Thabatšhweu

HOUSING COMPANY (PTY) LTD

t/a POLOKWANE HOUSING ASSOCIATION

"A Promise Delivered"

ANNUAL REPORT 2019|20

CONTENTS

CORPORATE ADMINISTRATION

COMPANY REGISTRATION NUMBER	2005/012521/07
BANKERS	FNB
REGISTERED ADDRESS FOR THE COMPANY	Corner Landros Mare & Bodenstein Street Polokwane 0700
POSTAL ADDRESS	P O Box 1157 Ladanna 0704
TELEPHONE NUMBER	(015) 291 2314
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WEBSITE	www.polokwane.gov.za
AUDITORS	Auditor General – South Africa
DIRECTORS	Ms. Sara Mashabela- Board Chair Ms. Asnath Kgosana Matsobane Gololo Oupa Galane Samson Vilakazi Shimi Maimela – Chief Executive
COMPANY SECRETARY	Vacant

CHAPTER 1

FOREWORD BY THE EXECUTIVE MAYOR

The year under review has been the most challenging, with the whole world experiencing the worst pandemic in modern times. The city of Polokwane has not been saved from its negative impact.

The PHA has had its share of the negative challenges brought along by COVID 19 which have affected the way it conducts its business and delaying one of its projects which is under construction.

On the bright side, implementation of the much awaited Ga-Rena Phase 2 known as Annandale Ext 2 is under construction. The scheduled completion date of the project is June 2021. This is a project that will realise 494 social housing units. This will bring the total number of housing units managed by PHA to a level where the entity will be able to sustain their operations without depending on the Municipality to fund its operations.

Ga-Rena Rental Village remains a challenge since its inception due to the confusion around the project being a rent to buy vs. pure rental housing project. This has sparked rental boycotts on the project a number of times. I have instructed both the Board of Directors and the Chief Executive Officer that I want nothing less than the project being turned around with rental collection raised to levels above 80% and proper maintenance carried out on the project.

I am encouraged by the report the Board has since brought to the Joint Portfolio of Finance, Mayoral Committee and Council that is backed by action plans that show how the project will be turned around.

Progress reports on this project will serve before the Board's above Committees and Council in an effort to ensure that its performance is under a special radar.

I am glad that the Seshego Community Residential Housing Units Project (Seshego CRU) Continues to perform well. Required maintenance and rental collection are at an acceptable level.

I know I can count on the Board and management to do what both myself and Council expect of them to do in terms of carrying their fiduciary responsibilities in continuing to build new projects and managing those projects well.

The days of Polokwane Housing becoming a sustainable Social Housing Institution are approaching and this is my expectation from both the Board and Management.

Councillor Thembi Nkadimeng
Executive Mayor

CHAPTER 2

CHAIRPERSON'S OVERVIEW

I am thankful for the opportunity to present my second annual report since our appointment as a board of directors for Thabatshweu Housing Company trading as Polokwane Housing Association (PHA) during an unprecedented time when the whole world is bleeding from the catastrophic impact of COVID-19 which has ravaged the world at a speed like a bolt of lightning. These trying times have now become our new normal way of conducting business in delivering new housing units and managing the current rental stock. The pace of maintaining current rental stock and delivering housing units had to be reduced. This was done to cater for new measures of conducting business which include social distancing, wearing surgical and cloth masks and working from home in certain cases.

The entity had to compile COVID 19 risks and putting in place mitigating measures against such risks. We have experienced only one case of COVID 19 that resulted in the Annadale Ext 2 construction being shut down for two days and fumigated before construction activities could resume. There were no reported incidents at the offices the PHA shares with the Municipality's Secretariat and Municipal Public Accounts Committee (MPAC) staff on the first floor West Wing of Polokwane Municipality.

The Annadale Extension project, which started on full speed in June 2019 with the purpose of completing the project in March 2021, has been negatively delayed by the lockdown which the South African Government imposed on all the people of South Africa and its businesses. The new anticipated completion time of the project is now July 2021. Only 60% of the work is completed on this project with 53% of the value of work paid for the development of the project. The project comprises one two storey and ten three storey buildings. According to the construction programme, three blocks will be handed over to the PHA in mid-December 2020, three more blocks at the end of March 2021 and the balance of five blocks will be completed and handed over to the entity by July 2021. The number of rental housing units that will be delivered on the projects is 494.

It is anticipated that the first tenants to our brand new development will take occupation from March 2021.

CHALLENGES:

Implementation of the following projects have been on a slow start:

- 240 Social housing units at Polokwane Ext 76
- 754 GAP market housing units at Polokwane Ext 107
- 456 student beds at Polokwane Ext 108

The main reason for the slow start is attributed to challenges in raising counter funding of 30% for Polokwane Ext 76 and securing 100% funding required for the delivery of Polokwane Ext 107 and 108 projects. PHA will continue to seek creative ways of getting the above projects funded through the Built Operate and Transfer (BOT) model.

Ga-Rena Rental Village is our first and most problematic project since inception with tenants boycotting rentals and performing criminal activities within the village. With the appointment of a new security company that provides static security and intervention services and, furthermore, the action plans management has put in place, I believe that this project will be turned around.

APPRECIATION:

As the PHA, we are highly indebted to our Shareholder, Polokwane Municipality, under the stern leadership of Executive Mayor, Clr Thembisile Nkadimeng, and the MMCs for Housing and Finance for continuing to provide continuous political oversight which keeps us on our toes. I also wish to thank the Board of Directors of the PHA and management for doing their part in ensuring that the entity delivers based on its mandate.

I look forward to an exciting and rewarding year ahead as we move towards successful implementation of other projects and completing the Annadale Ext 2 project. Accordingly, I submit the PHA's Annual Report for 2019/2020 on behalf of the Board of Directors.

Ms. Sarah Mashabela *Pr. Pln, MAMT, MICTC (Australia)*
Board Chairperson

CHAPTER 3

CHIEF EXECUTIVE OFFICERS' REPORT

Polokwane Housing Association has been able to attain the following critical milestones based on its key performance areas outlined in its Annual Performance Plan during the period under review. The three key performance areas PHA was focusing on are: Core Business, Financial Viability, Good Governance and organisational transformation

CORE BUSINESS

One of the key highlights during 2019/2020 was the construction of Annadale Extention2. This project entails the construction of 494 Social Housing Units. This will see the number of housing units managed by the PHA increasing from 697 to 1191. The successful completion and management of this project will enable the PHA not to depend on its shareholder for an operational grant that has been the case since inception.

Ga-Rena Rental village continued to be a challenge of a project to turn around. Finally, the entity has met a progressive milestone with the new tenants Committee to implement steps that will bring the project back to normal since the project was plagued by rental boycotts and criminal activities on site. The situation at the project has been restored with the appointment of MEG Security Services, who provide the entity with static and intervention services

FINANCIAL VIABILITY

Rental collection decreased from 29.15% to26.29% during the period under review. Rental boycotts have contributed to the status quo. Now that the entity has made progress with starting allocation of vacant housing units and regularisation of sub- lets on Ga-Rena Rental Village. Management has further put in place action plans to turn around rental collection at the projects. The performance of rental collection at the Seshego Community Residential Units continued to stabilised at 95%. Management plans are to bring rental collection to the same level as the Seshego Community Residential Units.

TRANSFORMATION

In an effort to strive to obtain an improved audit report, the entity has been able to address all issues raised by the Auditor General and Internal auditors. Management is also currently looking at areas that need attention to ensure that the entity achieves the best audit opinion and the full accreditation status with the Social Housing Regulatory Authority.

ACKNOWLEDGEMENTS

I would like take this opportunity to thank the Shareholder for their continued leadership and support to PHA without which PHA would not have been able to function as an organisation. I would like thank the Board of Directors for providing the much needed strategic direction and support to PHA during these difficult times.

The support PHA receives from our stakeholders like CoGHSTA, the SHRA, etc. to enable the entity to carry out its mandate, is highly appreciated

Without the commitment of management and staff who are thinly spread on the ground and yet performing their duties with drive, our work would have been even more difficult to perform. Their contributions are highly appreciated.

The contributions of the new tenant's committee are acknowledged and I look forward to continue to have a fruitful working relationship them.

Shimi Maimela
Chief Executive Officer

CHAPTER 4

INTRODUCTION AND CORPORATE PROFILE

VISION

To be the premier provider of innovative and sustainable living

MISSION

To promote smart living for a diverse market through delivery of sustainable and affordable homes

OUR VALUES

- Accountability
- Efficiency
- Innovation
- Honesty
- Participation

OUR PRINCIPLES

- Improved Quality of Living
- Improved Confidence of PHA in the Social Housing Industry
- Improved administrative and governance capacity
- Improved efficiency and effectiveness of the PHA Administration
- Enhanced Revenue and Asset base

The Polokwane Housing Association (SOC) Ltd was previously registered and established as a Section 21 Company in terms of the Companies Act in 2002 and in 2005 registration was changed to Ga-Rena Rental Village (proprietary). The registration and establishment was subsequently changed and PHA is now registered as a SOC Limited company in terms of section 86 of Municipal Systems Act. The registered name is Thabatshweu Housing Company (SOC) Ltd REG NO (2005/012521/07) trading as Polokwane Housing Association.

The Mandate of PHA as per its revised MOI, is to develop and manage:

- integrated Human Settlements
- Social and Non-Social Housing
- Rental housing units within the Gap Market

As a Municipal Entity entrusted with managing rental housing units, PHA is required to comply with the Municipal Finance Management Act, Act No. 56 of 2003, the Municipal System Act, Act 32 of 2000, the Companies Act, Act No 71 of 2008, the Housing Code, the Social Housing Act of 2008 and all other relevant legislation applicable to the municipal entity.

The mandate includes, amongst others, the responsibility for administrative processes, accounting and financial management, tenant liaison, policy and guideline formation, capital raising, agency role and other functions that PM may require in applying the principles of social housing in Polokwane. The mandate has been extended to include participating in the non-social housing rental space. I.e. gap market and profit making rental housing.

CHAPTER 5

DIRECTORS' REPORT AND GOVERNANCE

5.1 COMPANY SECRETARY REPORT

The entity has addressed the following compliance issues such as, amongst others, during the year under review:

- Lodge the annual returns with CIPC
- Registering PHA as SOC (Ltd) from the incorrect registration as Pty (Ltd)
- The company renewed a professional indemnity insurance it out took last year for its Directors. This is intended to cover Directors for any claims against them as they diligently carry out the business of Polokwane Housing Association.
- The Company Secretary position is vacant on the Board. The position was, however, filled subsequent to year end.

5.2 BOARD OF DIRECTORS

The Board of directors continued to perform its oversight functions and provided strategic leadership and guidance to the CEO and the management team during the year under review.

The table below shows the Board meetings that were scheduled for the year under review and the attendance by members.

5.3 BOARD COMMITTEES

Board Committees serve as a vital and important tool in aiding the Board. After all, a Committee's intended mission is to support and assist the Board in carrying out its responsibilities. Dysfunctional Committees however, can have the adverse effect, creating long-lasting negative issues for both the board and the community at large.

The explanation below gives clarity to the roles, responsibilities and performance of the various Board Committees during the term under review.

The Board is supported by the following committees:

- Property, Contracts and Projects, (PCP)
- Finance and Risk, (FRC)
- Human Resource & Remuneration (HR&REMCO), and
- Social and Ethics

5.4 PROPERTY, CONTRACTS & PROJECTS

5.4.1 MANDATE OF THE COMMITTEE

The Committee is mandated to perform the following duties:

a) To ensure effective, efficient and economic use of the rental stock.

b) To ensure that the organisations render service of high quality to clients.

c) To recommend to the board that competitive designs and standards are maintained.

d) Shall research and assist the company in keeping abreast with developments in the housing environment.

e) Shall be responsible for rental and tenancy policies.

f) Shall investigate and address the complaints of the clients.

g) To consider all issues in relation to property development and management.

h) To review policies, methodology and procedure in connection with the consideration and approval of projects and management thereof, recommendations on applications to be delegated to officials.

i) To consider and recommend to the Board, appropriate parameters for the determination of applications to be delegated to officials.

j) To monitor the exercise of these delegated powers and the compliance of officials with the parameters set.

k) To recommend rentals and other service charges and consider increments thereof.

Table 1: Board meetings and attendance

DATE	MS. SARA MASHABELA – CHAIRPERSON	MS. ASNATH KGOSANA	MATSOBANE GOLOLO	OUPA GALANE	SAMSON VILAKAZI	HYVEN KHOLOPHE	SHIMI MAIMELA – CHIEF EXECUTIVE
25 Aug 2019	✓	✓	✓	✓	✓	✓	✓
17 Nov 2019	✓	✓	✓	✓	✓	✓	✓
23 Feb 2020	✓	✓	✓	✓	✓	✓	✓

Sopholis Chuene – Acting Secretariat – 25 Aug 2019 and 17 Nov 2019
Mathaba Pheeha – Secretariat – 23 Feb 2020

Thabatshweu
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5.4.2 COMMITTEE STRUCTURE

The Committee is constituted by tthree (03) members of the Board of Directors and two officials, namely:

- Oupa Galane – Chairperson (Non-Executive Director)
- Matsobane Gololo – Non-Executive Director
- Shimi Maimela- Chief Executive Officer (Director) and
- Robert Maetisa- Property Manager
- Sopholis Chuene – Manager Office of the CEO
- Ms Mathaba Pheeha – Secretariat

Messrs. Chuene, Maetisa and Mathaba Pheeha are permanent invitees to the Committee

5.4.3 COMMITTEE MEETINGS AND ATTENDANCE

According to the year plan, the committee is expected to have four scheduled meetings. During the period under review, the committee managed to hold three scheduled (3) meetings (1st to 3rd quarter). The meeting scheduled for the 4th quarter could not take place due to the fact that this period was within the declared State of National Disaster, where the president declared the National lockdown.

Table 2: Property, Contracts and Projects - meetings and attendance

NAMES	Q1	Q2	Q3	Q4
Oupa Galane – Chairperson	✓	✓	✓	No meeting due to COVID-19 Disaster Management Regulations prohibiting gatherings
Matsobane Gololo	✓	✓	✓	
Shimi Maimela	✓	✓	✓	
Robert Maetisa	✓	✓	✓	
Sopholis Chuene	✓	✓		
Ms Mathaba Pheeha	N/A	N/A	✓	

5.4.4 POLICIES

On an annual basis the PCP reviews its policies to be in line with the changing circumstances / environment so as to meet the needs of the tenants. The following policies were reviewed by the committee and adopted by the board during the period under review:

- Housing Stock Development and Acquisition
- Property Management Policy
- Property Administration Policy
- Property, Contracts and Projects (PCP) TOR
- Tenants Committee Charter

5.4.5 PROPERTY MANAGEMENT DELIVERY PERFORMANCE

The Property Management Department covers facilities management and tenant services, which includes: administration of waiting lists; allocation of tenants; lease administration; tenanting; repairs and maintenance; cleaning and gardening; safety and security; and general upkeep of communal areas.

5.4.6 PORTFOLIO MANAGED BY PHA

A. GA RENA RENTAL VILLAGES

The Ga-Rena residential complex has 508 rental units constituted by 86 blocks. The project is meant to cater for tenants with income range of R3 500 – R15 000. Performance of the portfolio has been difficult for several years, due to rent boycotts and protests. Gradually, the reconciliation is taking shape and normalisation may be achieved soon.

Lease Agreements

The majority of the leases have expired and they were not renewed. Tenants' occupation verification was done and completed. The process of renewing lease agreements is underway with the tenant's committee.

Sub-letting

It was discovered that some of the tenants have sub-letted their units. Through investigations, it was discovered when a tenant moves out, he/she leaves someone in the unit whom they claim to be a cousin/niece/brother etc. After realising that there are sub-lets, a call was made to all the sub-lets to come forth so that they may be regularised as legitimate tenants. A handful of tenants came forth and they were regularised. Others still remain sub-lets. The tenant's committee and PHA are working on getting the regularisation completed.

B. SESHEGO COMMUNITY RESIDENTIAL UNITS

Overview of the Complex

The project is built by CoGHSTA on land owned by the Municipality. Upon completion of the project, CoGHSTA transferred the management of the complex to the Municipality. The Municipality in turn appointed Polokwane Housing Association to manage the complex. The project has been performing well since inception. However, rental collection dropped to 61% during level 5 lockdown. Rental collection has moved to acceptable levels since the country moved to level 4 lockdown.

Administration of waiting list and tenant allocation

Allocation of tenants is guided by the entity's administration policy

Lease Administration

Lease agreements are entered into with tenants covering a period of three years. New lease agreements are in the process of being concluded with the Seshego CRU projects.

Repairs and Maintenance

It should be noted that maintenance conducted on the project is reactive maintenance. Planned maintenance will be conducted in the next financial year. This will include re-painting the external walls of the complex

Cleaning and Gardening

As Polokwane is a water scarce Municipality, a strategic decision was taken to opt for dry gardening instead of wet gardening. This approach conserves the much needed water to cater for household needs.

Safety and Security

The complex is operated with an access control boom gate and finger print security system. There is a 24-hour security on the complex who perform static security services. The entity has further appointed a security company to perform intervention services should the need arise.

Vacancy and Occupations Report

Table 3: Performance indicators

PERFORMANCE INDICATORS ON QUARTERLY BASIS FOR 2018/19	Q1	Q2	Q3	Q4
Occupation Rate	99%	99%	97%	100%
Vacancy Rate	1%	1%	3%	0%

5.4.7 HOUSING STOCK DEVELOPMENT AND ACQUISITION

OVERVIEW

In a bid to develop and manage social housing, the City of Polokwane, established Thabatshweu Housing Company t/a Polokwane Housing Association (PHA), a Municipal entity in terms of the Municipal Systems Act.

The entity's main focus is to develop and manage social housing and to promote housing delivery for a range of income groups in such a way as to allow integration and cross subsidisation. It is the therefore PHA's objective to provide social housing in such a way that it most appropriately addresses the variety of challenges experienced in the housing sector.

PHA adopted a Property Development Strategy in 2016 to enable the company to increase its portfolio and the revenue base. In doing so, a Public Private Partnership (PPP) model was among the strategies to be employed by the company. Companies were appointed to conduct pre-feasibility studies in the following housing programmes, in order to establish viability of the proposed projects: Social Housing, Student Accommodation and Gap Housing.

The Pre-feasibility studies yielded positive results (proved the feasibility of the projects). The Parent Municipality as 100% shareholder, together with the Board of Directors approved the implementation of the projects. Transactional Advisors were appointed to finalise the feasibility studies and package the proposed projects.

The procurement process kick-started in 2017, where Requests for Qualification (RFQ) were called for and bidders were pre-qualified. Pre-qualified bidders were then issued with a Request for Proposal (RFP). The bidders were requested to innovate and densify when packaging their submissions.

5.4.8 PROJECTS

A) ANNADALE EXT 2 SOCIAL HOUSING PROJECT BRIEF

Background

Motheo construction group was appointed to construct 494 residential units comprising eleven blocks at Annadale Extension 2 (Ga Rena Phase 2). The project started on the 1st February 2019. Despite normal construction site challenges the project was running smoothly until the site was closed due to the national lockdown.

Progress made by June 2020

- The actual work was 12% completed
- Brickwork to block A and B were 100% complete on second floor
- Brickwork to C and D were 100% complete on first floor
- Brickwork to block E and H were ground floor 75% complete
- Commenced with brickwork of block F
- Raft foundation to block G to commence
- Services to block J and K complete
- Layer works to block L

Impact of – 19 on construction site

The site was closed in March 2020 due to the national lockdown announced by the President of the country. All construction employees vacated the site. Security remained behind to guard against theft and banalisation of the site.

The project was opened on the 1st of June 2020 and it was delayed with about sixty (60) days, due to the lockdown and, as a result, the completion date had to be revised.

Local empowerment

The project appointed (9) nine local subcontractors for different trades and a total of one hundred and forty-six (146) local labourers of which twenty-seven (27) are females and one hundred and nineteen (119) are males.

Anticipated completion date

The project is anticipated to be completed on 17 June 2021.

B) POLOKWANE EXT 76 SOCIAL HOUSING PROJECT

Overview

The successful bidder for Polokwane Ext 76 Social housing project proposed 240 social housing units. The final construction drawings are based on the said number. The grant application from Social Housing Regulatory Authority (SHRA) approved grants equal to 240 units.

A monthly royalty fee of 30% payable to PHA from gross rental collections was also negotiated with LADIRA JV. (La-Dira)

After the procurement process, La-Dira / NJR JV was duly notified of the PHA / Municipality's intent to appoint them subject to completion of the public participation process in terms of Section 33 of the MFMA.

Summary of value for money

The summary of value for money is shown in Table 4 below.

Negotiations and Capital Raising

Negotiations with La Dira/ NJR JV have been concluded, the outstanding issue is capital raising by the developer to finance the shortfall. It should be remembered that this project secured grant funding to the amount of R65,248,080 comprising Consolidated Capital Grant (CCG) for R37,200,000 from SHRA and R28,067,280 for Top-up Subsidy from CoGHSTA.

Finalisation of securing funding (shortfall) for the project shall unlock the signing of the development agreement, that will lead to handing the site over to the developer.

Social housing Regulatory Authority (SHRA)

SHRA approved the model that PHA intended to apply in implementing this project, a long-term lease of land to a private party, who will play the role of developer and manage the project over time.

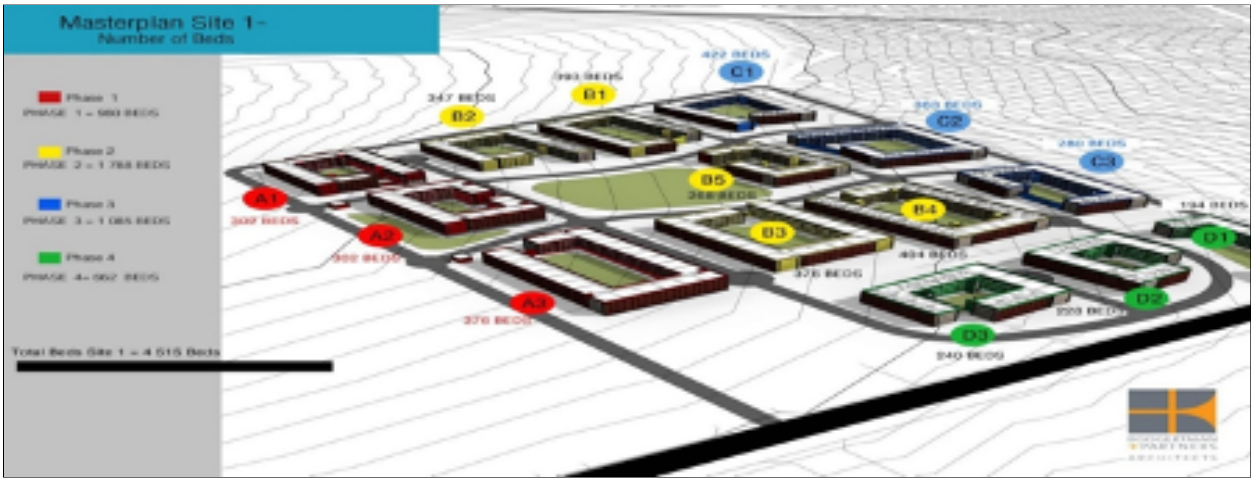
Recently SHRA informed PHA that it would prefer PHA to allow Ladira Dira? to play the role of a contractor and no longer a developer. It is clear that the request reneges on the initially agreed upon project approval by the same institution and also created a problem for the PHA in terms of Supply Chain Management Processes, because it changed the conditions of the bid.

The matter is currently under consultation with legal opinion before an appropriate solution reply may be provided to SHRA.

A further report on the engagement with SHRA and Ladira shall be provided to the Board & the Shareholder in due course.

Table 4: Summary of value for money

DESCRIPTION	PRE-FEASIBILITY OUTCOME	ACTUAL OUTCOME FROM COMPETITIVE BIDDING PROCESS	DIFFERENCE	COMMENTS
Total Number of Units	190	240	50	Overall more units
One Bedroom Units	57	24	(33)	Lower demand for 1 bedroom units as mainly families
Two Bedroom Units	114	216	102	Beneficial
Three Bedroom Units	19	-	(19)	No market for 3 bedroom rental identified
Development Costs	R119,269,130	R85,374,939	R33,894,191	Beneficial
Construction Period	24 Months	18 Months	06 Months	Beneficial
Concession Agreement	30 years	20 years	10 years	Beneficial
Royalty Fee % Payable to PHA	10%	20%	30%	Beneficial



Masterplan for Polokwane Ext 106

C) POLOKWANE EXT 108 AND 106 STUDENT ACCOMMODATION PROJECTS

Overview

The Municipality recognised the need for student housing as a social challenge. The Student Housing concept originated from a resolution adopted by the Polokwane Municipal Council, and mandated its entity (PHA) to research the concept. A Transactional Advisor (Maya Group) was appointed and tasked to conduct a feasibility study to determine the feasibility and viability of developing student accommodation on an off-balance sheet, long-term lease basis as well as the best way to procure the project.

This feasibility study was specifically based on land owned by the Municipality, which had been earmarked for the projects – Extension 108 (1ha), and Ext 106 (11.5ha), approved by the Municipality's Council for such use. The primary objective of the Project is to develop student housing in a cost-effective and efficient manner.

A student housing demand assessment was conducted for Polokwane Municipality, which proved that the City was not immune to these challenges. The assessment found that the student accommodation ratio in the Municipality was approximately 1 bed to 13 students. Further to this, the study found that students who were not sufficiently accommodated within the residences were leasing apartments within the City Centre and had become victims of crime.

The institution also lacks the in-house capabilities to construct, manage, operate and maintain the project asset. PHA is incapable of assuming any technical and financial risk. The project must be procured in a manner that enables PHA to transfer all technical and financial risk, as well as allow the institution to receive a financial benefit.

The PPP Agreement was structured in such a way that the Municipality does not assume any financial exposure on the transaction.

a) The private party is responsible for funding the project.

b) The Municipality will facilitate but, is not guaranteeing, grants for the project, which accrue to the project as it is located in an urban restructuring zone.

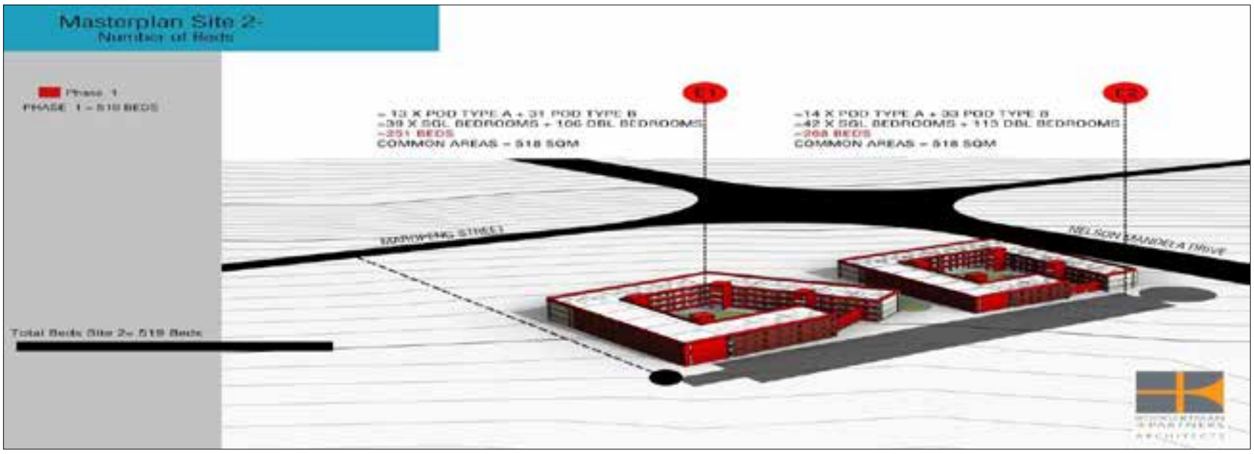
c) The private party is responsible for collection of rental income from students with no off-take agreement? and no financial exposure to the Municipality.

d) In the event that a default triggers claims by lenders of the private party, the lenders will be provided step-in rights to manage the project and the Municipality shall continue to collect the project fee due to the Municipality, i.e. the Municipality will not assume liability on the project, even in instances where step-in rights of the lenders are triggered.

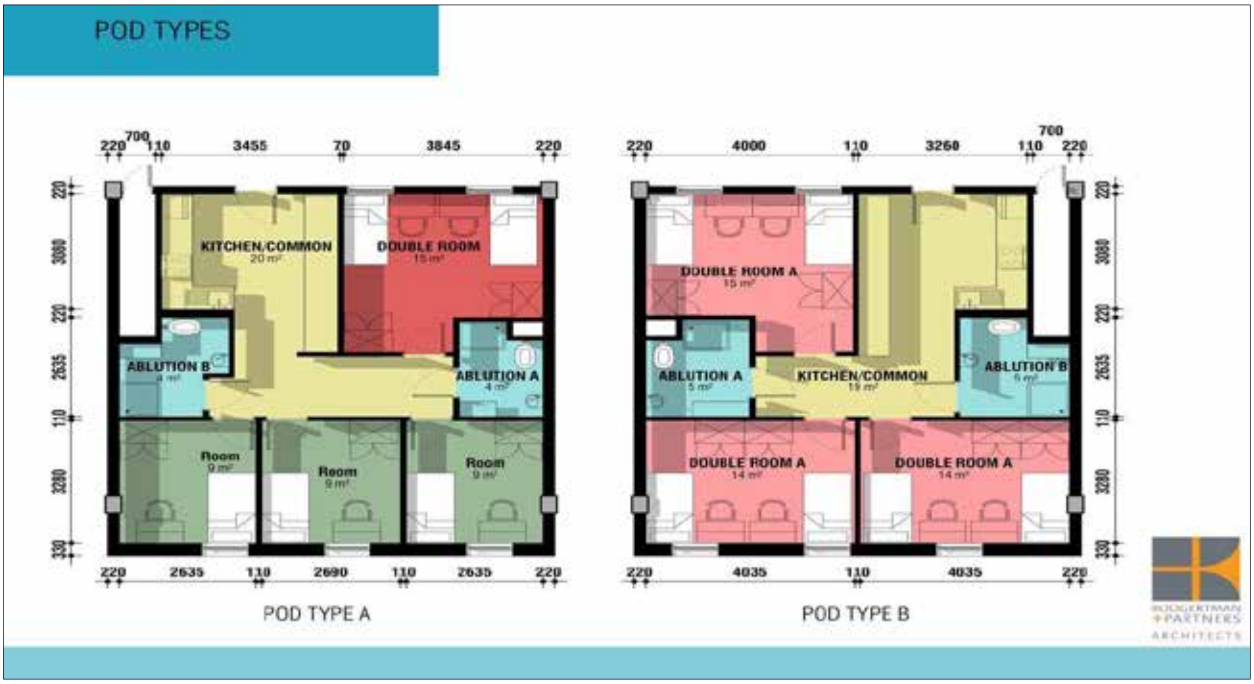
e) In the event that the contract is cancelled due to private party default, agreement cancellation automatically triggers a retendering process to appoint a new private party to continue with the project, such that the Municipality remains protected from financial exposure.

f) The private party has lodged a bid bond currently and, for the duration of the project, shall have a performance bond lodged with the Municipality in the event that the Municipality has to claim for any defaults that expose it to financial risk

The two projects were consolidated and awarded to one developer (Jendza) because the Ext 108 project bid was non-responsive. The Council gave approval for the Municipality to enter into a long-term Development lease (30 years) with its associated agreements for both Ext 106 and 108 projects.



Master Plan Ext 108



Pod types

Above are two Pod types. Pod Type A, provides a mixture of 3 single rooms (9m^2 per single room) and 1 double room (15m2 double room) with a common kitchen (20m^2 per kitchen) and 2 bathrooms (4m^2 per bathroom). Pod Type B, is a mixture of 3 (15m^2) double rooms, a common kitchen (20m^2) and 2 bathrooms (4m^2 per bathroom).

One company was appointed for the development of the two land parcels. The preferred bidder wrote a letter informing PHA that the project is no longer viable due to changes in legislation, particularly higher education in relation to TVET colleges, which were targeted as the primary beneficiaries for the projects.

D) POLOKWANE EXT 107 GAP HOUSING PROJECT

Overview

The Design, Built, Finance, Operate and Transfer (DBFOT) option on Extension 107 was the chosen approach approved by PHA and its stakeholders. Polokwane Housing Association contributed land towards the DBFOT concessionary agreement. The Concessionaire will transfer properties to the new home owners and pay over a royalty fee of 5% to PHA after the successful transfer. The assumption is that the developer will sell off the plan and thereby only require minimum capital outlay upfront which should reduce the amount to be borrowed.

After the completion of procurement processes, VHARANANI Properties was duly notified of the PHA / Municipality's intention to appoint them, subject to completion of the public participation process in terms of Section 33 of the MFMA.

A royalty fee of 7% payable to PHA from gross sales value of properties after successful transfer, was also negotiated with VHARANANI.

Vharanani Properties is the preferred bidder for this project and engagement with the company is underway to finalise the contract. The Design Build Finance Operate and Transfer (DBFOT) procurement process option on Extension 107 yielded the following results:

a) Polokwane Housing Association will contribute land towards the DBFOT concessionary agreement.

b) The Concessionaire will build, sell and transfer properties to the potential new home owners. The assumption is that the developer will sell off the plan and thereby only require minimum capital outlay upfront which should reduce the amount to be borrowed.

c) The Concessionaire will pay over a royalty fee of 7% (to be finalised) to PHA after the successful transfer of each property sold.

The development agreement is expected to be concluded in the first quarter of the next financial year 2020/2021

Summary of Value for Money Results

The summary of value for money is shown in Table 5 below.

Table 5: Summary of value for money

DESCRIPTION	PRE-FEASIBILITY OUTCOME	ACTUAL OUTCOME FROM COMPETITIVE BIDDING PROCESS	DIFFERENCE	COMMENTS
Total Number of Units	±754	827	73	More units
One Bedroom Units	-	-	-	-
Two Bedroom Units	226	678	452	Beneficial
Three Bedroom Units	528	149	(379)	No market for 3 bedroom rental identified
Development Costs	R369,371,095	R337,416,252	R31,954,843	Beneficial
Construction Period	05 Years	02 Years	03 Years	Beneficial
Concession Agreement	20 years	05 years	15 years	Beneficial
Royalty Fee % Payable to PHA	5%	7%	2%	Beneficial
Proposed Land Sales Value versus Royalty Fee Receipt	R16,358,968	R27,266,152	R10,907,18	Beneficial

Ext 107 Project: Typical Housing Typologies

TYPE A - Single storey

Two bedroom semi-detached unit of 44m². Plots range in size from 122m²- 162m².

TYPE B – sub-type B/E - Double storey

Two bedroom semi-detached end unit of 55m². Plots range in size from 82m²- 176m².

TYPE C - Single storey

Three bedroom semi-detached unit of 57m². Plot size of 154m².

TYPE D - Double storey

Three bedroom semi-detached unit of 63m². Plots range in size from 113m² to 166m².

5.5 FINANCE AND RISK COMMITTEE

5.5.1 THE MANDATE OF THE COMMITTEE

The Finance committee deals with finance, audit and risk matters. This committee is tasked to review all issues relating to finance, audit and risk matters of the company including the internal controls. The Committee further assists and advises the Board of Directors on overall Finance with respect to:

- Financial Management,
- Risk Management,
- Internal and External Audit, and
- Development and review of Financial and Risk Policies

5.5.2 COMPOSITION OF THE COMMITTEE

The Finance and Risk Committee comprised three (3) members of the board, CEO, Finance Manager and Company Secretary as follows.

- Matsobane Gololo – Non-Executive Director and Chairperson of Committee
- Oupa Galane- Non-Executive Director,
- Shimi Maimela- Chief Executive Officer (Director)
- Malesela Masekoameng – Finance Manager
- Sopholis Chuene – Manager Office of the CEO
- Ms Mathaba Pheeha – Secretariat

Messrs. Malesela Masekoameng, Sopholis Chuene and Mathaba Pheeha are permanent invitees to the Committee

5.5.3 HIGHLIGHTS

- Finance policies were reviewed and amendments done.
- Management made a breakthrough with tenants at Ga-Rena regarding the Hijacking of units, the collection rate is also expected to increase in the next Financial year.
- Risk policies were reviewed.
- Risk register and risks implementation plan were approved and Implemented.
- Risk reports also served before Polokwane Municipality's Risk Management committee and Audit committee for quality assurance.
- The entity maintained its unqualified audit opinion.

5.5.4 CHALLENGES

- Rental Boycott that the entity experienced, especially at Ga-Rena rental village, set the entity back.
- The protracted process of eviction(s) at Ga-Rena affected the rental collection and impacted negatively at the entity's cash flow.
- COVID 19 negatively affected the collection rate at Seshego CRU in the final quarter of the financial year.
- Decrease of rental collection from 29.15% to 26.29%.

The support from the municipality does not go unnoticed. Through shared services, secondments and grants received, the financial position of the entity grows year on year.

Table 6: Schedule of Committee Meetings and attendance

DATE	MATSOBANE GOLOLO	OUPA GALANE	JOHN MAIMELA	MALESELA MASEKOAMENG	SOPHOLIS CHUENE	MATHABA PHEEHA
25 August 2019	✓	✓	✓	✓	✓	N/A
10 November 2019	✓	✓	✓	✓	✓	N/A
23 February 2020	✓	✓	✓	✓	✓	✓

5.6 HUMAN RESOURCE AND REMUNERATION COMMITTEE

5.6.1 MANDATE OF THE COMMITTEE

The Committee reviews the human resources management and remuneration policies and practices in the Entity and determines terms and conditions of employment at all staff levels.

The committee reviews the quarterly performance and is responsible for the annual performance review.

The Human Resources and Remuneration Committee was charged with putting in place a human resources strategy that ensures proper human resources practices and remuneration philosophy. This saw the reviewing of human resources policies,

practices and procedures, introduction of best practice in respect of terms and conditions of employment, salary benchmarking, talent management and the application of a proper performance management system in line with the parent municipality.

5.6.2 COMPOSITION OF THE COMMITTEE

The Human Resource Committee comprises three (3) members of the board with the CEO and the Human Resources manager as permanent invitees.

5.6.3 COMMITTEE MEMBERS

- Vilakazi Samson (Chairperson)
- Kgosana A (Member)
- Maimela Shimi (CEO)
- Rasebotje MSC (HR Manager)
- Sopholis Chuene (Manager Office of the CEO)
- Mathaba Pheeha (Secretariat)

Messrs. Conny Rasebotje, Sopholis Chuene and Mathaba Pheeha are permanent invitees to the Committee.

5.6.4 TABLE: SCHEDULE OF COMMITTEE MEETINGS

The Human Resources and Remuneration Committee was charged with putting in place a human resources strategy that introduces proper human resources practices and remuneration philosophy. This saw the reviewing of human resources policies, practices and procedures, introduction of best practice in respect of terms and conditions of employment, salary benchmarking, talent management and the application of a proper performance management system in line with the parent municipality.

5.6.5 HIGHLIGHTS

- The development and implementation of a Human Resource Strategy to guide the HR functions
- Reviewal of Human Resource policies
- Alignment of salaries within PHA to those similar at the parent Municipality.
- Promotion of three officials as Assistant Manager: Revenue, Housing supervisor, and Project Coordinator, respectively.
- Registration with CETA and submission of WSP

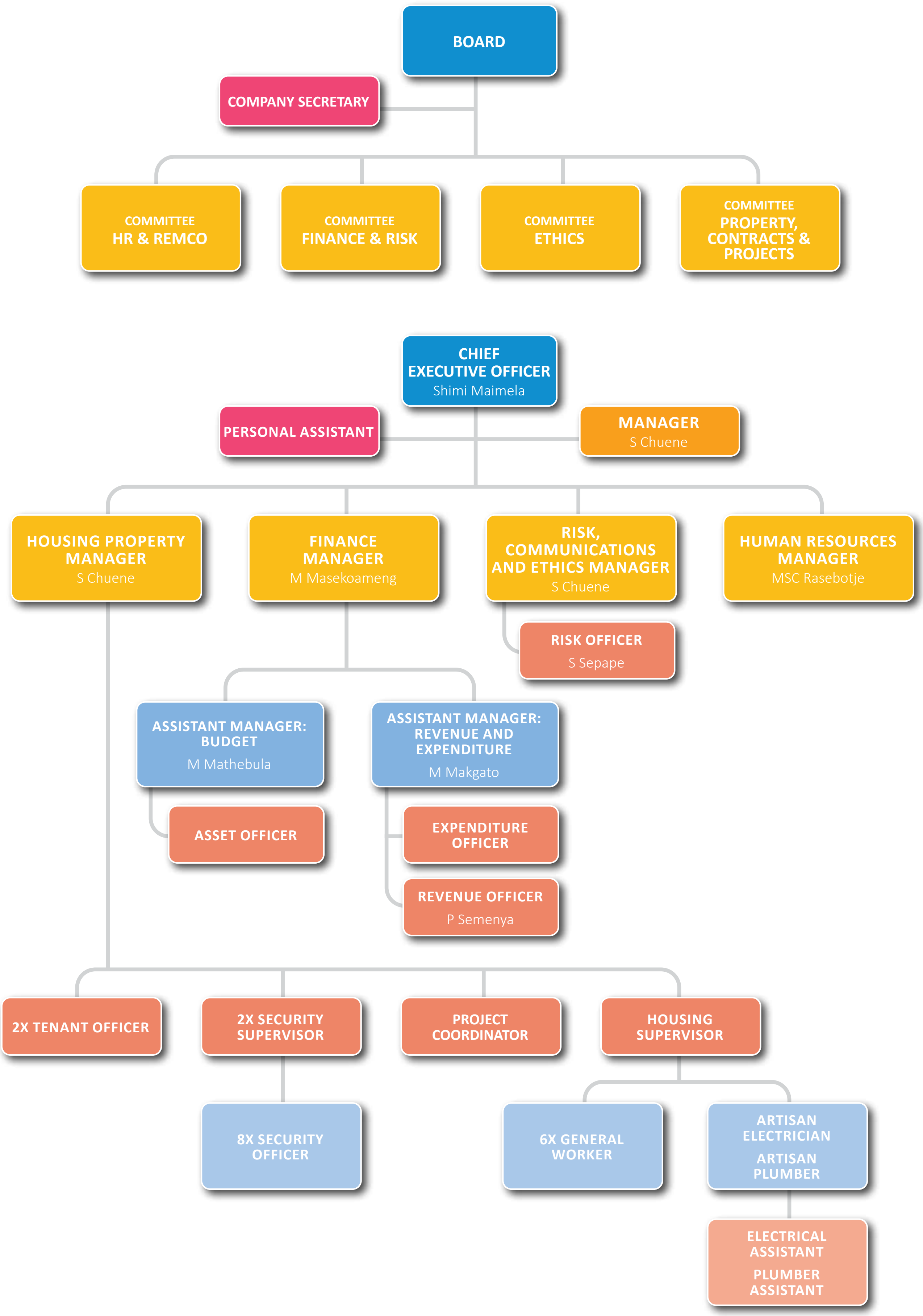
5.6.6 CHALLENGES

- The non-appointment of a full time Company secretary.
- The organisation has not been able to operate at full potential due to non appointment of key personnel.
- Overburdened officials.

Table 7: Schedule of Committee Meetings and attendance

DATE	SAMSON VILAKAZI	MS. ASNATH KGOSANA	SHIMI MAIMELA	MS. M.S.C RASEBOTJE	SOPHOLIS CHUENE	MATHABA PHEEHA
25 August 2019	✓	✓	✓	✓	✓	N/A
17 November 2019	✓	✓	✓	✓	✓	N/A
23 February 2020	✓	✓	✓	✓	✓	✓

5.6.7 ORGANISATIONAL STRUCTURE



5.7 SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee (Committee) is constituted as a formal Committee in terms of the Companies Act and this report is prepared in compliance with the requirements of the Companies Act. The Committee operates according to the Terms of Reference (TOR) which stipulates the composition, role, responsibilities and duties of the Committee. The Terms of Reference are reviewed from time to time.

5.7.1 MANDATE OF THE SOCIAL AND ETHICS COMMITTEE

In terms of the TOR the mandate of the Social & Ethics Committee is to assist the Board in, inter alia, the following:

- To monitor the organisation's activities, having regard to all relevant pieces of legislation
  - the Broad-Based Black Economic Empowerment Act; and
  - the Employment Equity Act
- promotion of equality, prevention of unfair discrimination, and reduction of corruption;
- contribution to development of the communities in which its activities are predominantly marketed;
- record of sponsorship, donations and charitable giving;
- the environment, health and public safety, including the impact of the Organisation's activities and of its products or services;
- consumer relationships, including the Organisation's advertising, public relations and compliance with consumer protection laws;
  - the Organisation's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
  - the Organisation's employment relationships and its contributions toward the educational development of its employees;
  - bring matters within its mandate to the attention of the Board as may occasionally be required; and
  - to report, through one of its members, to the shareholders at the Organisation's annual general meeting on the matters within its mandate.

5.7.2 SOCIAL & ETHICS COMMITTEE TERMS OF REFERENCE

The Social & Ethics Committee has adopted formal Terms of Reference which have been approved by the Board of Directors. The Committee has conducted its affairs in compliance with these Terms of Reference and has discharged its responsibilities contained therein.

5.7.3 COMPOSITION

- In accordance with the relevant provisions of the Companies Act and applying the recommendations of King III, the Social & Ethics Committee consists of a majority of independent non-executive directors, one of whom chairs the Committee's meetings to ensure that independent judgement is brought to bear. The Chief Executive is also a member of this Committee. Members and the Chairman of this Committee are elected by the Board.
- Senior management of the Company attends meetings of the Committee as appropriate.

5.7.4 COMMITTEE STRUCTURE

The committee is constituted by tthree03) members of the Board of Directors,

- Ms Asnath Kgosana – Chairperson- Non-Executive Director
- Oupa Galane – Non-Executive Director
- Shimi Maimela- Chief Executive Officer (Director)
- Sopholis Chuene – Manager Office of the CEO
- Mathaba Pheeha

Messrs. Sopholis Chuene and Mathaba Pheeha are permanent invitees to the Committee.

5.7.5 MEETINGS

During the year under review, the Committee met three times. In accordance with the Terms of Reference, the Committee meets as frequently as the Committee considers appropriate. The following table of attendance at Social & Ethics Committee meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members.

Table 8: Schedule of Committee Meetings and attendance

DATE	MS. ASNATH KGOSANA (CHAIPERSON)	OUPA GALANE	SHIMI MAIMELA	SOPHOLIS CHUENE	MATHABA PHEEHA
02 February 2020	✓	✓	✓	✓	N/A
10 November 2019	✓	✓	✓	✓	N/A
25 August 2019	✓	✓	✓	✓	✓

5.7.6 CORPORATE SOCIAL PERFORMANCE

The Committee measured the impact of its decisions or activities on society in the following areas:

1. Unethical behaviors and practices
2. Health and Hygiene and public safety (Environmental health and public safety)
3. Environmental Sustainability Consideration (Environmental health and public safety)
4. Fair Competition and Local Economic Development

CORPORATE ETHICS PERFORMANCE

The King Report also emphasises the responsibility of the board of directors to ensure that the ethics of the company are governed well. The ethics management process that the board ensured, is implemented in the company and consists of four aspects:

1. Development and Maintenance of Risk register
2. Safety and Security in the complexes
3. Ethics Standards
4. Internal and external reporting
   - Internal reporting – Audit Team
   - External reporting – Annual report

FOCUS AREAS FOR THE REVIEW

During the period under review, the Committee has considered the following reports:

- Supply Chain
- Human Capital
- Customers and other stakeholders

There were no unethical issues reported.

KEY FOCUS AREAS FOR THE YEAR AHEAD

The key focus areas for the Committee for financial year 2021 are:

- Ensuring that COVID 19 regulations are observed at our projects and office

COVID -19 GLOBAL PANDEMIC

The health and safety of our officials, our tenants and our communities are key priorities

As lockdown restrictions are lifted, the Organisation will continue to implement rigorous controls, and intensify these regimes if appropriate;

- an extensive communication programme has been implemented across the Committee's operations to ensure that all relevant information regarding the pandemic is distributed to employees on an ongoing basis; and
- strict protocols have been implemented in terms of social distancing and remote working.

5.8 HUMAN CAPITAL

TRAINING AND DEVELOPMENT

There has been no anomaly in respect of training and development of employees. The accreditation of Social Housing Regulatory Authority saw employees being trained on the basics of SHRA and they now understand and comply with regulating the authority's policy and regulations. The majority of the training would have been attended, but budgetary constraints prohibited most of the training from being undertaken. The entity is registered with CETA and therefore would be receiving grants that will assist with the training and development of employees.

EMPLOYEE WELLNESS

The entity thrives on the shareholder's quarterly health screening sessions.

Health promotion awareness campaigns are conducted with the aim of raising/educating employees about social problems or illness which could affect them and ways to prevent them.

The shareholder also celebrates special events, like women's day/month, team building, etc., as and when the budget permits, the entity piggybacks on such and allows officials to be part of the celebrations. The entity has taken precautionary measures to deal with COVID-19 in line with the disaster management act and the ...

Guideline for municipalities to respond to the COVID-19 pandemic. We consider ourselves lucky that, as yet, we have not had an official testing positive to the pandemic

RECRUITMENT

The entity has promoted three officials to the positions of Assistant Manager: Revenue, Project Coordinator, and Housing supervisor respectively. The promotions will see improved relations with the tenants as well as improved service delivery to the tenants. The entity still thrives on partially seconded officials from the shareholder. These partial secondments bring in expertise to fill identified gaps.

5.9 SOCIAL AND ETHICS

5.9.1 SUPPLIERS AND BUSINESS PARTNERS /SUPPLY CHAIN

The Board of Directors of a municipal entity must maintain oversight over the implementation of its Supply Chain Management policy. For the purpose of such oversight, the Accounting Officer must submit a report on the implementation of the municipal entity's Supply Chain Management to the Board of Directors, who must then submit it to the Accounting Officer of the parent municipality for submission to the municipal Council.

The following tender awards were made during the financial year.

NAME OF SUPPLIER	AMOUNT	DESCRIPTION OF SERVICES RENDERED
Key and Sounds	R2 632.50	Keys
Preflo	R13 600.00	Materials
Tshelimasa Trading	R3 500.00	Fixing of Geysers
Voltex	R7 968.81	Electrical Materials
Mabone Construction	R24 558.15	Materials
Modular Plumbing	R12 600.00	Geyser
Bargain House	R34 821.00	Materials
Brighton Plumbers	R1 500.00	Repairing of Geysers
Total	**R101 180.46**	

SERVICE DELIVERY PERFORMANCE

6.1 CORE BUSINESS/ BASIC SERVICE DELIVERY

STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	START DATE	END DATE	BASELINE	ANNUAL TARGET	PERFORMANCE ACHIEVEMENT	PERFORMANCE CHALLENGES	MEASURES TO IMPROVE PERFORMANCE	PORTFOLIO OF EVIDENCE
Improve quality of living	Maintenance	No of Maintenance requests received and attended to within 2 weeks by 30 June 2020	#	01-Jul-19	30-Jun-20	156	130	156	N/A	N/A	Maintenance requests logbook and forms that will show when the request was logged and closed
	SHRA Compliance	Number of monthly projects progress reports compiled and submitted to SHRA	#	01-Jul-19	30-Jun-20	New	12	12	N/A	N/A	Monthly projects reports and proof of submission to SHRA
		Number of project reporting tools compiled and submitted to SHRA by 30 June 2020	#	01-Jul-19	30-Jun-20	New	4 Project Reporting Tools compiled and submitted to HRA	4	N/A	N/A	Project Reporting Tools and proof of submission
	Integrated housing units (BNG, GAP & Open market housing units and business unit)	Identify and obtain 1 land parcel to create integrated housing units (BNG, GAP & Open Market Housing units and business unit) by 30 June 2020	#	01-Jul-19	30-Dec-19	1 land parcel identified and obtained	1 land parcel identified and obtained	1 land parcel identified and obtained	N/A	N/A	Council Resolution
	Rental Housing	Identify and obtain 1 land parcel to create Rental Housing Units by 30 June 2020	#	01-Jul-19	30-Dec-19	1 land parcel identified and obtained	1 land parcel identified and obtained	1 land parcel identified and obtained	N/A	N/A	Council Resolution
	Social Housing	Identify and obtain 1 land parcel to create residential units & Social Housing Units by 30 June 2020	#	01-Jul-19	30-Dec-19	1 land parcel identified and obtained	1 land parcel identified and obtained	1 land parcel identified and obtained	N/A	N/A	Council Resolution

6.2 FINANCIAL VIABILITY

STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	START DATE	END DATE	BASELINE	ANNUAL TARGET	PERFORMANCE ACHIEVEMENT	PERFORMANCE CHALLENGES	MEASURES TO IMPROVE PERFORMANCE	PORTFOLIO OF EVIDENCE
Enhance revenue and asset base	Revenue Management	% of PHA rental housing units occupied by 30 June 2020	%	01-Jul-19	30-Jun-20	94%	95%	94%	Some units are high-jacked and illegally occupied. Due to COVID-19 regulations, evictions are prohibited	Action plan to regularise tenants is ongoing together with the new tenant's committee. Also there is new security company to maintain order and curb lawlessness at Ga-Rena Village. The plan will be actioned after the relaxation of COVID-19 Regulations	Monthly occupancy reports
		% of rental collected by 30 June 2020	%	01-Jul-19	30-Jun-20	30%	82%	26%	Poor rental collection was caused by rental boycotts	Action plans have been put in place to turn the collection rate from Q 1 of 2020/2021	Monthly financial reports (section 71)
	Budget and Reporting	Maintain unqualified audit opinion by 31 December 2019	Date	01-Jul-19	31-Dec-19	Unqualified audit opinion	Maintain unqualified audit opinion	Unqualified Audit Opinion	N/A	N/A	AGSA Audit opinion report
		Development of the Audit Action Plan for AG Report by 31 January 2020	Date	01-Jul-19	31-Jan-20	Developed Audit Action Plan	Develop Audit Action Plan by 31 January 2020	Action Plans Developed and submitted to Internal Audit Unit	N/A	N/A	Developed Audit Action Plan
	Assets Management	Complete Physical Asset Verification for moveable and immovable assets by August 2019	Date	01-Jul-19	30-Aug-19	Completed physical asset verification	Complete Physical Asset Verification for moveable and immovable assets by August 2019	Asset verification completed by 31 July 2019	N/A	N/A	Completed physical asset verification report

6.3 GOVERNANCE AND TRANSFORMATION

STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	START DATE	END DATE	BASELINE	ANNUAL TARGET	PERFORMANCE ACHIEVEMENT	PERFORMANCE CHALLENGES	MEASURES TO IMPROVE PERFORMANCE	PORTFOLIO OF EVIDENCE
Improve admin and governance capacity	Budget and Reporting	Prepare and submit Annual Financial Statements (AFS) to Auditor General (SA) by 31 Aug 2019	Date	01-Jul-19	31-Aug-19	31-Aug-18	Prepare and submit Annual Financial Statements (AFS) to Auditor General (SA) by 31 Aug 2019	AFS submitted to AGSA by 31 August 2019	N/A	N/A	Signed AFS and proof of submission to AG
		Prepare and submit revised Budget to the Shareholder by 28 Feb 2020	Date	01-Jul-19	28-Feb-20	28-Feb-19	Prepare and submit revised Budget to the Shareholder by 28 Feb 2019	Submitted revised budget to the shareholder	N/A	N/A	Revised budget and proof of submission
		Prepare and submit the final Entity Budget to the Shareholder by 30 March 2020	Date	01-Jul-19	30-Mar-20	30-Mar-20	Prepare and submit the final Entity Budget to the Shareholder by 30 March 2020	Submitted final Entity budget to shareholder by 30 Mar 2020	N/A	N/A	Final budget and proof of submission
	Performance Management	Prepare and submit the Entity Annual Report to the Shareholder by 20 December 2019	Date	01-Jul-19	20-Dec-19	20-Dec-18	Prepare and submit the Entity Annual Report to the Shareholder by 20 December 2019	Submitted Entity Annual Report to shareholder by 20 Dec 2019	N/A	N/A	Final Annual Report and proof of submission
		Number of Institutional Quarterly Performance Reports compiled	#	01-Jul-19	30-Jun-20	4	4 Institutional Quarterly Performance Report compiled	4	N/A	N/A	Institutional Quarterly Performance Report
		Development and submission of the Mid-Year Budget and Performance Assessment Report to shareholder by 20 January 2020	#	01-Jul-19	20-Jan-20	20-Jan-19	Develop and submit the Mid-Year Budget and Performance Assessment Report to shareholder by 20 January 2020	Developed and submitted the Mid-Year Budget and Performance Assessment Report to shareholder by 20 January 2020	N/A	N/A	Mid-Year Budget and Performance Assessment Report and proof of submission

STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	START DATE	END DATE	BASELINE	ANNUAL TARGET	PERFORMANCE ACHIEVEMENT	PERFORMANCE CHALLENGES	MEASURES TO IMPROVE PERFORMANCE	PORTFOLIO OF EVIDENCE
Improve admin and governance capacity (cont.)	Performance Management (cont.)	Make public the Mid-Year Budget and Performance Assessment Report by 31 January 2020	#	01-Jul-19	30-Jan-20	30-Jan-19	Make public the Mid-Year Budget and Performance Assessment Report by 31 January 2020	Mid-Year Budget and Performance Assessment Report was made public by placing on the municipal website	N/A	N/A	Public notice on notice boards and municipal website
	Secretariat	Number of ordinary Board meetings scheduled and convened	#	01-Jul-19	30-Jun-20	New	4 ordinary Board meetings scheduled and convened	4	N/A	N/A	Meeting notices, Agenda, Minutes and Attendance registers
		Number of ordinary Committee meetings scheduled and convened by 30 June 2020	#	01-Jul-19	30-Jun-20	New	16 Committee meetings scheduled and convened	16	N/A	N/A	Meeting notices, Agenda, Minutes and Attendance registers
		Convene AGM by 30 September 2019	Date	01-Jul-19	30-Sep-19	New	Convene AGM by 30 September 2019	1			
		Convene Annual Strategic Planning Session by 31 December 2019	Date	01-Jul-19	31-Dec-19	New	Convene Annual Strategic Planning Session by 31 December 2019	None	The session was postponed to be held in Feb 2020 and the nationwide lockdown was imposed and the session could not take place	The session will be scheduled as soon as the lockdown disaster management regulations are eased	Meeting notices, Agenda, Minutes and Attendance registers
	Risk Management	Development of the Institutional Risk Register by 30 September 2019	Date	01-Jul-19	30-Sep-19	New	Develop Institutional Risk Register by 30 September 2019	Institutional Risk register developed by 29 May 2020	The target as per the KPI was erroneously captured	The target will be revised to "by 30 June 2019"	Approved Institutional Risk register
		Number of quarterly Institutional Risk Register progress reports compiled by 30 June 2020	#	01-Jul-19	30-Jun-20	New	4 Institutional Risk Register progress reports compiled	4	N/A	N/A	Institutional Risk Register progress reports

STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	UNIT OF MEASURE	START DATE	END DATE	BASELINE	ANNUAL TARGET	PERFORMANCE ACHIEVEMENT	PERFORMANCE CHALLENGES	MEASURES TO IMPROVE PERFORMANCE	PORTFOLIO OF EVIDENCE
Invest in human capital and retain skills	Human Resource Management	Review Human Resources Strategy by 30 June 2020	Date	01-Jul-19	30-Jun-20	30-Jun-19	Review Human Resources Strategy by 30 June 2020	None	The HR Strategy was to be discussed at the Strategic Planning Session which was not held due to COVID-19 government regulations which prohibited gatherings and a nationwide lockdown imposed	The HR Strategy will be discussed and reviewed at the Strategic Planning Session to be held once the government regulations are eased to level 1	Reviewed and approved strategy
		Submission of Reviewed WSP to LGSETA by 30 April 2020	Date	01-Jul-19	30-Apr-20	New	Submit reviewed WSP to LGSETA by 30 April 2020	The WSP was reviewed and submitted to Construction SETA by the 30 April 2020	N/A	N/A	Reviewed WSP and proof of submission
		Number of trainings/ workshops convened by 30 June 2020	#	01-Jul-19	30-Jun-20	New	2 trainings/ workshops convened	2 Board attended - Corporate Governance Training (10 Dec 2019) and employees attended - Fraud and Corruption Awareness Workshop (13 Dec 2019)	N/A	N/A	Invitations and attendance registers

CHAPTER 7

FINANCIAL PERFORMANCE

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Municipal entity
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Provision of low cost rental housing
BOARD	MJ Gololo M Kgosana SM Mashabela SM Vilakazi O Galane
ACCOUNTING OFFICER	J.T. Maimela
REGISTERED OFFICE	Cnr Landdros Mare and Bodenstein Streets Civic Centre Polokwane 0700
CONTROLLING ENTITY	Polokwane Local Municipality
BANKERS	First National Bank
AUDITORS	Auditor General South Africa Registered Auditorsq

BOARD'S REPORT

The accounting officer submits his report for the year ended 30 June 2020.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The municipal entity is engaged in the provision of low cost rental housing and operates principally in South Africa.

2. GOING CONCERN

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

3. SUBSEQUENT EVENTS

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

4. SHARE CAPITAL / CONTRIBUTED CAPITAL

There were no changes in the authorised or issued share capital of the municipality during the year under review.

5. SECRETARY

The municipal entity had no secretary during the year. The secretary position of the municipal entity is vacant.

6. AUDITORS

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

The annual financial statements set out on pages 4-39, have been prepared on the going concern basis, were approved by the board on 31 October 2020 and were signed on its behalf by:

J.T. Maimela

Accounting Officer

REPORT OF THE AUDITOR-GENERAL

Report of the auditor- general to Limpopo provincial legislature and the council on Polokwane Housing Association

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Polokwane Housing Association set out on pages 4 to 8, which comprise the statement of financial position as at 30 June 2020, 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 Polokwane Housing Association as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standard of GRAP), the requirements of Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA), and the Companies Act, 2008 (Act no. 71 of 2008).

3. I am independent of the Municipal entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the 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 codes.

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

Emphasis of matters

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

Restatement of corresponding figures

6. As disclosed on note 31 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipal entity for the year ended 30 June 2019.

Material impairment

7. As disclosed on note 23 to the financial statement, material losses to the amount of R8 640 986 were incurred as a result of provision for impairment of trade debtors.

Responsibilities for the financial statements

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

9. In preparing the financial statements, the accounting officer is responsible for assessing the Municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the Municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also do not

2

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.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the Municipal entity for the year ended 30 June 2020:

Objective	Pages in the annual performance report
KPA 2 – Basic services delivery	1 – 6

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective(s):

- *KPA 2 – Basic services delivery*

Achievement of planned targets

17. Refer to the annual performance report on page(s) 1 to 6 for information on the achievement of planned targets for the year. This information should be considered in the context of the conclusions expressed on the usefulness and reliability of the reported performance information in paragraph 16 of this report.

Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the Municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Annual financial statements, performance and annual reports

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

Expenditure management

22. Reasonable steps were not taken to prevent irregular expenditure, as required by section 95 (d) of the MFMA. Irregular expenditure amounting to R2 197 054, 80 was incurred during the financial year.

23. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2) (b) of MFMA.

Procurement and contract management

24. Contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.

25. 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(a) and (c).

26. 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).

27. Some of the quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).

Consequence management

28. Fruitless and wasteful expenditure incurred by municipal entity was not investigated to determine if any person is liable for the expenditure, as required by the municipal budget and reporting regulations 75(1).

29. Irregular expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report,

the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the unqualified opinion, the findings on compliance with legislation included in this report. I did identify significant deficiencies in internal control. Which include Lack of review and monitoring of compliance with internal policies and proper financial statements review processes were not implemented timeously.

34. The accounting officer did not adequately exercise oversight responsibility regarding financial management and compliance as well as internal controls. As a result, the financial statements had a number of material misstatements that were identified during the audit.

Polokwane

Auditor General

30 March 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

5

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 municipal entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting officer.
   - conclude on the appropriateness of the accounting officer use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Polokwane Housing Association to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
   - 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, where applicable, the actions taken to eliminate threats or the safeguards applied.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTES	2020 R	2019 RESTATED R
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1 772 565	22 449 402
Receivables from exchange transactions	4	906 808	1 015 259
Receivables from non-exchange transactions	5	(2 063)	26 697
Prepayments	6	-	2 540
		2 677 310	**23 493 898**
NON-CURRENT ASSETS			
Property, plant and equipment	7	91 900 750	96 992 982
Work in progress	8	87 596 662	25 744 174
Intangible assets	9	49 836	58 313
		179 547 248	**122 795 469**
Total Assets		**182 224 558**	**146 289 367**
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	10	8 069 567	27 839 664
Unspent conditional grants and receipts	11	(450 239)	-
Provisions	12	1 167 993	910 109
Unclaimed receipts	13	675 978	640 592
		9 463 299	**29 390 365**
Total Liabilities		**9 463 299**	**29 390 365**
Net Assets		**172 761 259**	**116 899 002**
Share capital / contributed capital	14	1 000	1 000
RESERVES			
Revaluation reserve	15	78 317 796	78 317 796
Accumulated surplus		94 442 464	38 580 206
Total Net Assets		**172 761 260**	**116 899 002**

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	2020 R	2019 RESTATED R
REVENUE			
REVENUE FROM EXCHANGE TRANSACTIONS			
Rental of facilities and equipment	16	9 617 400	9 755 280
Interest received (trading)		1 732	153
Administration and management fees received	17	1 938 472	1 940 072
Total revenue from exchange transactions		**11 557 604**	**11 695 505**
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
TRANSFER REVENUE			
Government grants & subsidies	18	73 523 072	44 741 330
Total revenue		**85 080 676**	**56 436 835**
EXPENDITURE			
Employee related costs	19	(9 240 366)	(8 429 437)
Depreciation and amortisation	20	(5 146 113)	(4 693 775)
Derecognition loss	21	(2 944)	(16 692)
Lease rentals on operating lease	22	(43 998)	(52 798)
Debt impairment	23	(8 640 986)	(8 732 291)
Contracted services	24	(1 484 495)	(16 345 067)
General Expenses	25	(4 659 515)	(3 741 297)
Total expenditure		**(29 218 417)**	**(42 011 357)**
Surplus for the year		**55 862 259**	**14 425 478**

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital / contributed capital R	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 000	75 653 283	24 181 406	99 835 689
Adjustments				
Correction of errors	-	-	(26 678)	(26 678)
Balance at 01 July 2018 as restated*	**1 000**	**75 653 283**	**24 154 728**	**99 809 011**
Changes in net assets				
Revaluation of buildings	-	6 264 513	-	6 264 513
Revaluation of buildings	-	(3 600 000)	-	(3 600 000)
Net income (losses) recognised directly in net assets	**-**	**2 664 513**	**-**	**2 664 513**
Surplus for the year	-	-	14 425 478	14 425 478
Total recognised income and expenses for the year	**-**	**2 664 513**	**14 425 478**	**17 089 991**
Total changes	**-**	**2 664 513**	**14 425 478**	**17 089 991**
Restated* Balance at 01 July 2019	**1 000**	**78 317 796**	**38 580 205**	**116 899 001**
Changes in net assets				
Surplus for the year	-	-	55 862 259	55 862 259
Total changes	**-**	**-**	**55 862 259**	**55 862 259**
Balance at 30 June 2020	**1 000**	**78 317 796**	**94 442 464**	**172 761 260**
Note(s)	14	15		

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	NOTES	2020 R	2019 RESTATED R
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Cash received from customers		3 027 609	3 501 648
Grants		73 523 072	28 497 298
		76 550 681	**31 998 946**
PAYMENTS			
Employee costs		(8 982 482)	(8 268 975)
Suppliers		(26 344 198)	21 980 207
		(35 326 680)	**13 711 232**
Net cash flows from operating activities	27	**41 224 001**	**45 710 178**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(48 348)	-
Purchase of work in progress		(61 852 488)	(25 744 174)
Net cash flows from investing activities		**(61 900 836)**	**(25 744 174)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other financial liabilities Repayment of other financial liabilities		-	-
Net cash flows from financing activities		-	-
		-	-
Net increase/(decrease) in cash and cash equivalents		**(20 676 835)**	**19 966 004**
Cash and cash equivalents at the beginning of the year		22 449 404	2 483 400
Cash and cash equivalents at the end of the year	3	**1 772 569**	**22 449 404**

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2020

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Rental of facilities and equipment	10 973 000	(1 325 900)	9 647 100	9 617 400	(29 700)	1
Interest received (trading)	300	1 700	2 000	1 732	(268)	2
Administration and management fees received	2 010 400	(4 400)	2 006 000	1 938 472	(67 528)	1
Total revenue from exchange transactions	**12 983 700**	**(1 328 600)**	**11 655 100**	**11 557 604**	**(97 496)**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
Transfer revenue						
Government grants & subsidies	11 000 000	133 200 578	144 200 578	73 523 072	(70 677 506)	3
Total revenue	**23 983 700**	**131 871 978**	**155 855 678**	**85 080 676**	**(70 775 002)**	
EXPENDITURE						
Personnel	(8 887 000)	301 000	(8 586 000)	(9 240 366)	(654 366)	1
Depreciation and amortisation	(5 027 000)	-	(5 027 000)	(5 146 113)	(119 113)	1
Loss on derecognition of assets	-	-	-	(2 944)	(2 944)	6
Lease rentals on operating lease	(180 000)	131 600	(48 400)	(43 998)	4 402	1
Debt Impairment	(4 000 000)	(4 242 652)	(8 242 652)	(8 640 986)	(398 334)	1
Contracted Services	(800 000)	-	(800 000)	(1 484 495)	(684 495)	4
General Expenses	(8 605 720)	381 095	(8 224 625)	(4 659 515)	3 565 110	5
Total expenditure	**(27 499 720)**	**(3 428 957)**	**(30 928 677)**	**(29 218 417)**	**1 710 260**	
Surplus before taxation	**(3 516 020)**	**128 443 021**	**124 927 001**	**55 862 259**	**(69 064 742)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(3 516 020)**	**128 443 021**	**124 927 001**	**55 862 259**	**(69 064 742)**	

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

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

1.1 PRESENTATION CURRENCY

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

1.2 GOING CONCERN ASSUMPTION

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

1.3 PROPERTY, PLANT AND EQUIPMENT

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipal entity; and
- the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value. The useful lives of items of property, plant and equipment have been assessed as follows:

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Land	Non-depreciable	Infinity
Buildings	Straight line	25 years
Furniture and fixtures	Straight line	14 years
Motor vehicles	Straight line	8 years
Office equipment	Straight line	14 years
IT equipment	Straight line	14 years
Leased assets	Straight line	5 years

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

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

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

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

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

1.4 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Computer software	Straight line	11 years

1.5 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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

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

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

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

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

- derivatives;
- 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.

CLASSIFICATION

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

CLASS	**CATEGORY**
Cash and cash equivalents	Financial asset measured at fair value
Trade and other receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

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

CLASS	**CATEGORY**
Trade and other payables	Financial liability measured at amortised cost

INITIAL RECOGNITION

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

The entity recognises financial assets using trade date accounting.

INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

FAIR VALUE MEASUREMENT CONSIDERATIONS

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

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

RECLASSIFICATION

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

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

DERECOGNITION

FINANCIAL ASSETS

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

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

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

FINANCIAL LIABILITIES

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

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

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

PRESENTATION

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

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

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

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

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

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

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

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

1.6 LEASES

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

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

FINANCE LEASES - LESSEE

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

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

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

OPERATING LEASES - LESSOR

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

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

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

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

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

1.7 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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. Useful life is either:

- the period of time over which an asset is expected to be used by the municipal entity; or
- the number of production or similar units expected to be obtained from the asset by the municipal entity.

1.8 SHARE CAPITAL / CONTRIBUTED CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an municipal entity after deducting all of its liabilities.

1.9 EMPLOYEE BENEFITS

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

SHORT-TERM EMPLOYEE BENEFITS

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

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 municipal entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

1.11 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipal entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

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

RENDERING OF SERVICES

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

INTEREST, ROYALTIES AND DIVIDENDS

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipal entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipal entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.13 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipal entity, and the costs can be measured reliably. The municipal entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipal entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipal entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.15 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.

1.16 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

1.17 REVALUATION RESERVE

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.18 BUDGET INFORMATION

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

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

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.19 RELATED PARTIES

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.

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.

Management are those persons responsible for planning, directing and controlling the activities of the municipal entity, including those charged with the governance of the municipal entity in accordance with legislation, in instances where they are required to perform such functions.

1.20 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

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

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

1.21 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosures is necessary to achieve a fair presentation should be disclosed in a note to the financial statement, if both the following criteria are met:

- Contract should be non cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) andg
- Contracts should relate to something other than the routine, steady, state business of the entity- therefore salary commitments relating to employment contracts or social security benefits, commitments are excluded.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	The impact is not material.
GRAP 20: Related parties	01 April 2019	The impact is not material.
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact is not material

3. CASH AND CASH EQUIVALENTS

	2020 R	2019 R
Cash and cash equivalents consist of:		
Petty cash	60	60
Bank balances	161 028	20 788 482
Short-term deposits	1 611 365	1 660 771
Other cash and cash equivalents	112	89
	1 772 565	**22 449 402**

The municipal entity had the following bank accounts

Account number / description	Bank statement balances 30 June 2020	30 June 2019	30 June 2018	Cash book balances 30 June 2020	30 June 2019	30 June 2018
FNB BANK- Annerdale Ext 2- 62808280490	808	20 557 398	-	808	20 557 398	-
FNB BANK- Polokwane Ext 76- 62808279352	126	100	-	126	100	-
FNB BANK- 32 day notice- 74372485836	1 611 365	1 660 771	1 578 528	1 611 365	1 660 771	1 578 528
FNB BANK-Refundable Deposit- 62118359191	112	89	274	112	89	274
FNB BANK- Operational- 62078322105	160 094	230 985	904 538	160 094	230 985	904 538
Total	**1 772 505**	**22 449 343**	**2 483 340**	**1 772 505**	**22 449 343**	**2 483 340**

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2020 R	2019 R
Trade debtors	52 209 700	43 717 770
Staff loans	23 109	17 890
Unclaimed receipts	675 978	640 592
Less: Provision for doubtful debts	(52 001 979)	(43 360 993)
	906 808	**1 015 259**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	43 360 993	34 628 700
Provision for impairment	8 640 986	8 732 293
	52 001 979	**43 360 993**

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

SARS: PAYE	(2 063)	26 697

6. PREPAYMENTS

The prepayment in 2019 relates to the prepayment of the membership fees to NASHO (National Association Social Housing Organisation).

Prepayments (NASHO)	-	2 540

7. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	28 400 000	-	28 400 000	28 400 000	-	28 400 000
Buildings	127 366 512	(64 080 445)	63 286 067	127 366 512	(58 985 784)	68 380 728
Furniture and fixtures	209 251	(175 330)	33 921	235 633	(182 380)	53 253
Motor vehicles	175 542	(175 542)	-	175 542	(175 542)	-
Office equipment	167 815	(94 277)	73 538	167 815	(81 648)	86 167
IT equipment	263 531	(156 307)	107 224	225 440	(152 606)	72 834
Leased assets	171 034	(171 034)	-	171 034	(171 034)	-
Total	**156 753 685**	**(64 852 935)**	**91 900 750**	**156 741 976**	**(59 748 994)**	**96 992 982**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2020

	Opening balance	Additions	Derecognition loss	Depreciation	Total
Land	28 400 000	-	-	-	28 400 000
Buildings	68 380 728	-	-	(5 094 661)	63 286 067
Furniture and fixtures	53 253	-	(2 540)	(16 792)	33 921
Office equipment	86 167	-	-	(12 629)	73 538
IT equipment	72 834	48 348	(404)	(13 554)	107 224
	96 992 982	**48 348**	**(2 944)**	**(5 137 636)**	**91 900 750**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2019

	Opening balance	Revaluations	Derecognition	Depreciation	Total
Land	32 000 000	(3 600 000)	-	-	28 400 000
Buildings	66 744 143	6 264 512	-	(4 627 927)	68 380 728
Furniture and fixtures	82 608	-	(8 638)	(20 717)	53 253
Office equipment	102 784	-	(2 515)	(14 102)	86 167
IT equipment	95 777	-	(5 540)	(17 403)	72 834
	99 025 312	**2 664 512**	**(16 693)**	**(4 680 149)**	**96 992 982**

REVALUATIONS

The effective date of the revaluations was Sunday, 30 June 2019. Revaluations were performed by independent valuer, Messrs Eli Stroh (MDP PREPII) and S van der Spek of Eli Stroh (Pty) Ltd.Eli Stroh (Pty) Ltd are not connected to the municipal entity and have recent experience in location and category of the property being valued.

Land and buildings are re-valued independently every 3 years.

EXPENDITURE INCURRED TO REPAIR AND MAINTAIN PROPERTY, PLANT AND EQUIPMENT

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

	2020 R	2019 R
Employee related costs	73 022	101 035

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 municipal entity..

8. WORK IN PROGRESS

	2020 R	2019 R

The Work in progress relates to the construction of social housing units, situated in Ladanna, referred to as Annerdale Extension 2 project.

RECONCILIATION OF WORK IN PROGRESS

Opening balance	25 744 174	-
Additions/capital expenditure	61 353 457	25 744 174
	87 097 631	**25 744 174**

9. INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	146 045	(96 209)	49 836	146 045	(87 732)	58 313

RECONCILIATION OF INTANGIBLE ASSETS - 2020

	Opening balance	Amortisation	Total
Computer software	58 313	(8 477)	49 836

RECONCILIATION OF INTANGIBLE ASSETS - 2019

	Opening balance	Amortisation	Total
Computer software	71 938	(13 625)	58 313

10. PAYABLES FROM EXCHANGE TRANSACTIONS

	2020 R	2019 R
Trade payables	93 306	112 184
Payments received in advanced- contract in process	41 118	79 959
Payables relating to Work-in-progress	5 587 139	25 744 174
Accrued expense	557 632	194 229
Deposits received	1 790 374	1 709 120
Salary and wage control	(1)	(1)
CoGHSTA unspent grant	(1)	(1)
	8 069 567	**27 839 664**

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Social Housing Regulatory Authority Grant	(450 239)	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

12. PROVISIONS

RECONCILIATION OF PROVISIONS - 2020	Opening Balance R	Additions R	Reversed during the year R	Total R
Provision for leave	596 047	324 233	(96 392)	823 888
Provision for bonus	314 062	30 043	-	344 105
	910 109	**354 276**	**(96 392)**	**1 167 993**

RECONCILIATION OF PROVISIONS - 2019	Opening Balance R	Additions R	Reversed during the year R	Total R
Provision for leave	456 379	209 751	(70 083)	596 047
Provision for bonus	293 268	314 062	(293 268)	314 062
	749 647	**523 813**	**(363 351)**	**910 109**

13. UNCLAIMED RECEIPTS

This account relates to unidentified receipts. Tenants from time to time deposit rentals using incorrect reference numbers. This becomes impossible for management to allocate such receipts to a specific rental debtor.

	2020 R	2019 R
Unclaimed receipts	675 978	640 592

14. SHARE CAPITAL / CONTRIBUTED CAPITAL

AUTHORISED

1000 Ordinary shares of R1 each	1 000	1 000

ISSUED

Ordinary	1 000	1 000

15. REVALUATION RESERVE

Opening balance	78 317 796	75 653 283
Change during the year	-	2 664 513
Revaluation surplus relating to property, plant and equipment	**78 317 796**	**78 317 796**

16. RENTAL OF FACILITIES AND EQUIPMENT

PREMISES

Rental income: Ga- Rena	9 617 400	9 755 280

17. ADMINISTRATION AND MANAGEMENT FEES RECEIVED

Administration and management fees received	1 938 472	1 940 072

18. GOVERNMENT GRANTS AND SUBSIDIES

	2020 R	2019 R
OPERATING GRANTS		
Polokwane Municipality Operational Grant	7 834 146	24 184 032
CAPITAL GRANTS		
SHRA Subsidies	50 688 926	20 557 298
Polokwane Municipality Capital grant	15 000 000	-
	65 688 926	**20 557 298**
	73 523 072	**44 741 330**

SOCIAL HOUSING REGULATORY AUTHORITY GRANT

Current-year receipts	(57 946 181)	(20 557 298)
Conditions met- transferred to revenue	57 495 942	20 557 298
	(450 239)	**-**

Conditions still to be met- remain liabilities (see note 11).

The unspent portion of the Grant will be used in the following financial year as the project is a multi-year engage-ment.

POLOKWANE MUNICIPALITY OPERATIONAL GRANT

Current-year receipts	(7 834 146)	(24 184 032)
Conditions met- transferred to revenue	7 834 146	24 184 032
	-	-

POLOKWANE MUNICIPALITY CAPITAL GRANT

Current-year receipts	15 000 000	-
Conditions met- transferred to revenue	(15 000 000)	-
	-	-

Conditions still to be met- remain liabilities (see note 11).

Provide explanations of conditions still to be met and other relevant information.

18. GOVERNMENT GRANTS AND SUBSIDIES

Basic	5 897 741	5 275 736
Bonus	344 105	314 062
Medical aid- company contributions	357 700	317 138
UIF	42 305	38 296
SDL	57 951	60 395
Leave pay provision charge	324 233	209 751
Provident Fund	675 688	535 246
Overtime payments	32 197	12 753
Acting allowances	122 134	68 413
Car allowance	274 542	153 000
Housing benefits and allowances	216 957	148 000
Directors travelling cost & accomodation	171 414	240 205
B.C. Admin levy	797	807
Directors fees	722 602	1 055 635
	9 240 366	**8 429 437**

	2020 R	2019 R
20. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	5 137 636	4 680 149
Intangible assets	8 477	13 626
	5 146 113	**4 693 775**

21. DERECOGNITION LOSS

DERECOGNITION LOSS

Property, plant and equipment	2 944	16 692

The derecognition loss relates the write-off equipment that was misplaced and therefore written off.

22. LEASE RENTALS ON OPERATING LEASE

EQUIPMENT

Contractual amounts	43 998	52 798

23. DEBT IMPAIRMENT

Debt impairment	8 640 986	8 732 291

The debt impairement relates to the change in the provision for bad debts that specifically relate to tenants.

24. CONTRACTED SERVICES

Consultants and Professional Services		
Accounting fees	-	489 197
Research and development	1 411 473	15 556 000
Professional fees- asset register maintenance	-	198 835
Contractors		
Maintenance of Buildings and Facilities	70 389	100 054
Maintenance of Equipment	2 633	981
	1 484 495	**16 345 067**

25. GENERAL EXPENSES

Internal audit fees	174 694	176 439
Advertising	4 850	35 696
Auditors remuneration	890 090	993 536
Bank charges	44 500	29 788
Staff welfare	10 794	2 897
Insurance	204 186	196 397
Conferences and seminars	-	74 992
Computer expenses	7 787	2 527
Printing and stationery	46 239	43 252
Protective clothing	8 562	-
Security (Guarding of municipal property)	2 140 210	1 361 280
Software expenses	670 984	74 190
Subscriptions and membership fees	37 338	35 560
Telephone and fax	137 698	144 136
Training	10 405	23 072
Travel- local	241 503	358 553
Legal fees	-	34 645
Impairment of SARS amount	29 675	154 337
	4 659 515	**3 741 297**

26. AUDITORS' REMUNERATION

	2020 R	2019 R
Fees	890 090	993 536

27. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2020 R	2019 R
Surplus	55 862 259	14 425 478
Adjustments for:		
Depreciation and amortisation	5 146 113	4 693 775
Impairment deficit	2 944	16 692
Debt impairment	8 640 986	8 732 291
Movements in provisions	257 884	160 462
Provision for bad debts	(245 796)	-
Changes in working capital:		
Receivables from exchange transactions	(8 286 739)	(8 292 203)
Other receivables from non-exchange transactions	28 760	82 806
Prepayments	2 540	10 076
Payables from exchange transactions	(19 770 097)	25 858 957
Unspent conditional grants and receipts	(450 239)	-
Unclaimed receipts	35 386	21 844
	41 224 001	**45 710 178**

28. COMMITMENTS

AUTHORISED OPERATIONAL EXPENDITURE

MEG SECURITY

	2020 R	2019 R
• Contract amount	1 676 899	650 796
• Expenditure to date	(958 228)	(155 712)
	718 671	**495 084**

TOTAL OPERATIONAL COMMITMENTS

	2020 R	2019 R
Already contracted for but not provided for	718 671	495 084

This committed expenditure relates to Annerdale Extension 2 and will be financed by available bank facilities and SHRA subsidies.

29. RELATED PARTIES

RELATIONSHIPS

Accounting Officer	Refer to accounting officer's report note
Controlling entity	Polokwane Local Municipality

RELATED PARTY TRANSACTIONS

CAPITAL GRANT FROM RELATED PARTY

	2020 R	2019 R
Capital Grant from related party	15 000 000	-

OPERATIONAL GRANT FROM RELATED PARTY

	2020 R	2019 R
Polokwane Municipality	7 834 146	7 940 000

ACCOUNTING FEES PAID FOR BY RELATED PARTY

	2020 R	2019 R
Polokwane Municipality	-	489 197

Thabatšhweu
HOUSING COMPANY (PTY) LTD
t/a POLOKWANE HOUSING ASSOCIATION
"A Promise Delivered"

29. RELATED PARTIES (CONTINUED)

EXPENSES PAID BY RELATED PARTY

	2020 R	2019 R
I@ Consulting- maintenance of asset register paid by Polokwane Municipality	-	198 835
Maya Innovate (Pty) Ltd- Land use project for student accommodation	1 411 473	7 329 019
Kelotlhoko Construction (Pty) Ltd- Land use project- Gap and social housing scheme	-	5 498 150
Kelotlhoko Construction (Pty) Ltd- Land use project- Gap and	-	5 498 150
Chiefton Facilities Management (Pty) Ltd - Land use management	-	2 728 331
Munsoft (Pty) Ltd	595 579	-

Polokwane Municipality exempted Polokwane Housing Association from the liability for rates and taxes incurred by the latter.

30. DIRECTORS' EMOLUMENTS

EXECUTIVE

2020	Basic salary R	Medical aid R	Provident fund R	UIF & SDL R	Total R
J.T. Maimela	1 144 683	74 534	98 813	11 946	1 329 976

2019	Basic salary R	Medical aid R	Provident fund R	UIF & SDL R	Total R
J.T. Maimela	1 076 314	68 419	92 816	13 232	1 250 781

NON-EXECUTIVE

2020	Directors fees R	Travel R	Other R	Total R
M.J. Gololo	108 380	7 904	-	116 284
M. Kgosana	139 136	6 057	-	145 193
S.M Mashabela	238 104	12 308	-	250 412
S.M. Vilakazi	108 380	8 650	-	117 030
O. Galane	128 602	3 049	-	131 651
Other expenditure relating to directors	-	-	133 444	133 444
	722 602	**37 968**	**133 444**	**894 014**

2019	Directors fees R	Travel R	Other R	Total R
C. Dibete	163 176	10 129	-	173 305
M.J. Gololo	146 460	2 008	-	148 468
M. Kgosana	142 476	6 400	-	148 876
S.M Mashabela	224 017	10 111	-	234 128
S.M. Vilakazi	197 076	4 352	-	201 428
O. Galane	182 430	1 164	-	183 594
Other expenditure relating to directors	-	-	206 040	206 040
	1 055 635	**34 164**	**206 040**	**1 295 839**

31. PRIOR PERIOD ERRORS

STATEMENT OF FINANCIAL POSITION	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Property, plant and equipment	96 991 872	1 109	-	96 992 981
Intangible assets	87 210	(28 896)	-	58 314
Receivables from exchange transactions	1 009 795	5 464	-	1 015 259
Payables from exchange transactions	27 799 555	40 109	-	27 839 664
Accumulated surplus	38 642 637	(62 432)	-	38 580 205
	164 531 069	**(44 646)**	**-**	**164 486 423**

PROPERTY, PLANT AND EQUIPMENT	2019 R
Balance previously reported	96 991 872
Prior period write off of computer equipment with a carrying value of below R1000 omitted	(222)
Prior period write off of furniture & fittings with a carrying value of below R1000 omit-ted	(4 057)
Prior period write off of office equipment with a carrying value of below R1000 omitted	(1 075)
Prior period correction on accumulated depreciation relating to computer equipment	(674)
Prior period correction on accumulated depreciation relating to furniture and fittings	687
Correction of depreciation estimate of assets with R0 carrying value	7 558
Prior year accelerated depreciation due to change in depreciation estimate	(1 108)
	96 992 981

INTANGIBLE ASSETS	
Balance previously reported	87 210
Prior period duplication of assets as well as derecognition not recognised	(28 896)
	58 314

RECEIVABLES FROM EXCHANGE TRANSACTIONS	
Balance previously reported	1 009 795
Legal charge to the tenant for collection not recorded	5 464
	1 015 259

PAYABLES FROM EXCHANGE TRANSACTIONS	
Legal charge to the tenant for collection not recorded	27 799 555
Legal fees owing were not accounted for in the previous financial year	40 109
	27 839 664

ACCUMULATED SURPLUS	
Balance as previously reported	38 642 637
Prior to financial year 2019: Correction of computer equipment	(896)
Prior to financial year 2019: Correction of furniture and fittings	(3 370)
Prior to financial year 2019: Correction of office equipment	(1 075)
Prior to financial year 2019: Correction of intangible assets	(28 896)
Prior period error: Legal fees	(34 645)
Prior period accelerated depreciation due to change in depreciation estimate	(1 108)
Depreciation reversal due to change in depreciation estimate	7 558
	38 580 205

31. PRIOR PERIOD ERRORS (CONTINUED)

STATEMENT OF FINANCIAL PERFORMANCE	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Legal fees	-	34 645	-	34 645
Depreciation and amortisation	4 692 667	1 108	-	4 693 775
	4 692 667	**35 753**	**-**	**4 728 420**

LEGAL FEES

Balance as previously reported	-
Legal fees not accounted for in the previous financial year	34 645
	34 645

DEPRECIATION AND AMORTISATION

Balance as previously reported	4 692 667
Prior period accelerated depreciation due to change in depreciation estimate not taken into account	1 108
	4 693 775

32. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

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

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipal entity 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. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

FINANCIAL INSTRUMENT	2020 R	2019 R
Cash at bank	1 772 565	25 449 402
Receivables from exchange transactions	906 808	1 012 335

MARKET RISK

INTEREST RATE RISK

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

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

33. GOING CONCERN

	2020 R	2019 R

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 65 251 770.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipal entity . The parent municipality has shown interest in continuing supporting the entity through operational grants until the entity is financially viable.

34. FRUITLESS AND WASTEFUL EXPENDITURE

	2020	2019
Opening balance as previously reported	463 031	460 651
Opening balance as restated	**463 031**	**460 651**
Auditor general interest	147	2 380
Old Mutual insurance premiums	25 736	-
Interest paid to FNB for early partial withdrawal of funds	3 284	-
Salary overpayment to deceased employee	2 202	-
Closing balance	**494 400**	**463 031**

The Municipal Public Accounts Committee is currently busy with investigations.

35. IRREGULAR EXPENDITURE

	2020	2019
Opening balance as previously reported	17 069 244	16 951 763
Opening balance as restated	**17 069 244**	**16 951 763**
Reason for deviation does not appear justifiable	25 670	45 540
Winning supplier not on database	38 316	23 645
Evaluation not in terms of criteria	-	35 696
No MBD forms	-	12 600
Quotation approval not attached	4 850	-
Extension of extension not tabled in council	2 128 232	-
Closing balance	**19 266 312**	**17 069 244**

The Municipal Public Accounts Committee is currently busy with investigations.

36. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

AUDIT FEES

	2020	2019
Amount paid- current year	890 090	993 536

PAYE AND UIF

	2020	2019
Amount paid- current year	1 259 234	1 117 554

PENSION AND MEDICAL AID DEDUCTIONS

	2020	2019
Amount paid- current year	1 033 388	851 822

36. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

N1- Variance is less than 10% and therefore no explanation is required.

N2- The entity deposited less than the anticipated due to rental boycotts amongst other reasons.

N3- The municipal entity received less than anticipated from SHRA due to lost time in construction as a result of the National lockdown.

N4- The difference is as a result of expenditure incurred by the parent entity which was not budgetd for.

N5- The difference is a result of budget that could not be spent as a result of non collection of rentals.

N6- The misplacement of assets was not anticipated and therefore not budgeted for.

NOTES

NOTES

NOTES

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