

|  |  |
| --- | --- |
| **Department** | **Budget and Treasury Office** |
| **Document Name** | **Financial Management Report** |
| **Period** | **31 March 2022** |

# 

Table of Contents

[Abbreviations and Acronyms ii](#_Toc101364494)

[1. Executive Summary 3](#_Toc101364495)

[1.1. Overall total revenue and expenditure 3](#_Toc101364496)

[1.2. Budgeted Revenue and Actual Revenue to date 4](#_Toc101364497)

[1.3. Budgeted Expenditure and Actual Expenditure to date 8](#_Toc101364498)

[1.3.1. Operational Expenditure. 8](#_Toc101364499)

[1.3.2. Capital Expenditure 10](#_Toc101364500)

[1.3.3. Grants Receipts and expenditure. 10](#_Toc101364501)

[1.3.4. Overall Spending per departments 11](#_Toc101364502)

[2. Going concern and Liquidity ratios. 11](#_Toc101364503)

[3. Statement of Financial Position as at 31 March 2022 15](#_Toc101364504)

[4. Statement of Financial Performance as at 31 March 2022 16](#_Toc101364505)

[5. Cash Flow Statement as at 31 March 2022 17](#_Toc101364506)

[6. Notes to the 3rd Quarter Financial Report (Statements). 18](#_Toc101364507)

[6.1 Cash and cash equivalents 18](#_Toc101364508)

[6.2 Inventories 18](#_Toc101364509)

[6.3 Receivables from non-exchange transactions 19](#_Toc101364510)

[6.4 Receivables from exchange transactions 19](#_Toc101364511)

[6.5 VAT receivable 19](#_Toc101364512)

[6.6 Intangible assets 20](#_Toc101364513)

[**6.7 Investment Property** 21](#_Toc101364514)

[6.8 Property Plant and Equipment 22](#_Toc101364515)

[6.9 Payables from exchange transactions 23](#_Toc101364516)

[6.10 Unspent Conditional grants and receipts 24](#_Toc101364517)

[6.11 Defined benefit obligation 24](#_Toc101364518)

[6.12 Revenue 24](#_Toc101364519)

[6.13 Government grants and subsidies 25](#_Toc101364520)

[6.14 Interest on investments 25](#_Toc101364521)

[6.15 Interest on outstanding debtors 25](#_Toc101364522)

[6.16 Property rates 25](#_Toc101364523)

[6.17 Actuarial gain/ (Loss) 26](#_Toc101364524)

[6.18 Traffic fines 26](#_Toc101364525)

[The municipality issued traffic fines to a total value of R 140 150 as at 31 March 2022, which is 90% of the budgeted annual traffic fines to the amount of R 155 000. The amount collected for the traffic fines as at 31 March 2022 is R 5 000 which is 2% of the value amount of tickets issued as at end of the 31 March 2022. 26](#_Toc101364526)

[6.19 Employee related costs 26](#_Toc101364527)

[6.20 Remuneration and allowances of councillors 29](#_Toc101364528)

[6.21 Depreciation and amortisation 31](#_Toc101364529)

[6.22 Assets impairment 31](#_Toc101364530)

[6.23 Finance Costs 31](#_Toc101364531)

[6.24 Contracted Services 31](#_Toc101364532)

[6.25 Grants and subsidies paid 31](#_Toc101364533)

[6.26 Capital expenditure written-off (D Roads) 32](#_Toc101364534)

[6.27 General expenses 32](#_Toc101364535)

[6.28 Provision - Rehabilitation of Landfill Site 33](#_Toc101364536)

[6.29 Rental of facilities and equipment 33](#_Toc101364537)

[6.30 Operating lease 33](#_Toc101364538)

[6.31 Commitments 34](#_Toc101364539)

[**6.32 Related parties** 34](#_Toc101364540)

[6.32 Risk management 35](#_Toc101364541)

[6.33 Unauthorised expenditure 35](#_Toc101364542)

[6.34 Fruitless and wasteful expenditure. 36](#_Toc101364543)

[6.35 Irregular expenditure 36](#_Toc101364544)

[6.36 Additional disclosure in terms of Municipal Finance Management Act 36](#_Toc101364545)

# Abbreviations and Acronyms

BPC Budget Planning Committee

CFO Chief Financial Officer

MM Municipal Manager

CPI Consumer Price Index

CRRF Capital Replacement Reserve Fund

DoRA Division of Revenue Act

EE Employment Equity

FBS Free basic services

mSCOA Municipal Standard Chart Of Accounts

GRAP General Recognised Accounting Practice

HR Human Resources

IDP Integrated Development Strategy

IT Information Technology

km kilometre

DFS Government Financial Statistics

KPA Key Performance Area

KPI Key Performance Indicator

LED Local Economic Development

MEC Member of the Executive Committee

MFMA Municipal Financial Management Act

Programme

MIG Municipal Infrastructure Grant

MPRA Municipal Properties Rates Act

MSA Municipal Systems Act

MTEF Medium-term Expenditure Framework

MTREF Medium-term Revenue and Expenditure Framework

NGO Non-Governmental organisations

NKPIs National Key Performance Indicators

OHS Occupational Health and Safety

OP Operational Plan

PMS Performance Management System

PPE Property Plant and Equipment

PPP Public Private Partnership

YTD Year To Date

SALGA South African Local Government Association

SDBIP Service Delivery Budget Implementation Plan

SMME Small Micro and Medium Enterprises

DOE Department of Energy

IGF Internally Generated Funds IYM In Year Monitoring

CY Current Year APC Audit and Performance Committee

PY Prior Year BTO Budget and Treasury Office

mSCOA Municipal Standard Chart of Accounts MBRR Municipal Budget and Reporting Regulations

SCM Supply Chain Management

# Executive Summary

## Overall total revenue and expenditure

* 1. The municipality’s total actual operational revenue as at end of March 2022 amounts to **R 368 959 509** and total actual operational expenditure of **R 260 294 499** translating in to an operational surplus of **R 108 665 010.** Capital expenditure as at the end of March 2022 amounted to **R 58 568 591.** The following table summarises the overall revenue and expenditure performance as at the end of March 2022:

**N.B. Amounts are in “R000”**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **2020/21 Audited outcome** | **2021/22 YTD Budget** | **2021/22**  **YTD Actual** | **2021/22 YTD Variance** |
| Total Operational revenue | 434 174 | 304 292 | 368 960 | ( 64 668 ) |
| Total operational expenditure | ( 400 819 ) | ( 291 802 ) | ( 260 295 ) | ( 31 507 ) |
| **Operating Surplus/Deficit** | **33 355** | **12 490** | **108 665** | **( 96 176 )** |
| Capital transfers and grants | 70 953 | 49 220 | 33 607 | 15 613 |
| **Net Surplus/Deficit after capital transfers** | **104 308** | **61 710** | **142 272** | **( 80 562 )** |

* 1. The following bar chart summarises the municipality’s operating surplus (deficits) for the past four financial years compared with the year to date under review. It further indicates that municipality is reporting an operational surplus which maintain the improvement achieved in the prior year ended 30 June 2021 from the operational deficits in the previous financial years:

## Budgeted Revenue and Actual Revenue to date

* The municipality’s total actual revenue as at 31 March 2022 is **R 406 227 741** which amounts to **115%** of the total to date budgeted revenue to the amount of **R 353 511 951.**
* From the total actual revenue recorded as at the end of March 2022 **R 336 603 265** is from government grants and transfers and the remaining balance of **R 69 624 476** comes from the own revenue sources.
* The following table shows a summary of the total revenue per source:



* **Revenue variance analysis as at 31 March 2022.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Revenue source** | **Variance %** | **Reason for variance** | **Remedial action** | **Remedial action due date** | **Responsible person** |
| **Property rates** | **-11%** | Non-payment of property rates by business owners within our municipality. | Debtors handed over to a debt collector for collection and the debt collector requested approval to engage legal processes for collection as all soft collection processes have been exhausted and the debtors are still not cooperating. | **01 May 2022** | **Manager Revenue and CFO** |
| **Refuse removal** | **-3 %** | None | None | None | **Manager Revenue and CFO** |
| **Rental Facility and Equipment** | **-48%** | The municipality encounter under collection due to less advertisement. | The contract between municipality and Primedia outdoor has been reviewed and agreed to pay 30% of the leased advertised structure. | 01 May 2022 | **Manager Revenue and CFO** |
| Interest on bank and Investments | 26% | None | None | None | **Manager Revenue and CFO** |
| Interest on outstanding debtors | 49% | Non-payment of property rates by business owners within our municipality. | * + - Debtors handed over to a debt collector for collection and the debt collector requested approval to engage legal processes for collection as all soft collection processes have been exhausted and the debtors are still not cooperating. | 1 May 2022 | **Manager Revenue and CFO** |
| Traffic fines | 240% | None payment of traffic fines by traffic offenders | All traffic fines will be handed over to court. | Ongoing | **Manager Revenue and CFO** |
| Transfer and Subsidies | 25% | None | None | None | **Manager Revenue and CFO** |
| Agency income and other income | -16% | - Low revenue collection on Agency income and other income. | * + - Revenue enhancement strategies developed and approved.     - LED strategy developed and approved.     - Provide budget to build a grade A DLTC around Masemola nodal point. | 1 May 2022 | **Manager Revenue and CFO** |

* The municipality’s overall collection rate is **69%** as at 31 March 2022 when comparing the actual cash received from the different sources of our revenue to the billed revenue to date. The municipality’s collection rate was **17%** in the previous quarter ended 31 December 2021. Collection on property rates and interests on outstanding debts are the highest contributors to the poor collection rate. The following table summarises the collection from own sources of revenue per source:
* **Collection on own sources of revenue.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Source of revenue** | **2021/22 (Current Year Mid-Year)** | | | **2020/21 (PY Mid-Year)** | | |
|  | **Actual revenue billed (R000)** | **Actual revenue collected (R000)** | **% collected** | **Actual revenue billed (R000)** | **Actual revenue collected (R000)** | **% Collected** |
| Property rates | 33 268 | 31 734 | 95% | 20 600 | 6 310 | 31% |
| Property rates ( Government) | 144 517 | 110 729 | 77% | - | - | - |
| Refuse removal | 113 | 81 | 72% | 59 | 25 | 42% |
| Rental of facilities & Equip | 50 | 50 | 100% | 55 | 55 | 100% |
| Interests on bank and investments | 1 564 | 1 564 | 100% | 689 | 689 | 100% |
| Interests on outstanding debtors | 30 118 | 0 | 0% | 19 174 | 0 | 0% |
| Traffic fines | 140 | 5 | 4% | 0 | 0 | 0% |
| Agency income and other income | 4 381 | 4 381 | 100% | 3 225 | 3 225 | 100% |
| **Totals** | **214 151** | **148 544** | **69%** | **43 802** | **10 304** | **24%** |

* The following are the challenges and recommendations for implementation to improve revenue generation and collection in the next quarters of the financial year 2021/22 and the MTREF:
* The following are the challenges and recommendations for implementation to improve revenue generation and collection as at 31 March 2022:

|  |  |  |  |
| --- | --- | --- | --- |
| No | Challenges | Progress made to date | Recommendations |
| 1. | Non-payment of property rates for government properties. | * + - The Department of Public works has paid the municipality and amount of R **131 900 000** as at 31 March 2022.     - The municipality has given the department a 60% rebate on the historical debt to enable them to settle the debt and pay the accounts on a monthly basis going forward. The total amount for the rebate is **R 93 514 711.78** and was written off as per the council resolution number **60 of 2021/2022**     - The municipality has further written off all interests on overdue accounts to a total amount of **R272 785 882.86** .Department requested to exclude the debt for the unregistered schools while their valour and the municipal valour perform revaluation of some schools that they believe are overvalued. The payment terms of this properties will be engaged after the process is completed.     - As at 31 March 2022, all accounts acknowledged by the department of public works were sitting at Zero balances after writing off the rebate, interests and allocating the amounts paid. | * + - Utilise the additional budget for property valuation that was provided during adjustment budget to fund the revaluation requested by the department for the unregistered schools. |
|  | Non-payment of property rates by the high capacity businesses within our municipality. | * + - Engagements with the business owners were concluded in 2017/18 financial year.     - Debtors handed over to a debt collector for collection and the debt collector requested approval to engage legal processes for collection as all soft collection processes have been exhausted and the debtors are still not cooperating.     - Engagements with the business owners reopened again before a council resolution to litigate can be granted to the debt collector. | * + - A meeting between the municipality, traditional leaders CoGHSTA and the affected business owners be held on the 28th April 2022 to resolve their allegation that they pay levies at their respective traditional authorities and to clarify the differences between tribal levies and the property rates.     - Council approve the debt collector’s request to litigate the debtors who are not cooperating to pay their property rates accounts after the meeting is held and way forward has been decided.     - EDP to finalise the formalisation of Jane Furse to ensure that business owners have tittle deeds. |
|  | Majority of billed properties are unregistered and on communal land. | * + - EDP has concluded demarcation of a number of sites within Makhuduthamaga.     - Complete the Formalisation of Jane Furse project. | * + - Formalise key economic points (areas) within the municipality to ensure subdivision of the land and issuing of tittle deeds.     - Engage Magoshi to prevent uncoordinated developments and allocation of stands in inappropriate areas. |
|  | Lack of credible indigent register. | * + - Draft indigent register developed and currently updating in progress. | * + - Appoint a committee to oversee the process of completing compilation of the indigent register.     - Appoint temporary general workers to collect information from all municipal wards to ensure a complete accurate indigent register. |
|  | Limited sources of own revenue resulting in no growth in revenue generation. | * + - Revenue enhancement strategies developed and approved.     - LED strategy developed and under review. | * + - Consult all stakeholders with the revenue enhancement strategies and to get their buy in on the implementation of credit control policy and rates policy (rental of municipal facilities).     - Provide budget to build a grade A DLTC around Masemola nodal point.     - Engage Magoshi to prevent uncoordinated developments and allocation of stands in inappropriate areas. |
|  | Low cash balances for term investments. | * + - The municipality has received an amount of **R** **131 900 000** from the Department of Public works which has temporarily improved the municipality’s cash balances. | * + - Develop and implement a cash flow plan and make short term investments. |

## Budgeted Expenditure and Actual Expenditure to date

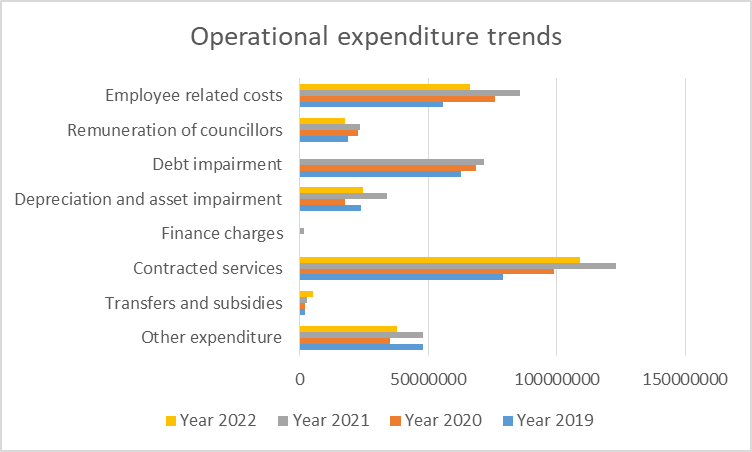
1. The municipality’s total actual expenditure amounts of **R 318 863 090** at 31 March 2022. This amounts to **80%** of the total budgeted expenditure to date to the amount **of R 398 201 030**

### Operational Expenditure.

1. The total operational expenditure as at 31 March 2022 amounts to **R 260 294 499** which equates to **89%** of the total operational budget to date of **R 291 802 290.**The municipality has under spent by 11% as compared to the budgeted expenditure to date.
2. The following table indicates the operational expenditure per standard classification:



1. The following bar chart highlights the expenditure trends as at end of March 2022 as compared to the prior years ended 30 June 2021, 30 June 2020 and 30 June 2019:



* **Operational variance analysis as at 31 March 2022.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Expenditure by type** | **Variance %** | **Reason for variance** | **Remedial action** | **Remedial action due date** | **Responsible person** |
| Employee related costs | -12% | **Budgeted Vacant posts** | **Budgeted Vacant posts to be filled** | **30 June 2022** | **Director Corporate Services** |
| Remuneration of councillors | -2% | **None** | **None** | **None** | **Manager Payroll/CFO** |
| Debt impairment | -100% | **Recovery rate has improved significantly** | **None** | **None** | **Manager Assets/CFO** |
| Depreciation & asset impairment | -8% | **None** | **None** | **None** | **Manager Assets/CFO** |
| Finance charges | **-** | **None** | **None** | **None** |  |
| Contracted services | -16% | **Spending prioritised for the 4th quarter** | **To be spent in the 4th Quarter** | **30 June 2022** |  |
| Transfers and subsidies | -5% | **None** | **None** | **None** |  |
| Other expenditure | 19% | **ICT services were under budgeted.** | **Budget was provided during adjustment budget.** | **30 June 2022** | **Director Corporate** |

### Capital Expenditure

1. The total capital expenditure as at 31 March 2022 amounts to **R 58 568 591** which equates to **55%** of the **R 106 398 740** to-date budget**.** The municipality has underspent by **45%** on capital expenditure.
2. The following table indicates the capital expenditure per functional classification:



### Grants Receipts and expenditure.

* 1. The following table shows the receipts and expenditure on grants as at 31 March 2022 per grant:
  2. The municipality’s spending per conditional grant is as follows as at the end of March 2022:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Conditional Grant details | Budget for the year | Grant received | Grant expenditure | Received % | Spending % |
| FMG | 1 650 000 | 1 650 000 | 1 304 328 | 100 | 79 |
| EPWP | 1 825 000 | 1 825 000 | 1 825 000 | 100 | 100 |
| MIG | 61 777 000 | 61 777 000 | 39 440 199 | 100 | 64 |
| INEP | 20 000 000 | 20 000 000 | 3 660 827 | 100 | 18 |

### Overall Spending per departments

1. The following table indicates the spending performance per department from the highest performance to the least performance:



# Going concern and Liquidity ratios.

* **Going concern**

1. After the assessment of the key factors to the going concern of the municipality it is assumed and concluded that the municipality shall continue operating as a Going Concern as at 31 March 2022

* **Liquidity ratios**
  1. **Current ratio**

Current Assets/Current Liabilities (Norm is 2:1)

|  |  |
| --- | --- |
| **2022** | **2021** |
| R 321 331: R 26 769  **12: 1** | R 32 746: R 85 316  **0.85:1** |

This ratio measures the Municipality’s ability to pay its short-term debt with liquid assets which are assets easily converted in to cash. The above ratio indicates a current ratio of **12:1** that may suggest that the municipality’s liquid assets are currently easy to be converted into cash to can covers the current liabilities as & when they become due by the 30 June 2022.

* 1. **Debt ratio**

**Total Liabilities/Total Assets) x 100**

|  |  |
| --- | --- |
| **2022** | **2021** |
| R 39 177 / R 638 390 X 100%  **=6.14%** | R 96 486 / R 395 543 X 100%  **=24.4%** |

This ratio measure how much the municipality’s total liabilities are covered by the total assets the results of which measures the solvency of the municipality. The results above shows that the municipality is solvent as the total liabilities are covered by the total assets and total liabilities makes a small percentage portion of the total assets which decreased from 24.4% to 6.14% in the current year and the means our debt ratio is sound.

* 1. **Net Operating surplus margin.**

**NORM: Equal to or greater than zero**

(Total Operating revenue – Total Operating expenditure)/Total Operating revenue x 100

|  |  |
| --- | --- |
| **2022** | **2021** |
| (R 372 620 – R 260 294)/ R 372 620 x 100  **= 30.14%** | (R 427 048 – R 432 905)/ 427 048 x 100  **= (1.37)%** |

1. The Ratio assesses the extent to which the Municipality generates Operating Surpluses. The above ratio indicates that the municipality reported a net surplus of **30.14%** for the period ended 31 March 2022 which shows a significant improvement from the prior of -1.37% net surplus.
   1. **Collection rate.**

**NORM: 95%**

**Formula**

**=** Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100)

|  |  |
| --- | --- |
| **2022** | **2021** |
| (R 292 693 + R 61 126)– (R 314 122 – R0 )/ R 61 126 x 100%  **= 69%** | (R474 502 + R 89 198 ) – (R 546 515 – R0)/R 89 198 x 100%  **= 19.26%** |

The Ratio indicates the collection rate; i.e. level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. In addition in order to determine the real collection rate bad debts written-off is taken into consideration.

The municipality’s collection rate is low as compared to the norm of 95% as per MFMA circular No. 71. However it must be noted that the municipality fund more than 80% of its expenditure through Government Grants and there have not been any indication that the municipality will not be receiving the grants in the foreseeable future.

The revenue billed from customers is used to fund mostly the non-cash expenditure items such as depreciation and impairments when preparing the MTREF budget for the municipality to guard against the cash flow risk in cases of poor collection.

# Statement of Financial Position as at 31 March 2022



# Statement of Financial Performance as at 31 March 2022



# Cash Flow Statement as at 31 March 2022



|  |  |  |
| --- | --- | --- |
| 6. Notes to the 3rd Quarter Financial Report (Statements).6.1 Cash and cash equivalents **Cash and cash equivalents consists of:** |  |  |
| Cash on hand | 52 | 775 |
| Bank balances | 243 870 284 | 14 359 535 |
| Call account investment | - | - |
|  | **243 870 336** | **14 360 310** |

**Short-term Investments**

The municipality had no short-term investments with any financial institution during the 2021/22 financial year and the municipality did not have any investment as at the ended of 31 March 2022.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Details** | | | |  | |  | |
| ABSA 2018/2019 (Account No.2078073033) | | | |  | |  | |
| **The municipality had the following bank accounts during the year under review** | | |  | |  | |  | |
| **Account number / description** | **Bank statement balances** | |  | | **Cash book balances** | | | |
|  | **31-March-22** | **30-Jun-21** |  | | **31-March-22** | | **30-Jun-21** | |
| ABSA BANK - 4050384145 - (Primary Cheque Account) | 242 757 259 | 13 298 999 |  | | **238 458 132** | | 13 278 846 | |
| ABSA BANK - 4076690079 - (Salaries) | 4 573 | 12 241 |  | | **4 585** | | 12 241 | |
| ABSA BANK - 4098981597 - (Solidarity Fund) | 204 902 | 205 798 |  | | **204 994** | | 205 798 | |
| ABSA BANK - 2078073033 Term Deposit Investment | 862 650 | 862 650 |  | | **862 650** | | 862 650 | |
|  | **243 829 384** | **14 379 688** |  | | **239 530 361** | | **14 359 535** | |

## 6.2 Inventories

|  |  |  |  |
| --- | --- | --- | --- |
| Inventories consists of: |  | |  |
| Consumable stores | 1 639 405 | | 954 892.67 |
|  | **1 639 405** | | **954 892.67** | |
| **Reconciliation of Inventory** |  |  | | | |
| Opening Balance | 954 893 | 1 066 030.99 | | | |
| Add: Receipts | 3 265 876 | 90 038.00 | | | |
| Less: Issues | (2 581 364) | (201 176.32) | | | |
| CLOSING BALANCE | **1 639 405** | **954 892.67** | | | |

## 6.3 Receivables from non-exchange transactions

|  |  |  |
| --- | --- | --- |
| **Gross balances** |  |  |
| Property Rate | 470 342 665 | 544 903 537 |
| Traffic fines | **1 304 997** | 1 168 997 |
|  |  |  |
|  | **471 647 662** | **546 072 534** |

|  |  |  |
| --- | --- | --- |
| **Less: Allowance for impairment** |  |  |
| Property Rates | (366 300 595) | (542 164 268) |
| Traffic Fines | (1 166 447) | (1 168 997) |
|  |  |  |
|  | **(367 467 042)** | **(543 333 265)** |

|  |  |  |
| --- | --- | --- |
| **Net balances** |  |  |
| Property Rates | 104 042 070 | 2 739 269 |
| Traffic Fines | 138 550 | - |
|  |  |  |
|  | **104 180 620** | **2 739 269** |

## 6.4 Receivables from exchange transactions

|  |  |  |
| --- | --- | --- |
| Accrued Income (Interest on investment) | 0.00 | 146 894 |
| Other debtors  Waste collection | 419 990 | 290 398 |
| SALGA Levy | 1 374 206 | 1 062 900 |
|  | **1 794 196** | **1 500 192** |

## 6.5 VAT receivable

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| VAT refunds | 13 048 635 | 16 075 778 |  |  |
|  | 13 048 635 | 16 075 778 |  |  |

|  |  |  |
| --- | --- | --- |
| **VAT Reconciliation** |  |  |
| Balance at the beginning of the year | 16 075 778 | 16 062 400 |
| Add: Net Refunds as per VAT receivable | 23 400 912 | 34 317048 |
| Add: Current year VAT suspense - Retention amount | 4 019 716 | 4 413 337 |
| Less: Prior year suspense - Retention amount | (4 413 338 ) | (5 163 934) |
| Less: VAT Payments by SARS - Current year | ( 17 477 258 ) | (25811 478) |
| Less: VAT payments by SARS - Previous year | (8 505 569) | (7 741 595) |
| Adjustments | - | - |
|  | **13 048 635** | **16 075 778** |

VAT is payable on invoice basis and claimed from SARS when a tax invoice is received.

## 6.6 Intangible assets

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2022** | | | **2021** | | |
|  | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Computer software | 8 215 070 | (8 163 174) | 51 896 | 8 215 070 | (7 632 274) | 582 796 |
| Work In Progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|  | **8 215 070** | **(8 163 174)** | **51 896** | **8 215 070** | **(7 632 274)** | **582 796** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of intangible assets - 2022** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Computer software | 582 796 | 0.00 | 0.00 | (530 900) | 51 896 |
| Work In Progress | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|  | 582 796 | **0.00** | **0.00** | **(530 900)** | **51 896** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of intangible assets - 2021** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Computer software | 1 706 590 | 0.00 | 0.00 | (7 632 274) | 582 796 |
| Work In Progress | 0.00 | 0.00 | 0.00 |  |  |
|  | **1 706 590** | **0.00** | **0.00** | **(7 632 274)** | **582 796** |

**Other information**

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

No intangible assets were pledged as security for liabilities as at year end.

**6.7 Investment Property**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2022** | | | **2021** | | |
|  | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost/Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Investment property | 209,500 | 0.00 | 209,500 | 209,500 | 0.00 | 209,500 |
|  | **209,500** | **0.00** | **209,500** | **209,500** | **0.00** | **209,500** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of investment property- 2022** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Investment property | 209,500 | 0.00 | 0.00 | 0.00 | 209,500 |
|  | **209,500** | **0.00** | **0.00** | **0.00** | **209,500** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reconciliation of investment property - 2021** | | | | | |
|  | **Opening balance** | **Additions** | **Transfers** | **Amortisation** | **Total** |
| Investment property | 209,500 | 0.00 | 0.00 | 0.00 | 209,500 |
|  | **209,500** | **0.00** | **0.00** | **0.00** | **209,500** |

**Details of valuation**

Investment property was valued by Land data Valuations (Pty) Ltd an independent professional valour with registration number 1988/001677/07.The Municipal Valour has experience of properties within the jurisdiction of Makhuduthamaga Local Municipality. The valuation was based on an open market value for existing use:

**Details of property**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. No revenue was earned from the investment property as the property is vacant land held for long term capital appreciation

No investment property was pledged as security for liabilities as at year end.

## 6.8 Property Plant and Equipment

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **2022** | | | | **2021** | | |
| **Details** | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | **Cost/Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** |
| Land | 265 000 | 0.00 | 265 000 | 265 000 | 0.00 | 265 000 |
| Land – Landfill Site | 16 471 695 | (8 936 712) | 7 534 983 | 16 471 695 | (5 199 916) | 11 271 780 |
| Buildings | 52 286 492 | (16 625 136) | 35 661 357 | 52 286 492 | (15 026 444) | 37 260 049 |
| Furniture and fixtures | 9 576 611 | (6 902 844) | 2 673 767 | 6 619 692 | (4 188 012) | 2 431 681 |
| Motor vehicles | 38 032 703 | (27 904 756) | 10 127 947 | 35 664 681 | (25 138 133) | 10 526 548 |
| Road Infrastructure | 313 813 788 | (122 312 202) | 191 501 586 | 313 813 788 | (111 016 307) | 202 797 481 |
| Electrical Infrastructure | 7 297 566 | (5 189 968) | 2 107 598 | 7 297 566 | (4 817 988) | 2 479 578 |
| Stormwater Infrastructure | 30 726 102 | (13 303 641) | 17 422 461 | 30 726 102 | (11 786 060) | 18 940 042 |
| IT equipment | 26 349 789 | (19 945 742) | 6 404 047 | 23 741 796 | (17 356 438) | 6 385 358 |
| Loose tools | 3 611 961 | (3 263 313) | 348 648 | 3 611 961 | (3 025 396) | 586 565 |
| Community Halls | 14 402 779 | (3 253 299) | 11 149 480 | 14 402 779 | (2 728 038) | 11 674 741 |
| Capital work in progress | 31 600 213 | 0.00 | 31 600 213 | 13 188 060 | 0.00 | 13 188 060 |
|  | **544 434 699** | **(227 637 613)** | **316 797 085** | **541 396 434** | **(203 214 389)** | **317 806 883** |

## 6.9 Payables from exchange transactions

|  |  |  |
| --- | --- | --- |
| Trade payables | 3 122 974 | 5 206 407 |
| Income received in advance | 672 534 | 923 859 |
| Creditor: Ward committee | 13 201 | 13 201 |
| Leave provision | 12 407 985 | 12 407 987 |
| Bonus provision | 2 779 508 | 2 779 508 |
| Unknown deposits | 33 462 | 32 481 |
| Retentions | 20 147 734 | 20 215 864 |
|  | **39 177 398** | **41 579 307** |

## 6.10 Unspent Conditional grants and receipts

|  |  |  |
| --- | --- | --- |
| Unspent conditional grants and receipts comprises of: |  |  |
| LG SETA Discretionary Grant | 48 314 | 113 350 |
| Financial Management Grant | 345 672 | - |
| DOE(Department of Mineral and Energy ) | 16 339 173 | - |
| EPWP Grant | - | - |
| Municipal Infrastructure Grant | 22 336 801 | 288 |
|  | **39 069 960** | **113 638** |

## 6.11 Defined benefit obligation

|  |  |  |
| --- | --- | --- |
| Post-employment Medical Aid Benefits | - | 5 008 000 |
|  | **-** | **5 008 000** |

|  |  |  |
| --- | --- | --- |
| **Long service awards** |  |  |
| **Long Service Awards Liability** |  |  |
| Long service awards - current liability | - | 63 010 |
| Long service awards - Non-current liability | - | 3 629 990 |
|  | **-** | **3 693 000** |

## 6.12 Revenue

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **The amount included in revenue arising from exchanges of goods or services are as follows:**   |  |  |  | | --- | --- | --- | | Rental of facilities and equipment | 54 236 | 114 166 | | Licences and permits | 4 097 949 | 5 480 633 | | Gains on disposal of PPE | - | - | | Tender Documents | 73 531 | 158 262 | | Interests earned on Bank & Investment accounts | 1 564 036 | 1 652 967 | | Refuse removal  Other income | 112 689  195 667 | 134 867  134 895 | |  | **6 098 108** | **7 675 790** |  |  |  |  | | --- | --- | --- | | **The amount included in revenue arising from non-exchange transactions is as follows:** |  |  | | Property rates | 33 268 355 | 45 068 875 | | Interest on outstanding debtors | 30 117 863 | 40 171 417 | | Traffic fines | 140 150 | 2 550 | | Transfers and subsidies | 332 942 441 | 415 904 097 | | Actuarial Gains | - | - | |  |  | - | |  | **396 468 809** | **501 146 889** | |  |  |  | |  | **402 566 917** | **505 129 676** | | | | |  |  |
|  |  |  |

## 6.13 Government grants and subsidies

|  |  |  |
| --- | --- | --- |
| Equitable share | 296 332 000 | 341 931 000 |
| Municipal Infrastructure Grant (MIG) | 39 440 199 | 70 953 000 |
| Finance Management Grant (FMG) | 1 304 328 | 1 700 000 |
| Integrated National Electrification ( DOE Grant) | 3 660 827 | - |
| Municipal Disaster Grant Management | - | - |
| EPWP Grant | 1 825 000 | 1 168 000 |
| LG SETA - Discretionary Grant | 174 964 | 152 097 |
|  | **342 737 318** | **415 904 097** |

## 6.14 Interest on investments

|  |  |
| --- | --- |
| **1 564 036** | **1 652 967** |

Bank & Investments 1 564 036 1 652 967

N.B. The municipality did not have any investments during the current year due to low levels of cash balances and the amount of interests received is for the positive bank balance of the main cheque account.

## 6.15 Interest on outstanding debtors

|  |  |  |
| --- | --- | --- |
| Interest charged on trade and other receivables | 30 117 863 | 40 171 417 |
|  | **30 117 863** | **40 171 417** |

NB. All interests relates to property rates outstanding debts.

## 6.16 Property rates

|  |  |  |
| --- | --- | --- |
| **Rates – revenue** |  |  |
| Commercial | 5 242 342 | 10 641 631 |
| State | 26 345 232 | 28 352 880 |
| Agricultural | 1 680 781 | 2 320 720 |
|  | **33 268 355** | **41 315 231** |
| **Valuations** |  |  |
|  |  |  |
| Residential | 81 382 000 | 22 640 000 |
| Commercial | 918 724 200 | 711 781 000 |
| State | 1 981 400 000 | 2 014 632 000 |
| Municipal | 48 442 000 | 29 739 861 |
| Social | 37 633 000 | 29 023 000 |
|  | **3 067 581 200** | **2 807 815 861** |

* In terms of section 5 of the credit control and debt collection policy the Municipality has billed **R 214 151 as** at March 2022 and collected is **R 148 541.**The total amount collected as at 31 March 2022 is **69%** of the billed revenue to date.
* Valuations on land and buildings are performed every 5 years. The first general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.
* The valuation used in the current year was implemented from 01 July 2021 and it ends on the 30th June 2026

## 6.17 Actuarial gain/ (Loss)

|  |  |  |
| --- | --- | --- |
| Long service awards - Actuarial Gain/(Loss) | (348 000) | 332 523 |
| Post-employment medical aid - Actuarial gain/(Loss) | (1 129 000) | 769 000 |
|  | **(1 477 000)** | **1 101 523** |

## 6.18 Traffic fines

|  |  |  |  |
| --- | --- | --- | --- |
| Traffic fines ( Billed ) | 140 150 | 0 |  |
|  | **140 150** | **0** |  |

## The municipality issued traffic fines to a total value of R 140 150 as at 31 March 2022, which is 90% of the budgeted annual traffic fines to the amount of R 155 000. The amount collected for the traffic fines as at 31 March 2022 is R 5 000 which is 3% of the value amount of tickets issued as at end of the 31 March 2022.

## 6.19 Employee related costs

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Basic | 36 846 144 |  | 46 602 580 |  |
| Bonus | 3 211 760 |  | 3 706 927 |  |
| Medical aid - company contributions | 3 865 681 |  | 5 098 739 |  |
| UIF | 263 786 |  | 300 274 |  |
| SDL | 545 078 |  | 563 943 |  |
| Leave pay provision charge | 1 046 399 |  | 2 594 884 |  |
| Pension contribution | 6 753 212 |  | 9 291 131 |  |
| Overtime payments | 769 432 |  | 672 827 |  |
| Post-employment benefits costs | 81 989 |  | 829 000 |  |
| Car allowance | 8 942 780 |  | 11 228 574 |  |
| Housing benefits and allowances | 2 161 041 |  | 2 834 159 |  |
| Bargaining Council | 15 419 |  | 20 692 |  |
| Clothing allowance | 30 023 |  | 53 363 |  |
| Cell phone allowance | 1 576 422 |  | 1 939 009 |  |
|  | **66 109 166** |  | **85 736 030** |  |

|  |  |  |
| --- | --- | --- |
| **Municipal Manager (Ms Rampedi MN)** |  |  |
| Basic salary | 480 414 | 640 552 |
| Travel allowance | 196 266 | 261 687 |
| Cell phone allowance | 0.00 | 0.00 |
| Housing allowance | 0.00 | 0.00 |
| Travel claim | 3 811 | 8 568 |
| Contributions to medical aid | 64 086 | 85 447 |
| Contributions to UIF | 1 594 | 1 813 |
| SDL | 7 919 | 12 482 |
| SALGBE | 93 | 119 |
| Remote allowance | 31 155 | 41 540 |
| Retirement annuity contributions | 58 503 | 78 003 |
|  | **843 841** | **1 130 211** |
| **Chief Financial Officer (Mr Moganedi R.M)** |  |  |
| Basic salary | 364 168 | 536 668 |
| Travel allowance | 172 445 | 178 498 |
| Cell phone allowance | 27 902 | 31 302 |
| Housing allowance | 5 712 | 68 538 |
| Travel claims | 0.00 | 0.00 |
| Contributions to medical aid | 35 579 | 77 544 |
| Contributions to UIF | 1 417 | 1 813 |
| SDL | 7 515 | 9 454 |
| Leave payout | 171 357 |  |
| SALGBE | 82 | 119 |
| Remote allowance | 17 122 | 35 778 |
|  | **803 299** | **939 714** |
| **Acting Chief Financial officer for BTO 2021/22 (Mr Makgalemane T.M.)** |  |  |
| Acting allowance | 36 571 |  |
| ( Acting duration was for 1 month from 1 august 2021 to 31 august 2021 ) | **36 571** |  |
| **Senior manager: Corporate services (Ms Mahlare M.A)** |  |  |
| Basic salary | 402 501 | 536 668 |
| Travel allowance | 173 465 | 231 286 |
| Medical aid contributions | 93 447 | 124 596 |
| UIF | 1 594 | 1 813 |
| SALGBE | 93 | 119 |
| SDL | 5 866 | 9 368 |
| Travel claims | 6 108 | 6 350 |
| Remote | 26 833 | 35 778 |
|  | **709 907** | **945 979** |

|  |  |  |
| --- | --- | --- |
| **Senior manager: Community services (Ms Marishane M.E)** |  |  |
| Basic salary | 402 501 | 536 668 |
| Travel allowance | 147 717 | 196 956 |
| Cell phone allowance | 19 758 | 26 343 |
| Housing allowance | 53 670 | 71 560 |
| Travel claims | 0.00 | 0.00 |
| Pension contributions | 45 767 | 61 022 |
| UIF | 1 594 | 1 813 |
| SALGBE | 93 | 119 |
| SDL | 5 902 | 9 383 |
| Remote allowance | 26 833 | 35 778 |
|  | **703 835** | **939 644** |

|  |  |  |
| --- | --- | --- |
| **Senior Manager: Infrastructure Development (Mr Segale M.A)** |  |  |
| Basic salary | 402 501 | 536 668 |
| Travel allowance | 145 870 | 194 493 |
| Cell phone allowance | 20 588 | 27 450 |
| Medical contribution | 100 454 | 133 939 |
| UIF | 1 594 | 1 813 |
| SALGBE | 93 | 119 |
| SDL | 6 671 | 10 585 |
| Remote allowance | 26 833 | 35 778 |
|  |  |  |
|  | **704 604** | **940 845** |

|  |  |  |
| --- | --- | --- |
| **Senior manager Economic Development and Planning (Mr Thabela A.P)** | |  |
| Basic salary | 436 077 | 536 668 |
| Travel allowance | 89 445 | 134 167 |
| Cell phone allowance | 12 746 | 19 119 |
| Pension contribution | 78 711 | 118 067 |
| Medical aid contribution | 56 359 | 84 529 |
| UIF | 1 417 | 1 813 |
| SALGBE | 82 | 119 |
| SDL | 6 010 | 10 832 |
| Travel claim | 0.00 | 3 376 |
| Remote allowance | 23 852 | 35 778 |
|  | **704 693** | **944 469** |

## 6.20 Remuneration and allowances of councillors

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Mayor | | 681 304 | | 910 772 |
| Council speaker | | 490 184 | | 737 602 |
| Executive Committee Members | | 2 866 724 | | 4 525 300 |
| Other councillors basic salary | | 8 289 728 | | 9 620 209 |
| Councillors pension contribution | | 1 082 611 | | 1 697 683 |
| Travel allowance | | 2 495 263 | | 3 737 582 |
| Travel claims | | 11 751 | | 14 015 |
| Cell phone allowance | | 1 398 050 | | 2 080 800 |
| Skills development levy | | 73 376 | | 54 019 |
| Data cards (61 councillors) | | 122 797 | | 183 600 |
|  | | **17 511 788** | | **23 596 632** |
| **Remuneration and allowances of selected members of the council**  **Remuneration and allowances for the mayor Cllr Maitula B.M** |  | |  | | |
| Basic salary | 411 598 | | 548 798 | | |
| Travel allowance | 0.00 | | 0.00 | | |
| Cell phone allowance | 30 600 | | 40 800 | | |
| Contributions to pension fund | 231 894 | | 312 061 | | |
| SDL and Data card | 7 212 | | 7 421 | | |
|  | **681 304** | | **910 772** | | |

|  |  |  |
| --- | --- | --- |
| **Remuneration and allowances for the council speaker Cllr Tala M.A** |  |  |
| Basic salary | 156 103 | 439 039 |
| Travel allowance | 0.00 | - |
| Cell phone allowance | 14 507 | 40 800 |
| Contributions to pension | 87 043 | 249 649 |
| SDL and Data card | 2 629 | 6 731 |
|  | **260 282** | **736 219** |

**Remuneration and allowance for the council speaker Cllr Mphelane M.J**

Basic salary 173 176

Travel allowance - -

Cell phone allowance 16 093

Contributions to pension 98 473

SDL and Data card 3 747

**291 489**

|  |  |  |
| --- | --- | --- |
| **Remuneration and allowances of members of the executive committee** | |  |
| Basic salary | 1 959 402 | 2 612 536 |
| Travel allowance | 768 393 | 1 024 524 |
| Cell phone allowance | 279 027 | 367 200 |
| Pension fund Medical & SDL | 350 961 | 461 036 |
| Travel claims and Data card | 46 327 | 50 576 |
|  | **3 404 110** | **4 515 872** |

The remuneration and allowances of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

|  |  |  |
| --- | --- | --- |
|  |  |  |

## 6.21 Depreciation and amortisation

|  |  |  |
| --- | --- | --- |
| Property, plant and equipment | 24 747 735 | 31 265 519 |
| Intangible assets | 530 900 | 1 123 794 |
|  | **24 605 635** | **32 389 313** |

## 6.22 Assets impairment

|  |  |  |
| --- | --- | --- |
| Property, plant and equipment | - | - |
| Intangible Assets | - | - |
| Investment Property | - | - |
|  | **-** | **-** |

The municipality has completed an asset verification process for the period ended 30 June 2021 and no impairment loss identified and reported.

## 6.23 Finance Costs

|  |  |  |
| --- | --- | --- |
| Interest cost: Employee benefit obligations | - | 465 000 |
| Interest cost: Landfill site provision | - | 1 051 943 |
|  | **-** | **1 516 943** |

## 6.24 Contracted Services

|  |  |  |
| --- | --- | --- |
| Repairs and Maintenance: Other Assets | 16 723 232 | 17 849 289 |
| Repairs and Maintenance: Infrastructure Assets | 38 380 650 | 51 026 872 |
| Operating Lease and Cash collection | 5 833 842 | 3 356 259 |
| Solid waste collection | 23 169 457 | 28 900 126 |
| Development of valuation roll | - | 558 012 |
| Cleaning and Security services & other | 16 082 865 | 20 944 993 |
| Publications VAT recovery services Spatial Planning & GIS | 8 931 476 | 9 929 782 |
|  | **109 120 982** | **132 565 333** |

## 6.25 Grants and subsidies paid

|  |  |  |
| --- | --- | --- |
| Indigents grants (Free Basic Electricity) & other | 1 461 924 | 2 895 169 |
|  | **1 461 924** | **2 895 169** |

## 6.26 Capital expenditure written-off (D Roads)

|  |  |  |  |
| --- | --- | --- | --- |
| Property Plant and Equipment | 40 160 065 | 65 678 489 |  |
|  | **40 160 065** | **65 678 489** |  |

In terms of the General Notice 217 of 2014 ownership and jurisdiction of roads by municipality in Limpopo Province is listed in schedule B of the notice. The municipality has constructed roads under the ownership of Roads Agency Limpopo SOC Limited (RAL) in terms of the Notice during the 2020/21 financial year. The roads cannot be capitalised and will have to be written off at year end and as at 31 March 2022 the expenditure for D roads was R 40 160 065.

## 6.27 General expenses

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.Advertising | 395 629 | | 746 145 | |
| 2.Bank charges | 127 383 | | 257 799 | |
| 3.Consulting and professional fees | 1 080 400 | | 2 550 254 | |
| 4.Consumables | - | | 2 334 128 | |
| 5.Entertainment | - | | 57 950 | |
| 6.Insurance | 1 279 325 | | 685 249 | |
| 7.IT operating expenses | 1 235 856 | | 1 484 700 | |
| 8.Marketing | 245 200 | | 721 066 | |
| 9.Promotions and sponsorships | 931 857 | | 875 878 | |
| 10.Fleet Management & System | 134 536 | | 2 766 | |
| 11.Fuel and oil | 3 039 660 | | 4 362 625 | |
| 12.Printing and stationery | 3 821 880 | | - | |
| 13.Protective clothing | - | | - | |
| 14.Environmental care expense | - | | - | |
| 15.Telecommunications | 890 280 | | 1 078 976 | |
| 16.Training | 362 256 | | 1 669 303 | |
| 17.Travel and accommodation | 643 647 | | 123 763 | |
| 18.LED forum and summit | - | | - | |
| 19.Spatial planning - demarcation of sites | - | | 1 284 778 | |
| 20.Water and electricity | 1 785 483 | | 2 093 396 | |
| 21.Sitting allowance ex-officio | 68 000 | | 360 000 | |
| 22.Publications | 4 440 335 | | 5 202 000 | |
| 23.Audit committee support | 276 900 | | 499 087 | |
| 24.Bursary fund | 5 135 702 | | 6 249 794 | |
| 25.Legal costs and Development of by-laws | 1 735 579 | | 11 420 | |
| 26.Customer care | 28 899 | | 467 887 | |
| 27.Financial System support | 3 153 355 | | 5 617 478 | |
| 28.Vehicle tracking | 64 410 | | 82 403 | |
| 29.Stipend | - | | 4 998 | |
| 30.Disaster relief fund | 1 543 077 | | 1 534 747 | |
| 31.EPWP | 2 755 390 | | 3 451 202 | |
|  |  | |  | |
|  | | **35 175 039** | | **47 925 958** | |

## 6.28 Provision - Rehabilitation of Landfill Site

|  |  |  |
| --- | --- | --- |
| Provision | 18 730 537 | 18 730 537 |
|  | **18 730 537** | **18 730 537** |

The Madibong Landfill Site was previously included in the asset register of the Sekhukhune District Municipality together with the provision for the rehabilitation of the Landfill Site in its 2017/18 audited annual financial statements. On the 30th of June 2019 the Landfill Site was transferred to the Makhuduthamaga Local Municipality.

The valuation of the rehabilitation on the Landfill Site was performed by Mr Seakle Godschalk a professional registered environmental scientist of the Environmental and Sustainability Solutions (ESS) Company the Company has developed and used the General Landfill Closure Costing Model (GLCCM) since 2011.

The future and discounted cash flows regarding the Landfill closure and rehabilitation related expenses were calculated using the CPI at 4.4437% and a discount rate of 7.9437%.

The cost of rehabilitating the Landfill Site was determined to be **R 18 730 537** as at the 30th of June 2019 and was recognised at cost and depreciated over time as property, plant & equipment in the statement of the financial position of the municipality.

## 6.29 Rental of facilities and equipment

|  |  |  |
| --- | --- | --- |
| **Advertising Billboards** |  |  |
| Site rentals | 54 236 | 114 166 |
|  | **54 236** | **114 166** |

The amount for site rentals is for the advertising billboards from PRIMEDIA around Makhuduthamaga municipal area

## 6.30 Operating lease

The Municipality has entered in to an operating lease with Velaphanda Trading & Projects for Photocopier machines for a period of three years.

The total future minimum operating lease payments payable under existing operating lease arrangements are categorised in the following categories:

|  |  |  |
| --- | --- | --- |
| Within one year of the operating date | 1 030 981 | 1 628 232 |
| More than one year but less than five years of the reporting date | 3 149 282 | - |
|  | **4 180 263** | **1 628 232** |

## 6.31 Commitments

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Authorised operating and capital expenditure** | |  | | |  | | |
| **Operational commitments** | |  | | |  | | |
| |  |  |  | | --- | --- | --- | | Approved and contracted | 65 120 359 | 120 068 987 | |  | **72 969 890** | **120 068 987** | |  |  |  | | **Capital commitments** |  |  | | Approved and contracted | 96 035 164 | 92 897 366 | |  | **96 035 164** | **92 897 366** | |  |  |  | |  |  |  | | **Total commitments** | **161 155 523** | **178 250 573** |   **6.32 Related parties**   |  |  |  | | --- | --- | --- | | **Related party transactions** |  |  | | **Section 57 Employees** |  |  | | Municipal Manager ( Ms Rampedi M.N) | 843 841 | 1 130 213 | | Senior Manager: Corporate Services (Ms. Mahlare M.A | 709 907 | 945 979 | | Senior Manager: Community Services (Ms. Marishane M.E) | 703 835 | 939 644 | | Senior Manager: Budget & Treasury(CFO) (Mr. Moganedi R.M ) | 803 299 | 939 714 | | Senior Manager: Economic Development & Planning (Mr. Thabela A.P) 704 693 | | 944 469 | | Senior Manager: Infrastructure Development (Mr. Segale M.A) | 704 604 | 940 845 | |  | **4 470 179** | **5 840 864** | | | | |  | |  | | |
| **South African Local Government Association** |  | |  | | | |
| Annual membership fee | 1 374 206 | | 1 062 900 | | | |
|  | **1 374 206** | | **1 062 900** | | | |
|  |  | |  | | | |
| **62 Councillors** |  | |  | | | |
| Remuneration of Councillors | **17 511 788** | | 23 596 632 | | | |
|  | **17 511 788** | | **23 596 632** | | | |

## 6.32 Risk management

**Liquidity risk**

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

Credit risk

Credit risk consists mainly of cash deposits cash equivalents and receivables. The municipality only deposits cash with credible banking institutions and limits exposure to any one counter-party.

|  |  |  |
| --- | --- | --- |
| Financial assets exposed to credit risk at year end were as follows: |  |  |
| **Financial instrument** |  |  |
| Receivables from non-exchange transactions | 2 739 269 | 2 885 734 |
| Receivables from exchange transactions | 1 132 109 | 1 231 496 |
| Cash & Cash equivalents | 243 870 336 | 14 290 363 |
| VAT Receivable | 15 677 271 | 34 494 539 |
| **Maximum exposure** | **263 418 985** | **52 902 132** |

## 6.33 Unauthorised expenditure

|  |  |  |
| --- | --- | --- |
| Opening balance | 205 185 199 | 167 098 342 |
| Current year | - | 38 086 857 |
| Less amounts: written-off by council | - | ( 0.00) |
|  | **205 185 199** | **205 185 199** |

## 6.34 Fruitless and wasteful expenditure.

|  |  |  |
| --- | --- | --- |
| Opening balance | 571 999 | 571 999 |
| Current year | - | - |
| Paid/written off by council | - | - |
|  | **571 999** | **571 999** |

## 6.35 Irregular expenditure

|  |  |  |  |
| --- | --- | --- | --- |
| Opening balance | 187 293 956 | 124 876 332 | |
| Add: Irregular Expenditure - current year | 27 129 208 | 62 417 624 | |
| Less: Amounts written-off by council | (-) | (-) | |
|  | **205 995 970** | **187 293 956** |

## 6.36 Additional disclosure in terms of Municipal Finance Management Act

|  |  |  |
| --- | --- | --- |
| **Audit fees** |  |  |
| Amount incurred current year | 4 191 441 | 4 429 665 |
| Amount paid - current year | (4 191 441) | (4 429 665) |
|  | **-** | **-** |
| **PAYE and UIF** |  |  | |
| Amount incurred current year | 12 150 360 | 16 142 848 | |
| Amount paid - current year | (12 150 360) | (16 142 848) | |
|  | **-** | **-** | |

|  |  |  |
| --- | --- | --- |
| **Pension and Medical Aid funds deductions** |  |  |
| Amount incurred current year | 15 865 397 | 23 089 581 |
| Amount paid - current year | (15 865 397) | (23 089 581) | |
|  | **-** | **-** |

|  |  |  |
| --- | --- | --- |
| **Supply chain management regulations** |  |  |
| **Deviations** |  |  |
| Deviation as per section 36(1)(a)(i) of the SCM regulation emergency | 87 900 | 620 500 |
| Deviation as per section 36(1)(a)(ii) of the SCM regulation sole provider | 420 860 | 375 679 |
| Deviation as per section 36(1)(a)(v) of the SCM regulation impractical | 3 219 168 | 6 674 177 |
|  | **3 727 928** | **7 670 356** |

**Details of Deviations as at 31 March 2022:**

Deviation as per section 36(1)(a)(i) of the SCM regulation (emergency)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **NO** | **Date** | | **COMPANY NAME** | | **DESCRIPTION** | **AMOUNT** |
|  | **1st March 2022** | | **Opening Balance** | | **Opening Balance** | **R 87 900.00** |
| 1. | March 2022 | | 0 | | 0 | R 0 |
|  | | **TOTAL (Closing Balance as at 31th March 2022)** | |  | | **R 87 900.00** |

Deviation as per section 36(1)(a)(ii) of the SCM regulation (sole provider)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **NO** |  | **COMPANY NAME** | **SERVICE PROVIDED** | **AMOUNT** |
|  | **1st March 2022** | **Opening Balance** | **Opening Balance** | **R 420 860.00** |
| 1. | **March 2022** | **0** | **0** | **R 0** |
|  | **TOTAL (Closing Balance as at 31th  March 2022)** | |  | **R 420 860.00** |

Deviation as per section 36(1)(a)(v) of the SCM regulation (impractical)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **NO** | **Date** | | **COMPANY NAME** | | **DESCRIPTION** | **AMOUNT** |
|  | **31th March 2022** | | **Opening Balance** | | **Opening Balance** | **R 2 872 386.01** |
| 1. | March 2022 | | BP | | Fuel for Municipal Vehicle | R 240 833.39 |
| 2. | March 2022 | | Shell | | Fuel for Municipal Vehicle | R 61 668.53 |
| 3. | March 2022 | | Bapedi Filling Station | | Fuel for Municipal Vehicles | R 13 892.85 |
| 4. | March 2022 | | Viva | | Fuel for Municipal Vehicles | R 30 386.90 |
|  | | **TOTAL (Closing Balance as at 31 March 2022)** | |  | | **R 3 219 167.68** |