,399
		<u>67,617,052</u>
<b>Trade receivables pledged as security</b>		
Trade receivables were not pledged as security.		
Trade receivables is a financial assets at amortised cost		
<b>Less: Allowance for impairment</b>		
Electricity	(7,263,968)	(6,054,274)
Water	(15,505,669)	(13,590,174)
Sanitation	(2,476,077)	(2,024,563)
Sewerage	(6,150,315)	(5,303,316)
Refuse	(12,023,417)	(10,325,864)
Other	(2,067,868)	(1,240,251)
	<u>(45,487,314)</u>	<u>(38,638,442)</u>
<b>Net balance</b>		
Electricity	22,133,488	18,906,715
Water	5,881,593	4,728,156
Sanitation	339,744	432,826
Sewerage	2,075,410	1,800,298
Refuse	3,420,813	2,868,337
Other	419,631	242,278
	<u>34,270,679</u>	<u>28,978,610</u>
<b>Electricity</b>		
Current (0 -30 days)	13,105,262	10,488,354
31 - 60 days	1,658,754	1,829,141
61 - 90 days	1,238,664	1,326,604
91 - 120 days	1,781,625	1,153,920
>121 days	11,613,251	10,162,970
	<u>29,397,456</u>	<u>24,960,989</u>
<b>Water</b>		
Current (0 -30 days)	2,531,159	1,875,940
31 - 60 days	473,243	687,664
61 - 90 days	520,690	430,473
91 - 120 days	443,327	406,000
>121 days	17,418,943	14,918,253
	<u>21,387,262</u>	<u>18,318,330</u>
<b>Sanitation</b>		
Current (0 -30 days)	47,312	47,885
31 - 60 days	26,684	25,090
61 - 90 days	26,590	24,906
91 - 120 days	26,264	24,809
>121 days	2,688,971	2,334,699
	<u>2,815,821</u>	<u>2,457,389</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>9 Trade receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	772,296	754,097
31 - 60 days	272,112	241,622
61 - 90 days	228,809	190,883
91 - 120 days	196,841	166,590
>121 days	6 755 067	5 750 422
	<u>8 225,725</u>	<u>7 103,614</u>
<b>Refuse</b>		
Current (0 -30 days)	1,168,748	1,111,421
31 - 60 days	407,840	362,164
61 - 90 days	365,503	303,474
91 - 120 days	329,404	294,850
>121 days	13 172 935	11 132 292
	<u>16 444,230</u>	<u>13 194,201</u>
<b>Other</b>		
Current (0 -30 days)	51,278	32,709
31 - 60 days	24,087	15,213
61 - 90 days	31,235	19,103
91 - 120 days	38,186	11,755
>121 days	2 342 735	1 503 749
	<u>2 487 499</u>	<u>1 582 529</u>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	17,676,053	14,310,406
31 - 60 days	2,862,520	3,160,894
61 - 90 days	2,411,491	2,295,443
91 - 120 days	2,815,527	2,047,924
>121 days	53,992,402	45,802,385
	<u>79,757,993</u>	<u>67 617 052</u>
Less: Allowance for impairment	<u>(45,487 314)</u>	<u>(38 638 442)</u>
	<u>34 270 679</u>	<u>28 978 610</u>
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(39,638,442)	(29,927,610)
Contributions to provision	(11,434,464)	(14,367,753)
Nett debt impairment written off against provision (Debt written off less reversal of write offs)	4,585,592	5 656 921
	<u>(45,487,314)</u>	<u>(38 638,442)</u>
<b>Fair value of trade receivables from exchange transactions</b>		
Trade receivables from exchange transactions	<u>34,270,679</u>	<u>28 978 610</u>
<b>Trade receivables impaired</b>		
As at 30 June 2020, consumer debtors of R4 585 592 (2019: R 5 656 921) were impaired and provided for. The amount of the provision was R45 487 314 as at 30 June 2020 (2019: R 38 638 442).		
<b>Trade receivables from exchange transactions past due but not impaired</b>		
The ageing of amounts for exchange transactions past due but not impaired is as follows:		
1 month past due	9 036 370	7 803 060
2 months past due	2 344 532	2 530 455
3 months past due	1 883 456	1 764 395
Older than 3 months	5 864 019	5 107 008
	<u>18 128,377</u>	<u>17 205,818</u>
<b>Credit quality of receivables from exchange transactions</b>		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>10 Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	2,236	3,762
Bank balances	8,978,321	3,559,266
Short-term deposits	901,880	24,071,849
	<u>9,882,437</u>	<u>27,634,857</u>
<b>Prior Period adjustment</b>		<b>27,624,417</b>
Balance as previously reported		10,280
Cancelled cheques for motor vehicle licence fees incorrectly included in Bank account reconciliation		<u>27,634,697</u>

No restrictions exist with regard to the use of cash.

**Cash and cash equivalents pledged as collateral**

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

**The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank notice deposit 40101012502						
ABSA Bank - Fixed deposit - 2053825035	7,500	7,500	7,500	7,500	7,500	7,500
Nedbank - Money market - 1263036023	2,844	3,138	3,798	2,844	3,138	3,798
Nedbank - Fixed deposit - 18312491	4,600	4,600	4,600	4,600	4,600	4,600
Nedbank - Money market - 1263034756	84,802	82,175	79,516	84,802	82,175	79,516
ABSA - Cheque account - 2200000008	785,991	618,256	193,869	785,991	622,978	193,869
FNB - Cheque account - 82541421046	8,157,636	2,930,681	847,424	8,192,330	2,936,308	868,575
FNB - Call account - 6259597005	802,134	23,974,236	60,942	802,134	23,974,236	60,942
<b>Total</b>	<u>9,845,507</u>	<u>27,620,586</u>	<u>1,197,649</u>	<u>9,880,201</u>	<u>27,630,938</u>	<u>1,218,500</u>

The municipality has a guarantee at ABSA bank to the value of R6 000 (2019: R6 000) relating to the personal bonds of one municipal employee.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R			2019 R (Restated)		
<b>11 Investment property</b>						
	Cost/ Valuation	2020 Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	2019 Accumulated depreciation/ impairment	Carrying Value
	R		R	R		R
Investment property at cost	25,336,693	(809,503)	24,527,190	25,340,343	(746,509)	24,593,834
Prior Period adjustment						25,258,768
Balance as previously reported						(3,791)
Additional depreciation - correcting Taxi rank from PPE to Investment properties						(700,000)
Prior to 2019: Land incorrectly classified as Investment properties in stead of PPE						38,857
Prior to 2019: Correcting the Taxi rank from PPE to Investment properties						<u>24,593,834</u>

Reconciliation of investment property - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Investment properties: Land	18,761,698		(3,650)				18,758,048
Farms	4,613,000						4,613,000
Buildings	1,219,136				(62,994)		1,156,142
	<u>24,593,834</u>		<u>(3,650)</u>		<u>(62,994)</u>		<u>24,527,190</u>

Reconciliation of investment property - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Investment properties: Land	18,766,998		(5,300)				18,761,698
Farms	4,613,000						4,613,000
Buildings	1,252,130				(62,994)		1,219,136
	<u>24,662,128</u>		<u>(5,300)</u>		<u>(62,994)</u>		<u>24,593,834</u>

Rental revenue from Investment property: R712 660 (2019: R413 517)  
Direct operating expenses arising from investment property that generated rental revenue: Rnil (2019: Rnil)

Pledged as security

No investment property have been pledged as security for loans



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020  
R  
2019  
R  
(Restated)

12 Property, plant and equipment

	2020			2019		
	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Land	20,829,272		20,829,272	20,829,272		20,829,272
Buildings	152,457,949	(89,305,336)	63,152,613	152,457,949	(85,930,683)	66,526,964
Plant and equipment	4,204,479	(1,844,782)	2,359,717	3,175,080	(1,427,983)	1,747,097
Furniture and fixtures	4,546,168	(4,113,768)	432,398	4,537,757	(3,978,205)	561,552
Motor vehicles	17,495,179	(11,715,380)	5,779,799	17,486,920	(9,791,501)	7,695,419
Office equipment	7,262,240	(6,170,865)	1,091,375	7,147,051	(5,360,466)	1,786,585
Infrastructure	998,241,231	(336,559,021)	661,682,210	973,717,919	(291,302,771)	682,415,148
WIP	42,923,964	(1,348,516)	41,575,448	29,970,343	(7,970,619)	21,999,724
Landfill sites	17,994,300	(12,183,789)	5,810,531	17,994,300	(11,538,155)	6,456,145
Total	1,265,954,780	(463,241,221)	802,713,559	1,227,316,591	(417,328,683)	809,987,908

**Prior Period adjustment**

Balance as previously reported	618,578,500
Adjust depreciation calculation on Finance leases for 2019 after correction of cost prior to 2019	491,572
Adjust disposal of assets in 2019 - Motorvehicle cost	(62,865)
Adjust Work in Progress - invoice dated June 2019 but work was only completed in August 2019 - Sportfields upgrading	(325,946)
Adjust Work in progress - Projects impaired as its not meet the definition of assets when new infrastructure assets register was re-constructed	(7,970,619)
Adjust depreciation cost after re-creating new infrastructure assets register to account for impairments and completeness	(19,156,501)
Adjust depreciation cost after correcting Taxi rank from PPE to Investment properties	3,791
Adjust Impairment to Municipal buildings as vandalism on Tourism Hub buildings	(453,659)
Prior to 2019: Correcting the opening balance of PPE after re-creating new Infrastructure assets register to account for impairment and completeness	235,062,321
Prior to 2019: Correcting the opening balance of WIP after re-creating new Infrastructure assets register to account for impairment and completeness	(17,681,875)
Prior to 2019: Correcting the Taxi rank from PPE to Investment properties	(38,857)
Prior to 2019: Correcting the Taxi rank from PPE to Investment properties	700,000
Prior to 2019: Land incorrectly classified as Investment properties in stead of PPE	77,784
Prior to 2019: Correcting of 2 motorvehicles not included in assets register - carrying value on 1 July 2019	764,282
Prior to 2019: Correcting of the original cost of finance leases of Compactor and Grader - carrying value on 1 July 2019	
	<u>809,987,908</u>

Reconciliation of Work in Progress (WIP) - 2020

	Opening balance	Additions	Transfers	Total
	R	R	R	R
Infrastructure assets	19,112,351	44,327,422	(25,275,726)	38,164,047
Community assets	2,642,252	470,188		3,112,440
Other Assets				
PPE - Buildings	245,121	53,840		298,961
	<u>21,999,724</u>	<u>44,851,450</u>	<u>(25,275,726)</u>	<u>41,575,448</u>

Expenditure incurred to repair and maintain property, plant and equipment

Included in the Statement of Financial Performance	2020	2019
Maintenance of assets (Note 36)	1,126,571	1,156,528

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	20,829,272						20,829,272
Buildings	66,526,964				(3,374,353)		63,152,613
Plant	1,747,098	1,051,593	(22,194)		(413,028)	(3,751)	2,359,717
Furniture and fixtures	561,552	8,409			(134,046)	(3,517)	432,398
Motor vehicles	7,695,420	8,259			(1,750,096)	(173,783)	5,779,799
Office equipment	1,756,585	140,989	(25,800)		(773,747)	(6,458)	1,091,571
Infrastructure	682,415,148	596,102		23,927,210	(45,256,250)		661,682,210
WIP	21,999,724	44,851,450		(23,927,210)		(1,348,516)	41,575,448
Landfill sites	6,456,145				645,615		5,810,531
Total	<u>809,987,908</u>	<u>46,856,802</u>	<u>(47,994)</u>	<u>-</u>	<u>(52,347,135)</u>	<u>(1,536,023)</u>	<u>802,713,559</u>

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	20,829,272						20,829,272
Buildings	70,420,497				(3,439,873)	(453,660)	66,526,964
Plant and equipment	734,758	1,196,829			(184,489)		1,747,098
Furniture and fixtures	745,116	10,310			(193,874)		561,552
Motor vehicles	10,796,059		(324,110)		(2,774,058)	(4,471)	7,695,420
Office equipment	2,377,285	128,869	(8,813)		(740,756)		1,756,585
Infrastructure	682,466,276			85,615,646	(45,669,774)		682,415,148
WIP	18,053,968	77,532,021		(65,615,646)		(7,970,619)	21,999,724
Landfill sites	7,101,761				645,616		6,456,145
Total	<u>793,529,992</u>	<u>78,868,029</u>	<u>(332,923)</u>	<u></u>	<u>(53,648,440)</u>	<u>(8,428,750)</u>	<u>809,987,908</u>

Assets subject to finance lease (Net carrying amount)

	2020	2019
Vehicles and Plant		760,946
Office equipment	174,224	589,587
	<u>174,224</u>	<u>1,350,533</u>

See note 17 on finance leases for assets held under finance lease.

No property, plant and equipment has been pledged as security for liabilities

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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13 Intangible assets

	2020			2019		
	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value
Computer software	R 7,446	R (2,483)	R 4,963	R 7,446	R (621)	R 6,825

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	6,825	-	-	-	(1,862)	-	4,963

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	-	7,446	-	-	(621)	-	6,825

Other information

Fully amortised intangible assets still in use

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

14 Heritage assets

	2020			2019		
	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value	Cost/ Valuation	Accumulated amortisation/ impairment	Carrying Value
	R 458,067	R	R 458,067	R 458,067	R	R 458,067

Reconciliation of heritage assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458,067	-	-	-	-	-	458,067

Reconciliation of heritage assets - 2019

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458,067	-	-	-	-	-	458,067

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>15 Employee benefit obligation</b>		
<b>15.1 Post-Employment Medical Aid</b>		
<b>Defined benefit plan</b>		
The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.		
Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.		
In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.		
All continuation members and their eligible dependents receive a subsidy of either 60% or 70%.		
Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.		
All subsidies are subject to a maximum of R 4 773 for the year ending 30 June 2021. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.		
<b>Principal assumptions</b>		
<b>Discount rate</b>		
Grap 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments, current market rates of the appropriate term should be used to discount shorter term payments and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.		
Consequently, a discount rate of 10,32% per annum has been used. The corresponding index-linked yield at this term is 4,71%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg stock after the market close on 30 June 2020.		
These rates were calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the bond yield curve at that component's duration, using an iterative process.		
<b>Financial assumptions</b>		
Discount rate	10,32%	
Health care cost inflation rate	6,38%	
Net-of-health-care-cost-inflation discount rate	3,70%	
Maximum subsidy inflation rate	4,41%	
Net-of-maximum-subsidy-inflation discount rate	5,66%	
The next contribution rate increase is assumed to occur at 1 January 2021.		
<b>Demographic assumptions</b>		
Average retirement age	62 (males)/ 59 (Females)	
Continuation of membership at retirement	75%	
Proportion with a spouse dependant at retirement	60%	
<b>Accrued liability Values</b>		
<b>Carrying value</b>		
Opening Accrued Liability	21,941,541	22,655,931
Service cost	628,209	811,341
Interest cost	2,028,036	2,133,568
Benefits paid	(778,409)	(719,747)
Actuarial gain recognised in the year	(3,502,377)	(2,539,552)
<b>Closing Accrued Liability</b>	<b>20 317 000</b>	<b>21 941 541</b>
<b>Non-current liabilities</b>		
Current liabilities (Estimate of benefits payments expected in the next annual period)	19,385,000	21,097,556
	932,000	843,985
	<b>20 317 000</b>	<b>21 941 541</b>
<b>The total liability has decreased by 7,4% (or R1 624 541) since the last valuation</b>		
The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:		
Actuarial (Gain)/Loss for the period	(3,502,377)	
Contribution to Actuarial Gain	(3,604,000)	
Basis changes: Increase in net discount rate	321,000	
Subsidy increases higher than assumed	(153,801)	
Changes to membership profile different from assumed	65,576	
Actual benefits vesting lower than expected	65,576	

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15.1 Post-Employment Medical Aid (continue)

Net expense recognised in the statement of financial performance

Current service cost	628,209	811,341
Interest	2,028,036	2,133,568
Benefits paid	(778,409)	(719,747)
<b>Total included in employee related costs</b>	<b>1,877,836</b>	<b>2,225,162</b>
<b>Actuarial Gain recognised in statement of financial performance</b>	<b>(3,502,377)</b>	<b>(2,939,552)</b>
	<b>(1,624,541)</b>	<b>(714,390)</b>

Estimate of contributions expected to be paid to the plan in the next financial year

(932,000) (843,985)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	In-service	Continuation	Total	% change against Central Assumptions
Central Assumptions		8,979	11,338	20,317	
Health care inflation	1%	9,900	12,115	22,015	8%
	-1%	7,997	10,609	18,506	-9%
Discount Rate	1%	7,826	10,365	18,191	-10%
	-1%	10,404	12,490	22,894	13%
Post-retirement mortality	1yr	8,769	11,031	19,800	-3%
	-1yr	9,182	11,642	20,824	2%
Average retirement age	-1yr	9,641	11,338	20,979	3%
Continuation of membership at retirement	-10%	7,813	11,338	19,151	-6%

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2020

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change against Central Assumptions
Central Assumptions		628,200	2,328,000	2,956,200	
Health care inflation	+1%	752,899	2,210,700	2,963,599	10%
	-1%	540,999	1,826,300	2,367,299	-11%
Discount Rate	+1%	627,200	1,980,300	2,507,500	-6%
	-1%	757,900	2,074,500	2,832,400	7%
Post-retirement mortality	-1yr	644,000	2,087,300	2,731,300	-3%
Average retirement age	-1yr	638,800	2,103,500	2,742,300	-3%
Continuation of membership at retirement	-10%	548,400	1,901,000	2,449,400	-8%

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	20,418	21,741	22,656	21,942	20,317
Fair value of plan asset	0,000	0,000	0,000	0,000	0,000
Surplus/(Deficit)	(20,418)	(21,741)	(22,656)	(21,942)	(20,317)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Liabilities: Gain/Loss	(0,086)	1,502	0,077	0,053	0,102
Assets: Gain/Loss	0,000	0,000	0,000	0,000	0,000

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>15.2 Long Service Awards (LSA)</b>		
<b>Defined benefit plan</b>		
The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted a LSA. At 30 June 2020, the Municipality had 278 employees that are entitled to LSA.		
<b>Principal assumptions</b>		
<b>Discount rate</b>		
Grap 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.		
Consequently, a discount rate of 6,81% per annum has been used. The corresponding liability-weighted index linked yield is 3,61%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2020.		
The liability-weighted average term of the total liability is 5,48 years.		
<b>Financial assumptions</b>		
Discount rate	6,81%	
General salary inflation	3,61%	
Net effective discount rate	3,09%	
The salaries used in this valuation include an assumed increase on 1 July 2020 of 6,25%. The next contribution rate increase is assumed to occur at 1 July 2021.		
<b>Accrued liability Values</b>		
<b>Carrying value</b>		
Opening Accrued Liability	4,351,610	4,284,162
Service cost	514,692	567,978
Interest cost	311,699	334,133
Benefit Vestings	(916,206)	(526,556)
Actuarial (gain) / loss recognised in the year	(17,795)	(308,107)
<b>Closing Accrued Liability</b>	<b>4,244,000</b>	<b>4,351,610</b>
Non-current liabilities	3,394,000	3,463,009
Current liabilities (Estimate of benefits payments expected in the next annual period)	850,000	888,601
	<b>4,244,000</b>	<b>4,351,610</b>
<b>The total liability has decreased by 2% (or R107 610) since the last valuation</b>		
The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:		
Actuarial (Gain)/Loss for the period	(17,795)	
Contribution to Actuarial (Gain)/Loss:		
Basis changes: increase in net discount rate	(134,000)	
Salary increases higher than assumed	82,000	
Changes to employee profile different from assumed	6,800	
Actual benefits vesting, greater than expected	27,605	
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	514,692	567,978
Interest cost	311,699	334,133
Benefit Vestings	(916,206)	(526,556)
<b>Total included in employee related costs</b>	<b>(89,815)</b>	<b>375,556</b>
<b>Actuarial Gain recognised in statement of financial performance</b>	<b>(17,795)</b>	<b>(308,107)</b>
	<b>(107,610)</b>	<b>67,448</b>
<b>Estimate of benefit vestings in the next financial year</b>	<b>(850,000)</b>	<b>(888,601)</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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15.2 Long Service Awards (LSA) (Continued)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	Liability	% change against Central Assumptions
Central Assumptions		4,244	
General salary inflation	1%	4,459	5%
	-1%	4,046	-5%
Discount Rate	1%	4,037	-5%
	-1%	4,474	5%
Average retirement age	-2yr	4,784	13%
	+2yr	3,706	-13%
Withdrawal rates	+2	3,556	-16%
	+0.5	4,706	11%

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2020

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change against Central Assumptions
Central Assumptions		514,700	311,700	826,400	
General salary inflation	1%	547,800	328,900	876,700	6%
	-1%	484,700	296,000	780,700	-6%
Discount Rate	1%	487,700	332,200	819,900	-1%
	-1%	544,900	288,600	833,500	1%
Average retirement age	-2yr	563,800	353,800	917,600	11%
	+2yr	469,600	283,500	733,100	-11%
Withdrawal rates	+0.5	600,300	349,200	949,500	15%

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	3,937	4,284	4,352	4,244
Fair value of plan asset	0,000	0,000	0,000	0,000
Surplus/Deficit	(3,937)	(4,284)	(4,352)	(4,244)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Liabilities: Gain/Loss	(1,128)	0,028	0,075	0,116
Assets: Gain/Loss	0,000	0,000	0,000	0,000

Total Employee benefit obligation

Post-Employment Medical Aid	20,317,000	21,941,541
Long Service Awards	4,244,000	4,351,610
	<b>24,561,000</b>	<b>26,293,151</b>
Non-current liabilities	22,779,000	24,560,565
Current liabilities	1,782,000	1,732,586
	<b>24,561,000</b>	<b>26,293,151</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>16 Other financial liabilities</b>		
<b>Held at amortised cost</b>		
Standard Bank	815,759	1,543,613
Absa Bank loans	-	3,129,322
	<u>815,759</u>	<u>4,672,935</u>
<p>A loan from ABSA was taken up on 5 June 2015 for R13 000 000 at a fixed interest rate of 9.62%. Installments of R1 675 282 will be semi-yearly payable for 5 years. The last installment was payable on 31 May 2020. This loan was funded from the MIG allocations.</p> <p>On 30 June 2016, a loan of R3 300 000 was also taken up from Standard Bank for the financing of vehicles purchased during the year at a fixed interest rate of 11.55%. Installments of R443 645 will be semi-yearly payable over five years. The last installment will be payable on 30 June 2021.</p> <p>No defaults or breaches or re-negotiations of the terms and conditions occurred during the year.</p> <p>The ABSA Bank loan has the following covenants applicable for the R13 000 000 loan:</p> <ol style="list-style-type: none"> <li>1. Consumer debtor's collection rate to be maintained at &gt;65%.</li> <li>2. Net cash from operating activities to interest bearing debt not to deteriorate below 60%, and</li> <li>3. Total interest bearing debt to annual operating revenue not to exceed 40%.</li> </ol> <p>The Standard Bank loan is not secured, but the following covenants are also applicable for the R3 300 000 loan:</p> <ol style="list-style-type: none"> <li>1. Debt to Revenue ratio to be maintained at a level that is less than or equal to 50%.</li> <li>2. Billings to collection rate to be maintained at a level that is greater than or equal to 87.3%.</li> <li>3. Interest paid to total cost to be maintained at a level that is less than or equal to 7.5%.</li> </ol>		
<b>Non-current liabilities</b>		
At amortised cost	-	815,759
<b>Current liabilities</b>		
At amortised cost	815,759	3,857,176
	<u>815,759</u>	<u>4,672,935</u>
Opening Balance	4,672,935	8,183,207
Loan received		
Interest accrued	367,286	727,581
Payments	<u>(4,224,442)</u>	<u>(4,237,853)</u>
Closing Balance	<u>815,759</u>	<u>4,672,935</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>17 Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	232,411	1,094,386
- in second to fifth year inclusive	-	237,821
	232,411	1,332,207
less: future finance charges	(4,080)	(95,408)
<b>Present value of minimum lease payments</b>	<b>228,331</b>	<b>1,236,799</b>
<b>Present value of minimum lease payments due</b>		
- within one year	228,331	1,008,468
- in second to fifth year inclusive	-	228,331
	228,331	1,236,799
Non-current liabilities	-	228,331
Current liabilities	228,331	1,008,468
	228,331	1,236,799

It is municipality policy to lease certain plant and equipment under finance leases. The average lease term was 3- 5 years and the average effective borrowing rate was between 9.30% and 9.55% for plant and 14.2% for office equipment. Interest rates are linked to prime at the contract date. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12. Property, plant and equipment for the carrying value of assets subject to finance lease.

There are no subleases.

**Defaults and breaches**

There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.

**18 Unspent conditional grants and receipts**

Other grants	2 254 113	25 264 283
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Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totalling R2 254 113. Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer columns per the following table. The municipality complied with all the conditions attached to the grants / allocations. These amounts are invested in a ring-fenced investment until utilised.

Grant description	Unspent balance 2019	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2020
Municipal Infrastructure Grant (MIG)		14,320,000		(716,000)	(13,604,000)	-
Water Service Infrastructure Grant (WSIG)	23,459,003	13,000,000			(36,459,003)	-
District Municipality: Infrastructure Grant	-	250,000			(193,228)	56,772
Finance Management Grant (FMG)	-	2,235,000		(2,235,000)	-	-
District Municipality: Youth and other tourism upgrades	422,518			(159,880)	-	262,638
Dr WH Craib Trust	13,015					13,015
District Municipality: Fire and Disaster	1,161,448	1,019,061		(276,421)	(998,610)	905,478
Depart Sport : Library admin cost		2,300,000		(2,300,000)		-
Expanded Public Works Programme (EPWP)		1,410,000		(1,410,000)		-
ACIP Water conservation	42,520					42,520
Integrated National Electrification Program (INEP)		410,000			(410,000)	-
Abafazi Rural Project (LED)	66,208					66,208
Resourcing Youth Centre (LED)	91,571					91,571
Covid-19 Disaster Grant		983,000		(106,171)	(69,118)	807,711
Moral Regeneration Movement Programme	8,000					8,000
Environmental Health Subsidy (SBDM)		832,550		(832,550)		-
ANC Councillors contribution towards Covid-19 pandemic		16,832		(16,832)		-
Subsidy towards external audit cost (National Treasury)		369,419		(369,419)		-
Equitable Share		53,519,000		(53,519,000)		-
	<b>25,264,283</b>	<b>90,664,862</b>		<b>(61,941,073)</b>	<b>(51,733,959)</b>	<b>2,254,113</b>

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, WSIG, Covid-19 & FMG) :	Upgrade of Infrastructure (MIG and WSIG) and building financial capacity and learnerships (FMG) as well as funds to assist w Covid-19.
Sarah Beardman District municipality:	Fire fighting, LED Projects and Infrastructure grants
Eastern Cape Department of Roads and Public Works:	Labour intensive projects to promote job creation for unemployed people (EPWP)
Department of Sport and Agriculture:	Administration cost for Libraries
INEP	Electricity upgrading



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)		
<b>19 Provisions</b>				
<b>Reconciliation of provisions - 2020</b>				
	<b>Opening Balance</b>	<b>Additions</b>	<b>Adjustment for the year</b>	<b>Total</b>
Environmental rehabilitation	23,707,624		1,435,225	25,142,849
	<u>23,707,624</u>		<u>1,435,225</u>	<u>25,142,849</u>
<b>Reconciliation of provisions - 2019</b>				
	<b>Opening Balance</b>	<b>Additions</b>	<b>Adjustment for the year</b>	<b>Total</b>
Environmental rehabilitation	21,353,969		2,353,655	23,707,624
	<u>21,353,969</u>		<u>2,353,655</u>	<u>23,707,624</u>
		<b>2020</b>		<b>2019</b>
<b>Non-Current liability</b>				
Amortised cost		<u>25,142,849</u>		<u>23,707,624</u>
		<u>25,142,849</u>		<u>23,707,624</u>

**Environmental rehabilitation provision**

The above rehabilitation provision includes the three towns of Somerset East, Cookhouse and Pearston.

All landfill sites financial implications and valuations are determined in terms of Section 28 of the National Environmental Management Act, Act no. 107 of 1998.

There is no planning for closure and rehabilitation of the landfill sites within the next five years and this is likely to only commence around 2030.

The effective date of all valuations was 30 June 2020 and was done and certified by Mr. S Nel, Professional Engineer, from Bosch Munitech.

In Calculating the provision for rehabilitation, the following have been included:

Direct contract costs  
Indirect Professional Fees  
Indirect disbursements  
Escalation

No rehabilitation has taken place on Cookhouse or Pearston landfill sites during the current year, while covering has partly taken place at Somerset East landfill site.

Fencing at Cookhouse (316m) and Pearston (621m) and Somerset East (121m) has been vandalised and needs replacing.

Monetary values for landfill sites at 30 June 2020:	Cookhouse	1,485,524
	Pearston	4,281,427
	Somerset East	19,395,898
		<u>25,142,849</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>20 Payables from exchange transactions</b>		
Trade payables	34,379,319	25,728,727
Payments received in advanced	952,305	711,883
Accrued leave pay	6,411,999	5,782,410
Accrued 13th cheque	1,928,120	1,925,496
Retention on Capital Projects	2,523,721	1,483,219
Previous employees of Dev Agency	813,694	813,694
Unidentified bank deposits	14,517	4,610
Councillors back pay	-	12,631
Deposits received (Town Hall & Chalets)	247,029	221,838
	<u>47,270,704</u>	<u>38,684,508</u>
<b>Prior Period adjustment</b>		
Balance as previously reported		38,735,524
Trade payables: Bytes service provider invoice for the implementation of new leave system duplicated		(36,560)
Trade Payables: North Field Engineering services invoice for hiring of generator during water crisis, not received at closing of year end 2019.		30,865
Trade Payables: Lexis Nexis Traffic subscription fees invoice not received but contract was still in place		3,583
Trade Payables: Back pay to T Haba (HR Clerk) for incorrect taskgrade - paid on taskgrade 5 but should be taskgrade 6		13,401
Trade Payables: Invoice from Owenco for Capital expenditure incorrectly dated in June 2019. Work only delivered in August 2020		(374,838)
Prior to 2019: Back pay to T Haba (HR Clerk) for incorrect taskgrade - paid on taskgrade 5 but should be taskgrade 6		8,756
Prior to 2019: Correction of 2 Councillors Back pay for 2016/17 (Mankweni & Brown)		12,631
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		300,000
Prior to 2019: Final salary of employee (GN Ngqozo) who passed away in 2012, duplicated as expense in 2012 and again in 2018 with payment to the estate.		(8,854)
		<u>38,684,508</u>
<b>21 Trade and other payables from non-exchange</b>		
Trade and other: Principal-Agency arrangement	<u>204,137</u>	<u>46,983</u>
<b>Reconciliation: Principal-Agency arrangement</b>		
Opening balance	46,983	55,700
Total licence and transaction fees received from third parties	2,350,071	4,274,657
Total licence and transaction fees paid over to Principal (Department of Transport)	(2,192,917)	(4,283,374)
Closing balance	<u>204,137</u>	<u>46,983</u>
These liability relates to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Transport to issue motorvehicle licences to third parties. The Municipality receive agency fees of 19% of the total income. This revenue is included in note 25 and was an amount of R753 972 (2019: R1 013 340). The fees are paid over to the Principal (Department of Transport) on a weekly basis. The outstanding amount at year end were paid over during the first week in July 2020.		
<b>22 VAT payable</b>		
VAT	<u>4,057,136</u>	<u>2,307,923</u>
<b>Prior period adjustment</b>		
Balance previously reported		2,280,343
Indigent subsidy incorrectly given to consumers in 2018/19 for Service charges		17,542
Payables: Bytes service provider invoice for the implementation of new leave system duplicated		4,769
Trade Payables: Invoice from Owenco for Capital expenditure incorrectly dated in June 2019. Work only delivered in August 2020		48,892
Trade Payables: North Field Engineering services invoice for hiring of generator during water crisis, not received at closing of year end 2019.		(4,026)
Trade Payables: Lexis Nexis Traffic subscription fees invoice not received but contract was still in place		(467)
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		(38,130)
		<u>2,307,923</u>
VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.		
<b>23 Consumer deposits</b>		
Electricity & water	<u>2,733,883</u>	<u>2,673,592</u>
<b>24 Financial liabilities by category</b>		
The accounting policies for financial instruments have been applied to the line items below.		
		<b>Financial liabilities at amortised cost</b>
<b>2020</b>		
Other financial liabilities		(815,759)
Finance lease		(228,331)
Trade and other payables from non-exchange		(204,137)
Payables from exchange transactions		<u>(39,606,400)</u>
		<u>(41,154,627)</u>
<b>2019</b>		
Other financial liabilities		(4,672,935)
Finance lease		(1,236,799)
Trade and other payables from non-exchange		(46,983)
Payables from exchange transactions		<u>(30,190,215)</u>
		<u>(36,146,932)</u>

**Blue Crane Route Local Municipality (EC 102)**  
Annual Financial Statements for the year ended 30 June 2020

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>25 Revenue</b>		
Property rates	21,550,618	13,222,692
Service charges	132,964,954	119,882,184
Rental of facilities and equipment	712,659	495,142
Interest earned - outstanding debtors	5,542,512	4,492,869
Interest earned - external investments	1,389,562	2,052,498
Agency Services	753,971	1,013,340
Fines	162,231	125,798
Licences and permits	396,517	540,216
Transfers and Subsidies	113,675,032	145,657,745
Gain on disposal of assets	-	78,270
Other income	1,757,694	1,937,233
	<b>278,905,750</b>	<b>289,497,987</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	132,964,954	119,882,184
Rental of facilities & equipment	712,659	495,142
Interest earned - outstanding debtors	5,542,512	4,492,869
Interest earned - external investments	1,389,562	2,052,498
Agency Services - Transaction handling fees	753,971	1,013,340
Gain on disposal of assets	-	141,137
Miscellaneous other revenue	1,757,694	1,937,233
	<b>143,121,352</b>	<b>130,014,403</b>
<b>Prior Period adjustment</b>		
Balance as previously reported		130,013,425
Classified consumers incorrectly as Indigent - penalties written back		978
		<b>130,014,403</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Property rates	21,550,618	13,222,692
Fines	162,231	125,798
Licences and permits	396,517	540,216
Transfers and Subsidies	113,675,032	145,657,745
	<b>135,784,398</b>	<b>159,546,451</b>

**Collectability of amounts**

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>26 Property rates</b>		
Revenue	10,309,074	2,192,174
Agricultural (Game farms included)	2,436,247	1,510,056
Business & Commercial		511
Statutory Rates - Infrastructure	5,168,083	5,800,789
Statutory Rates - All Other departments	3,637,214	3,719,159
Residential	<u>21,550,618</u>	<u>13,222,692</u>
	<u>2019</u>	<u>2012</u>
Valuations	7,898,553,495	3,097,974,300
Agricultural (Game farms included)	293,584,965	134,185,250
Business & Commercial	-	1,521,300
Statutory - Infrastructure		
Statutory - All Other departments	610,553,436	481,737,100
Residential	619,573,180	334,207,300
Government - Other	<u>9,422,264,476</u>	<u>4,049,625,250</u>
<b>Statutory property rates</b>		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009. The tariffs of all property rates as well as the valuation date are disclosed hereunder.		
<b>Valuation and tariffs</b>		
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be done on 1 July 2023		
Rates are levied on an annual basis with the final date for payment being 30 June 2020 (30 June 2019). Interest at prime plus 1% per annum (2019: prime plus 1% per annum), is levied on rates outstanding one month after due date.		
A general rate of 0.0005 for agricultural properties, 0.008381 for business properties, 0.007146 for residential properties, 0.000 for government infrastructure properties and 0.008361 for government properties is applied to property valuations to determine assessment rates (2019: 0.00071 - agricultural properties, 0.01126 - business properties, 0.00963 - residential properties, 0.01742 - government properties and 0.00048 for Government infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2019: R15 000 - residential properties and 30% government infrastructure).		
<b>27 Service charges</b>		
Sale of electricity	107,754,025	93,728,325
Sale of water	12,728,360	13,948,605
Sewerage and sanitation charges	5,186,038	5,062,351
Refuse removal	7,296,531	7,144,903
	<u>132,964,954</u>	<u>119,882,184</u>
<b>Prior Period adjustment</b>		
Balance as previously reported		119,763,911
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of electricity		7,757
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of water		46,982
Indigent subsidy incorrectly given to consumers in 2018/19 for Sewerage charges		25,602
Indigent subsidy incorrectly given to consumers in 2018/19 for Refuse removal charges		37,932
		<u>119,882,184</u>
<b>Electricity losses</b>		
Units	15,976,687	17,655,264
Amount	R 12,800,143	R 11,900,341
Percentage	20%	22%
<b>Water losses</b>		
Units	401,905	603,046
Amount	2,411,430	3,413,240
Percentage	24%	30%
<b>28 Interest earned - external investments</b>		
Interest revenue		
Sporting and Other bodies	69	242
Bank Accounts	1,389,493	2,052,258
	<u>1,389,562</u>	<u>2,052,498</u>
The amount of R1 389 562 (2019: R2 052 498) is included under revenue arising from exchange transactions		
<b>29 Transfers and Subsidies</b>		
Equitable share	53,519,000	49,012,000
Government grant - MIG	14,320,000	14,117,000
Government grant - FMG	2,235,000	1,770,000
Government grant - WSIG	36,459,003	68,840,997
Government grant - EPWP	1,410,000	1,000,000
Government grant - Covid-19	175,289	
Government grant - INEP	410,000	6,000,000
Government Subsidy - External Audit cost	369,419	
Provincial Grants (Library)	2,300,000	
Sarah Beardman District Municipality	2,460,489	4,892,531
Non-Profit Institutions	16,832	25,217
	<u>113,675,032</u>	<u>145,657,745</u>
<b>30 Other Income</b>		
Incidental Cash surpluses	11,146	3,373
Commission: Transaction Handling Fees	177,959	175,144
Insurance Refund	16,000	95,499
Skills Development Levy Refund	178,118	161,989
Bad debts recovered	6,059	4,119
Sub-division and Consolidation	6,724	121,205
Building plan approvals	435,558	337,109
Burial Fees	83,744	84,508
General/Other	340,130	352,745
Library Fees	8,326	13,925
Camping Fees	69,741	84,928
Connection/Reconnection Fees	424,189	502,689
	<u>1,757,694</u>	<u>1,937,233</u>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>31 Employee related costs</b>		
Basic Salary and Wages	55,974,581	54,390,779
Bonuses	4,531,700	4,298,047
Social Contributions - Medical	3,194,827	2,923,019
Social Contributions - Group Life Insurance	1,931	2,106
Social Contributions - Unemployment Insurance	456,028	459,955
Social Contributions - Bargaining council	33,188	31,769
Social Contributions - Pension	8,998,940	8,804,186
Overtime	3,321,232	3,838,228
Other allowances: Non-Pensionable	3,827,951	3,452,296
Leave Gratuity	1,220,012	802,878
Post-retirement benefits - Medical : Past Service Cost	(150,200)	91,594
Long Term Service Awards: Past Service Cost	(401,514)	41,422
Post-retirement benefits - Medical : Interest Cost	2,028,038	2,133,568
Long Term Service Awards: Interest Cost	311,699	334,133
Less: Recharges to Capital Works	(223,531)	(1,906,420)
	<b>83,124,880</b>	<b>79,497,360</b>
Prior Period adjustment		<b>79,483,959</b>
Balance as previously reported		<b>13,401</b>
HR Clerk (T Hebe paid incorrectly on task grade 5 that should be taskgrade 6 )		<b>79,497,360</b>
<b>Section 56 Senior Managers: Total cost per position</b>		
Municipal Manager	1,380,050	1,281,862
Chief Financial Officer	1,105,084	1,072,836
Director: Corporate Services (Vacant from 1 December 2019 to 30 June 2020)	524,308	954,013
Director: Community Services	1,139,195	1,098,280
Director: Technical Services (Vacant from 1 July 2018 to 31 May 2019)	1,100,950	108,432
	<b>5,249,587</b>	<b>4,515,423</b>
<b>Remuneration of municipal manager</b>		
<b>Thabiso Klaas</b>		
Annual Remuneration	1,172,285	1,110,670
Car Allowance	120,000	120,000
Remote Allowance	51,767	49,302
Contributions to UIF, Medical and Pension Funds	1,896	1,890
	<b>1,345,948</b>	<b>1,281,862</b>
<b>Acting allowances paid:</b>		
M Pianga	34,102	
	<b>1,380,050</b>	<b>1,281,862</b>
<b>Remuneration of chief finance officer</b>		
<b>Nigel Delo</b>		
Annual Remuneration	940,684	868,504
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	1,896	23,492
Remote Allowance	42,504	40,480
Acting Allowance - Municipal Manager		20,360
Leave pay out		
	<b>1,105,084</b>	<b>1,072,836</b>
<b>Remuneration of Director - Corporate services (Vacant from 1 December 2019 to 30 June 2020)</b>		
<b>Lineo Khanjani</b>		
Annual Remuneration	287,482	718,813
13th Cheque structured from package	57,942	
Remote Allowance	13,493	39,961
Contributions to UIF, Medical and Pension Funds	48,779	119,307
	<b>387,696</b>	<b>878,081</b>
<b>Acting allowances paid:</b>		
M Gush	45,377	7,351
PM Blouw	91,235	66,740
N Moebe		1,841
	<b>524,308</b>	<b>954,013</b>
<b>Remuneration of Director - Community services</b>		
<b>Mandisi Pianga</b>		
Annual Remuneration	902,877	852,284
Car Allowance	157,817	157,817
Remote Allowance	42,503	40,480
Acting Allowance - Municipal Manager	34,102	45,809
Contributions to UIF, Medical and Pension Funds	1,896	1,890
	<b>1,139,195</b>	<b>1,098,280</b>
<b>Remuneration of Director - Technical Services (Vacant from 1 July 2018 to 31 May 2019)</b>		
<b>Ayanda Gaji</b>		
Annual Remuneration	752,782	59,285
Car Allowance	120,000	10,000
Remote Allowance	42,503	3,373
Contributions to UIF, Medical and Pension Funds	185,665	15,048
	<b>1,100,950</b>	<b>87,706</b>
<b>Acting allowances paid:</b>		
N Dlova		18,248
V Appolis		2,478
	<b>1,100,950</b>	<b>108,432</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2020	2019
		R	R
			(Restated)
<b>32 Remuneration of councillors</b>			
Mayor:	BA Manxoweni	851,924	818,918
		<b>851,924</b>	<b>818,918</b>
Chairperson: MPAC	NP Nkonyeni	371,767	359,175
Chairperson: Corporate Services	MS Kwatshe	371,767	359,175
Chairperson: Community Services	A Hufkie	369,888	359,175
Chairperson: Infrastructure	TA Grootboom	371,767	359,175
		<b>1,484,069</b>	<b>1,436,700</b>
Councillor	KC Brown	299,491	289,680
Councillor	P Sonkwala	299,304	289,680
Councillor	JM Martin	299,491	289,680
Councillor	FP Brown	299,491	289,680
Councillor	C Du Plessis	50,984	289,680
Councillor	C Nel	165,610	
Councillor	TC Xakaxa	299,465	289,680
		<b>1,713,836</b>	<b>1,738,080</b>
<b>Total of all Councillors</b>		<b>4,050,729</b>	<b>3,993,698</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>33 Debt impairment</b>		
Allowance for impairment	19,563,513	15,254,192
Debts written off	3,687,060	4,198,691
	<u>23,250,573</u>	<u>19,452,883</u>
<b>34 Finance costs</b>		
Overdue accounts		10,684
Annual Loans	367,265	727,582
Finance leases	85,919	216,357
Interest cost - Landfill sites liability	1,435,225	2,363,655
	<u>1,868,409</u>	<u>3,308,278</u>
Interest expense is calculated using the effective interest rate.		
<b>35 Bulk purchases</b>		
Eskom - Electricity	91,516,179	78,949,756
Water	1,080,834	1,042,737
	<u>92,597,013</u>	<u>79,992,493</u>
<b>36 Contracted Services</b>		
Business and Advisory - Valuer and Assessors	70,279	444,758
Connection/Dis-connection - Electricity	39,057	357,840
Laboratory Services	23,772	18,560
Consultants and Professional Services - Legal Cost	688,446	416,524
Outsourced Services - Drivers Licence Cards	90,364	116,206
Contractors - Safeguard and Security	1,381,004	1,893,517
Contractors - Transportation	1,200	3,581,521
Outsourced Services - Business and Advisory	3,312,084	1,193
Outsourced Services - Medical Services	59,630	-
Contracted Services - Electrical Services	140,697	-
Contracted Services - Maintenance of Equipment	985,874	1,155,528
Contracted Services - Maintenance of Transport and unspecified assets	6,792,416	7,985,647
	<u>8,014,322</u>	<u>8,014,322</u>
<b>Prior Period adjustment</b>		8,014,322
Balance previously reported		(31,791)
Outsource services - Business and Advisory: Bytes service provider invoice for the implementation of new leave system duplicated		3,116
Contracted Services: Lexis Nexis Traffic subscription fees invoice not received but contract was still in place		-
		<u>7,985,647</u>
<b>37 Inventory Consumed</b>		
Consumables - Standard Rated	2,674,342	3,419,625
Consumables - Zero Rated (Fuel)	2,392,091	2,558,802
	<u>5,066,433</u>	<u>5,978,427</u>
<b>38 Transfers and Subsidies</b>		
Non-Profit Institutions - Other		8,960
South African Local Government Association	841,086	829,800
	<u>841,086</u>	<u>838,760</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020	2019
	R	R
<b>39 Operational Cost</b>		<b>(Restated)</b>
Advertising, Publicity and Marketing and Tenders	178,071	248,663
External Audit Fees	3,522,492	3,674,748
Bank charges, Facility and card fees	122,091	110,538
Entertainment	127,118	129,884
Insurance Underwriting: Premiums	1,012,924	892,981
Insurance Underwriting: Excess payments	4,280	15,749
Registration Fees - Seminars, Conferences, Workshops	17,913	28,939
Hire Charges	92,985	149,786
Printing, Publications and Books	791,968	758,771
Uniform and Protective clothing	437,719	486,842
Telephone, Fax, Telegraph and Telex	2,325,936	2,218,329
Courier and Delivery Services	749	1,155
Deeds	20,512	10,817
Licences - Radio and Television	-	2,609
Licences - Motor Vehicle Licence and Registration	175,584	219,048
Remuneration to Ward Committee	685,348	646,130
Workman's Compensation Fund	476,175	480,495
Professional Bodies, Membership and subscriptions	27,551	-
Skills Development Levy	698,024	806,151
Travel and Subsistence	1,368,695	1,486,501
Assets less than capitalisation Threshold	1,247	3,856
External Computer Services - Software Licences	641,166	483,426
Transport provided as part of events	14,700	27,593
Communications: Satellite Signals	-	9,013
Recharges to Capital Projects	-	(506,005)
	<b>12,743,158</b>	<b>12,365,819</b>
Prior Period adjustment		12,349,259
Balance previously reported		(10,280)
Cancelled cheques for motor vehicle licence fees incorrectly included in Bank account reconciliation		26,840
Hire Charges: Northfield Engineering invoice for hiring of a generator during water crisis, not received at closing of year end 2019		-
		<b>12,365,819</b>
<b>40 Auditors' remuneration</b>		
Audit Fees	3,522,492	3,674,748
An amount of R348 443 was outstanding at 30 June 2020 and paid in July 2020		
<b>41 Net cash flows from operating activities</b>		
Surplus/(deficit)	(1,946,991)	17,191,476
Adjustments for:		
Depreciation and amortisation	53,948,014	62,140,805
(Gain) / Loss on sale of assets and liabilities	40,202	(78,270)
Finance costs (finance leases)	85,919	216,357
Debt impairment	23,280,573	19,452,883
Movement in retirement benefit assets and liabilities	(1,624,541)	(714,390)
Movement in Long Service Awards Liability	(107,610)	67,448
Movements in provisions	1,435,225	2,353,655
Changes in working capital:		
(Increase)/decrease in inventories	91,594	(270,726)
(Increase)/decrease in other receivables from exchange transactions	(139,443)	(98,334)
(Increase)/decrease in other receivables from non-exchange transactions	(10,350,451)	(1,214,457)
(Increase)/decrease in Trade receivables from exchange transactions	(20,413,593)	(23,626,542)
Increase/(decrease) in payables from exchange transactions	10,586,196	11,655,619
Increase/(decrease) in VAT payable	1,749,213	(72,444)
Increase/(decrease) in trade and other payables from non-exchange	157,154	(375,362)
Increase/(decrease) in unspent conditional grants and receipts	(23,010,170)	23,281,311
	<b>33,761,291</b>	<b>109,909,029</b>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>42 Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
Infrastructure related projects	24,956,190	34,762,366
	<u>24,956,190</u>	<u>34,762,366</u>

This committed expenditure relates to Infrastructure projects and will be financed by Government Grants.

**Operating leases - as lessee (expense)**

No operating leases were paid for in the 2019 financial year.

**Operating leases - as lessor (income)**

Certain of the municipality's property is held to generate rental income. No lease agreements are in place and tenants rent the respective properties on a month to month basis. There are no contingent rents receivable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020	2019
R	R

(Restated)

43 Contingencies

Contingent Liabilities

Matter: Blue Crane Route Municipality vs G Sammy

2018/19  
Ms Sammy has lodged a referral with the Labour Court in April 2014 demanding payment to her of the sum of R38 428, being alleged amounts due in respect of remuneration. The Municipality is awaiting a response from the Applicant's attorneys with regard to the pre-trial Minute forwarded to their offices. It is anticipated that further costs will amount to approximately R100 000 which does not include the cost associated with any cost order and/or compensation the former employee may become entitled should she be successful.

2019/20  
No further progress. The lawyers of the Municipality closed their files on this case but will open again if further instructions are received. This matter will now be taken off from contingent liabilities in 2020/21.

Matter: Blue Crane Route Municipality vs Y Qola

2018/19  
Ms Qola benefitted from the municipal financial scheme in April 2017 and immediately after graduating she resigned. The Municipality deducted this amount from her leave days and she referred the matter to her lawyers. The Municipality have responded to her attorneys and there has been no further action. The amount involved is R20 238.

2019/20  
No further progress. This matter will not be taken off from contingent liabilities in 2020/21.

Matter: Blue Crane Route Municipality vs R Brown

2018/19  
Mr Brown claim from the Municipality an amount of R46 216 for repairs done on a common boundary. In the Magistrate Court it was found that the Magistrate has no jurisdiction to adjudicate the amount of the debt and that the proper way to settle the debt is by way of declaring a dispute in terms of section 29 of the Fencing Act no 31 of 1963.

A letter was received from Mr Brown's attorney's requested to refer the dispute a Board to be appointed. The Municipality still considering this request.  
2019/20  
The Council decided to approve this liability but a further claim was received from Mr Brown for interest. Council resolved on a Council meeting dated August 2020 that management should settle this matter with R Brown, by way of further negotiations and not incurring further legal costs.

Matter: Blue Crane Route Municipality vs G Kameel

2018/19  
G Kameel lodged an application for eviction against the first respondent, Kenny Mahlatini from erf 134. To date the Municipality still awaiting further correspondence from the first respondent's attorneys.

2019/20  
No further progress. This matter will not be taken off from contingent liabilities in 2020/21.

Matter: Blue Crane Route Municipality vs Municipal Workers Retirement Fund (MWRP)

2018/19  
The affected workers are claiming an amount of R2 686 022 for the Council's contributions that was less than what it should be towards the retirement fund for the period July 2007 to June 2013. The employees also need to contribute an additional amount of R1 111 246 for the same period of time. Since 1 July 2013, the correct contributions were paid over to the fund. This claim of back-pay re-surfaced in May 2016. This claim could have prescribed as at 1 July 2017 (after three years). Council still needs to resolve this matter.

2019/20  
Council took a decision to object against the back-pay claim from SAMWU provident fund of around R16 940 819 (Interest included). This matter went to the High Court in August 2020. Council is currently waiting the decision from the Judge. The Municipality attorneys still feel confident about the prospects of not paying the back pay amounts.

Matter: Blue Crane Route Municipality vs S Madlanga (Former employee)

2019/20  
Mr Madlanga was found guilty on three charges of misconduct and dismissed on 16 July 2019.

Mr Madlanga opposed the matter and its referred to the labour court.  
It is anticipated that further cost proceeding with the review in the labour court will amount to approximately R80 000.  
This does not include the cost associated with any cost order and/or compensation to which the former employee may become entitled should he be successful in his claim.

Matter: Blue Crane Route Municipality vs FW Lengosa (Former employee)

2019/20  
Mr Lengosa was dismissed during 2006 after being found guilty of misconduct in that he failed to conduct himself with honesty and integrity. Mr Lengosa has applied to the Labour Court for condonation of the late filing of the application and also an order that the sanction and letter of contract termination be set aside and that he is paid compensation for four years and seven months. The Municipality opposed the application. It is anticipated that further cost associated with the defending of the claim will amount to approximately R40 000.  
This does not include the cost associated with any cost order and/or compensation to which the former employee may become entitled should he be successful in his claim.

Summary of Contingent liabilities

	2020	2019
	R	R
G Sammy	138 428	138 428
Y Qola	20 238	20 238
R Brown	46 216	46 216
MWRP	16 940 819	3 797 288
S Madlanga	80 000	
FW Lengosa	40 000	
	<b>17 265 701</b>	<b>4 002 150</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

2020	2019
R	R

(Restated)

**43 Contingencies (Continued)**

Contingent assets

Matter: Blue Crane Route Municipality vs Autumn Star/Claassen

2018/19  
The matter is on going. The Municipality's prospects of success remains strong and should be able to obtain an order for repayment of approximately R1 561 737 (Autumn Star) and R3 602 190 (Claassen). New court dates has been made.

2019/20  
No further progress. Awaiting new court dates.

Matter: Blue Crane Route Municipality vs A Swanepoel

2018/19  
The Municipality appeal was successful, but Bill of costs has not been taxed yet. The total claim amount is R50 000. The file of Mr Swanepoel has been forwarded to the Cost Consultant after which the file will be returned to the Municipality.

2019/20  
No further progress. The file of Mr Swanepoel is still outstanding. No further progress. The file of Mr Swanepoel is still outstanding.

Matter: Blue Crane Route Municipality vs P January

2018/19  
P January was employed at the Municipality and resigned on 31 March 2017. After she left it was discovered that salary was paid while her sick leave was exhausted. The possible overpayment is according the Municipality's calculation approximately R170 000. The Municipality tried to recover this from the pension fund but was unsuccessful. An application is in process with the legal presentation. This matter has been withdrawn by the Municipality attorneys for internal investigation. If the Municipality decide to proceed with this matter, further anticipated cost will be approximately R60 000.

2019/20  
No further progress. The lawyers of the Municipality closed their files on this case but will open again if further instructions are received. This matter will no be taken off from contingent liabilities in 2020/21.

Matter: Blue Crane Route Municipality vs Santam Insurance Limited

2018/19  
The Municipality received an amount of R1 500 000 for the recovery of the cost paid to the claimants injured in a truck accident. The Municipality won the case with costs. The attorneys must therefore still recover the cost from Santam.

2019/20  
The Municipality's attorneys are still following up with payment of bill of costs.

Summary of Contingent assets

Autumn Star/Claassen  
A Swanepoel  
P January  
Santam Insurance Limited

2020	2019
R	R
	(Restated)
5,163,927	5,163,927
50,000	50,000
170,000	170,000
n/a	n/a
<b>5,383,927</b>	<b>5,383,927</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>44 Related parties</b>		
<b>Contracts awarded to suppliers in the service of the state</b>		
Norotype (PTY)LTD , child of Employee (C Malambila) from Department of Health	9,994	7,920
Ebusha General Trading (Director's daughter employed by the Provincial Department )	28,224	77,102
<b>Contracts awarded to close family members</b>		
Ezizhathwini Pty Ltd (Owner is sister of Councillor NP Nkonyeni)	6,000	7,675
Culiso Trading (PTY)LTD (Brother of Employee J Vongo)	9,720	11,936
Lwandif Catering (PTY) LTD (Sister of Employee N Bilignaut)	12,000	4,720
PJA Jordaan Transport (Child of Employee M Jordaan)	9,040	2,000
Sibabbewe Catering (PTY)LTD (Spouse of Employee FN Hermanus)	2,500	
Ungubengcuka Construction (Spouse of Employee A Ntshudu)	10,000	
<b>No awards made to Section 56 and other Councillors, except as per notes 31 and 32</b>		
<b>Councillors:</b>		
BA Mankwani	Mayor:	
NP Nkonyeni	Chairperson: MPAC	
KC Brown	Councillor	
P Sonkwala	Councillor	
JM Martin	Councillor	
FP Brown	Councillor	
C Du Plessis	Councillor	
A Hufike	Chairperson: Community Services	
TA Grootboom	Chairperson: Infrastructure	
MS Kwatshe	Chairperson: Corporate Services	
TC Xakaxa	Councillor	
C Nel	Councillor	
<b>Section 56 managers:</b>		
T Klaas	Municipal Manager	
NB Delo	Chief Financial Officer	
L Nkanjeni	Director: Corporate Services	
M Planga	Director: Community Services	
A Gaji	Director: Technical Services	
<b>Acting Senior Managers:</b>		
N Dlova	Acting Director: Technical Services	18,248
V Appolis	Acting Director: Technical Services	2,478
PM Blouw	Acting Director: Corporate Services	91,235
M Gush	Acting Director: Corporate Services	45,377
N Mbebe	Acting Director: Corporate Services	1,841

**Blue Crane Route Local Municipality (EC 102)**

Annual Financial Statements for the year ended 30 June 2020

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2020 R	2019 R (Restated)
<b>45 Prior period adjustments</b>		
During the preparation of the municipality's annual financial statements, a number of prior period errors (periods before 2019), affecting various balances were noted. These errors were corrected retrospectively.		
The correction of the error(s) results in adjustments as follows:		
<b>Other receivables from non-exchange transactions (Note 8)</b>		
Prior to 2019: Overpayment of PAYE to SARS during the tax years 2017 and 2018		(110,996)
Prior to 2019: Overpayment of salaries and allowances to Mayor BA Mankweni for the period 2016 - 2018		(28,157)
		<u>(139,153)</u>
<b>Property, plant and equipment (Note 12)</b>		
Prior to 2019: Correcting the opening balance of PPE after re-creating new Infrastructure assets register to account for impairment and completeness		(235,062,321)
Prior to 2019: Correcting the opening balance of WIP after re-creating new Infrastructure assets register to account for impairment and completeness		17,681,875
Prior to 2019: Finance lease assets incorrectly calculated on depreciation and cost plus 2 additional vehicles not included in assets register		(842,048)
		<u>(218,222,494)</u>
<b>Payables from Exchange transactions (Note 20)</b>		
Prior to 2019: Back pay to T Hobe (HR Clerk) for incorrect taskgrade - paid on taskgrade 5 but should be taskgrade 6		8,758
Prior to 2019: Correction of 2 Councillors Back pay for 2016/17 (Mankweni & Brown)		12,631
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		300,000
Prior to 2019: Final salary of employee (GN Ngozozi) who passed away in 2012, duplicated as expense in 2012 and again in 2018 with payment to the estate.		(8,854)
		<u>312,533</u>
<b>VAT payable (Note 22)</b>		
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		(39,130)
		<u>(39,130)</u>
<b>Accumulated surplus adjustments (Earlier than 2019)</b>		
Other receivables from non-exchange transactions		139,153
Property, plant and equipment		218,222,494
Payables from exchange transactions		(312,533)
VAT payable		39,130
		<u>218,088,244</u>
<b>Adjustment in 2019:</b>		
<b>Trade receivables from exchange transactions (Note 9)</b>		
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of electricity		8,921
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of water		54,029
Indigent subsidy incorrectly given to consumers in 2018/19 for Sewerage charges		29,443
Indigent subsidy incorrectly given to consumers in 2018/19 for Refuse removal charges		44,399
		<u>136,792</u>
<b>Cash and cash equivalents</b>		
Cancelled cheques for motor vehicle licence fees incorrectly included in Bank account reconciliation		10,280
		<u>10,280</u>
<b>Disposal of assets</b>		
Adjust disposal of assets in 2019 - Motorvehicle cost		(62,865)
		<u>(62,865)</u>
<b>Prior period adjustments</b>		
Adjustments to Interest on consumer debtors (See note 25)		978
Adjustments to Service charges (See Note 27)		118,273
Adjustment to Contracted Services (See Note 36)		28,673
Adjustments to Employee related costs (See Note 31)		(13,401)
Adjustments to Operational costs (Note 39)		(16,560)
Adjustments to depreciation charges on PPE (Note 11 and 12)		(453,659)
Adjustments to Property Plant and Equipment (Note 12)		(26,698,412)
Adjustment: Opening accumulated surplus 2019 (See above detail)		219,088,244
		<u>191,054,136</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020 R	2019 R <i>(Restated)</i>
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46 Risk management

**Financial risk management**

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**Liquidity risk**

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

**Cash flow interest rate risk**

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years
Other financial liabilities	9.62%	(815,759)	
Trade and other payables from non-exchange	10.50%	(204,137)	
Payables from exchange transactions	7%	(47,270,704)	
Finance lease obligation	9.55%	(228,331)	
Trade and Other receivables from exchange	11.00%	35,841,888	
Other receivables from non-exchange	11.00%	7,798,039	
Cash in current banking institutions	4.50%	9,880,201	

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Trade receivables from exchange transactions	34,270,678	28,978,610
Other receivables from non-exchange transactions	7,798,039	5,608,637
Other receivables from exchange transactions	1,371,209	1,231,766
Other financial assets		2,982
Short term deposits and cash in banks	9,880,201	27,630,935

The municipality holds deposits of R2 733 983 (2019: R2 673 592) from consumer debtors. No guarantees or collateral was provided to third parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
<b>47 Going concern</b>		
<b>Going concern</b>		
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 for the 12 month period ending 30 June 2021.		
The following material uncertainties may cast doubt on the going concern assumption: Covid-19 global impact on the economy Debt payment ratio's not in the norm Credit payment ratio's not in the norm Current liabilities exceed current assets High level of water and electricity losses that occur High level of poverty within the BCRM's municipal area The potential risk that contingent liabilities as disclosed in this set of financial statements may materialise in actual commitments to pay.		
The following revenue enhancement strategies are currently in place to ensure that we address the above listed concerns: Debt collection interventions, including services restrictions if bills are not paid and issuing of summonses Implementation of an electronic meter reading system to ensure accurate and timely issuing of accounts Meter audits, to establish if all service usages are accounted for Installation of bulk electricity and water meters to track and monitor losses Replacement of old electricity and water infrastructure to curb electricity and water losses Developing of cost covering tariffs to ensure that consumers are paying for the services rendered by the municipality Cost containing measures to prevent unnecessary expenditure Implementation of a general valuation roll to ensure that the new market values of property are accounted for VAT audits Establishing a LED unit to attract business opportunities for local business		
COVID19 impact and measures to ensure the financial stability		
The Covid19 recession is a major ongoing global economic crisis which has caused both a recession in South Africa, and is currently the worst global economic crisis since the Great Depression. Modelling by the World Bank suggests that in some regions of the world a full recovery will not be achieved until 2025 or beyond. It is therefore important that municipalities are well geared to absorb the additional pressure.		
Blue Crane Route Municipality has identified the following measures to absorb the global impact of Covid19: National treasury, increased the municipality's 2020/21 Equitable share allocation from R56 698 000 to R65 297 000 to absorb the drop in debtor payment rates. A special adjustment budget will be tabled to take into account current debtor payment rates. Strict budget control have to be implemented. Further cost cutting measures will have to be implemented. Provincial treasury will on a regular basis review the budget funded criteria, and where necessary, further budget adjustments needs to be approved The municipality appointed a legal firm to collect long outstanding debt, including rates and services charges.		
<b>48 Events after the reporting date</b>		
There are no events after reporting date to report on.		
<b>49 Unauthorised expenditure</b>		
Opening balance	18,226,960	11,053,442
Add: Unauthorised Expenditure - current year	24,250,046	7,173,518
Less: Approved by Council during the year	-	-
	<u>35,303,486</u>	<u>18,226,960</u>
Unauthorised expenditure occurred during the 2020 year due to debt impairment much more than expected and depreciation charges much more after the infrastructure assets register was re-created. Also there was one capital project incorrectly budgeted. See Notes 56.2 and 56.5 for more information related to the unauthorised expenditure for the current year.		
<b>50 Fruitless and wasteful expenditure</b>		
Opening balance	845,535	834,851
Add: Fruitless and wasteful expenditure - current year	-	10,684
	<u>845,535</u>	<u>845,535</u>
Council received the COGTA investigation report into the loss of R 834,861 in March 2018. An action plan was adopted by Council. Various of oversight structures are implementing this action plan.		
<b>51 Irregular expenditure</b>		
Opening balance	19,229,134	95,956,021
Add: Irregular Expenditure - current year (Excl VAT)	6,669,405	16,314,952
Add: Irregular Expenditure - previous year related but identified in the current year.	-	901,210
Less: Written off by Council	(414,378)	(93,943,049)
	<u>25,484,161</u>	<u>19,229,134</u>
<b>Details of irregular expenditure - current year</b>		
Supply Chain Management regulations not adhered to	25,484,161	19,229,134
Refer to Annexure "A" for the full list of deviations	5,061,227	45,471,208

Irregular expenditure are made up by payments mainly to Consulting engineers, Construction companies, Security services and fuel expenditure since 2011/12. These appointments were done by not following Council Procurement processes. Council appointed a disciplinary board during February 2017 to investigate these expenditure. These investigations includes value for money determination and asset verification checks which are performed by Council's internal audit unit. During 2020, R414 378 (2019, R 93.9 m) was written off by Council through the processes of the Disciplinary board.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020  
R  
2019  
R  
Restated

52 Reconciliation between budget and statement of financial performance

Classification Basis	Actual amounts as per Budget	Actual amounts as per Statement of Financial Performance	Difference	Comment
<b>Revenue</b>				
Property rates	21,561,237	21,550,618	10,619	Budget includes Municipal Services
<b>Service Charges</b>	<b>143,764,234</b>	<b>132,964,954</b>	<b>10,799,280</b>	
Service Charges: Electricity	117,988,935	107,754,025	10,234,910	Budget includes Municipal Services
Service Charges: Water	13,152,147	12,728,360	423,787	Budget includes Municipal Services
Service Charges: Sanitation	5,235,325	5,186,038	49,287	Budget includes Municipal Services
Service Charges: Refuse	7,387,827	7,298,531	91,296	Budget includes Municipal Services
<b>Other Income</b>	<b>5,277,866</b>	<b>1,757,694</b>	<b>3,520,172</b>	
Actuarial Gain	3,520,172		3,520,172	Shown in AFS Fin Perf as a separate item
Other income	1,757,694	1,757,694		
<b>Expenditure</b>				
<b>Classification Basis</b>				
Employee Related Costs	80,785,145	83,124,880	(2,339,735)	
Post-Retirement Interest		2,339,735	(2,339,735)	PRMA interest under Finance cost as per budget
Other Employee related cost	80,785,145	80,785,145		
<b>Finance Costs</b>	<b>4,226,144</b>	<b>1,888,409</b>	<b>2,339,735</b>	Budget includes PRMA Interest under Employee
<b>Inventory Consumed</b>	<b>2,674,829</b>	<b>5,066,433</b>	<b>(2,391,604)</b>	Fuel cost shown in AFS as inventory consumed - Other Exp
<b>Operational Costs/Other Expenditure</b>	<b>25,984,863</b>	<b>12,743,158</b>	<b>13,241,705</b>	
Municipal Services: Electricity	10,234,910		10,234,910	Budget includes Municipal Services
Municipal Services: Water	423,787		423,787	Budget includes Municipal Services
Municipal Services: Sewerage	49,287		49,287	Budget includes Municipal Services
Municipal Services: Refuse	91,296		91,296	Budget includes Municipal Services
Municipal Services: Rates	10,619		10,619	Budget includes Municipal Services
Inventory consumed (Fuel)	2,391,604		2,391,604	Fuel shown in AFS as inventory consumed
Loss on disposal of assets	40,202		40,202	Loss on disposal of assets is separate item in AFS
Other Operational cost/Expenditure	12,743,158	12,743,158		



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R Restated
<b>53 Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>PAYE, UIF AND SDL</b>		
SARS deductions	12,467,751	11,747,042
Amount paid over	(11,672,133)	(10,826,670)
	<u>795,618</u>	<u>920,372</u>
The outstanding amount of R795 618 for SARS was paid in July 2020.		
<b>Pension and Medical Aid Deductions</b>		
Current year deductions	17,917,610	16,847,706
Amount paid - current year	(17,915,987)	(16,847,706)
	<u>1,623</u>	<u>-</u>
The additional deduction of R1 523 for Medical aid was paid over during July 2020.		
<b>Councillors' arrear consumer accounts</b>		
No Councillors municipal charges were outstanding for more than 90 days at 30 June 2020		
<b>Organised Local Government (SALGA)</b>		
Contribution for the year	<u>841,086</u>	<u>829,800</u>
No contributions were outstanding at year end.		

**54 Actual versus Budget: Explanation of material variances greater than 10% versus budget**

Revenue	Final Budget 2020 R	Actual 2020 R	Variance R	Variance %	Explanation
Property rates	18,026,690	21,561,237	3,534,547	20%	Rates of Game Farms in dispute
Rental of facilities and equipment	465,000	712,659	247,659	53%	Unsuspected additional rental from Wind Farm Fabric
Fines	423,000	162,231	(260,769)	-62%	Covid-19 effected the actual income
Licences and permits	480,300	396,517	(83,783)	-17%	Covid-19 effected the actual income
Agency services	950,000	753,971	(196,029)	-21%	Covid-19 effected the actual income
Other Income	8,754,740	5,277,866	(3,476,874)	-40%	VAT on grants included as additional revenue
<b>Expenditure</b>					
Debt impairment	14,990,060	23,280,573	8,290,513	55%	Debtors payrate decreased
Depreciation & asset impairment	42,479,290	53,948,014	11,468,724	27%	Assets register re-created
Finance charges	5,036,190	4,228,144	(808,046)	-16%	Interest on landfill site - change in inflation rate
Inventory consumed	4,668,660	2,674,829	(1,993,831)	-43%	Savings realised during Covid-19 lock down period
Other expenditure	29,002,390	25,984,863	(3,017,527)	-10%	Savings realised during Covid-19 lock down period

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020  
R

2019  
R  
(Restated)

55 Final budget versus original budget: Explanation of material variances greater than 10%

	Final Budget 2020 R	Original Budget 2020 R	Variance R	Variance %	Explanation
<b>Revenue</b>					
Interest earned - external investments	1,350,000	850,000	500,000	59%	Grants spent mostly at the end of the year
Interest earned - outstanding debtors	5,485,650	4,197,650	1,288,000	30%	Debtors bad payrate led to more interest
Rental of facilities and equipment	465,000	390,000	75,000	19%	Additional suspected rent from windfarm fabric
Agency services	650,000	850,000	100,000	12%	Additional licences income
Transfers and Subsidies	115,774,210	87,983,000	27,791,210	32%	Roll over WSIIG grant approved only in Oct 2019
Other income	8,754,740	1,277,140	7,477,600	585%	VAT included in grant income shown separate
<b>Expenditure</b>					
Debt impairment	14,990,060	11,103,750	3,886,310	35%	Decrease in debtors payrate
Other expenditure	29,002,390	25,817,350	3,185,040	12%	Covid-19 and additional expenditure

EC 102 Blue Crane Route - Reconciliation of Table A1 Budget Summary

Description	2019/20				2018/19							
	Original Budget	Budget Adjustments (i.e. MPMA s20)	Final adjustments Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MPMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Financial Performance</b>												
Property rates	18,027	-	18,027	21,561		3,535	119.6%	119.6%				13,224
Service charges	148,405	509	148,915	143,764		(5,151)	96.5%	96.5%				128,273
Interest earned - external investments	850	1,300	1,350	1,300		40	102.9%	103.5%				2,052
Transfers and recognised operational	60,959	969	61,928	61,941		3	100.0%	101.6%				53,580
Other own revenue	7,618	8,921	16,539	12,846		(3,693)	77.7%	108.6%				11,931
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>235,869</b>	<b>10,899</b>	<b>246,769</b>	<b>241,902</b>		<b>(5,267)</b>	<b>97.9%</b>	<b>102.4%</b>				<b>209,059</b>
Employee related costs	83,150	(2,693)	80,457	80,785		328	100.4%	97.2%				77,090
Remuneration of councillors	4,254	(75)	4,178	4,051		(128)	96.9%	95.2%				3,904
Debt Impairment	11,104	3,866	14,970	23,281		8,281	165.3%	209.7%				19,453
Depreciation & asset Impairment	42,179	300	42,479	53,648		11,469	127.0%	127.9%				62,141
Finance charges	5,019	18	5,036	4,228		(808)	84.0%	84.3%				5,776
Materials and bulk purchases	101,972	(6)	101,966	95,272		(6,694)	93.4%	93.4%				83,412
Transfers and subsidies	884	(43)	841	841		(0)	100.0%	95.2%				839
Other expenditure	34,271	3,191	37,462	32,777		(4,685)	87.5%	95.6%				31,302
<b>Total Expenditure</b>	<b>282,832</b>	<b>4,575</b>	<b>287,407</b>	<b>295,183</b>		<b>7,776</b>	<b>102.7%</b>	<b>104.4%</b>				<b>283,946</b>
<b>Surplus/(Deficit)</b>	<b>(46,963)</b>	<b>6,324</b>	<b>(40,638)</b>	<b>(53,881)</b>		<b>(13,042)</b>	<b>132.1%</b>	<b>114.3%</b>				<b>(74,887)</b>
Transfers recognised - capital				51,734		(2,102)	96.1%	191.5%				92,078
Contributions recognised - capital & contributed assets				(1,947)		(15,144)	-14.6%	9.9%				17,191
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>				<b>(1,947)</b>		<b>(15,144)</b>	<b>-14.6%</b>	<b>9.9%</b>				<b>17,191</b>
Share of surplus/ (deficit) of associate												
<b>Surplus/(Deficit) for the year</b>												
<b>Capital expenditure &amp; funds sources</b>												
Capital expenditure	27,064	25,822	52,886	45,897		(7,989)	85.2%	160.6%				78,466
Transfers recognised - capital												
Contributions & transfers												
Borrowings		157	767	759		(7)	99.1%	124.5%				408
Internally generated funds	610	26,978	27,588	46,657		(7,969)	85.4%	168.6%				78,875
<b>Total sources of capital funds</b>	<b>27,674</b>	<b>27,979</b>	<b>55,420</b>	<b>46,657</b>		<b>(7,969)</b>	<b>85.4%</b>	<b>168.6%</b>				<b>79,283</b>
<b>Cash flows</b>												
Net cash from (used) operating	31,529	21,964	53,493	33,781		(19,712)	63.2%	107.1%				109,814
Net cash from (used) investing	(27,670)	(26,962)	(54,632)	(46,642)		8,010	85.3%	168.6%				(78,466)
Net cash from (used) financing	(3,950)	168	(3,782)	(4,891)		(1,109)	129.3%	123.8%				(5,041)
<b>Cash/cash equivalents at the year end</b>	<b>909</b>	<b>21,588</b>	<b>22,498</b>	<b>9,882</b>		<b>(12,616)</b>	<b>43.9%</b>	<b>108.7%</b>				<b>27,540</b>

Note 56.2

EC102 Blue Crane Route - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2019/20				2018/19				Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8				
R thousand	Original Budget	Budget Adjustments (i.Lo. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget				
<b>Revenue - Standard</b>												
Governance and administration	60,522	9,126	69,648	69,950		2,815	100.4%	115.6%				58,057
Executive and council	20,812	-	20,812	20,812		(6,744)	100.0%	100.0%				19,069
Finance and Administration	36,711	9,126	45,837	49,138		9,559	100.6%	123.7%				38,989
Corporate services	-	-	-	-		-	-	-				-
Internal Audit	3,486	3,660	7,146	4,833		2,772	67.5%	138.2%				4,408
Community and public safety	2,922	-	2,922	2,392		4,965	84.6%	94.6%				2,129
Community and social services	130	-	130	70		(60)	53.6%	53.6%				362
Sport and recreation	50	3,612	3,662	1,536		(2,127)	41.9%	3071.2%				1,122
Public safety	-	-	-	-		-	-	-				-
Housing	794	47	841	835		(6)	99.2%	105.2%				794
Health	2,992	531	3,523	2,839		(684)	80.6%	94.9%				2,729
<b>Economic and environmental services</b>												
Planning and development	-	423	423	160		(263)	37.8%	37.8%				-
Road transport	2,992	108	3,100	2,879		(421)	86.4%	89.5%				2,729
Environmental protection	-	-	-	-		-	-	-				-
Trading services	194,873	24,405	220,278	215,615		(4,664)	97.9%	110.1%				235,944
Energy services	126,987	3,502	130,489	125,969		(4,500)	96.6%	96.2%				115,246
Waste management	40,517	19,169	59,686	61,933		2,247	103.8%	152.9%				94,276
Waste water management	13,609	2,058	15,667	13,441		(2,224)	85.8%	96.8%				12,896
Waste management	14,751	(321)	14,429	14,242		(188)	98.7%	96.5%				13,526
<b>Other</b>												
<b>Total Revenue - Standard</b>	<b>262,863</b>	<b>37,721</b>	<b>300,605</b>	<b>293,236</b>		<b>239</b>	<b>97.5%</b>	<b>111.5%</b>				<b>301,136</b>
<b>Expenditure - Standard</b>												
Governance and administration	72,957	(1,791)	71,166	73,978	3,330	3,003	104.0%	101.4%				67,437
Executive and council	10,705	33	10,738	14,068	3,330	3,330	131.0%	131.4%				9,409
Finance and Administration	60,540	(1,818)	58,722	58,395		(327)	99.4%	96.5%				56,419
Corporate services	-	-	-	-		-	-	-				-
Internal Audit	1,712	(6)	1,706	1,515		(191)	88.8%	88.8%				1,609
Community and public safety	12,828	115	12,943	12,167	39	(776)	94.0%	94.8%				11,745
Community and social services	8,013	(565)	7,448	7,467	39	39	100.5%	95.4%				7,285
Sport and recreation	1,276	(37)	1,239	1,142		(97)	92.2%	89.5%				1,204
Public safety	2,804	671	3,475	2,855		(620)	82.2%	101.8%				2,628
Housing	-	-	-	-		-	-	-				-
Health	705	46	751	683		(68)	91.4%	92.9%				627
<b>Economic and environmental services</b>												
Planning and development	21,731	162	21,893	38,738	18,190	17,645	181.5%	182.9%				41,815
Road transport	2,163	72	2,235	1,920		(315)	86.0%	87.5%				1,796
Environmental protection	19,538	90	19,628	37,619	18,190	(1,438)	192.7%	193.6%				40,049
Trading services	-	-	-	-		-	-	-				-
Energy Services	175,316	6,009	181,405	165,299		(12,066)	91.3%	96.6%				162,950
Water management	20,767	431	21,198	112,672		(8,526)	93.0%	93.3%				102,952
Waste management	23,561	2,415	25,976	25,064		(912)	96.5%	106.4%				26,754
Waste water management	12,155	1,911	14,066	12,792		(1,274)	90.9%	105.2%				10,941
Waste management	18,633	1,333	20,165	18,772		(1,394)	93.1%	98.7%				20,323
<b>Other</b>												
<b>Total Expenditure - Standard</b>	<b>282,832</b>	<b>4,575</b>	<b>287,407</b>	<b>295,183</b>	<b>21,559</b>	<b>7,666</b>	<b>102.7%</b>	<b>104.4%</b>				<b>283,946</b>
<b>Surplus/(Deficit) for the year</b>	<b>(19,949)</b>	<b>33,146</b>	<b>13,197</b>	<b>(1,947)</b>		<b>(7,728)</b>	<b>-14.8%</b>	<b>8.8%</b>				<b>17,191</b>

Note 56.3

EC:102 Blue Crane Route - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2019/20					2018/19						
	Original Budget	Budget Adjustments (i.l.o. MFMA s23)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Mayoral Executive	20,812	-	20,812	20,812	0	0	100.0%	100.0%	-	-	-	19,058
Municipal Council	-	423	423	160	-	(263)	37.8%	#DIV/0!	-	-	-	11
Accounting Officer	24,642	8,936	33,577	33,587	-	10	100.0%	136.3%	-	-	-	23,777
Budget & Treasury	197,497	24,917	222,414	218,179	-	(4,235)	98.1%	110.5%	-	-	-	238,415
Technical Services	19,774	3,446	23,220	20,313	-	(2,907)	87.5%	102.7%	-	-	-	19,594
Community, Safety & Social Services	159	-	159	185	-	26	116.3%	116.3%	-	-	-	283
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>262,883</b>	<b>37,721</b>	<b>300,605</b>	<b>293,236</b>		<b>(7,369)</b>	<b>97.5%</b>	<b>111.5%</b>				<b>301,138</b>
<b>Expenditure by Vote to be appropriated</b>												
Mayoral Executive	433	(12)	421	4,217	3,797	3,797	1002.5%	974.4%	-	-	-	380
Municipal Council	5,620	(102)	5,517	5,182	-	(335)	93.9%	92.2%	-	-	-	5,186
Accounting Officer	8,557	213	8,770	8,103	-	(667)	92.4%	94.7%	-	-	-	7,598
Budget & Treasury	35,348	(440)	34,908	34,485	-	(424)	98.8%	97.6%	-	-	-	33,395
Technical Services	187,313	3,309	190,622	199,627	9,005	9,005	104.7%	106.6%	-	-	-	192,887
Community, Safety & Social Services	37,890	1,530	39,220	36,396	-	(2,824)	92.8%	96.6%	-	-	-	37,689
Corporate Services	7,873	77	7,949	7,173	-	(777)	90.2%	91.1%	-	-	-	6,821
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>282,832</b>	<b>4,575</b>	<b>287,407</b>	<b>295,183</b>	<b>12,602</b>	<b>7,776</b>	<b>102.7%</b>	<b>104.4%</b>				<b>283,946</b>
<b>Surplus/(Deficit) for the year</b>	<b>(19,949)</b>	<b>33,146</b>	<b>13,197</b>	<b>(1,947)</b>		<b>(15,144)</b>	<b>-14.8%</b>	<b>9.8%</b>				<b>17,191</b>

Note 56.4

EC102 Blue Crane Route - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2019/20					2018/19						
	1	2	3	4	5	6	7	8	9	10	11	12
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
<b>Revenue Bv Source</b>												
Property rates - penalties & collection charges	18,027	-	18,027	21,561		(3,535)	119.6%	119.6%				13,224
Service charges - electricity revenue	-	3,502	122,884	117,989		4,895	96.0%	98.7%				101,727
Service charges - water revenue	15,684	(2,691)	13,003	13,152		(150)	101.2%	83.8%				14,168
Service charges - sanitation revenue	5,433	21	5,453	5,235		218	96.0%	96.4%				5,114
Service charges - refuse revenue	7,897	(322)	7,576	7,388		188	97.5%	93.6%				7,244
Service charges - other	-	-	-	-		(246)	153.3%	182.7%				485
Rental of facilities and equipment	390	75	465	713		(40)	102.9%	163.5%				2,052
Interest earned - external investments	850	500	1,350	1,390		(77)	101.4%	132.0%				4,493
Interest earned - outstanding debtors	4,188	1,268	5,466	5,543		-	-	-				-
Dividends received	-	-	-	162		261	38.4%	38.4%				126
Fines	423	-	423	387		84	92.6%	82.6%				540
Licences and permits	480	-	480	387		196	79.4%	88.7%				1,013
Agency services	850	100	950	754		196	79.4%	101.0%				53,380
Transfers recognised - operational	60,989	969	61,938	61,941		(3)	100.0%	101.0%				5,185
Other revenue	1,277	7,478	8,755	5,278		3,477	60.3%	413.3%				78
Gains on disposal of PPE	-	-	-	-		-	-	-				-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>235,869</b>	<b>10,899</b>	<b>246,769</b>	<b>241,502</b>		<b>5,267</b>	<b>97.9%</b>	<b>102.4%</b>				<b>206,059</b>
<b>Expenditure Bv Type</b>												
Employee related costs	83,150	(2,693)	80,457	80,785	328	(328)	100.4%	97.2%				77,030
Remuneration of councillors	4,254	(75)	4,178	4,051		126	96.2%	95.2%				3,994
Debt impairment	11,104	3,886	14,990	23,281	8,291	(8,291)	155.3%	209.7%				19,453
Depreciation & asset impairment	42,179	300	42,479	53,948		(11,469)	127.0%	127.9%				62,141
Finance charges	5,019	18	5,036	4,228		808	84.0%	84.5%				5,776
Bulk purchases	97,294	-	97,294	92,597		4,697	95.2%	95.2%				79,982
Other materials	4,678	(9)	4,669	2,675		1,994	57.3%	57.2%				3,420
Contracted services	8,453	6	8,460	6,792		1,667	80.3%	80.4%				7,986
Transfers and subsidies	884	(43)	841	841		0	100.0%	95.2%				839
Other expenditure	25,817	3,185	29,002	25,985		3,018	89.6%	100.6%				23,317
Loss on disposal of PPE	-	-	-	-		-	-	-				-
<b>Total Expenditure</b>	<b>282,832</b>	<b>4,575</b>	<b>287,407</b>	<b>295,183</b>	<b>8,619</b>	<b>(7,776)</b>	<b>102.7%</b>	<b>104.4%</b>				<b>283,946</b>
<b>Surplus/(Deficit)</b>	<b>(46,963)</b>	<b>6,324</b>	<b>(40,638)</b>	<b>(53,681)</b>		<b>13,042</b>	<b>132.1%</b>	<b>114.3%</b>				<b>(74,887)</b>
Transfers recognised - capital	27,014	26,822	53,836	51,734		2,102	96.1%	191.5%				92,078
Contributions recognised - capital	-	-	-	-		-	-	-				-
Contributed assets	-	-	-	-		-	-	-				-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(19,949)</b>	<b>33,146</b>	<b>13,197</b>	<b>(1,947)</b>		<b>15,144</b>	<b>-14.8%</b>	<b>9.8%</b>				<b>17,191</b>
Taxation	-	-	-	-		-	-	-				-
<b>Surplus/(Deficit) after taxation</b>	<b>(19,949)</b>	<b>33,146</b>	<b>13,197</b>	<b>(1,947)</b>		<b>15,144</b>	<b>-14.8%</b>	<b>9.8%</b>				<b>17,191</b>
Attributable to minorities	-	-	-	-		-	-	-				-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(19,949)</b>	<b>33,146</b>	<b>13,197</b>	<b>(1,947)</b>		<b>15,144</b>	<b>-14.8%</b>	<b>9.8%</b>				<b>17,191</b>
Share of surplus/(deficit) of associate	(19,949)	33,146	13,197	(1,947)		15,144	-14.8%	9.8%				17,191
<b>Surplus/(Deficit) for the year</b>	<b>(19,949)</b>	<b>33,146</b>	<b>13,197</b>	<b>(1,947)</b>		<b>15,144</b>	<b>-14.8%</b>	<b>9.8%</b>				<b>17,191</b>

Note 56.5

EC102 Blue Crane Route - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

2018/19

2019/20

Vote Description	2018/19											
	1	2	3	4	5	6	7	8	9	10	11	12
R thousand	Original Budget	Total Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of MFMA	Balance to be recovered	Restated Audited Outcome
Capital single-year expenditure												
<b>Total Capital Expenditure - Vote</b>												
<b>Capital Expenditure - Standard</b>												
<b>Governance and administration</b>	13,734	40	13,774	11,824		(1,950)	86%	86%				12,083
Executive and council	40	(36)	5	4		(0)	96%	11%				
Finance and Administration	13,694	76	13,770	11,820		(1,950)	86%	86%				12,083
Corporate services												
Community and public safety	40	2,657	2,697	938		(1,759)	35%	23.45%				1,052
Community and social services	40	(34)	7	6		(0)	96%	16%				54
Sport and recreation												
Public safety		2,690	2,690	932		(1,759)	35%					958
Housing												
Health												
Economic and environmental services	40	423	463	26		(437)	6%	6.4%				
Planning and development		423	423			(0)						
Road transport	40		40	26		(14)	64%	64%				
Environmental protection												
<b>Trading services</b>	13,860	23,859	37,719	33,869	2,891	(3,850)	90%	24.4%				85,740
Energy Sources	800	150	950	892		(58)	94%	11.1%				5,614
Water management	13,030	21,674	34,704	28,221		(6,483)	81%	21.7%				38,814
Waste water management	30	2,035	2,065	4,757	2,891	2,691	230%					21,312
Waste management												
<b>Other</b>												
<b>Total Capital Expenditure - Standard</b>	<b>27,674</b>	<b>26,978</b>	<b>54,652</b>	<b>46,657</b>	<b>2,891</b>	<b>(7,996)</b>	<b>85%</b>	<b>169%</b>				<b>78,875</b>
<b>Funded by:</b>												
National Government												
Provincial Government	27,064	24,070	51,134	44,861		(6,273)	88%	166%				77,302
District Municipality												
Other transfers and grants		2,752	2,752	1,036		(1,715)						1,166
Transfers recognised - capital	27,064	26,822	53,886	45,897		(7,988)	85%	170%				78,468
Public contributions & donations												
Borrowing												
Internally generated funds	610	157	767	759		(7)	99%	124%				408
<b>Total Capital Funding</b>	<b>27,674</b>	<b>26,978</b>	<b>54,652</b>	<b>46,657</b>		<b>(7,996)</b>	<b>85%</b>	<b>169%</b>				<b>78,875</b>

Note 56.6

EC102 Blue Crane Route - Reconciliation of Table A7 Budgeted Cash Flows

Description	2019/20				2018/19			
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	156,966	(4,726)	152,239	123,771	28,468	81.3%	78.9%	112,774
Other revenue	6,944	9,047	15,991	11,212	4,778	70.1%	161.5%	4,228
Government - operating	60,969	366	61,365	62,020	(655)	101.1%	101.7%	53,580
Government - capital	27,014	26,822	53,836	28,275	25,561	52.5%	104.7%	115,360
Interest	4,628	(4,628)	-	1,354	(1,354)	-	29.2%	2,014
<b>Payments</b>								
Suppliers and employees	(223,647)	(414)	(224,061)	(191,643)	(32,418)	85.5%	85.7%	(176,564)
Finance charges	(461)	(4,575)	(5,036)	(367)	(4,669)	7.3%	79.7%	(738)
Transfers and Grants	(884)	43	(841)	(841)	(0)	100.0%	-	(839)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>31,529</b>	<b>21,964</b>	<b>53,493</b>	<b>33,781</b>	<b>19,712</b>	<b>63.2%</b>	<b>107.1%</b>	<b>109,814</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	11	(11)	-	-	416
Decrease (Increase) in non-current debtors	4	-	-	3	(3)	-	-	3
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
<b>Payments</b>								
Capital assets	(27,674)	(26,978)	(54,652)	(46,657)	(7,995)	85.4%	168.6%	(78,875)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(27,670)</b>	<b>(26,978)</b>	<b>(54,652)</b>	<b>(46,642)</b>	<b>(8,070)</b>	<b>85.3%</b>	<b>168.6%</b>	<b>(78,456)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	60	(10)	120.8%	-	95
Increase (decrease) in consumer deposits	50	-	50	60	(10)	-	-	-
<b>Payments</b>								
Repayment of borrowing	(4,000)	168	(3,832)	(4,952)	1,120	129.2%	123.8%	(5,136)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(3,950)</b>	<b>168</b>	<b>(3,782)</b>	<b>(4,891)</b>	<b>1,109</b>	<b>129.3%</b>	<b>123.8%</b>	<b>(5,041)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(91)</b>	<b>(4,846)</b>	<b>(4,941)</b>	<b>(17,752)</b>	<b>(27,121)</b>			<b>26,317</b>
Cash/cash equivalents at the year begin:	1,000	26,438	27,438	27,635	-	-	-	1,223
Cash/cash equivalents at the year end:	909	21,592	22,498	9,882	(27,121)	43.9%	1087.0%	27,540



**ANNEXURE C – DEVIATIONS 2019/2020 FINANCIAL YEAR**

Date	Company Name	Description of Goods / Services	Reason for Deviation	SCM Reg#	Authorised By	Value	Order
<b>JULY 2019</b>							
16/07/2019	B G SECURITY	SECURITY SERVICES	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhour service	s36(1)(a)(v)	AAO	R 109,056.81	53045
16/07/2019	B G SECURITY	SECURITY SERVICES	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhour service	s36(1)(a)(v)	AAO	R 93,788.57	53048
16/07/2019	B G SECURITY	SECURITY SERVICES	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhours service	s36(1)(a)(v)	AAO	R 83,987.58	53047
16/07/2019	B G SECURITY	SECURITY SEALS FOR TRAFFIC	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhours service	s36(1)(a)(v)	AAO	R 1,537.85	53049
16/07/2019	B G SECURITY	VARIOUS SERVICES APRIL, MAY, JUNE 2019	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhours service	s36(1)(a)(v)	AAO	R 81,791.11	53046
25/07/2019	NISSAN EC	15 000km service	JDY899EC was brought brand new through the NT transvaal contract RT57. When the vehicle reached 15000KM it was taken for a service booked by the BCRM workshop. The Workshop took it for granted that the vehicle had a service plan which was not the case the case and only picked up after the garage/dealer had already done the service and a payment is needed.	s36(1)(a)(v)	AAO	R 2,578.28	53097
						<b>R 337,720.20</b>	
<b>AUGUST 2019</b>							
02/08/2019	TRANSGEAR BUSINESS TRUST	TO REPAIR HINO GEARBOX	Due to the nature of the work required (stripping, identifying the problem, fixing and assembling) necessitate deviation from SCM processes.	s36(1)(a)(v)	AAO	R 56,212.33	53171
02/08/2019	CHRIS BAKER AND ASSOCIATES	VARIOUS INVOICES- NKANJENI, RETIREMENT FUND, GENERAL MATTERS, SAMMY AND POTENTIAL DISCIPLINE	There is no contract for the service provider in place.	s36(1)(a)(v)	AAO	R 28,536.05	53186
02/08/2019	BLUE CRANE PRINTERS	NOTICE 37/2019-2019/20 BUDGET AND TARIFFS	the service provider is the only local newspaper in the BCRM area.	s36(1)(a)(v)	AAO	R 6,831.00	53180
02/08/2019	BLUE CRANE PRINTERS	SUBSCRIPTION NEWSPAPERS- 4 X LIBRARIES, 1 X ARCHIVES	The HARTLAND NEWS is the only newspaper that is locally distributed in our area and the is printed by The Blue Crane Printers.	s36(1)(a)(v)	AAO	R 1,972.25	53159
30/08/2019	MEDIA 24 BPK	SUBSCRIPTION - DIE BURGERSRAPPORT	Newspapers subscription for the Library Services and are printed and distributed by Media 24.	s36(1)(a)(v)	AAO	R 9,822.20	53305
30/08/2019	TISO BLACK STAR GROUP PTY LTD	7 HERALD NEWSPAPERS PER DAY, 7 SUNDAY TIMES PER DAY	Newspapers subscription for the Library Services and are printed and distributed by Tiso Black Star Group.	s36(1)(a)(v)	AAO	R 20,475.55	53321
30/08/2019	CHRIS BAKER AND ASSOCIATES	LEGAL SERVICES - INVOICES 11589 AND 11635	There is no contract for the undermentioned service provider in place. SAMWU Retirement Fund and Acting Allowance matters. No quotes could be sourced due to the urgency of the matters.	s36(1)(a)(v)	AAO	R 9,503.91	53322
13/08/2019	UD TRUCKS	SERVICE FOR TRUCK	The truck cannot be serviced by any supplier, Bilson Trucks is the only service provider.	s36(1)(a)(v)	AAO	R 6,789.20	53201
						<b>R 138,242.49</b>	

SEPTEMBER 2019								
09/09/2019	ASD INTERNATIONAL	REPAIR GR10 ROTATING PARTS	ASD is the only service provider in town and it was the cheapest. Quote was done on the 17 July 2019.	s36(1)(a)(v)	AAO		R 18,308.00	53383
09/09/2019	NORTHFIELD ENGINEERING	STEP UP STEP DOWN	NORTHFIELD ENGINEERING was the only service provider who could provide the couplings immediately. It was necessary to repair the pipeline urgently to prevent a water crisis.	s36(1)(a)(v)	AAO		R 6,142.70	53384
17/09/2019	ROYAL HOTEL	ACCOMMODATION FOR MR GAJ-AUGUST 2019	Four quotations were requested from the self catering accommodation providers, unfortunately two (2) was fully booked. Two quoted & the Royal Hotel was the cheapest. The above self catering accommodation for the Director, Technical Services as from 01 June 2019 and it's Council Policy to provide accommodation only for the 1st 3 months.	s36(1)(a)(v)	AAO		R 11,700.00	53418
18/09/2019	GOLDBERG & DE VILLIERS INC	LEGAL SERVICES - INVOICE 23042,23849,234043 AND 23685	1. A Disciplinary enquiry has been instituted against Municipal Manager. 2. A Disciplinary has been instituted in line with Local Government, Disciplinary Regulations for Senior Managers 2010. 3. Action had to be immediate as there are timelines to the process.	s36(1)(a)(v)	AAO		R 6,831.00	53160
02/09/2019	GOVERNMENT PRINTING WORKS	ACR,RLV TLL,ALV AND PDI	GOVERNMENT PRINTING WORKS are the sole provider for the Government Forms and Documents.	s36(1)(a)(v)	AAO		R 5,827.27	53348
10/09/2019	UNITRANS AUTOMOTIVE PTY LTD	SERVICE AND CALL OUT FOR HINO TRUCK	The Compactor Truck with registration HMM448EC was serviced at 40 000km in Cradock on Tuesday 27 August 2019. The above-mentioned truck got stuck at the landfill site as the Driver struggled to start the truck. When it finally started it did not drive smoothly there was a jerk. The truck was taken to Municipal Mechanical Workshop; it was examined and recommended for the truck to be serviced as the problem might be caused by dirty filters and that the truck to be serviced by Hino Toyota from Port Elizabeth as they possess the expertise in Hino Trucks. The truck is not is not able to drive to Port Elizabeth therefore their call out services will be requested.	s36(1)(a)(v)			R 14,834.70	53395
02/09/2019	SPARKS & ELLIS	UNIFORM AS PER QUOTATION	There is only two service providers country wide	s36(1)(a)(v)	AAO		R 22,488.93	53342
							R 86,132.60	
OCTOBER 2019								
07/10/2019	UNITRANS AUTOMOTIVE (PTY)LTD	TOYOTA HINO FIT CLUTCH KIT CONSUMABLES SKIM MANIFOLD	Algoa Hino Toyota is the only service provider in the Port Elizabeth that services and do maintenance on Hino Vehicles. The Clutch Kit needed to be replaced.	s36(1)(a)(v)	AAO		R 20,056.66	53538
11/10/2019	UNITRANS AUTOMOTIVE (PTY)LTD	TOYOTA HINO FIT CLUTCH KIT CONSUMABLES SKIM MANIFOLD	Algoa Hino Toyota is the only service provider in the Port Elizabeth that services and do maintenance on Hino Vehicles. The Clutch Kit needed to be replaced.	s36(1)(a)(v)	AAO		R 29,474.73	53575
14/10/2019	XL BAY TRAVEL	ACCOMMODATION AIR TICKETS CAR RENTAL SERVICE FEES	Three (3) quotations were requested from the Travel Agencies (Rennies Travel, Willards Travel & XL Bay Travel). Rennies Travel informed us that they cannot quote anymore as our account is closed with them.	s36(1)(a)(v)	AAO		R 14,771.44	53598
15/10/2019	GOLDBERG & DE VILLIERS INC	LEGAL SERVICES - INVOICE PROF 01-23956	1. A Disciplinary enquiry has been instituted against Municipal Manager. 2. A Disciplinary has been instituted in line with Local Government, Disciplinary Regulations for Senior Managers 2010. 3. Action had to be immediate as there are timelines to the process.	s36(1)(a)(v)	AAO		R 21,187.60	53611
							R 85,490.43	
NOVEMBER 2019								
19/11/2019	ASD INTERNATIONAL	REPAIR T3 PARTS, REPAIR GR T8 PARTS, 1410SPA V BELTS	EMERGENCY, Asterville Pumpstation has just one pump running and the pump broke and it needed to be fixed urgently, the pump was repaired on 29 August 2019.	s36(1)(a)(v)	AO	R	18,939.35	53790
20/11/2019	XL BAY TRAVEL	ACCOMMODATION	All hotels are fully booked. This is the only available accommodation: Mr Gaj is attending a Human Settlements Workshop in Port Elizabeth.	s36(1)(a)(v)	AO	R	2,117.50	53794
25/11/2019	SCHAYISA POWERLINES	2X100KVA, 22000/420V TRANSFORMERS TRANSPORT COST	MTN & VODACOM TOWER TRANSFORMERS were struck by lightning and the customers have no electricity supply.	s36(1)(a)(v)	AO	R	115,590.00	53815
25/11/2019	SERVELEC PTY LTD	REPAIR TO VANDALIZED PUMPSTATION	Raw Water Pumps vandalised & Control System cable stolen.	s36(1)(a)(v)	AO	R	46,218.62	53814
25/11/2019	SERVELEC PTY LTD	REPAIR TO FAULTY PUMPS STATION (PUMPS NOT STARTING)	Raw Water Pumps not working, dam levels low.	s36(1)(a)(v)	AO	R	10,804.94	53813
18/11/2019	GOLDBERG & DE VILLIERS INC	INVOICE PRF01-24309 DATE D 25/10/2019	1. A Disciplinary enquiry has been instituted against Municipal Manager. 2. A Disciplinary has been instituted in line with Local Government, Disciplinary Regulations for Senior Managers 2010. 3. Action had to be immediate as there are timelines to the process.	s36(1)(a)(v)	AAO	R	3,220.00	53776
22/11/2019	UNITRANS AUTOMOTIVE PTY LTD	REPLACE GEARBOX SEALS AS PER QUOTE CDV 245 EC	When the Land Cruiser CDV245EC gearbox was removed and cleaned; it was discovered that oil seals are redundant and need to be replaced. The gearbox was removed to fit a new clutch and pressure plate and release bearing on 53645 thus the additional cost to replace seals.	s36(1)(a)(v)	AO	R	6,545.95	53812
20/11/2019	BLUE CRANE PRINTERS	ADVERTISEMENT OF NOTICE 45/2019	Hartland News is the only newspaper circulating locally and is printed & distributed by the Blue Crane Printers.	s36(1)(a)(v)	AO	R	3,042.90	53793
							R 206,479.26	

**DECEMBER 2019**

17/12/2019	BG SECURITY	SECURITY SERVICE FOR NO V-QUOTE QTE3092. MONITOR & MONITOR OLD IEC OFFICES. MONITOR AIRFIELD, A/H TEL SEV. ELECT/POUND A/H TEL SEV. WATER SEWER	Monitoring, guard duties, CIT, various other duties and work that had to be done on equipment/infrastructure that is already in place - provided by BG SECURITY	s36(1)(a)(v)	AO	R 52,522.39	53641	
18/12/2019	BLUE CRANE PRINTERS	NOTICE 00/2019 ADVERT COCKHOUSE OFFICES IN DECEMBER 2019	The service provider is the only local newspaper supplier in the BCRM area	s36(1)(a)(v)	AO	R 3,726.00	53649	
							R 56,248.39	

**JANUARY 2020**

31/01/2019	BELL EQUIPMENT SALES SOUTH AFRICA	REPAIR TO BELL TLB	TLB is a product of Bell Equipment Sales SA Ltd. The machine had to be taken to the manufacturer/ agent to open it and determine what the problem is. Taking the TLB to another service provider for quotation as the municipality will have to pay for storage as they have to strip to find out what is wrong, then quote.	s36(1)(a)(v)	AO	R 8,366.71	54021	
21/01/2019	SMITH TABATA INC	LEGAL SERVICES	There is no contract for the undermentioned service provider in place. Property Rates dispute with Game Farmers and other farmers and the legal opinion needed. No quotes could be sourced due to the urgency of the matters.	s36(1)(a)(v)	AO	R 29,353.75	53650	
17/01/2020	PATRONELLA SWINGHENNY	SECURITY SERVICES	Reports of vandalism were received at the Tourism Hub and quotes were requested for 20 - 31 December 2019. Patronella Swinghenny was appointed for that period and this is the extension from 1 - 5 January 2020 and 5 - 12 January 2020.	s36(1)(a)(v)	AO	R 9,100.00	53980	
17/01/2020	PATRONELLA SWINGHENNY	SECURITY SERVICES	Newly appointed security company was supposed to commence on 01 December 2019. Due to unforeseen circumstances they had to start on 01 January 2020. Patronella Swinghenny were on site for November 2019 and thus were requested to continue providing the service for December 2019	s36(1)(a)(v)	AO	R 20,000.00	53979	
							R 66,820.46	

**FEBRUARY 2020**

25/02/2020	WP MASHISHINI PTY LTD	100KVA TRANSFORMERS 22KV/415V INLAND	An emergency; three transformers were struck by lightning.	s36(1)(a)(v)	AO	R 165,255.00	54131	
21/02/2020	SMHART SECURITY	GUARD NIGHT SHIFT 17DEC-05 JAN 2020 GUARD DAY SHIFT 18 DEC-06 JAN 2020	There are only two security firms that offer the armed response service (BG Security & SMHART Armed Response). BG Security informed the municipality that they only have one response vehicle and is attending to their alarms and thus will not be able to avail their services. SMHART was therefore the only available company who was able to assist for the period of 17 - 31 Dec 2019 at the Clevedon Pump Station and the armed response is needed due to various acts of vandalism taking place at the pumpstation which affect water supply to the community.	s36(1)(a)(v)	AO	R 38,123	54122	
13/02/2020	AYANDA MBANGA COMMUNICATIONS	NOTICE 02/2020 ADVERTISEMENT OF DIRECTOR CORPORATE	Notice 02/2020 Director Corporate Services on the Sunday Times. Three quotes were not received as there are only two service providers rendering the service.	s36(1)(a)(v)	AO	R 33,505.48	54082	
18/02/2020	BG SECURITY	SECURITY SERVICE FOR DEC-QUOTE QTE3108. MONITOR & MONITOR OLD IEC OFFICES. MONITOR AIRFIELD, A/H TEL SEV. ELECT/POUND A/H TEL SEV. WATER SEWER	Alarm Monitoring, Guard duties, CIT and various other duties and work that had to be done on equipment/infrastructure that is already in place and put up by BG Security	s36(1)(a)(v)	AO	R 54,828.53	54098	
19/02/2020	SMHART SECURITY	GUARD SECURITY AT CLEVEDON PLOTS DAY SHIFT NIGHT SHIFT 8-12/01/2020	As a result of continuous vandalism at the Clevedon Pump Station which became a problem over the December/January 2020 holiday period. Management was obliged to appoint guards as an emergency precautionary measure.	s36(1)(a)(v)	AO	R 13,685.00	54109	
26/02/2020	NISSAN EASTERN CAPE	JDY 899EC 30333KM MAJOR SERVICE REPLACEMENT OF A CLUTCH	Nissan EC is the accredited dealer/ agent to service and work on Nissan vehicles and the particular one is still under warranty which might be voided if any service provider works on them.	s36(1)(a)(v)	AO	R 30,008.20	54140	
28/02/2020	NISSAN EASTERN CAPE	CYW127EC MAJOR SERVICE PLUS MAJOR REPAIRS AS PER QUOTE	Nissan EC is the accredited dealer/ agent to service and work on Nissan vehicles and the particular one is still under warranty which might be voided if any service provider works on them.	s36(1)(a)(v)	AO	R 27,487.54	54139	
19/02/2020	BLUE CRANE PRINTERS	ADVERTISEMENT OF ANNUAL REPORT FOR PUBLIC COMMENTS NOTICE 9/2020	The service provider is the only local newspaper provider in the BCRM area	s36(1)(a)(v)	AO	R 2,261.47	54110	
							R 365,153.72	

MARCH 2020							
03/03/2020	WP MASHISHINI PTY LTD	EMERGENCY REPAIR TO CABLE FEEDING AEROVILLE	Aeroville feeder developed a fault and left the whole of the Aeroville community and the Water Treatment Works without power. Effect on delivery of clean water to the community.	s36(1)(a)(v)	AO	R 17,397.40	54152
11/03/2020	WP MASHISHINI PTY LTD	1*100KVA TRANSFORMERS 22000/445V INLAND SPEC 1*50KVA TRANSFORMER 22000V/415V INLAND SPEC	Three transformers struck by lightning. Delivery of electricity to the affected community was going to be disrupted.	s36(1)(a)(v)	AO	R 165,255.00	54205
11/03/2020	JOHN DIRKER ENGINEERING	ENGINE REPAIR	FROM EXPERIENCE, ENGINE PARTS GET LOST WHEN AN ENGINE GIVEN TO A COUPLE OF SERVICE PROVIDERS TO QUOTE ON.	s36(1)(a)(v)	AAO	R 83,217.45	54206
20/03/2020	EYABANTU PROFESSIONAL SERVICES	INSTALL ARM CAPABILITY ON GASTING ELSTER A1700	There are only two service providers in the BCRM database who are providing the service.	s36(1)(a)(v)	AO	R 17,777.59	54238
09/03/2020	BLUE CRANE PRINTERS	NOTICE 13/2020-FOR INSPECTION OF THE FIRST SUPPLEMENTARY VALUATION ROLL AND LODGING OF OBJECTIONS FOR THE FINANCIAL YEAR 2019/2020	The service provider is the only local newspaper in the BCRM Area.	s36(1)(a)(v)	AO	R 3,015.30	54197
09/03/2020	BLUE CRANE PRINTERS	NOTICE 14/2020 1*SECRETARY TO THE CFO	The service provider is the only local newspaper in the BCRM Area.	s36(1)(a)(v)	AO	R 3,539.70	54198

09/03/2020	MG DU PLESSIS	ACCOMMODATION OF FOUR PEOPLE THAT WILL ATTEND THE GENERAL VALUATION APPEAL BOARD SITTING	Quotes were requested from 5 service providers but only received two quotes as the other three informed us that they are fully booked. Accommodation needed for the Valuation Appeal Board members who have a hearing on the 10th and 11th of March 2020.	s36(1)(a)(v)	AO	R 8,080.00	54198
11/03/2020	CHRIS BAKER AND ASSOCIATES	INVOICE CB11997(MWRF MATTERS) INVOICE SB1507 S MADLANGA	There is no contract for the undermentioned service provider in place. Property Rates dispute with Game Farmers and other farmers and the legal opinion needed. No quotes could be sourced due to the urgency of the matters.	s36(1)(a)(v)	AO	R 23,617.96	54217
18/03/2020	HHH SOLAR INVESTMENTS	PLASTIC SHEETING,NAILS CLOUT,BRANDING	Disaster Relief - wind and storm damaged roofs. Roof sheets were blown off ceilings was damaged. Emergency procurement to prevent further damage.	s36(1)(a)(v)	AO	R 12,160.23	54230
18/03/2020	SMITH TABATA INCORPORATED	LEGAL MATTERS RATES DISPUTE OPINION	There is no contract for the undermentioned service provider in place. Property Rates dispute with Game Farmers and other farmers and the legal opinion needed. No quotes could be sourced due to the urgency of the matters.	s36(1)(a)(v)	AO	R 259,005.75	54228
11/03/2020	LEXIS NEXIS PTY LTD	INVOICE	Services were contracted many years ago by the then supervisor of the Traffic Department and the municipality has been relieving these invoices that needed to be paid because of contractual obligations. A decision to terminate the contract and this is the invoice.	s36(1)(a)(v)	AO	R 3,583.40	54210
11/03/2020	WILLARDS TRAVEL SERVICES PTY	ACCOMMODATION FOR INTERN AUDIT STAFF TO ATTEND CAFFORUM	Quotations were requested from three travel agencies, Pan Travel, XL Bay & Willards Travel. Pan Travel are the cheapest but do not want to do business with the municipality - email attached	s36(1)(a)(v)	AO	R 6,020.00	54212
16/03/2020	CHM VUWANI COMPUTER SOLUTIONS	LABOUR STRIP AND REPLACE LCD	The laptop is at CHM Vuwani for repairs - had to be sent before they could quote as they had to do an assessment of the laptop before they could quote and the quotation is above R2 000 and three quotes cannot be provided in this situation.	s36(1)(a)(v)	AO	R 2,469.33	54221
23/03/2020	HHH SOLAR INVESTMENTS	WATER TANKS	An alternative source for water was required hence its was urgent to procure water tanks to help alleviate water shortages.	s36(1)(a)(v)	AO	R 157,299.42	54245
						<b>R 762,408.13</b>	
<b>APRIL 2020</b>							
07/04/2020	BIDVEST STEINER	COVID PPE	Only supplier open and willing to assist during the lockdown period	s36(1)(a)(v)	AO	R 12,333.75	54299
21/04/2020	BIDVEST STEINER	COVID PPE	Three quotes could not be obtained due to lockdown and the other service provider did not quote on all the required materials.	s36(1)(a)(v)	AO	R 22,208.21	54310
21/04/2020	HHH SOLAR INVESTMENTS	COVID PPE	Only two service providers responded - COVID PPE	s36(1)(a)(v)	AO	R 11,801.76	54309
21/04/2020	EMBROIDERZELLE	MASKS	Only supplier who could provide the required 3 layer masks as specified at the time required.	s36(1)(a)(v)	AO	R 28,540.00	54305
08/04/2020	TELOC WASTE MANAGEMENT	HIRE HIGH PRESSURE JETTING TRUCK	Only SP responded. Envrotech did not respond probably due to Lockdown and the sewer was becoming a safety hazard as it was overflowing.	s36(1)(a)(v)	AO	R 29,325.00	54298
						<b>R 104,208.72</b>	
<b>MAY 2020</b>							
21/05/2020	GEORGE'S ELECTRICAL WHOLESALER	ABB TIMER & MCE CONTACTOR	Suppliers are not responding to request for quotations and the assumption is that because we are still on COVID-19 lockdown. The timers and contactors are urgent for the maintenance of lights and because of winter it is getting dark and communities are complaining.	s36(1)(a)(v)	AO	R 9,703.13	54354
22/05/2020	WP MA SHISHINI PTY LTD	GRUNDFOS CONTROLLER	One of the suppliers we could get hold of during this period (lockdown) had been promising to provide the quote but time was running out as the community was struggling with water due to borehole function challenges that needed the controller.	s36(1)(a)(v)	AO	R 10,338.50	54378
15/05/2020	LRC CIVILS	REFURBISHMENT OF BESTERSHOEK WTW	The Treatment Plant was decommissioned due to substandard water quality produced after treatment which did not meet SANS241 standard. This decommissioning had a effect on the water supply capacity as there were numerous interruptions and also the only treatment works operating were being affected in terms of operation as that plant was already operating at 95% capacity already. It became a matter of urgency as the Dry Season was looming and the water supply that supplies the decommissioned plant is of importance as it is a natural source that will add to water shortage during the dry season.		AO	R 1,563,494.36	N/A
14/05/2020	BLUE CRANE PRINTERS	NOTICE 18/2020	They are the only local newspaper	s36(1)(a)(v)	AO	R 3,408.00	54327
14/05/2020	ROYAL HOTEL	DEEP CLEANING OF OFFICES	The company is the only one in town that can deep clean the offices during this period and within the time as disinfection has to happen for opening of offices	s36(1)(a)(v)	AO	R 10,662.80	54328
08/05/2020	STEINER TRADING	ULV STERIFOR TREATMENT	Only two SPs responded to the request for quote and the need was urgent as the disinfection had to happen to prevent COVID spread.	s36(1)(a)(v)	AO	R 32,158.00	54319
						<b>R 1,629,765.39</b>	
<b>JUNE 2020</b>							
12/06/2020	B G SECURITY	CASH IN TRANSIT REVENUE INVOICES- 70494,70496,70497,70500 & 70502	BCRM appointed Royal Security for guarding services but the CIT did not form part of their contract, therefore the municipality did not have another option but to still make use of BG Security to perform this duty to collect the cash from various Cashier points and transport it to the bank.	s36(1)(a)(v)	AO	R 45,343.65	54518
12/06/2020	BLUE CRANE PRINTERS	NOTICE 20/2020- AMENDMENT OF CONTRACT PLACED IN LOCAL NEWSPAPER	Only service provider who distributes and newspaper supplier in the local newspaper.	s36(1)(a)(v)	AO	R 2,015.66	54516
	BYTES TECHNOLOGIES GROUP	LEAVE MODULE - SUPPORT CONTRACT	BYTES is the service provider for the Municipality's Financial System. A Support Contract was entered into for the challenges that were experienced during the implementation of mSCOA and this was the implementation of the Leave Module on the system	s36(1)(a)	AO	R 1,180,197.55	
						<b>R 1,227,556.86</b>	
						<b>R 5,061,226.65</b>	





**BLUE CRANE ROUTE LOCAL  
MUNICIPALITY**

Audit Report

*For the year ended 30 June 2020*



**AUDITOR-GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*



AUDITOR-GENERAL  
SOUTH AFRICA

The accounting officer  
Blue Crane Route Municipality  
PO Box 21  
Somerset East  
5850

28 February 2021

Reference: 60043REG19/20

Dear Sir

**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Blue Crane Route local municipality for the year ended 30 June 2020**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa.
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA (the audit report is not a public document and should therefore be treated as confidential).
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.



6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



Sabelo Mavundla

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# Report of the auditor-general to Eastern Cape Provincial Legislature and the council on the Blue Crane Route Local Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Blue Crane Route Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Blue Crane Route Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of GRAP and the requirements of the Municipal Finance Management Act of South Africa, 2013 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2019 (Act no. 16 of 2019) (Dora).

### Basis of 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 matters

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

### Restatement of corresponding figures

7. As disclosed in note 45 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 identified at, and for the year ended 30 June 2020.

#### **Debt impairment**

8. As disclosed in note 33 to the financial statements, impairment of R 23,2 million (2019: R19,4 million) was incurred as a result of allowance for impairment and a write-off of irrecoverable trade debtors.

#### **Material Losses**

9. As disclosed in note 27 to the financial statements, material electricity losses of R12,6 million (2019: R11,9 million) was incurred, which represents 20% (2019: 22%) of total electricity purchased.

#### **Irregular Expenditure**

10. As disclosed in note 51 to the financial statements, the municipality incurred irregular expenditure of R 6,7 million (2019: R 17,2 million) due to supply chain management regulations not adhered to.

#### **Unauthorised Expenditure**

11. As disclosed in note 49 to the financial statements, the municipality incurred unauthorised expenditure of R 24,2 million (2019: R 7,1million) due to debt impairment much more than expected, one capital budget project incorrectly budgeted and increase in depreciation charges due to the infrastructure register being re-created.

#### **Other matters**

12. The following other matter paragraph will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

#### **Unaudited supplementary schedules**

13. The supplementary information 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 on them.
14. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

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

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of General Recognised Accounting Practice 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.

16. 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 accounting officer 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**

17. 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

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

**Introduction and scope**

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did 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.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2020:

Development priority	Pages in the annual performance report
KPA 2: Service Delivery and Infrastructure Development	x – x

22. 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.
23. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

#### **Other matters**

24. I draw attention to the matters below.

#### **Achievement of planned targets**

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

#### **Adjustment of material misstatements**

26. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 2: Service Delivery and Infrastructure Development. Management subsequently corrected the misstatements.

### **Report on the audit of compliance with legislation**

#### **Introduction and scope**

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipalities compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
28. The material finding on compliance with specific matters in key legislation are as follows:

#### **Annual financial statements, performance and annual reports**

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 property, plant and equipment were identified by the auditors in the submitted financial statement and were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### **Expenditure management**

29. Reasonable steps were not taken to prevent irregular expenditure amounting to R 24,9 million as disclosed in note 51 of the annual financial statements, as required by section 62(1)(d) MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM regulations.
30. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 24,2 million, as disclosed in note 49 of the annual financial statements, as required by section 62(1)(d) of the MFMA.
31. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

### **Assets management**

32. An effective system of internal control for assets was not in place, as required by section 63(2)(c). The asset register was not adequately maintained.

### **Consequences management**

33. Some of the irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
34. Some of the unauthorised expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
35. Some of the fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

### **Procurement and contract management**

36. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
37. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
38. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
39. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

40. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

#### Other information

41. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the mayor's foreword, executive summary, governance, organisational development performance and financial performance. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that have been specifically reported in the auditor's report.
42. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
43. In connection with our audit, our 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 priority presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
44. The following paragraphs will be included in the auditor's report to highlight to the users whether any inconsistencies in the other information exist:
45. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

#### Internal control deficiencies

46. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
47. Leadership did not adequately discharge its oversight responsibilities with regards to the implementation and monitoring of internal controls to ensure sound compliance with laws and regulations.

48. The internal audit and audit committee was functional during the financial year, but were not effective. This is evident by the numerous material non-compliance findings.
49. Management did not effectively review and monitor compliance with laws and regulations relating to financial reporting and performance management.

*Auditor-General*

Auditor-General

East London

28 February 2021



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



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

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

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concerns basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Blue Crane Route Local Municipality's ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

**Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
  
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

Finding-Audit Finding No	AREA OF AUDIT	DETAILED AUDIT FINDING	ROOT CAUSE	RECOMMENDATIONS	OPERATIONAL AUDIT ACTION PLAN	RESPONSIBLE PERSON &	ACTION DATE / TIMELINE	PROGRESS TO DATE	INTERNAL AUDIT COMMENTS
<b>Report on Human Resource Review</b>									
1	Inconsistencies noted in relation to the staff establishment	Human Resource <i>The BCRM Human Resource Policy Chapter 3 section 3.1.3 (b) states that the Municipal Manager must review the staff establishment within 12 months in any of the following instances: (b) The adoption of the integrated development plan of the municipality as contemplated in section 25 of the Municipal Systems Act. In terms of section 55 of the Municipal Systems Act the Municipality must appoint the Municipal Manager to support the function and activities of the municipality and to perform such administrative and other functions as may from time to time be assigned to him by the municipality. The Municipal Manager is also responsible for: • Appointment of staff within the municipality</i>	Management oversight	The management should ensure that: The organogram is reviewed and submitted to Council for approval. Budget for key vacancies Recruit key personnel with skills, expertise and competencies in Local Economic Development, to implement KPIs for the directorate and implement programmes that will create employment opportunities.	Management will table the reviewed Organogram to the Council during the Policy Conference. Tabled the Organogram to Council for Adoption The positions for: Skills Development Facilitator Local will be filled in. Economic Development Officer will be filled in.	Director Corporate Services	15-17 March 2021 31 March 2021 30 June 2021 June 2020	In-Progress	
2	Lack of clear recruitment and selection processes on contract workers	Human Resource <i>Organogram was last reviewed in 2016/17 financial year and has not been tabled to the Council in terms of the Municipal Systems Act Section 67 (1); a municipality in accordance with the Employment Equity Act, must develop and adopt systems and procedures to ensure fair efficient and transparent personnel administration including: (a) The recruitment, selection and appointment of persons as staff members</i>  <b>It was noted that there were no clear recruitment and selection processes for recruitment of contract workers.</b>	Management oversight	Management should ensure that recruitment and selection process promote fair, efficient, effective, transparent and equal opportunities by adding clear procedure to recruit contract workers.	Recruitment and Selection Policy will be amended on how to appoint: temporary, casuals, trainees, interns, permanent and contract employees.	Director Corporate Services	15-17 March 2021	In-Progress	
3	Inadequacies in the policies and procedures of the Municipality	Human Resource <i>The policy is the legal document, prescribing the standard and legal way of behaving and doing business. In order to discharge objectives of the policy, a step-by-step description for the performance of particular task should be established. The policy procedures outline detailed step by step description of how to perform a particular task or activity. They explain the policy as to how, when, and by whom the responsibilities detailed therein should be performed. This document is comprehensive and clear to be understood and used to perform the assigned task with little or no assistance. A new official employed within the municipality should be able to refer to this document and perform the expected tasks. Paragraph 1.6 of the Blue Crane Route Municipality Human Resource Policy section 1.6.2 states that; the Municipality must review the policies contained in this manual at least bi-annually.</i>  <b>A high-level review of the Municipality's human resource policies, practices and procedures was conducted during the audit. The Municipality does not review its HR policies on an annual basis to ensure relevance and alignment with the relevant acts and regulations</b>	This could be as a result of lack of comprehensive strategic plan or inadequate monitoring of processes by those charged with management oversight of the municipality.	The municipal manager or his delegate should review all its policies at least on an annual basis to ensure that its relevance and alignment with applicable acts and regulations; and table to Council for approval;  Each policy should be accompanied by a procedure;  After the policies and procedures have been developed, they should be work shopped to the staff.	All Human Resource Related Policies are currently being reviewed and will be tabled to Council for Adoption.	Director Corporate Services	Mar-21	In-Progress	
4	Inconsistencies noted in leave management	Human Resource <i>Basic Conditions of Employment section 27 (2) (a) (b) (c) an employer must grant an employee, during each annual leave cycle, at the request of the employee, five days paid leave which the employee is entitled to take. a) When the employee's child is born b) When the employee's child is sick c) In the event of death of (i) the employees' spouse (ii) the employee's parent Section (5) before paying an employee for leave in terms of this section an employer may require reasonable proof of an event for which the leave was required.</i>  <b>It was noted that sick leave, family responsibility, and study leave taken that there is no reasonable proof attached by the applicants and the number of leave days for family responsibility has been</b>	Management oversight Poor controls in management of leave	Management should consider prioritising Human Resource management function by: i. Capacitating, in order to have a functional unit with proper segregation of duties in Human Resource Information and Payroll administration etc. Management should not approve any leave applications without proper and valid attachments. (Except for annual leave.)	Leave reconciliation will be done on a monthly basis and provided to Directors. Employees will be provided with their leave balances on a monthly basis through payslip and bulk SMS's A new leave module from SAMRAS has been acquired whereby employees will process leave applications automatically and the Municipality will no longer make use of leave books. Training has started; leave balances as at 31 January 2021 have been captured on the leave module.	Director Corporate Services	Mar-21	In-Progress	
5	Overtime allowance paid to employees earnings above threshold	Human Resource <i>In terms of Basic Conditions of Employment Act overtime not to be applicable to: Senior managerial employees as defined in the BCEA, Employees working less than 24 hours per month, Employees earning in excess of R205 433.30 remuneration per annum as determined from time to time in terms of the Basic Conditions of employment Act 75 of 1997.</i> <b>During our audit we noted that employees earnings above threshold were paid for overtime</b>	Management oversight	Accounting Officer; Director Corporate Services should apply for exemption to the divisional bargaining council if the municipality wishes to pay overtime to employees earning in excess of threshold of R205 433.30 per annum.	Management to: Consider the implementation the Shift System. Apply for exemption from the Bargaining Council. Increase staff for implementation of Shift System.	Director Corporate Services	Jun-22		
6	Overtime worked in excess of ten hours a week and forty hours a month	Human Resource <i>Basic Conditions of Employment Act Chapter 2 Section 10 (2) (b) – Overtime “An employer may not require or permit and employee to work more than: i. Three hours overtime a day or ii. Ten hours overtime a week</i> <b>It was noted that some employees have worked more than 10 hours a week and more than 40 hours a month and there are inconsistencies noted on payment of overtime worked on some employees. Overtime attendance register not attached on the overtime claim so we could not</b>	Failure by management to manage overtime	The departments should liaise with the Human Resource unit at a planning stage for overtime in order to ensure that the municipality adheres to the requirements of the Act in order to avoid overspending on overtime. The Accounting Officer should ensure all	Overtime Policy will be reviewed. Management to consider the implementation of the Shift System. Management workshop on handling overtime will be conducted. Staff increase for implementation of Shift System.	Director Corporate Services	March 2021 April 2021 June 2021	In-Progress	
7	Normal overtime not pre-approved by head of department	Human Resource <i>In terms of the Local Government: Municipal Finance Management Act, Act no. 56 of 2003, section 62(1)(b)(c) states that, “the accounting officer of a Municipality is responsible for managing the financial administration of the Municipality and must for this purpose take all reasonable steps to ensure – “(b) that full proper records of the financial affairs of the Municipality are kept in accordance with any prescribed norms and standards”; (c) that the municipality has and maintains effective, efficient and transparent systems In terms of BCRM Overtime policy section 5.8 : no overtime will be worked without the approval of the Director or his delegated except in an emergency or exceptional cases and in a situation the relevant must be informed within twenty four working hours of he affected employee being in office . a pre-</i>	Management oversight	Head of Department should liaise with their subordinates, Human Resource Unit and Payroll Management unit to ensure that overtime that is not pre- approved by head of department is not paid by municipality. Head of Department should delegate relevant personnel who will sign pre-approval forms on his/her absence	Management workshop on handling overtime will be conducted Overtime schedule will be developed Customer Care Management System will be procured	Director Corporate Services	April 2021 March 2021 June 2020		
8	Employees acting in excess of the legislated timeframes	Human Resource <i>In terms of BCRM Acting Allowance Policy Chapter 8 Section 8.10.2 and 8.10.3 “subject to existing operational requirements, acting appointments to vacant posts shall be reviewed within 3 (months). Vacant posts on municipality’s permanent staff establishment should be filled within 6 (six) months unless there are compelling reasons not to do so. Review revealed that there are employees acting in position and have exceed a period of 6 month</i>	Overriding of internal controls by management Non-compliance to the BCRM Acting Allowance Policy.	Management should ensure that posts are advertised timeously in order to minimise the acting on vacant posts that are budgeted for a long period of time	Acting Allowance will be stopped and the vacancies will be filled in, in the next 3 months.	Director Corporate Servicesw	May-21		
<b>MFMA: Section 52- Q1 ; Mid-term Report; Section52- Q3</b>									

9	Section 71 report submitted later than the legislated timeframe to provincial treasury	Revenue	In terms of section 71 sub-section 1 of the Municipal Finance Management Act No. 56 of 2003, it states that "the accounting officer of the Municipality must by no later than 10 working days after the end of each month submit to the mayor of the Municipality and the relevant Provincial Treasury statement in the prescribed format on the state of the Municipality's budget reflecting the following particulars for that month and for the financial year up to end of that month. <b>During the inspection of evidence of submission of section 71 monthly budget report to Provincial Treasury, it was noted that it was submitted later than 10 working days after the end of each month.</b>	Management oversight	Management should put controls in place to ensure that submission of the section 71 report is done within 10 working days of the end of each month as per MFMA. Mayor to put a date next to his signature in the Section 71 report in order to ascertain that the report was tabled to him within the stipulated timeframes	Engage with Service provider on correcting data strings	CFO	Mar-19	In-Progress	
10	Material variances from the municipality's projected revenue by source, and from the municipality expenditure projections per vote not documented	Revenue	In terms of the MFMA section 71. Monthly budget statements. (1) The accounting officer of the municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to end of that month: (g) When necessary, an explanation of: - (i) Any material variances from municipality's projected revenue by source, and from the municipality's expenditure projections per vote; (ii) any material variances from the service delivery and budget implementation plan; and (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget MBRR section 28: - the monthly budget statement of a municipality must be in a format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.	Management oversight	Management should ensure that section 71 reports reflect information as required by the MFMA. These requirements help the management analyse the causes of the variances in identifying what goes wrong monthly and trying to curb the trend from happening again in the following months/ quarters.	Engage with Service Provider to correct the verifications	CFO	Nov-21		
11	Section 71 monthly budget statement does not agree to the municipality's approved adjusted budget	Revenue	In terms of section 71 sub-section 2 of the Municipal Finance Management Act No. 56 of 2003, it states that "The statement must include (a) a projection of the relevant Municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections". 3) The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the Municipality's approved budget. <b>During the audit of section 71 monthly budget reports for Quarter 2, it was noted that the monthly budget statement in the B Schedule does not agree to the monthly projection of the C schedule.</b>	Management oversight.	Management should: Transfers and Subsidies – if the increase is informed by the gazetted amount the management should request the system vendor to update the system with the amount. Employee related costs; Materials & Bulk Purchases and Other expenditure - the management should re-run the C-Schedule to tally with the B-Schedule.	Engage with Service Provider to correct the verifications	CFO	Nov-20		
12	Section 71 monthly budget statement and section 52 not uploaded in the municipal website	Revenue	Municipal Finance Management Act Section 75 (1). Information to be placed on website of municipalities. The accounting officer of a municipality must place on the website referred to in section 21A of the Municipal Systems Act the following documents of the municipality : (a) the annual and adjustments budgets and all budget-related documents ; (b) all budget – related policies; (k) all quarterly reports tabled in the council in terms of section 52 (d); and (l) any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed. <b>Per inspection of the Municipality's website, we noted that the following information for the quarter is not on the Municipal website:</b>	Management oversight	Management must ensure that the relevant information is placed on the municipality's website within the legislated timeframes	Management to compile a register of information that needs to be uploaded in the Municipal website.	CFO	Immediately, and this will be a continuous exercise.		
13			The following tables are omitted in the Mid-year Report (section 72 and Sec 52 (d)) 1. Table C1 – Monthly Budget Statement Summary 2. Table C2 - Monthly Budget Statement Financial Performance (Operating Budget) 3. Table C3 - Monthly Budget Statement Financial Performance	Management oversight	Management to ensure that Section 71 reports are thoroughly reviewed before they are submitted and proof of review to be retained.	Noted. Tables are available and will be included	CFO	Immediately and this will be a continuous exercise.		
14			Cash Flow (Page 6) The amounts for Conditional Grants are not same on the Section 72 report. R9.3 million Page 6 R 9.1 million page 19	Management oversight	Management to ensure that Section 71 reports are thoroughly reviewed before they are	Immediately and this will be a continuous exercise	CFO		Noted. Report will be corrected	
15			Table C6 Financial Position There is no summary of Liquidity Ratio	Management oversight	Summary to show as follows: Current Assets : Current Liability R 80 237 : R 37 846 2.1 : 1	This ratio will be included in the 3rd quarter's section 52 report	CFO			
16			Debtors Age Analysis Outstanding Debtors – what is the status on Debtors Age Analysis (how much is outstanding) Details on what our monthly debtors are raised on	Management oversight	Management to detail Monthly Debtors raised: Assessment rates Electricity Refuse Sewerage	Noted. This will be addressed in the 3rd quarters section 52(d) report	CFO			
17			Indigent Consumer Status No details of: 1.Total applications approved by December. 2.Number of consumers received free basic services. 3.Subsidies allocation	Management oversight	Management should ensure that Section 71 reports are thoroughly reviewed before they are submitted and proof of review to be retained	Noted. This will be addressed in the 3rd quarters section 52(d) report	CFO			
18		Revenue	Table C6 – Grant Receipts 1.Summary and disclose opening balance of unspent conditional grants and amount received as at December. 2.Value of unspent conditional grants as at December	Management oversight	Management should ensure that Section 71 reports are thoroughly reviewed before they are submitted and proof of review to be retained.	Noted. This will be addressed in the 3rd quarters section 52(d) report	CFO	Immediately, and this will be a continuous exercise.		

19			Material variances from the municipality's projected revenue by source, and from the municipality expenditure projections per vote not documented	Management oversight	Management should ensure that section 71 reports reflect information as required by the MFMA. These requirements help the management analyse the causes of the variances in identifying what goes wrong monthly and trying to curb the trend from happening again in the following months/ quarters.	Noted. This will be addressed in the 3rd quarters section 52(d) report	CFO			
<b>Report on Quarter 1 and Mid-term Performance Review</b>										
20	KPI's and Targets are not consistent in the IDP and SDBIP	Quarter 1 and Mid-term Performance Information	regulation 2(1) of the Local Government: Municipal Planning and Performance Regulations ,2001, which states: "A municipality's integrated development plan must at least identify the key performance indicators set by the Municipality". Reference is made to the first paragraph on page 1 of the MFMA Circular No. 13, which states: "A municipality's integrated development plan must at least identify the key performance indicators set by the Municipality". The KPI's reflected in the IDP were not aligned with the KPI's reflected in the SDBIP	KPI's disclosed in the SDBIP and third quarter report are not properly reviewed to ensure that they are consistent with the KPI disclosed in the IDP	Head of Department when crafting the SDBIP should ensure that the Key Performance indicators on the SDBIP are aligned with the Key Performance indicators on the IDP.	The charges that have been made in the IDP will be submitted to Council for approval.	AM: Manager IDP/PMS	Dec-20		IDP is submitted to council and approved.
21	Inadequacies noted in the SDBIP and SDBIP Process	Quarter 1 and Mid-term Performance Information	In terms of first paragraph on page 4 of the MFMA Circular 13 of 31 January 2005, once the budget is approved by the Council; the municipal manager should merely revise the approved draft SDBIP, and submit for final approval within 14 days after the approval of the budget. The Mayor should therefore approve the final SDBIP, and then make the SDBIP public within 14 days, preferably before 1 July. SDBIP on the municipal website and SDBIP submitted for audit purposes: (i) date of approval is not the same on both documents (12/06/2020 Website & 29/06/20) (ii) is not properly completed as it has blank spaces; inconsistencies on some KPI's when comparing the two	There may be lack of proper planning, review for quality control and monitoring	The Municipality should ensure that the SDBIP is prepared at the same time of budget and IDP preparation for submission to the Mayor at least end of May or early in June of each year and finalize it after the budget approval. Amended SDBIP is published to the public within 14 days after approval. SDBIP uploaded on the website is the final and approved version; and	An updated and approved SDBIP will be uploaded on the municipal website	AM: Manager IDP/PMS	Nov-20		SDBIP is not yet updated on the website up to date
22	Failure to submit the performance agreement contract for the Municipal Manager and Managers Reporting to the	Quarter 1 and Mid-term Performance Information	The Municipal Systems Act 32 of 2000 Section 57 (1) (b) states that a person to be appointed as the Municipal Manager of a municipality, and a person to be appointed as a Manager directly accountable to the Municipal Manager, may be appointed to that position only: Section 57(1) (b) subject to a separate performance agreement concluded annually as provided for in subsection (2). Section 57(4) (a) the performance agreement referred to must include: (a) performance objectives and targets that must be met, and the time frames within which those performance objectives and targets must be met and Performance Management we could not be provided with the Municipal Manager's and	Performance agreements not yet signed by the MM and Manager Management oversight	The Municipality should ensure that the performance agreements and SDBIP are prepared simultaneously during the budget process and submitted to the Mayor within 28 days after the budget approval. performance agreements are published before 1 July of each year	Performance agreements will be prepared and submitted to Internal Audit for audit process. In future the performance agreements will be prepared timeously	AM: Manager IDP/PMS	Nov-20		Performance agreements are submitted
23	Corrective measures are not documented for performance targets not achieved.	Quarter 1 and Mid-term Performance Information	In terms of Section 41(1) of MSA A municipality must in terms of its PMS and in accordance with any regulations and guidelines that may be prescribed: (c) with regard to each of those development priorities and objecting against the KPI's and targets set in terms of paragraph (a) and (b); (i) monitor performance; and (ii) measure and review performance at least once per year; (d) take steps to improve performance with regard to those development priorities and objectives where performance targets are not met	Management has not implemented procedures to ensure that municipal performance is monitored and that remedial plans are developed, implemented and recorded where quarterly targets have	Management should ensure that there are remedial plans in place for all targets that have not been achieved. Manager IDP and PMS should review the quarterly performance reports from departments to ensure they incorporate corrective actions for all targets not achieved.	The recommendations by the IA office will be implemented in quarter 3	AM: IDP/PMS			Corrective measures have been incorporated in the report.
24	Material variance from the municipality's projected revenue by source and from the municipality expenditure projections per vote not	Quarter 1 and Mid-term Performance Information	In terms of Section 71(1)(g)(i)(ii)(iii) of the Municipal Finance Management Act 56 of 2003, which states: "The Accounting Officer of a Municipality must by no later than 10 working days after the end of each month submit to the Mayor of the Municipality and the relevant provincial treasury a statement in the prescribed format on the state of the Municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month: (g) When necessary, an explanation of: (i) Any material variances from the Municipality's projected revenue by source, and from the Municipality's expenditure projections per vote. (ii) Any material variances from the service delivery and budget implementation plan. (iii) Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the Municipality's approved budget.	Management oversight	Management should ensure that section 71 reports reflect information as required by the MFMA. These requirements help the management analyse the causes of the variances in identifying what goes wrong monthly and trying to curb the trend from happening again in the following months/quarters.	Engage with Service Provided to correct the verifications	AM: CFO	Nov-20		
25	Portfolio of evidence insufficient to support achieved performance	Quarter 1 and Mid-term Performance Information	Regulation 13(2)(b) of the Municipal Planning and Performance Management Regulations, 2001 states: "The mechanisms, systems and processes for monitoring in terms of sub regulation (1) must be designed in a manner that enables the municipality to detect early indications of under-performance" The portfolio of evidence uploaded is either insufficient or irrelevant to substantiate the achieved target.	Evidence files are not reviewed by the Head of Department. The performance reporting is not done alongside portfolio of evidence by Heads of Departments.	Quarterly performance assessments (SDBIP) should be reviewed by the Head of Departments and Manager IDP and PMS before presented to the Municipal Council. The instances reflected above are only examples of cases where the weaknesses were identified, not every case, therefore the relevant managers need to go back to midterm report and reassess whether all supporting documents for achieved targets are in	The recommendation by the IA office will be implemented in quarter 3.	AM: IDP /PMS			Sufficient and Relevant Portfolio of evidence have been attached.

