

# **MANTSOPA LOCAL MUNICIPALITY**



## **ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017**

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## FOREWORD BY THE MAYOR



Let me take this opportunity to account to Mantsopa community and other stakeholders on the work done during 2016/17 financial year through this comprehensive Annual Report. This Draft 2016/17 Annual Report will amongst others, provide a clear indication on how we performed with regard to the 5 set of Key Performance Areas of the “Back to Basics” programme of the National Executive, as led by President Jacob Zuma. These set of Key Performance Areas are as follows;

1. *Good Governance;*
2. *2. Public Participation- Putting people first;*
3. *3. Basic Services- Creating conditions for decent living;*
4. *4. Sound financial management; and*
5. *5. Building capable institutions and administrations.*

This annual report will confirm our unwavering commitment to provide basic services to our communities, create a conducive environment for economic development and tourism as well as delivering basic service to our communities, albeit within a very challenging economic environment

We advise our communities to engage our Councillors, community structures and other spheres of government to resolve disputes other than destroying the very same property aimed at improving the lives of our people, our mandate as prescribed in 2016 ANC Local Government manifesto is to serve you with excellence.

Given our unique challenges impacting on our performance in various key performance areas emanating from our low revenue base, we expect to either maintain a Qualified audit opinion with minimum paragraphs or improve to Unqualified audit opinion as a building block towards a clean audit, this Draft 2016/2017 Annual Report will cover the work done by the current term of Council (2016-2021) and we shall attend to the following key immediate challenges amongst others as a matter of urgency:

1. Purchasing and or leasing of yellow fleet as part of maintaining existing and new infrastructure;
2. Water infrastructure in Excelsior, Tweespruit and Ladybrand (high lying areas);
3. Road infrastructure;
4. Filling of funded vacant post within 90 days of the post being declared vacant;
5. Prioritise ESKOM account, Invest in Revenue Collection strategies (Operation Patala Campaign); and
6. Indigent registration campaign to be implemented regularly, indigents register monitored monthly through the support of Ward Councillors.

Finally, let me also extend my gratitude to the Speaker, all Councillors, the Municipal Manager and all staff members for their support throughout our five year journey.

Together, with the support of our residents and other stakeholders, we can do more.

I thank you.

**CLLR M.E TSOENE**  
**MAYOR**

**DATE:.....**

## FOREWORD BY THE MUNICIPAL MANAGER



It is a great honour for me to support the Mayor and Council in presenting our 2016/17 Annual Report for the work done during the year under review, this report is an indication of the work done by our colleagues in implementing the 2016/17 Municipal Integrated Development Plan and other programmes of government. I'm confident that our management team led the staff with commitment in discharging our duties, paving and gravelling of roads, housing infrastructure, creating a conducive environment for trade and investment in our municipality, and implementing sound financial discipline amongst others in order to finance infrastructure development. We are certain that, with an excellent leadership of our Council we managed to meet most of our service delivery targets as prescribed by the IDP 2016/17 and our performance agreements.

Our performance on the five key performance areas of the IDP and Budget during the 2016/2017 financial year can be briefly summarised as follows:

Some of the key highlights /achievements of the municipality's performance during 2016/2017 include the following amongst others:

1. Design and construction of 600m paved road in Platberg, Ladybrand (100% complete as at 30 June 2017)

2. Design and construction of 2km paved road in Maclasen (Dipelaneng) (30% complete as at 30 June 2017)
3. Excelsior: Bulk water supply- Installation of pipeline and pumpstation phase 2 (13% complete as at 30 June 2017)
4. Excelsior: Bulk water supply – Supply and equipping of boreholes phase 1 (100% complete, on retention as at 30 June 2017;
5. Upgrading of Arthur Pitso Stadium Phase 2 (90% complete as at 30 June 2017.

In September 2016, the Mayor, as part of the 30-August to 02 September 2016 Free State Provincial Government EXCO Lekgotla, launched Mayoral Operation Hlasela campaign, about 11km roads were re-gravelled, bladed from March to April 2017 as part of the programme with the support of the Free State Provincial Department of Police, Roads & Transport, there was also the cleaning of Storm water, painting of streets and removal of dumping sites throughout five towns of Mantsopa.

In ensuring Financial Viability & Management, about 1341 new indigents were registered as part of Mayoral Operation Hlasela during October to December 2016.

In ensuring that we adhere to Institutional Transformation & Development and also preventing unnecessary litigations against the municipality, Majavu & Associates were appointed as Municipal Attorneys from April 2017, a new Audit Committee chaired by Mr Msizi Gwala who is a registered Chartered Accountant (CA) to ensure good governance and internal control.

Some of the weaknesses / challenges experienced during 2016/2017 financial year are summarised as follows:

1. Poor monitoring of projects, especially Water Pipeline project at Loop Street (Ntsu Trading), leading to unnecessary increment of professional fees incurred by the municipality in favour of Aurecon;
2. There was also poor monitoring of Excelsior: Bulk water supply- Installation of pipeline and pump-station phase 2 (13% complete as at 30 June 2017) implemented by Ket Civils;
3. Contract employees for more than 6 months, others up to three years, exposing the municipality to unnecessary reasonable expectation for permanent employment as per Section 198B of the Labour Relations Act;
4. Excessive expenditure on overtime;
5. Poor maintenance of electricity infrastructure due to an ambiguous SLA with Centlec not reviewed since 2007;

6. Shortage of yellow plant for daily maintenance of infrastructure, leading to poor maintenance of road and storm water infrastructure, water and sanitation infrastructure and solid waste disposal sites throughout the municipality;
7. Performance Management System was not cascaded to all levels of employees, some staff members did not have signed job descriptions;
8. The Municipal Manager and Section 56 employees were not evaluated during the period under review;

We have prepared a very comprehensive audit action plan to address all the above-mentioned challenges and weaknesses, the Audit Action Plan will be fortnightly monitored and reviewed through the Clean Audit Steering Committee meetings and Management meetings.

Finally, let me also take this opportunity to thank the Mayor, Speaker, all Councillors, Senior Management and staff members for their support during the year under review as part of our mission of serving our community with excellence.

Your contribution is always valued.

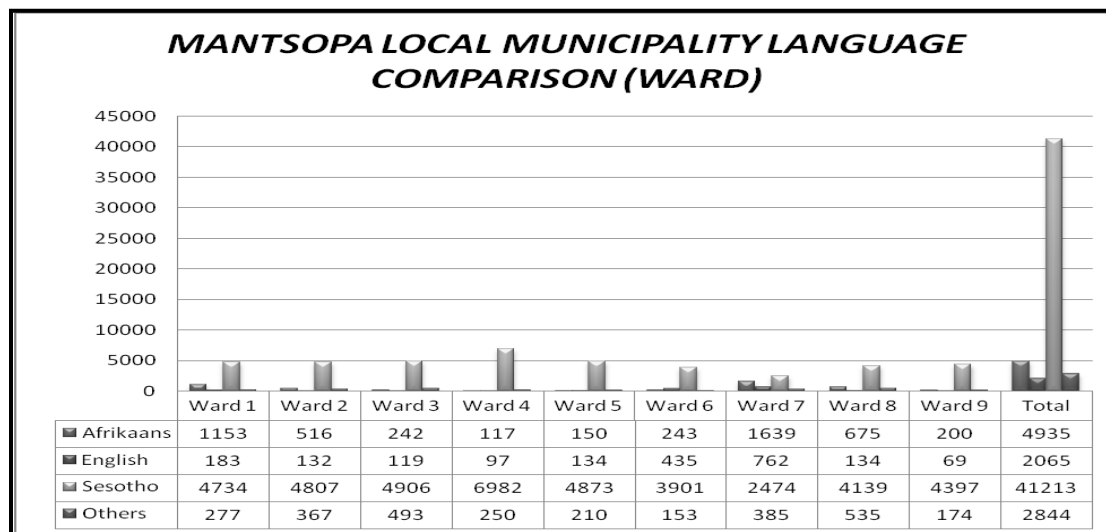
**THAMAE PAULUS MASEJANE**  
**MUNICIPAL MANAGER**

**DATE:.....**





Figure 1: Languages spoken in the Municipality per ward.



Source: Statistics South Africa - Census Statistics 2011

The area is accessible via the N8 and R26 roads which transverse the area. A railway line that runs along these routes services the area. The municipal area accommodates approximately 51 056 people and covers an area of 4 290 km<sup>2</sup>. It incorporates five small towns, which accommodates collectively 70.9% of the total population of Mantsopa. These small towns serve the surrounding rural community. The five main towns situated in Mantsopa are Ladybrand Head Office, Hob House, Tweespruit, Thaba-Phatchoa and Excelsior.

- **Ladybrand** is the most progressive of all towns and is the most eastern node in the municipal area. Ladybrand municipal area includes Manyatseng, Mauersnek and the surrounding municipal commonages that covered an area of 4 682 ha in size. The town accommodates 34% of the total population of Mantsopa.
- **Hobhouse** is a smaller rural town that is located southwest of Ladybrand and east of the Leeuw River along the Lesotho border. Hobhouse is the most southern node in the municipal area. It is about 2 089 ha in extent which includes Dipelaneng and municipal commonages. The town accommodates 4.6% of the total population of Mantsopa.
- **Tweespruit** is the most centrally located node along the N8 route between Bloemfontein and Ladybrand. It is about 1 534 ha in extent and included Borwa, Dawiesville and municipal commonages. The town accommodates 10.2% of the total population of Mantsopa.

- **Excelsior** is located 40 km north of Tweespruit along the R709 and forms the northern boundary of Mantsopa. It is about 1 298 ha in extent of which 243 ha was designed as an urban area, the rest were rented out to commercial farmers while some land was utilized for grazing purposes. It includes Mahlatswetsa and municipal commonages. Excelsior accommodates 10.6% of the total population of Mantsopa.
- **Thaba Patchoa** is located between Tweespruit and Hobhouse and is a small agricultural residence for about 1100 people. It is about 3 864 ha in extent and consisted of the farms Thaba Patchoa 105, Segogoana's Valley 665 and Sweet Home 667.

The municipal area has been divided into 9 wards. These wards comprise the following areas:

- **Ward 1:** Borwa, Thaba Patchoa and surrounding rural areas;
- **Ward 2:** Hobhouse, Dipelaneng, Portion of Ladybrand town and surrounding rural areas;
- **Ward 3:** Vukazenzele;Masakeng;Mekokong;Part of Los My Cherrie
- **Ward 4:** Part of Los My Cherrie, Flamingo; Part of Lusaka
- **Ward 5:** Mandela Park, Riverside, Masakeng, Thusanong, Modderpoort and surrounding rural areas;
- **Ward 6:** Lusaka, Thabong, New Platberg, and Homes 2000;
- **Ward 7:** Part of Ladybrand, Maursnek;Platberg and surrounding rural areas
- **Ward 8:** Excelsior, part of Mahlatswetsa, Tweespruit, Dawiesville, part of Motsekuoa and surrounding rural areas;
- **Ward 9:** Mahlatswetsa and surrounding rural areas.

**Table 1: Number of Households per ward.**

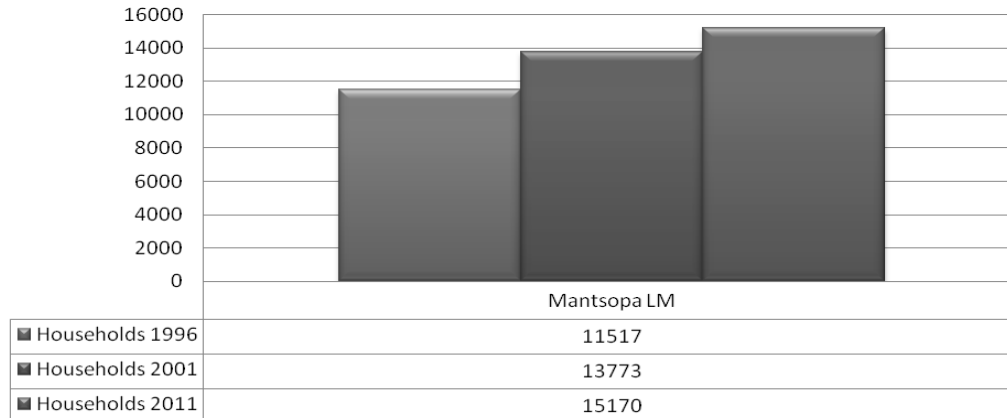
| <b>Number of Households per ward – Census 2011</b> |               |               |               |               |               |               |               |               |                          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------|
| <b>Ward 1</b>                                      | <b>Ward 2</b> | <b>Ward 3</b> | <b>Ward 4</b> | <b>Ward 5</b> | <b>Ward 6</b> | <b>Ward 7</b> | <b>Ward 8</b> | <b>Ward 9</b> | <b>Total of Mantsopa</b> |
| 1886   | 1865          | 1859          | 2088          | 1558          | 1363          | 1578          | 1494          | 1479          | 15170                    |

Source: Statistics South Africa - Census 2011 Statistics

According to the database of the municipality 10627 households stay in the urban areas. The following table gives a breakdown of the number of households in the various towns as per record of the municipality:

**Figure 2: Number of households per year.**

### MANTSOPALOCAL MUNICIPALITY HOUSEHOLD COMPARISON (1996 - 2011)



Source: **Statistics South Africa - Census Statistics 2011**

Because limited information is available on the rural areas, the municipality undertook a rural survey in 2001 to get more information regarding the current level of service provision in the rural areas and the number of people residing on the farms. This survey indicated that an average of 2.8 households stay on those farms occupied by farmers and their workers. Where the farmer was not residing on the farm itself, 25% of all respondents indicated that an average of 2 families stayed on the farm. Only 35 farms, representing 11.4% of the respondents, had nobody that resided on the farm. A survey at the Deeds Office indicated that there are a total of 1874 farms registered in Mantsopa. If these figures are used to predict the number of households staying in the rural areas, the following is concluded:

**Table 2: Estimated number of Rural Households**

| <b>Survey Result</b>                                  | <b>Applied to total number of farms</b> | <b>No of Households</b>  |
|---|---|--------------------------|
| 73% or 223 farmers resided on the farm                | $73\% \times 1874 \text{ farms} = 1368$ | $1368 \times 2.8 = 3830$ |
| 35 farms had nobody residing on it (11%)              | $11\% \times 1874 \text{ farms} = 206$  | $206 \times 0 = 0$       |
| 48 farmers did not stay on the farm they worked (16%) | $16\% \times 1874 \text{ farms} = 300$  | $300 \times 2.0 = 600$   |
| <b>Total</b>  | <b>1874</b>                             | <b>4430</b>              |

Source: Rural Survey (Mantsopa Local Municipality, 2001)

The rural survey conducted by the municipality also indicated that the average household size of the farm workers is 2.6 family members per household while the farmers has on average 2.1 family members. It is therefore estimated that 12 329 people are residing in the rural areas, using these average household sizes and multiplying it with the above estimated number of households.

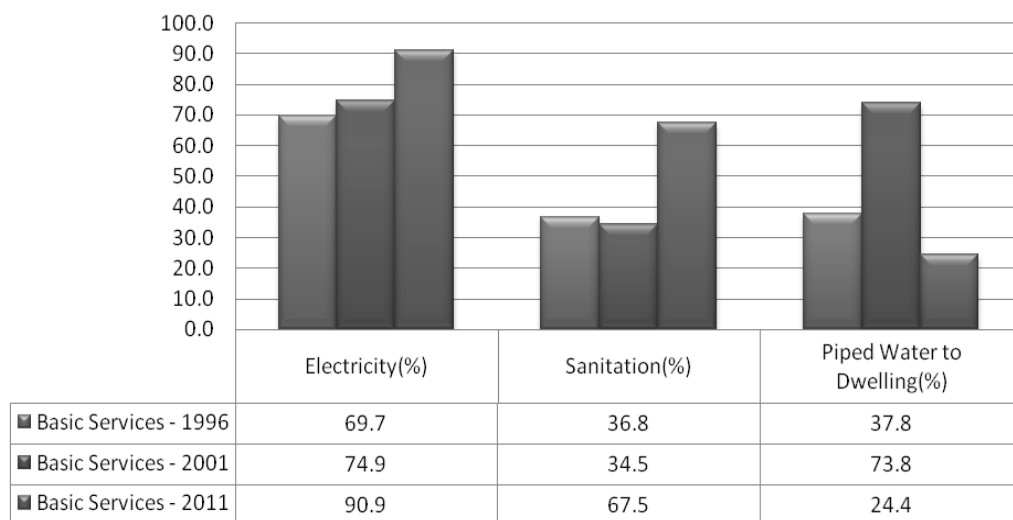
This figure is less than the rural population estimates of 21 405 people, if a compounded growth rate of 1.7% per annum is applied to the census figure of 1996. However, it is known fact that many farmers have retrenched workers since 1996 and therefore the rural population should have decreased, thus concluding the findings made by the rural survey.

The following conclusion can therefore be drawn from the above, namely that:

The estimated population of the rural survey is correct and therefore the rural population has decreased while there was an influx of people, through both migration and immigration into the urban areas. It is therefore estimated that the total number of households have increased from 11 715 to 15 057.

Mantsopa Local Municipality has had some mixed outcomes in terms of Services Provision from 1996 to 2011 as showed in the table below. Access to piped water has had a serious decrease and needs to be addressed within this IDP.

### MANTSOPA LOCAL MUNICIPALITY BASIC SERVICES COMPARISON (1996 - 2011)



**(a) Population**

|                               |  |
|-------------------------------|--|
| <b>Province:</b>              | Free State   |
| <b>District:</b>              | Thabo Mofutsanyana   |
| <b>Seat:</b>                  | Ladybrand  |
| <b>Wards:</b>                 | 9  |
| <b>Government</b>             | <ul style="list-style-type: none"><li>• <b>Type</b> Municipal Council</li><li>• <b>Mayor</b> Cllr Mmamama Tsoene</li></ul>   |
| <b>Area</b>                   | <ul style="list-style-type: none"><li>• <b>Total</b> 4,291 km<sup>2</sup>(1,657sq mi)</li></ul>  |
| <b>Population(2011)</b>       | <ul style="list-style-type: none"><li>• <b>Total</b> 51,056</li><li>• <b>Density</b> 11.9/km<sup>2</sup> (31/sq mi)</li><li>• <b>Households</b> 15,170</li></ul>           |
| <b>Racial makeup(2011)</b>    | <ul style="list-style-type: none"><li>• <b>Black African</b> 88.4%</li><li>• <b>Coloured</b> 3.9%</li><li>• <b>Indian/Asian</b> 0.6%</li><li>• <b>White</b> 6.6%</li></ul> |
| <b>First Languages (2011)</b> | <ul style="list-style-type: none"><li>• <b>Sotho</b>80.7%</li><li>• <b>Afrikaans</b> 9.7%</li><li>• <b>English</b> 4.0%</li><li>• <b>Other</b> 5.6%</li></ul>              |
| <b>Time zone</b>              | SAST (UTC+2)   |
| <b>Municipal code</b>         | FS196  |

Source-Free State Provincial Government, 2011

(c)Household data

Table 1.3.1(a) Population growth rates - 1996, 2001 and 2011

| Total Population |       |                        | Total population |                        |
|------------------|-------|------------------------|------------------|------------------------|
| 1996             | 2001  | Growth rate(1996-2001) | 2011             | Growth rate(2001-2011) |
| 50 081           | 55342 | 2,0                    | 51 057           | -0,8                   |

Table 1.3.1(b) Sex ratios by Municipality- 1996, 2001 and 2011

| MALE   |        |        | FEMALE |        |        | SEX RATIO |       |       |
|--------|--------|--------|--------|--------|--------|-----------|-------|-------|
| 1996   | 2001   | 2011   | 1996   | 2001   | 2011   | 1996      | 2001  | 2011  |
| 23 794 | 26 112 | 24 402 | 26 288 | 29 230 | 26 654 | 4,6:5     | 4,5:5 | 4,6:5 |

Table 1.3.1(c) Distribution of the population group (Black African) and sex

| 1996   |        |        | 2001   |        |        | 2011   |        |        |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Male   | Female | Total  | Male   | Female | Total  | Male   | Female | Total  |
| 20 360 | 22 733 | 43 093 | 22 863 | 26 051 | 48 879 | 21 413 | 23 713 | 45 125 |

Table 1.3.1(d) Distribution by population group (Coloured) – 1996, 2001 and 2011

| 1996  |        |       | 2001  |        |       | 2011 |        |       |
|-------|--------|-------|-------|--------|-------|------|--------|-------|
| Male  | Female | Total | Male  | Female | Total | Male | Female | Total |
| 1 067 | 1 157  | 2 224 | 1 233 | 1 239  | 2 472 | 991  | 1 016  | 2 007 |

Table 1.3.1(e) Distribution by population group (Indian/Asian) – 1996, 2001 and 2011

| 1996 |        |       | 2001 |        |       | 2011 |        |       |
|------|--------|-------|------|--------|-------|------|--------|-------|
| Male | Female | Total | Male | Female | Total | Male | Female | Total |
| 100  | 79     | 179   | 109  | 122    | 231   | 169  | 128    | 297   |

Table 1.3.1(f) Distribution by population group (White) – 1996, 2001 and 2011

| 1996  |        |       | 2001  |        |       | 2011  |        |       |
|-------|--------|-------|-------|--------|-------|-------|--------|-------|
| Male  | Female | Total | Male  | Female | Total | Male  | Female | Total |
| 2 173 | 2 179  | 4 352 | 1 907 | 1 853  | 3 760 | 1 668 | 1699   | 3 367 |

Source: Census 2011 Municipal report, Free State, Report 03-01-52



(d) Socio-economic trends

Table 1.3.1.1 Dependency ratio – 1996, 2001 and 2011

| 0-14   |        |        | 65+   |       |       | 15-64  |        |        | Dependency Ratio |      |      |
|--------|--------|--------|-------|-------|-------|--------|--------|--------|------------------|------|------|
| 1996   | 2001   | 2011   | 1996  | 2001  | 2011  | 1996   | 2001   | 2011   | 1996             | 2001 | 2011 |
| 17 250 | 18 005 | 16 216 | 2 619 | 3 086 | 2 777 | 28 974 | 34 252 | 32 064 | 68,6             | 61,6 | 59,2 |

Table 1.3.1.2 Distribution of the population aged 15-64 by employment status- 1996, 2001 and 2011

| Employed |        |        | Unemployed |       |       | Unemployment rate |      |      |
|----------|--------|--------|------------|-------|-------|-------------------|------|------|
| 1996     | 2001   | 2011   | 1996       | 2001  | 2011  | 1996              | 2001 | 2011 |
| 12 002   | 12 838 | 11 725 | 4 957      | 7 094 | 4 864 | 29.2              | 35.6 | 29.0 |

Table 1.3.1.3 Average household size – 1996, 2001 and 2011

| Total Household population |        |        | Number of households |        |        | Average household size |      |      |
|----------------------------|--------|--------|----------------------|--------|--------|------------------------|------|------|
| 1996                       | 2001   | 2011   | 1996                 | 2001   | 2011   | 1996                   | 2001 | 2011 |
| 48 325                     | 54 077 | 49 907 | 11 484               | 13 772 | 15 170 | 4.2                    | 3.9  | 3.3  |

Table 1.3.1.4 Distribution of households by type of main dwelling 1996, 2001 and 2011

| Formal |       |        | Traditional |       |      | Informal |       |       |
|--------|-------|--------|-------------|-------|------|----------|-------|-------|
| 1996   | 2001  | 2011   | 1996        | 2001  | 2011 | 1996     | 2001  | 2011  |
| 6 904  | 9 421 | 12 407 | 2 061       | 1 667 | 450  | 2 167    | 2 648 | 2 226 |

Table 1.3.1.5 Distribution by tenure status - 2001 and 2011

| Owned and fully paid off |       | Owned but not paid off |      | Rented |       | Occupied rent-free |       |
|--------------------------|-------|------------------------|------|--------|-------|--------------------|-------|
| 2001                     | 2011  | 2001                   | 2011 | 2001   | 2011  | 2001               | 2011  |
| 5 758                    | 7 792 | 1 767                  | 730  | 2 769  | 4 065 | 3 479              | 2 379 |

Table 1.3.1.6 Distribution of households using electricity for lighting, cooking and heating- 1996, 2001 and 2011

| Lighting | Cooking | Heating |
|----------|---------|---------|
|----------|---------|---------|

|      |        |        |      |      |        |      |      |      |
|------|--------|--------|------|------|--------|------|------|------|
| 1996 | 2001   | 2011   | 1996 | 2001 | 2011   | 1996 | 2001 | 2011 |
| 7853 | 10 307 | 13 805 | 4086 | 5281 | 12 028 | 3591 | 4362 | 5920 |

Table 1.3.1.7 Distribution of households having access to piped (tap) water -1996, 2001 and 2011

| Piped(tap) water inside the dwelling/yard |        |        | Piped (tap) water on a communal stand |       |      | No access |      |      |
|---|--------|--------|---------------------------------------|-------|------|-----------|------|------|
| 1996                                      | 2001   | 2011   | 1996                                  | 2001  | 2011 | 1996      | 2001 | 2011 |
| 9 062                                     | 10 168 | 14 490 | 1 401                                 | 3 046 | 503  | 973       | 559  | 176  |

Table 1.3.1.8 Distribution of households by type of refuse removal 1996, 2001 and 2011

| Removal by authority/private company |       |        | Communal/own refuse dump |       |       | No rubbish disposal |       |      |
|--------------------------------------|-------|--------|--------------------------|-------|-------|---------------------|-------|------|
| 1996                                 | 2001  | 2011   | 1996                     | 2001  | 2011  | 1996                | 2001  | 2011 |
| 6 707                                | 9 317 | 11 921 | 4 237                    | 2 971 | 2 906 | 406                 | 1 484 | 286  |

Table 1.3.1.9 Distribution of households by type of toilet facility – 1996, 2001 and 2011

| Flush/chemical toilets |       |        | Pit latrines |       |       | Bucket toilets |       |       | No toilets |       |      |
|------------------------|-------|--------|--------------|-------|-------|----------------|-------|-------|------------|-------|------|
| 1996                   | 2001  | 2011   | 1996         | 2001  | 2011  | 1996           | 2001  | 2011  | 1996       | 2001  | 2011 |
| 4 149                  | 4 746 | 10 677 | 2 115        | 2 039 | 1 480 | 3 365          | 5 192 | 2 530 | 1 819      | 1 796 | 387  |

Source: Census 2011 Municipal report, Free State, Report 03-01-52

(e) Household incomes

Table 1.3.1.10 Distribution of average household income – 2001 and 2011

|        |        |
|--------|--------|
| 2001   | 2011   |
| 28 206 | 62 287 |

Table 1.3.1.11 Distribution of female headed household 1996, 2001 and 2011

| Female headed household |       |       | Total number of households |        |        | % of female headed households |      |      |
|-------------------------|-------|-------|----------------------------|--------|--------|-------------------------------|------|------|
| 1996                    | 2001  | 2011  | 1996                       | 2001   | 2011   | 1996                          | 2001 | 2011 |
| 4 001                   | 5 585 | 6 552 | 11 484                     | 13 772 | 15 170 | 34,8                          | 40,6 | 43,2 |

**Table 1.3.1.12 Distribution of child headed households – 1996, 2001 and 2011**

|                               |                  |                              |
|-------------------------------|------------------|------------------------------|
| <b>1996</b>                   |                  |                              |
| Households headed by children | Total households | % of child headed households |
| <b>97</b>                     | <b>11 484</b>    | <b>0,8</b>                   |
| <b>2001</b>                   |                  |                              |
| Households headed by children | Total households | % of child headed households |
| <b>120</b>                    | <b>13 772</b>    | <b>0,9</b>                   |
| <b>2011</b>                   |                  |                              |
| Households headed by children | Total households | % of child headed households |
| <b>95</b>                     | <b>15 170</b>    | <b>0,6</b>                   |

Source: Census 2011

Municipal report, Free State, Report 03-01-52

## **Chapter 2: Governance**

### **Vision**

*To Communally Create Better Livelihoods and Build a Community of Mantsopa Defined by a Common Dream by 2030*

### **Mission statement**

*Transform Social and Economic Development Patterns through Integrated, Accessible, Equitable and Sustainable Service*

### **Component A: Governance Structure**

In line with Chapter 7 of the Constitution of the Republic of South Africa, Mantsopa Local Municipality's executive and legislative authority is vested in its Municipal Council. In carrying out its mandate, to govern on its own initiative, the municipality must ensure consistent compliance with applicable national and provincial legislations.

The Constitution of the Republic of South Africa specifically section 152 (ss. 1) enjoins and vest the following developmental mandates on municipalities. These are;

- To provide democratic and accountable government for the local communities.
- To ensure provision of services to communities in a sustainable manner.
- Promote social and economic development.
- To promote safe and healthy environment for local communities and,
- To encourage public and community participation in matters of local government.

Mantsopa Local Municipality has both political as well as administrative structures. The political structure consists of the entire municipal Council, the Mayor, Speaker and the EXCO. The administrative structure in turn is embodiment of all municipal employees, with the Municipal Manager serving as head of administration. The senior management consists of four section 56 managers appointed on fixed contractual agreement, who also serve as heads of departments in the municipality

### **THE PEOPLE SHALL GOVERN!**

### **GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

#### **Political Governance**

- **Municipal Council**

The municipal council of Mantsopa Local Municipality is the highest decision making body in the area of jurisdiction of this municipality. The council consists of 17 councillors affiliated to different political parties. The mayor and the speaker also form part of this council and are both full time political office bearers.

During the period under review, Mantsopa Municipal Council was able to meet as prescribed and where necessary convene special council meetings to process matters that warranted urgent attention.

The Speaker, Councillor M J Moduka preside over all Council meetings, provide support and guidance to Section 79 Committees and Ward Committees.

**Members of Mantsopa Municipal Council**

| SURNAME & INITIALS | PERIOD         | PARTY | SEAT TYPE    | GENDER |
|--------------------|----------------|-------|--------------|--------|
| TSOENE M.E         | 03 AUGUST 2016 | ANC   | PR (MAYOR)   | M      |
| MODUKA M J         | 03 AUGUST 2016 | ANC   | PR (SPEAKER) | F      |
| GABA SQG           | 03 AUGUST 2016 | ANC   | WARD (1)     | M      |
| NAKALEBE P N       | 03 AUGUST 2016 | ANC   | WARD (2)     | M      |
| MEYA B E           | 03 AUGUST 2016 | ANC   | WARD (3)     | F      |
| THAISI N J         | 03 AUGUST 2016 | ANC   | WARD (4)     | M      |
| MOLEFE D T         | 03 AUGUST 2016 | ANC   | WARD (5)     | M      |
| TIGELI K I         | 03 AUGUST 2016 | ANC   | WARD (6)     | M      |
| HALSE T            | 03 AUGUST 2016 | DA    | WARD (7)     | F      |
| MOLETSANE L P      | 03 AUGUST 2016 | ANC   | WARD 8       | M      |
| SEOE G M           | 03 AUGUST 2016 | ANC   | WARD 9       | M      |
| MPAKATHE R T       | 03 AUGUST 2016 | DA    | PR           | M      |
| HATTINGH D         | 03 AUGUST 2016 | DA    | PR           | M      |
| JACOBS Y J         | 03 AUGUST 2016 | ANC   | PR           | F      |
| MOSES S J          | 03 AUGUST 2016 | EFF   | PR           | M      |
| MABOZA B A         | 03 AUGUST 2016 | EFF   | PR           | F      |
| SANI B M           | 03 AUGUST 2016 | COPE  | PR           | M      |

The EXCO members are appointed by the council and serve as political heads for some of section 79 committees. Mantsopa Local Municipality has a Plenary Executive System, this means that the executive leadership of the municipality is vested with the council as a collective, and as a result, the executive authority the municipality is exercised through the council.

The Mantsopa Local Municipality's EXCO consisted of the following members as at the end of the period under review:

Cllr M E Tsoene – Chairperson

Cllr T Halse

Cllr J Y Jacobs

## Section 79 Committees

The municipality had Section 79 committees during the period under review. These committees are responsible for implementation of specific committee related programmes.

The committees were constituted as follows for the period under review:

| NO | COMMITTEES                                | MEMBERS  | NUMBER OF MEETINGS HELD BETWEEN 01 JULY 2016 – 30 JUNE 2017 | COMMENTS   |
|----|---|--|---|--|
|    | Executive Committee                       | <b>Cllr M E Tsoene (Mayor – Chairperson)</b><br>Cllr Y J Jacobs<br>Cllr T Halse  | 4   | The previous EXCO had one meeting in July 2016, the current EXCO had three meetings during the year under review |
| 1  | Finance Committee                         | <b>Cllr M P Nakalebe (Chairperson)</b><br>Cllr B E Meya<br>Cllr D Hattingh   | 4   | N/A  |
| 2  | Governance & Administration Committee     | <b>Cllr Seoe M.G (Chairperson)</b><br>Cllr S Q G Gaba<br>Cllr B A Maboza   | 2   | N/A  |
| 3  | Infrastructure & Urban Planning Committee | <b>Cllr N J Thaisi (Chairperson)</b><br>Cllr L P Moletsane<br>Cllr B M Sani  | 3   | N/A  |
| 4  | Community Services                        | <b>Cllr KI Tigeli (Chairperson)</b><br><b>Cllr D T Molefe</b><br><b>Cllr R T Mpakathe</b>                                    | 3   | N/A  |
| 5  | Petitions Committee                       | <b>Cllr M J Moduka (Chairperson)</b><br>Cllr L.P Moletsane<br>Cllr B M Sani<br>The Ward Councillor where petition originates | 0   | N/A  |
| 6  | Local Labour Forum                        | <b>Cllr M P Nakalebe (Chairperson)</b><br>Cllr N J Thaisi<br>Cllr B A Maboza<br>Cllr K I Tigeli                              | 6   | N/A  |

|   |                 |  |   |     |
|---|-----------------|--|---|-----|
| 7 | Rules Committee | <b>Cllr M J Moduka (Chairperson)</b><br>Cllr Y J Jacobs<br>Cllr B M Sani<br>Cllr R T Mpakathe<br>Cllr B A Maboza<br>Cllr L P Moletsane | 1 | N/A |
|---|-----------------|--|---|-----|

### Administrative Governance

In line with legislative prescripts, the head of the administrative structure at Mantsopa Local Municipality is the Municipal Manager. As the Accounting Officer, the Municipal Manager provides guidance on compliance with legislation to political structures; political office bearers, and officials of the municipality.

In execution of his duties, the Municipal Manager was assisted by his senior managers, who serve as departmental heads. The Municipal Manager, together with his senior managers, constitutes the senior management team of the municipality. The following individuals were part of the senior management team of Mantsopa Local Municipality for the period under review:

**Mr. SM Selepe** - Municipal Manager (Contract expired on 30 June 2017 and Mr T.P Masejane, appointed as Municipal Manager effectively from 01 August 2017)

**Mr. KD Matsie** – Chief Financial Officer (**Suspended in Sept 2016, dismissed in March 2017 & Mr A M Makoe appointed Acting CFO since 14 September 2016 to 30 June 2017**)

**Me. PP Moloi** - Director: Corporate Services,

**Me. KB Sebolai**- Director: Community Services,

**Mr. NJ Raliapeng** - Director: Technical Services. (**Resigned on 31 Dec 2016 and Mr E D Nana was appointed Acting Director Technical Since 31 Jan 2017.**)

The above mentioned senior management team was supported by the experienced and capable middle management (Post level 01 to 03) and more than 280 workforce in the implementation of the Municipal Integrated Development Plan amongst others during the period under review.

### Component B: Intergovernmental Relations

The constitution of the country requires all spheres of government to observe the fundamental principles of cooperation between spheres of government.

Concomitant to this background, Mantsopa Local Municipality see the intergovernmental relations between spheres of government as an important tool to enhance and speed up service delivery. In terms of Intergovernmental Relations Act Framework Act, 2005, the municipality has participated in provincial, district and intergovernmental technical structures such as:

- Premier's intergovernmental relations
- District's Intergovernmental Relations
- Intergovernmental Technical Support Structures

### **Component C: Public Accountability and Participation**

Section 18 (i) (d) of Municipal Systems Act requires that a municipality must supply its community with information concerning municipal governance, management and development. The act further requires that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance.

#### **Ward Committees:**

All 9 (nine) ward committees were duly elected between October and November 2016, they were all trained by the Free State Department of Cooperative Governance & Traditional Affairs (FSCOGTA) and are able to meet and discharge their responsibilities as prescribed in terms of the Local Government: Municipal Systems Act, 32 of 2000.

Ward Committee Reports are submitted to Council by various committees through office of the Speaker. These reports are forwarded on monthly basis by wards collectively.

Individual ward committee members report to their committees during their ward committee management meetings. The ward will then consolidate a report that will be forwarded to the office of the Speaker, and at the ultimate stage the reporting will be forwarded to Council by the office of the Office of the Speaker.

Office of the Speaker is also checking through the reports/ minutes from wards; this exercise is done in order to with issues that need urgent discussions or attention to different departments within the municipality (e.g. Technical services or Community services). Normally these will be issues around service delivery.



Ward committee members are representing their different portfolios within their committees. The members are guided by the ward operational plans which set objectives and times frames towards various sector representations which members serve within their committees.

## **IDP PARTICIPATION**

### **1.1 Introduction**

The Integrated Development Plan (IDP) process is a process through which the municipalities prepare strategic development plans for a five-year period. An IDP is one of the key instruments for local government to cope with its new developmental role and seeks to arrive at decisions on issues such as municipal budgets, land management, promotion of local economic development and institutional transformation in a consultative, systematic and strategic manner.

In order to ensure certain minimum quality standards of the IDP Review process and proper coordination between and within spheres of government, municipalities need to prepare IDP review process plan and formulate budget to implement the IDP. The IDP and Budget Process Plan has to include the following:

- A programme specifying the timeframes for the different planning steps;
- Appropriate mechanisms, processes and procedures for consultation and participation
- of local communities, organs of state, traditional authorities and other role players in
- the IDP review and budget formulation processes; and
- Cost estimates for the review process.
- The preparation of IDP process plan is in essence the formulation of the IDP and Budget
- Processes set out in writing and require the adoption by Council.

### **1.2 Legal planning context**

The preparation of the IDP and Budget processes are regulated by the Municipal Systems Act, No 32 of 2000 and the Municipal Finance Management Act, No 56 of 2003. This is to ensure certain minimum quality standards of the integrated development planning and budget process and proper coordination between and within the spheres of government.

As the IDP is a legislative requirement it has a legal status and it supersedes all other plans that guide development at local level.

The Municipal Systems Act, No 32 of 2000 (as amended) and the Municipal Finance Management Act, No 56 of 2003 confer the responsibility on the Mayor to provide political guidance over the budget process and the priorities that must guide the preparation of the annual budgets. In terms of section 53 of the Municipal Finance Management Act the Mayor must also coordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purpose of the budget. The Municipal Systems Act further requires the following regarding the IDP process:

Chapter 5 and Section 25 (1) of the Municipal Systems Act (2000) indicate that:

- Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, all inclusive and strategic plan for the development of the municipality which-
- Links integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Complies with the provisions of this Chapter; and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

In terms of the core components of the integrated development plan, Chapter 5 and Section 26 of the Municipal Systems Act (2000) indicate that:

An integrated development plan must reflect-

- The municipal council's vision for the long term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs;
- An assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services;

- The council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs;
- The council's development strategies which must be aligned with any national and provincial sectorial plans and planning requirements binding on the municipality in terms of legislation;
- A spatial development framework which must include the provision of basic guidelines for land use management system for the municipality;
- The council's operational strategies;
- Applicable disaster management plans;
- A financial plan, which must include a budget projection for at least the next three years; and
- The key performance indicators and performance targets determined in terms of section 41.

Section 27 stipulates that:

- Each district municipality, within a prescribed period after the start of its elected terms and after following a consultative process with the local municipalities within its area, must adopt a framework for integrated development planning in the area as a whole;
- A framework referred to in subsection (1) binds both the district municipality and the local municipalities in the area of the district municipalities;
- The framework must ensure proper consultation, co-ordination and alignment of the IDP Process of the district municipality and the various local municipalities.

### **1.3 Alignment between IDP, Budget and PMS**

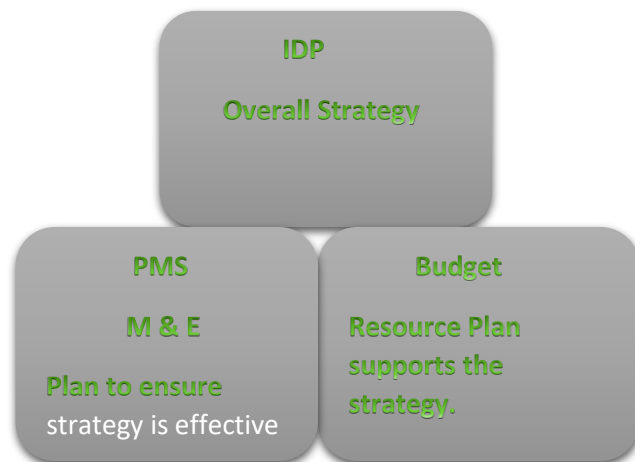
In terms of the Municipal Systems Act, municipalities are required to prepare organizational performance management system that must be linked to the IDP. Tremendous progress has been made with the process of aligning the IDP, Budget and Performance Management System (PMS).

The PMS process will address the following issues:

- Alignment of the PMS, Budget and IDP processes;

The IDP, performance management systems (PMS) and budget are all components of one overall development planning and management system. The IDP sets out what the municipality aims to accomplish, how it will do this. The PMS enables the municipality to check to what extent it is achieving its aims. The budget provides the resources that the municipality will use to achieve its aims. As indicated earlier, every attempt has been made in this process plan to align the IDP and PMS formulation and/or review, and the budget preparation process. The linkages of the three processes are summarized in the following diagram:

**Fig 1: The linkages between IDP, Budget and PMS**



#### 1.4 The purpose of the process plan

Mantsopa Local Municipality needs to plan, direct and manage its capacity and resources to support the successful implementation of its integrated development planning process and the budget. The reality of limited capacity and resources in Mantsopa Local Municipality demands innovation and the need for greater intergovernmental cooperation between various spheres of government.

The Mantsopa Local Municipality process plan is seen as a document that describes how the municipality will develop and implement the integrated development plan through budget in its area of jurisdiction. Therefore, it will have a meaningful bearing on the current IDP document once completed and/or most importantly, it may lead to the process of the development of a new and all-inclusive integrated development planning methodology to plan and actualize future development in Mantsopa Local Municipality through our budgetary allocations. The process plan is thus similar to business plan and deals with the allocation of municipality capacity and resources in support of and serve as a guideline in terms of which Mantsopa Local Municipality will carry out its mandate with regard to integrated development planning.

This plan is meant to ensure the proper management of the planning process through the following:

Setting the scene to manage the planning process and legal requirements in planning for the implementation of the integrated planning system;

▣ A programme specifying time schedule that guide IDP and budget planning processes and various planning steps; Outlining appropriate mechanisms, processes and procedures on how the public, stakeholders, state organs can participate in the drafting of the IDP and formulation of the budget structures that will be used to ensure this participation

Indicate necessary organizational arrangements to ensure the successful implementation of the integrated development planning process;

Binding plans and planning requirements, i.e. policy and legislation; mechanisms and procedures for vertical and horizontal alignment; and a programme specifying how will the process be monitored in order to manage the progress of the IDP and budget processes.

### 1.5 The annual budget

The Annual Budget and the IDP are inextricably linked to one another, something that has been formalised through the promulgation of the Municipal Finance Management Act (2004). Chapter 4 and Section 21 (1) of the Municipal Finance Management Act (MFMA) indicate that:

*The Mayor of a municipality must-*

*a) At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for.*

*I. The preparation, tabling and approval of the annual budget;*

*II. The annual review of-*

- a. The integrated development plan in terms of section 34 of the Municipal Systems Act; and The budget related policies.*
- b. The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and*
- c. The consultative processes forming part of the processes referred to in subparagraphs (I), (ii) and (iii).*

This document constitutes the Process Plan of the IDP Review 2017-22 and Budget formulation 2017-20 for the Mantsopa Local Municipality and essentially fulfills the function of a business plan and/or operational plan for the IDP process and presents, in a simple and transparent manner **what** should happen **when**, by **whom**, with **whom** and **where** during the process of formulating an IDP for the Mantsopa Local Municipality.

## **SECTION TWO: IDP DEVELOPEMENT PROCESS**

### **2.1 Key elements to be addressed in this process**

The Municipality will pursue the following strategic goals during this term of local government that are informed by the 10 National Electoral Mandate, Medium-Term Strategic Framework and Municipal Turnaround Strategy and 2030 sustainable development goals:

- To ensure service excellence within and around Mantsopa Local Municipality;
- To stimulate integrated and sustainable economic development;
- To improve and sustain financial, human resource and management excellence;
- To evolve institutional excellence through a thoroughgoing institutional reengineering, effective leadership and effective long range development planning.
- The municipality will accelerate implementation to roll back existing service delivery backlog identified during the IDP review process as well as in consultation with community, and in line with the financial situation of the municipality.

The following is a summary of the main activities to be undertaken during this IDP Process:

#### **2.1.1 Refine and/or develop the strategic elements of the IDP in terms of council's new priorities**

- (a) Refine and/or develop the vision and objectives;
- (b) Refine and/or develop the strategy elements of the IDP;
- (c) Determining new programmes to achieve the strategic intent;
- (d) Refine and enhance institutional plans;
- (e) Refine and/or develop the spatial development framework;
- (f) Tightened performance management system;
- (g) Develop organizational scorecard;
- (h) The preparation and review of relevant sector plans;

## **SECTION THREE: HORIZONTAL AND VERTICAL ALIGNMENT**

### **3.1. Framework plan**

In terms of Chapter 5 and Section 26 of the Municipal Systems Act (2000), districts are required to prepare and adopt a Framework Plan which indicates how the District and Local Municipalities will align their IDPs. The Framework Plan provides the linkage and binding relationships to be established between the district and local municipalities in the district and in doing so, proper consultation, coordination and alignment of the review process of the district municipality and various local municipalities can be maintained.

Alignment with service providers is essential to ensure that the district and local municipality's priorities can be reflected in the service providers' project prioritization process and in turn the service providers' projects can be reflected in the IDP document. Regular meetings with service providers would be required in the course of IDP review process.

### **3.2. Alignment with stakeholders**

Alignment with stakeholders is essential in order that the Thabo Mofutsanyana District Municipality and Mantsopa's priorities can be reflected in their project prioritization process, as well as reflecting those projects in the IDP. It is anticipated that the IDP and Budget Conference and IDP Programme Workshops which will be led by Mayor and Municipal Manager will create such a platform as well as a series of individual meetings with key organs of the state.

### **3.3. Stakeholders in the IDP process**

#### *Municipality*

The IDP guides the development plans of the local municipality.

#### *Councillors*

The IDP gives Councillors an opportunity to make decisions based on the needs and aspirations of their constituencies.

#### *Communities and other stakeholders*

The IDP is based on community needs and priorities. Communities have the chance to participate in identifying their most important needs. The IDP process encourages all stakeholders who reside and conduct business within a municipal area to participate in the preparation and implementation of the development plan.

### *National and provincial sector departments*

Many government services that affect communities at local level are delivered by provincial and national government departments -for example: police stations, clinics and schools.

Municipalities must take into account the programmes and policies of these departments. The departments should participate in the IDP process so that they can be guided how to use their resources to address local needs.

## **SECTION FOUR: PUBLIC PARTICIPATION IN THE IDP PROCESS**

### **4.1. Community-based planning**

A fundamental and statutory component of the IDP process is community engagement and the public participation. Participation in the integrated development planning process is only one of the several arenas of participatory interaction between local government and citizens. The municipality's approach in participatory interaction is based on its innovative ward based planning process or community based planning (CBP) process where all 9 wards will be involved in the confirmation of their development priorities. CBP as a form of participation in the development of Mantsopa IDP is seen within the context that it must be people-focused and empowering, led and owned by Ward Councilors and ward committee members, based on vision and strengths of the ward, and should be holistic and promote mutual accountability between elected public representatives, community and municipal administration. Through CBP, communities and stakeholders highlight and/or confirm their development priorities that should be included in the IDP in the form of projects, services and programmes.

## **SECTION FIVE: ORGANISATIONAL ARRANGEMENTS**

### **5. IDP Steering Committee**

The IDP Steering Committee is a strategic, political and technical working team making political and technical decisions and inputs that must ensure a smooth compilation and implementation of the IDP. The IDP Steering Committee has been operational since the inception of the IDP preparation process. The IDP SC and the Stakeholder Forum will be reconstituted for the preparation of the IDP process. As part of the IDP review and budget formulation process, the Steering Committee which support the Municipal Manager, IDP and the Budget Office should remain as follows:

#### **5.2. Municipal Manager**

As a head administration, the Municipal Manager is responsible and accountable for the implementation of the municipality's IDP, and the monitoring of progress with implementation of the plan. He is also the responsible person for championing the integrated development planning process.



## **IDP Manager**

Amongst others, the following responsibilities have been allocated to the IDP Manager for the IDP Process

- Ensure that the Process Plan is finalized and adopted by Council;
- Adjust the IDP according to the proposals of the MEC;
- Identify additional role-players to sit on the IDP Stakeholder Forum;
- Ensure the continuous participation of role players;
- Monitor the participation of role players;
- Ensure appropriate procedures are followed;
- Ensure documentation is prepared properly;
- Carry out the day-to-day management of the IDP process;
- Respond to comments and enquiries;
- Ensure alignment of the IDP with other IDP's within the District Municipality;
- Co-ordinate the inclusion of Sector Plans into the IDP documentation;
- Co-ordinate the inclusion of the Performance Management System (PMS) into the IDP;
- Submit the reviewed IDP to the relevant authorities.

## **5.2. IDP and Budget Forum**

### **Composition of IDP and Budget Forum**

The IDP and Budget Forum will facilitate and co-ordinate participation as part of the preparation phase of the IDP and will continue its functions throughout the annual IDP review processes. The proposed composition of the IDP and Budget Forum is potentially municipal stakeholders.

### **Terms of Reference for the IDP Representative Forum**

- The terms of reference for the IDP Representative Forum are as follows:
- Represent the interest of the municipality's constituency in the IDP process;

- Form a structures link between the municipality and representatives of the public;
- Provide an organizational mechanism for discussion, negotiation and decision making between the stakeholders including municipal government;
- Ensure communication between all the stakeholder representatives including the municipal;
- Monitor the performance of the planning and implementation process
- Integrate and prioritize issues, strategies, projects and programmes and identify budget requirements; and
- Monitor the performance of planning and implementation process.

#### **Roles and Responsibilities of Different Spheres of Government in the IDP Process**

The responsibility to prepare and adopt IDPs lies with Mantsopa Local Municipality. However IDP is seen as a key measure to identify and respond timeously and effectively to local developmental challenges and priorities, in a manner that leverages involvement and responses of all stakeholders including across sectoral basis and contributions by the district, provincial and national governments. It is therefore a requisite for all stakeholders to be fully aware of their own responsibilities and of other role-players' responsibilities so that the planning process is smooth and well-organized.

In order to ensure that there is a clear understanding of all required roles and responsibilities between the three spheres, the following are highlighted:

| <b>SPHERE OF GOVERNMENT</b> | <b>ROLES AND RESPONSIBILITIES</b> |
|-----------------------------|-----------------------------------|
| <b>Local</b>                |                                   |
| Local municipality          | Prepare an IDP<br>Adopt an IDP    |

|   |   |
|---|---|
| District municipality   | <p>Prepare an IDP</p> <p>Adopt an IDP</p> <p>Provide support to poorly capacitated local municipalities</p> <p>Facilitate the compilation of a framework which will ensure Coordination and alignment between local municipalities and the district.</p>  |
| <b>Provincial</b>   |   |
| CoGTA   | <p>Coordinate training</p> <p>Provide financial support</p> <p>Provide general IDP guidance</p> <p>Monitor the process in the province</p> <p>Facilitate coordination and alignment between district Municipalities.</p> <p>Facilitate resolution of disputes between municipalities</p> <p>Facilitate alignment of IDPs department policies and programmes.</p> <p>Assess IDPs</p> |
| <p>Sector Departments</p> <p>Be guided by municipal IDPs in the allocation of resources at Local level.</p> | <p>Provide relevant information on sector department's policies, Programmes and budgets</p> <p>Contribute sector expertise and technical knowledge to the Formulation of municipal policies and strategies.</p>   |
| <b>National</b>   | <p>Issue legislation and policy in support of IDPs</p> <p>Department of Cooperative Governance And Traditional Affairs</p> <p>Issue Integrated Development Planning Guidelines</p> <p>Provide financial assistance</p> <p>Provide a national training framework</p> <p>Establish a planning and Implementation Management Support System programmes and budgets.</p>                |

|  |  |
|--|--|
|  | <p>Contribute sector expertise and technical knowledge to the Sector Departments formulation of municipal policies and strategies</p> <p>Be guided by municipal IDPs in the allocation of resources at the Local level.</p> <p>Provide relevant information on sector department's policies,</p> |
|--|--|

### 6.2.2. Key IDP and budget time schedule of events for 2017/18 cycle

#### PREPARATION PHASE

| ACTIVITY   | WHERE & WHEN   | RESPONSIBILITY    | PARTIES INVOLVED                        | ESTIMATED COSTS  |
|--|--|-------------------|---|--|
| Presentation of the draft IDP process Plan for 2017/2018 to the IDP Steering Committee |  | IDP Manager       | Mayor, Speaker, Councillors, Management | R2000.00   |
| Presentation of the IDP Process plan for 2017/2018 to the special Council meeting      | Wednesday 31 August 2016<br>10H00 Ladybrand, Council Chambers                                | IDP Manager       | Municipal Manager                       | N/A (to be covered by normal budget for council meeting) |
| Presentation on Constitutional obligations, powers and functions                       | December 2016 in consultation with Department Corporative Governance and Traditional Affairs | Municipal Manager | Council, Management & Department        | R2500.00   |

#### ANALYSIS PHASE

| ACTIVITY   | TARGET GROUP  | WHERE & WHEN   | ESTIMATED COSTS |
|--|---|--|-----------------|
| Compilation of existing information, community stakeholder level analysis on Environment, economic, institutional, spatial, WSDP, Infrastructure, and cross cutting issues | Wards 2 Ward Committees, CDW's NGO's, CBO's, Business Organisations, CPF, SGB's                 | 19 September 2016 Dipelaneng Community Hall 10H00  | R20 000.00      |
|  | Ward 8 & 9, Ward Committees, CDW's, NGO's. CBO's Business Organisations CPF's & SGB's           | 20 September 2016 Mahlatswetsa Community Library 10H00   | R20 000.00      |
|  | Wards 1, Ward Committees, CDW's, NGO, Business Organisations, CPF's, SGB. Etc                   | 21 September 2016 Boroa Community Hall 10H00   | R20 000.00      |
|  | Ward 3,4,5,6 & 7 Ward Committees, CDW's, NGO's, CBO's, Business Organisations, CPF's, SGB, Etc. | 22 September 2016 Manyatseng Itumeleng Hall 10H00 ward 3&5, 12:00 ward 4&6 Library Hall and 17H00 Herman Premier Skool | R25 000.00      |

|  |  |   |            |
|--|--|---|------------|
|  | Ward 1Ward Committees, CDW,s, NGO's, CBO's ,Business Organisations CPF's &SGB. Etc | 23 September 2016 Paul Bergman Saal 10H00 | R20 000.00 |
|--|--|---|------------|

## STRATEGIES PHASE

| ACTIVITIES   | TARGET GROUP   | WHERE & WHEN   | ESTIMATED COSTS |
|--|--|--|-----------------|
| Compile ward based strategic guidelines on SDF, WSDP, CPI, Housing Sector Plan, LED, Infrastructure development, institutional capacity, and Environmental Issues, defines resource frames (financial strategies), deciding on alternative for ward based specific issues, identify and or review projects | Ward 2 ward communities. CDW's, NGO's, CBO's, Business Organisation, CPF's, SGB', etc.         | 26 September 2016 Dipelaneng Hall, 10H00.  | R20 000.00      |
|  | Ward 8&9 Ward Committees, CDW's NGO's, CBO, CPF's Business Organisations.                      | 27 September 2016, Mahlatswetsa hall, 10H00.   | R20 000.00      |
|  | Ward 3,4,5, 6 & 7 Ward Committees, CDW's, NGO's, CBO's Business Organizations, CPF's, SGB etc. | 28 September 2016 Herman Premier Skool 17H00 and Itumeleng Hall 10H00 ward 3&5 , Library hall 4&6 12:00. | R20 000.00      |
|  | Ward 1 Ward Committees, CDW's, NGO's, CBO's, Business Organisations, CPF's, SGB.etc.           | 29 September 2016 community Hall, 10H00  | R20 000.00      |
|  | Ward 1 Ward Committees, CDW's NGO's, CBO's Business Organisation, CPF's,SGB.etc                | 3 October 2016 Paul Bergman Saal,10H00   | R20 000.00      |

## PROJECT PHASE

| ACTIVITIES  | TARGET GROUP  | WHERE & WHEN   | ESTIMATED COSTS |
|---|---|--|-----------------|
| Preliminary budget allocations per project, prioritisation of projects per ward on MTEF basis, setting of key performance indicators for each project | Ward 1 ward communities. CDW's, NGO's, CBO's, Business Organisation, CPF's, SGB', etc         | 4 October 2016 Dipelaneng Community Hall   | R20 000.00      |
|   | Ward 8&9 ward communities. CDW's, NGO's, CBO's, Business Organisation, CPF's , SGB', etc      | 5 October 2016, Mahlatswetsa Hall, 10H00   | R20 000.00      |
|   | Ward 3,4,5, 6 & 7 Ward Committees, CDW's, NGO's, CBO's Business Organizations, CPF's, SGB etc | 6 October 2016, Herman Premier Skool 17H00, Itumeleng Hall 10H00 ward3 &5, library hall ward 4&6 12:00 | R20 000.00      |
|   | Ward 2 ward committees, CDW's, NGO's, CBO's, Business Organisation, CPF,s, SGB, etc           | 7 October 2016, Dan neethlan Hall, 10H00   | R20 000.00      |
|   | Ward 2 ward committees, CDW's, NGO's, CBO's, Business Organisations, CPF's, SGB, etc          | 11 October 2016, Paul Bergman Saal, 10H00  | R20 000.00      |

#### INTEGRATION PHASE

| ACTIVITIES   | PARTIES INVOLVED  | WHERE & WHEN  | ESTIMATED COSTS                              |
|--|---|---|--|
| IDP & Budget Representative Forum Meeting  | Council, Management, Ward Committee members, CDW's Various stakeholders within all eight wards, District Municipality, other spheres of government, external services providers (ESKOM, Telkom) | January 2017 Ladybrand Town Hall, 10H00                       | R100 000.00                                  |
| Tabling of the draft IDP & Budget 2017/2022 at a special council meeting for consideration | Council, Members of the community, media and all interested parties   | 31 March 2017, venue and time to be determined by the Council | To be covered by normal Council proceedings. |
| Council Strategic Planning Session   | Council & Management  | April 2017, venue to be decided by the Mayor                  | R450 000.00                                  |

**APPROVAL PHASE**

| <b>ACTIVITIES</b>  | <b>PARTIES INVOLVED</b>  | <b>WHERE &amp; WHEN</b>                               | <b>ESTIMATED COSTS</b> |
|--|--|---|------------------------|
| 2017/2022 IDP & Budget Speech by the Mayor at the special council meeting approval   | Council, members of the public, media and all parties involved parties | 30 May 2017venue and time to be determined by Council | R50 000.00             |
| Submission of the approved 2011/2012 IDP & Budget documents to the MEC: COGTA  | Municipal Manager  | Within 10 days of the approval                        | N/A                    |
| Tabling of the Service Delivery and Budget Implementation Plan 2017/2022 including Annual Performance Agreements of the Municipal Manager and Section 57 employees | Mayor  | June 2017   | R1000.00               |



Corporate governance is a system by which corporations are operated and controlled. This system encompasses a set of rules, processes and laws.

In the context of our municipality, we view corporate governance as an effective system of ensuring that the community get value for money through diligence and honesty.

In the course of rendering services to the community, it is therefore important to do so within the parameters of the law, and this can be achieved by connecting corporate governance with legislative risk management as a guideline.

#### **AUDIT COMMITTEE**

During the period under review, the municipality had a functional Audit Committee headed by Mr M C Gwala with two other members, it was able to discharge its obligations, it processed all matters referred to it by Council, reported progress regularly to Council and participated at the Audit Steering Committee meetings. All Annual Reports and Annual Financial statements were reviewed by the Audit Committee prior tabling at the Council meeting.

#### **AUDIT COMMITTEE MEMBERS**

| <b>MEMBER</b>   | <b>CAPACITY</b> |
|-----------------|-----------------|
| M C Gwala       | Chairperson     |
| Mrs D S. Lebeko | Member          |
| Ms V.C Sikaundi | Member          |

#### **Risk Management**

The MFMA requires that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control; and of internal audit operating in accordance with any prescribed norms and standards.

During the period under review the municipality had a functional risk management unit, plans are put into place to strengthen the unit.

Risk management is the process whereby the Accounting Officer, and other key members of the senior management proactively, purposefully and regularly identify and define current as well as emerging business, financial and operational risks and either simultaneously or identify appropriate and cost effective methods of obviating and managing these risks within the Municipality.

The Accounting Officer ensured that the municipality has risk management structures that are aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act (MFMA), Act no.56 of 2003.

A risk assessment was done and the risk assessment register was developed and approved by the Audit Committee. The top 10 Risks were also identified on the Risk Assessment register and they are discussed on a weekly basis in the Clean Audit Steering Committee Meetings.

The Clean Audit Steering Committee is a committee formed within the municipality to ensure that the municipality moves away from getting negative reports from the Auditor General. It consists of Management and experts who advises on the best mitigating strategies for the municipality's high risks.

The municipality also developed a Risk Management Policy which is currently in operation. The municipality has recently appointed the chairperson of the Risk Management Committee and established a Risk Management Committee. The Committee is a subcommittee appointed by the Accounting officer to help him with his responsibilities for risk management.

### **Anti-Fraud and Corruption**

For the period under review, the municipality adopted strategies to combat fraud and corruption in the IDP. The municipality's Internal Audit also plays a pivotal role in the review of processes and adherence to process relating to segregation of duties, procurement process, efficiency of internal controls, and other measures to prevent fraud and corruption from occurring.

The Municipality has developed the Fraud Prevention Policy and Fraud Prevention Strategy. These policies must be reviewed by the Risk Management Committee and the current objective is to present them in the next council meeting. The municipality is currently using the controls on the Risk Assessment Register to mitigate fraud.

### **Supply Chain Management**

For the period under review, the municipality had an approved supply chain management policy which is in line with the MFMA and National treasury regulations, Furthermore; the policy was reviewed to be in line with the Preferential Procurement Policy Framework Regulations of 2011.

The Supply Chain Management unit is appropriately capacitated in terms of human resources and skills. The unit is headed by a senior official who assume the duties of a Supply Chain Manager.

During the period under review, there were a number of instances where procurement procedures were not followed, which resulted in deviations from the approved policy.

The composition of the bid committees is in accordance with the provisions of the Supply Chain Management Regulations, 2005, and there is regular reporting on the implementation of the policy.

### **By-Laws**

There were six (6) new by-laws introduced in this reporting period. To provide by-laws for Council to implement for better services and legal.

Standard Building Regulation, 2011

Standard Cemeteries and Crematoria, 2011  
 Standard Sporting Facilities, 2011  
 Standard Taxi Rank, 2011  
 Standard Unsightly and Neglected Building, 2011  
 Standard Waste Management, 2011

#### INFORMATION PLACED ON THE WEBSITE AND OR PUBLISHED

| Documents to be published on the municipality's website  | Published / Not published |
|--|---------------------------|
| Current annual and adjustments budgets and all budget-related documents  | Published                 |
| All current budget-related policies  | Published                 |
| The previous annual report (2015/16)   | Published                 |
| All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act and resulting scorecards | Published                 |
| All service delivery agreements  | Published                 |
| All long-term borrowing contracts  |                           |
| All supply chain management contracts above a prescribed value (R 100 000)   | Published                 |
| Public-private partnership agreements referred to in section 120.  | Not applicable            |
| All quarterly reports tabled in the council in terms of section 52 (d) during 2016/17  | Published                 |

#### Public satisfaction of Municipal Services

##### 1<sup>st</sup> Quarter July – September 2016

| Type of service      | # of reported incidents | # of attended incidents | # of incomplete incidents | % of attended incidents |
|----------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| Water                | 167                     | 154                     | 13                        | 92.2%                   |
| Sanitation           | 160                     | 152                     | 8                         | 95%                     |
| Electricity          | 34                      | 31                      | 3                         | 91.1%                   |
| Roads and Stormwater | 0                       | 0                       | 0                         | 0                       |
| Refuse               | 10                      | 10                      | 0                         | 100%                    |

**2<sup>nd</sup> Quarter October - December 2016**

| Type of service      | # of reported incidents | # of attended incidents | # of incomplete incidents | % of attended incidents |
|----------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| Water                | 179                     | 132                     | 47                        | 73.3%                   |
| Sanitation           | 163                     | 140                     | 23                        | 85.9%                   |
| Electricity          | 31                      | 20                      | 11                        | 65.2%                   |
| Roads and Stormwater | 3                       | 3                       | 0                         | 100%                    |
| Refuse               | 15                      | 15                      | 0                         | 100%                    |

**3<sup>rd</sup> Quarter January- March 2017**

| Type of service      | # of reported incidents | # of attended incidents | # of incomplete incidents | % of attended incidents |
|----------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| Water                | 263                     | 157                     | 27                        | 60.8%                   |
| Sanitation           | 237                     | 218                     | 19                        | 92.9%                   |
| Electricity          | 25                      | 23                      | 3                         | 92%                     |
| Roads and Stormwater | 16                      | 16                      | 0                         | 100%                    |
| Refuse               | 6                       | 6                       | 0                         | 100%                    |

**4<sup>th</sup> Quarter April – June 2017**

| Type of service      | # of reported incidents | # of attended incidents | # of incomplete incidents | % of attended incidents |
|----------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| Water                | 247                     | 236                     | 11                        | 95.5%                   |
| Sanitation           | 327                     | 327                     | 0                         | 100%                    |
| Electricity          | 27                      | 25                      | 2                         | 92.5%                   |
| Roads and Stormwater | 23                      | 23                      | 0                         | 100%                    |
| Refuse               | 7                       | 5                       | 2                         | 71.4%                   |

**Summary for 2016/2017**

| Type of service      | # of reported incidents | # of attended incidents | # of incomplete incidents | % of attended incidents |
|----------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| Water                | 856                     | 679                     | 88                        | 79.3%                   |
| Sanitation           | 887                     | 837                     | 50                        | 94.3%                   |
| Electricity          | 117                     | 99                      | 31                        | 84.6%                   |
| Roads and Stormwater | 64                      | 52                      | 12                        | 81.2%                   |
| Refuse               | 16                      | 14                      | 2                         | 88%                     |

### CHAPTER 3

#### 3.1 PERFORMANCE OF SERVICE PROVIDERS

The table below summarizes the performances of external services providers as required by section 46 of the Local Government: Municipal Systems Act 32 of 2000.

| Name of Service Provider | Name of Project   | SLA signed |    | Project Starting Actual Date | Completion Date  | Specs met |    | Status      | Percentage |
|--------------------------|---|------------|----|------------------------------|------------------|-----------|----|-------------|------------|
|                          |   | Yes        | No |                              |                  | Yes       | No |             |            |
| <b>Delevex 606</b>       | Supply, Delivery and Delivery of Cold Hot Asphalt "As When and Required Basis" for 12 Months Period | Yes        |    | 11 July 2016                 | 10 July 2017     | Yes       |    | Complete    | 100%       |
| <b>SEBATA FMS</b>        | Supply, Installation, Implementation, Support and Maintenance of SEBATA Products and Services       | Yes        |    | 09 November 2016             | 08 November 2019 | Yes       |    | In Progress | 65%        |

| Name of Service Provider           | Name of Project   | SLA signed |    | Project Starting Actual Date | Completion Date  | Specs met |    | Status      | Percentage     |
|------------------------------------|---|------------|----|------------------------------|------------------|-----------|----|-------------|----------------|
|                                    |   | Yes        | No |                              |                  | Yes       | No |             |                |
| <b>Thepa Trading 643 (Pty) Ltd</b> | Supply and Maintenance of 15 Four In One Photocopy Machines   | Yes        |    | 06 October 2016              | 05 October 2019  | Yes       |    | In Progress | 100%           |
| <b>Practicon Trading</b>           | Supply, Delivery and Branding of Protective Clothing of the Municipality for Two Years Period                   | Yes        |    | 25 October 2016              | 24 October 2018  | Yes       |    | In Progress | 96%            |
| <b>Take Five To Make Ten</b>       | Supply, Delivery and Branding of Protective Clothing for Fire Division of the Municipality for Two Years Period | Yes        |    | 25 October 2016              | 24 October 2018  | Yes       |    | In Progress | 96%            |
| <b>Metsweding/Khomanani JV</b>     | Design and Construction Monitoring of 600m Major Road (Turn-Key)  | Yes        |    | 24 February 2017             | 31 July 2017     | Yes       |    | In Progress | 65%            |
| <b>Barloworld SA (Pty)Ltd</b>      | Supply and Delivery of Mayoral's Car  | Yes        |    | 25 October 2016              | 24 November 2016 | Yes       |    | Complete    | 100%           |
| <b>Majavu Attorneys</b>            | Appointment of Attorneys for Legal Matters of the Municipality  | Yes        |    | 24 April 2017                | 23 April 2020    | Yes       |    | In Progress | Not Applicable |
| <b>Max-Prof</b>                    | Appointment of VAT Recovery for 12 Months Period for Mantsopa   | Yes        |    | 13 January 2017              | 12 January 2018  | Yes       |    | In Progress | Not Applicable |
| <b>Marwin Marketing</b>            | Supply, Delivery and Off-Loading of Water Treatment Chemicals for   | Yes        |    | 13 January 2017              | 12 January 2020  | Yes       |    | In Progress | Not Applicable |

| Name of Service Provider                   | Name of Project  | SLA signed |    | Project Starting Actual Date | Completion Date | Specs met |    | Status      | Percentage     |
|--|--|------------|----|------------------------------|-----------------|-----------|----|-------------|----------------|
|  |  | Yes        | No |                              |                 | Yes       | No |             |                |
|  | Three Years “As When and Required Basis”   |            |    |                              |                 |           |    |             |                |
| <b>Blendtech (Pty) Ltd</b>                 | Supply, Delivery and Off-Loading of Water Treatment Chemicals for Three Years “As When and Required Basis” | Yes        |    | 13 January 2017              | 12 January 2020 | Yes       |    | In Progress | Not Applicable |
| <b>Engineering Solutions/Ket Civils JV</b> | Dipelaneng : Design and Construction Monitoring of 2Km Paved Road (Turnkey)                                | Yes        |    | 24 April 2017                | 23 Sep 2017     | -         |    | In Progress | 30%            |
| <b>Metsweding Consulting</b>               | Boroa: Construction of 1.2km Paved road and storm water  | Yes        |    | 25 Jan 2016                  | 30 Nov 2016     | Yes       |    | Retention   | 100%           |
| <b>Mofomo Construction</b>                 | Boroa: Construction of 1.2km Paved road and storm water  | Yes        |    | 13 May 2016                  | 30 Nov 2016     | Yes       |    | Retention   | 100%           |
| <b>Flagg Consulting</b>                    | Excelsior: Bulk Water Supply – Supply and Equipping of Boreholes (Phase 1)                                 | Yes        |    | 18 May 2015                  | 7 Aug 2017      | Yes       |    | Retention   | 100%           |
| <b>AJ Mining</b>                           | Excelsior: Bulk Water Supply – Supply and Equipping of Boreholes (Phase 1)                                 | Yes        |    | 04 Dec 2015                  | 7 Aug 2017      | Yes       |    | Retention   | 100%           |
| <b>Flagg Consulting</b>                    | Excelsior: Bulk Water Supply – Installation of Pipeline and Pump Station (Phase 2)                         | Yes        |    | 25 Oct 2016                  | 03 Nov 2017     | -         |    | In Progress | 13%            |

| Name of Service Provider | Name of Project  | SLA signed |    | Project Starting Actual Date | Completion Date | Specs met |    | Status      | Percentage |
|--------------------------|--|------------|----|------------------------------|-----------------|-----------|----|-------------|------------|
|                          |  | Yes        | No |                              |                 | Yes       | No |             |            |
| Chrulek JV Ket Civils    | Excelsior: Bulk Water Supply – Installation of Pipeline and Pump Station (Phase 2) | Yes        |    | 25 Oct 2016                  | 03 Nov 2017     | -         |    | In Progress | 13%        |

### 3.2 SDBIP REPORTING FROM THE PERIOD 01 JULY 2016 TO 30 JUNE 2017

DEPARTMENT: TECHNICAL SERVICES

DIVISION: WATER

KPA: BASIC SERVICE DELIVERY

| PLANNED PERFORMANCE DURING 2016/17  |  |          |               |   |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017 |   |   |                                    |
|---|--|----------|---------------|---|---|---------------------------------------|---|---|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME                               | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017           | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS  | COMMENTS ON PERFORMANCE ASSESSMENT |
| To ensure that all households on formal erven have access to potable water connections. | Water is constantly supplied to all Households | 15 170   | 15170         | Continuously Provide 15 170 households with access to basic water supply within RDP standards | 15 170 households provided with access to basic water supply within RDP standards | Achieved                              |   | <p>Implementation of War on Leaks programme in order to reduce losses of water especially in network and households</p> <p>A new Connector pipeline direct from the reservoir to hospital is being constructed</p> <p>8 and 4 Boreholes were commission and connected to the reservoir in Tweespruit and Excelsior respectively</p> |                                    |



[illegible]

DEPARTMENT: TECHNICAL SERVICES  
DIVISION: SANITATION  
KPA: BASIC SERVICE DELIVERY

| PLANNED PERFORMANCE DURING 2016/17 |                  |          |               |                           |                                     | ACTUAL PERFORMANCE AS AT 30 JUNE 2017 |   |  |                                    |
|------------------------------------|------------------|----------|---------------|---------------------------|-------------------------------------|---------------------------------------|---|--|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR | UNIT OF MEASURE/PERFORMANCE MEASURE | PROGRESS AS AT 30 JUNE 2017           | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |

|  |   |        |        |  |   |   |               |  |  |
|--|---|--------|--------|--|---|---|---------------|--|--|
| To ensure that all households on formal erven have access to basic level of sanitation services. | Sanitation service is constantly provided to all Households | 15 553 | 15 553 | Continuously provide 15 553 households with access to basic sanitation services. | 15 553 households with access to basic sanitation services. | 15 170 Households and 383 Pitlatrine toilets on households at Manyatseng ext. 9.<br><br>Human settlement needs to build permanent toilet structures (383). Request for funding submitted. | 383 Household | Human settlement needs to build toilet structure |  |
|--|---|--------|--------|--|---|---|---------------|--|--|

**DEPARTMENT: TECHNICAL SERVICES**

**DIVISION: ELECTRICITY**

**KPA: BASIC SERVICE DELIVERY**

| PLANNED PERFORMANCE DURING 2016/17  |   |  |                                     |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |   |  |                                    |
|---|---|--|-------------------------------------|--|---|---|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME  | BASELINE   | ANNUAL TARGET                       | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| To ensure that all households connected to electricity on formal erven have access to electricity services. |   | 1993<br><br>1993 Municipality (CENTLEC)<br><br>13 177<br>ESKOM | 15170 households                    | Continuously provide 15170 Households on formalised erven with access to electricity services. | 15 170 Total households with access to electricity service                          | All 15170 households supplied with access to electricity service except during interruptions. | None  | None   |                                    |
| To provide the reliable, and sufficient electricity supply  | Reviewed and approved SLAs in compliance with Electricity Regulations | 1 SLA  | 1 SLA                               | Annually Review SLA with CENTLEC to regulate electricity provision to 1993 households.         | 1 SLA   | Not achieved  | Disagreements regarding the contents of the SLA   | Treasury to intervene as part of Back to Basics program.     |                                    |
| To minimise interruptions to electricity supply to users  | Strengthening of electricity infrastructure                           | 41 substations and 29 pole & ground transformers               | Annual Maintenance of 5 substations | Maintain at least 5 substations annually   | Unit of infrastructure maintained according to maintenance plan and as need arises. | All five substations maintained   |   | Municipality to terminate its contractual                    |                                    |

|   |  |           |  |   |   |   |   |   |  |
|---|--|-----------|--|---|---|---|---|---|--|
|   |  |           |  |   |   |   |   | agreement with Centlec  |  |
|   | Strengthening of electricity infrastructure  | Old cable | Upgrading of main-substation                                       | Install MV cable from main substation to Dan Pienaar Substation | Unit of infrastructure upgraded as planned and according to the need. | Project completed                                     | None  |   |  |
| To ensure provision of sufficient area lighting to the community of Mantsopa. | 2013 Street lights + 150 solar street lights, 17 Medium Mast and 5 High Mast= 2185 | 2185      | Maintain 2185 street lights in accordance with maintenance program | Annually Maintain 2185 street lights                            | 2185 in accordance with maintenance program                           | Target not met, only 90 street lights were maintained | Shortage of staff, vehicles and equipment/resources for maintenance | Request was made to CENTLEC for assistance.<br><br>Procurement of a Truck mounted with Cherry Picker. |  |

**DEPARTMENT: TECHNICAL SERVICES**

**DIVISION: REFUSE COLLECTION, ENVIRONMENTAL AND WASTE MANAGEMENT**

**KPA: BASIC SERVICE DELIVERY**

| PLANNED PERFORMANCE DURING 2016/17                      |   |          |               |   |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |   |  |                                    |
|---|---|----------|---------------|---|---|---|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME  | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR                             | UNIT OF MEASURE/PERFORMANCE MEASURE     | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)   | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS   | COMMENTS ON PERFORMANCE ASSESSMENT |
| To provide Refuse collection services to all Households | Refuse removal/ collection services to all households.                                  | 15 170   | 15 170        | Weekly Collection of refuse in all 15 170 households. | Refuse collected weekly in all 15 170   | Achieved  | However challenges with regards to temporal breakdowns and rain result to refuse collection delays. | Prompt response to vehicle breakdowns. Extra hours to meet the schedule where necessary.<br><br>Introduced flexi hours for work.   |                                    |
| Domestic Waste Collection and Open Space Clearing       | Collection of waste at identified areas, illegal dumping sites and Open Spaces cleared. | 35       | 35            | Weekly Clearing of 35 illegal dumping sites           | 35 illegal dumping sites cleared weekly | 35 illegal dumping sites in Manyatseng cleared during the period under review |   | Education and awareness on illegal dumping and Law enforcement by applying By-laws. Rampant dumping of waste illegally by Residents<br><br>Frequent breakdown of Tractor and Trailer for Skips. Budget for Waste Truck dedicated for |                                    |

|  |   |             |   |  |   |          |  |                                   |  |
|--|---|-------------|---|--|---|----------|--|-----------------------------------|--|
|  |   |             |   |  |   |          |  | waste management in 2017-2018 FY. |  |
| Integrated Environmental Management and Planning | Development of Integrated Waste Management Plan (IWMPs) | Plan exists | Annual Review of the current Integrated Waste Management Plan | Annually review the Integrated Waste Management Plan | Council approved Integrated Waste Management Plan | Achieved |  |                                   |  |

**DEPARTMENT: TECHNICAL SERVICES**

**DIVISION: INFRASTRUCTURE PROJECTS, ENGINEERING SERVICES, ROADS AND STORMWATER MAINTENANCE**

**KPA: BASIC SERVICE DELIVERY**

| PLANNED PERFORMANCE DURING 2016/17   |   |          |               |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |  |  |                                    |
|--|---|----------|---------------|---|--|---|--|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME                              | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE    | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)  | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS   | COMMENTS ON PERFORMANCE ASSESSMENT |
| To improve the standard of roads and storm water drainages in the municipality | Gravelled dirt roads/streets                  | 66,3km   | 1km           | 1km of dirt roads/streets at Platberg gravelled                       | 1km                                    | Not achieved  | Shortage of gravel, equipment (yellow plant), and frequent breakdown of existing equipment | Engagement with FS Provincial Government Dept. through Back to Basics Program particularly on accessing permission for mining of gravel. |                                    |
| To maintain the existing roads infrastructure.                                 | Kilometres of tarred roads/streets maintained | 45,4km   | 4km           | Patching of potholes on 4km damaged tarred roads/streets in all towns | 4km of tarred streets/roads maintained | Not achieved, 1,09km<br>Ladybrand: 778m<br>Borwa: 300m<br>Excelsior: 201m<br>Hobhouse: 306m | Yellow fleet and other equipment and Gravel mining license                                 | This has been achieved through support by FS DRPT particularly in Ladybrand, perched in all Towns frequently done using Soilcrete        | Measures for improvement:          |

| PLANNED PERFORMANCE DURING 2016/17 |                                       |          |               |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |  |  |                                    |
|------------------------------------|---------------------------------------|----------|---------------|---|--|--|--|--|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME                      | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE    | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)  | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS   | COMMENTS ON PERFORMANCE ASSESSMENT |
|                                    | Kilometres of gravel roads maintained | 53km     | 2km           | Re-gravel 2km of streets/roads in Ladybrand/Manyatseng              | 2km of roads/streets re-gravelled      | Not achieved, only 350m Ladybrand<br><br>FS DRPT provided Road Works Machinery   | Shortage of gravel, equipment (yellow plant), and frequent breakdown of existing equipment             | FS DRPT provided Road Works Machinery  |                                    |
|                                    |                                       |          | 2km           | Reshaping (Grading) of 2km of streets in Ladybrand and Manyatseng   | 2km of streets reshaped (graded)       | 2,23km graded/reshaped With the Technical assistance from the FS Department of Roads, Police and Transport, particularly in Ladybrand. | Technical assistance from the FS Department of Roads, Police and Transport, particularly in Ladybrand. | Key Performance indicator reviewed   |                                    |
|                                    |                                       | 23,1km   | 1km           | Re-gravel of 1km of streets/roads in Excelsior/Mahlatswetsa         | 1km of streets/roads re-gravelled      | Not achieved, only 50m of streets/roads re-gravelled   | Shortage of gravel, equipment (yellow plant), and frequent breakdown of existing equipment             | Engagement with FS Provincial Government Dept. through Back to Basics Program particularly on accessing permission for mining of gravel. |                                    |
|                                    |                                       |          | 1km           | Reshaping (Grading) of 1km of streets in Excelsior and Mahlatswetsa | 1km of streets/roads reshaped (graded) | Not achieved   | Posts for Grader Operators are still vacant.<br><br>Frequent breakdown of Grader                       | 2 Posts have been advertised however permanent employee is often appointed as Acting Operator and a person is appointed on 3             |                                    |

| PLANNED PERFORMANCE DURING 2016/17 |                  |          |               |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                 |  |  |                                    |
|------------------------------------|------------------|----------|---------------|--|--|---|--|--|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE      | PROGRESS AS AT 30 JUNE 2017                           | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)  | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS   | COMMENTS ON PERFORMANCE ASSESSMENT |
|                                    |                  |          |               |  |  |   |  | months renewable contract.   |                                    |
|                                    |                  | 12,8km   | 1km           | Re-gravel of 1km of streets/roads in Tweespruit, Boroa and Dawiesville         | 1km of streets/roads re-gravelled        | Not achieved, Only 200m of streets/roads re-gravelled | Shortage of gravel, equipment (yellow plant), and frequent breakdown of existing equipment | Engagement with FS Provincial Government Dept. through Back to Basics Program particularly on accessing permission for mining of gravel. |                                    |
|                                    |                  |          | 1km           | Reshaping (Grading) of 1km of streets/roads in Tweespruit, Boroa & Dawiesville | 1km of streets/roads reshaped (graded)   | Not achieved  | Grading work was put on-hold to avoid exposing the underground infrastructure Network.     | Key Performance indicator reviewed.  |                                    |
|                                    |                  | 26km     | 1km           | Re-gravel 1km of streets/roads in Hobhouse and Dipelaneng                      | 1km of streets/roads re-gravelled        | Not achieved  | Shortage of gravel, equipment (yellow plant), and frequent breakdown of existing equipment | Engagement with FS Provincial Government Dept. through Back to Basics Program particularly on accessing permission for mining of gravel. |                                    |
|                                    |                  |          | 1km           | Reshaping (Grading) 1km of streets/roads in Hobhouse and Dipelaneng            | 1km of streets/roads reshaped (graded)   | Not achieved  | Grading work was put on-hold to avoid exposing the underground infrastructure Network.     | Key Performance indicator reviewed.  |                                    |
|                                    |                  | 6,9km    | 0,1km         | Reshaping (Grading) 0,1km of streets/ Roads in Thaba-Phatcoa                   | 0,1km of streets/roads reshaped (graded) | Not achieved  | Grading work was put on-hold to avoid exposing the underground infrastructure Network.     | Key Performance indicator to be reviewed.  |                                    |

| PLANNED PERFORMANCE DURING 2016/17                                  |   |   |  |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |  |   |                                    |
|---|---|---|--|--|--|--|--|---|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME  | BASELINE  | ANNUAL TARGET                            | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE                                    | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)  | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS                              | COMMENTS ON PERFORMANCE ASSESSMENT |
| To maintain Stormwater channels.                                    | Proper management of Stormwater channels                  | 11,2km  | 5km                                      | Maintain 5km of Stormwater channels  | 5km of storm water channels maintained                                 | 4,36km cleaned as part of daily maintenance work.<br><br>700m done through EPWP contract workers.                                | Shortage of gravel, equipment (yellow plant), and frequent breakdown of existing equipment | Through Municipal EPWP and the Mayoral Hlasela Program, substantial distance was covered. |                                    |
| To construct new stormwater channels.                               | New stormwater channels constructed                       | 0km   | 1,6km                                    | Construct 1,6km new stormwater   | 1,6km new storm water channels constructed                             | 0,6km at completed as part of Phase 1 Internal Reticulation streets project at Boroa. Phase 2 of the Project is at Design Stage. |  |   |                                    |
| Measures in place for maintenance standards of roads and Stormwater | Maintenance plan reviewed                                 | 1   | 1  | Annually review the current Roads & storm water maintenance plan                                     | Roads and Stormwater maintenance plan reviewed and approved by Council | Maintenance Plan developed by IMESA and received by MUNICIPALITY IN Aug 2016   | Implementation will be restricted by shortage of equipment and lack of funds.              | More funds need to be sourced.  |                                    |
|   | Increase Bulk water supply to new Mantsopa Local Hospital | 2,522m connector pipeline                                   | 100% project completion                  | 2,522m Connector pipeline from reservoir to hospital completed.                                      | Completed Projects worth R8'000 000                                    | 98% complete   |  |   |                                    |
|   |   | 2   | Install a pipeline & build a Pumpstation | Increase Bulk Water Supply in Mantsopa by installing a pipeline from Linana river to the Pumpstation | Projects worth R15' 000 000 implemented                                | 5% complete  | The project started late   | Project plan reviewed.  |                                    |
|   |   | Water and Sewer Reticulation Project for new beneficiaries. | 417 erven                                | 417 erven provided with water and sewer connections  | Completed Project at Mahlatswetsa                                      | Practical Completion   |  |   |                                    |

| PLANNED PERFORMANCE DURING 2016/17  |                             |                                 |                                  |   |                                     | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |  |                                    |
|---|-----------------------------|---------------------------------|----------------------------------|---|-------------------------------------|--|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME            | BASELINE                        | ANNUAL TARGET                    | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
|   |                             |                                 |                                  |   |                                     |  |   |  |                                    |
|   |                             | Upgrading of electricity supply | Mains sub-station to Dan Pienaar | Install electrical cable from the main station to Dan Pienaar sub station | 2,4km of electrical cable installed | Project completed  |   |  |                                    |
| To improve the standard of roads and storm water drainages in the municipality      | Kilometres of street paved. | 0km                             | 0,6km Paved road at Platberg     | 0,6km Paving of road  | 0,6 km road paved                   | 70% complete   |   |  |                                    |
| To ensure that all Municipal Capital Projects are properly Administered and Managed | # of fenced cemeteries      | 2                               | 2                                | Fencing of 0,73km of cemetery fencing in Excelsior                        | Excelsior cemetery fenced           | Project postponed  |   |  |                                    |
|   |                             |                                 |                                  | Fencing of 0,75 of Borwa cemetery   | Borwa cemetery fenced               | Project postponed  |   |  |                                    |
|   | Kilometres of streets paved | 2.2km                           | 1,2km Boroa Access Road to R709. | 1,2km of paved street   | 1,2km of paved street               | Completed Block Paved roads at Boroa and Mahlatswetsa Internal Reticulation, 200m Beeton street and 600m Thaba Phatcoa.<br><br>Completed Phase 1 of the Project. Phase 2 is at Design stage. |   |  |                                    |



## COMMUNITY SERVICES

DEPARTMENT: COMMUNITY SERVICES

DIVISION: HOUSING

KPA: INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT

| PLANNED PERFORMANCE DURING 2016/17   |   |                              |                              |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |  |  |                                    |
|--|---|------------------------------|------------------------------|--|---|---|--|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME  | BASELINE                     | ANNUAL TARGET                | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)  | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| Housing<br><br>To facilitate access to sustainable human settlements and improved quality of household opportunities and services. | Establishment of housing needs , Addressing of housing challenges | 1                            | 1                            | Housing Chapter updated and submitted to Council for approval  | Housing chapter reviewed and adopted  | Reviewed in September 2016  | Achieved   | Housing Chapter to be adopted in June 2017                   |                                    |
|  | Eradication of informal houses                                    | As per provincial allocation | As per provincial allocation | Identify beneficiaries and submit their subsidy applications to the Provincial Human Settlement department | 1.Copies of application forms kept<br>2. Status report of approvals obtained. | Not achieve, Beneficiaries identified at Manyatseng – awaiting Provincial allocation of subsidies             | Awaiting provincial allocation   | To be addressed during adjustment budget                     |                                    |
|  | Security of tenure to all communities                             | 12 ha                        | 12 ha of land identified     | 12 ha of land identifies for human settlement in Tweespruit.   | Correspondence for appointment of Town Planner kept.                          | Not achieved  | Not achieved due to cash flow constraints  | To be addressed during adjustment budget                     |                                    |
|  | Reduction of housing backlog                                      | 1100                         | 1100                         | 1100 of erven allocated to beneficiaries per town: Hobhouse (200) , Manyatseng (500) and Mahlatswetsa(400) | Approved lists kept   | Hobhouse list (200) and Mahlatswetsa list (417)compiled and under verification 500 erven allocated Manyatseng | Mahlatswetsa and Hobhouse lists to be verified and approved by Council before allocation | N/A  |                                    |

DEPARTMENT: COMMUNITY SERVICES

DIVISION: TRAFFIC

KPA: INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT

| PLANNED PERFORMANCE DURING 2016/17   |   |          |               |   |                                     | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |  |                                    |
|--|---|----------|---------------|---|-------------------------------------|--|---|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME  | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| Traffic<br>To support safety and security awareness in communities and the “fight against crime” campaign in partnership with SAPS and other Key stakeholders. | Road safety instilled amongst learners & other road users   | 4        | 4             | Convene 04 public transport forum meetings                                  | Copies of minutes kept              | Not achieved, No meeting took place, not achieved.   | Current committee dys -functional                 | Committee to be structures                                   |                                    |
|  | Compliance with the NRTA                                    | 3        | 2             | Initiate 02 road traffic safety programmes in schools ( “Child in traffic”) | Attendance and pictures kept        | School patrol were done on Leroux School, Ladybrand Public school and Ladybrand Primary school   | None  | Continuous monitoring  |                                    |
|  | Compliance with the NRTA Reduction in road traffic offences | 3        | 3             | 3km road marked   | Maintenance report                  | No road marked or maintained due to cash flow  | None  | To be addressed during adjustment budget                     |                                    |
|  | Compliance with the NRTA                                    | 120      | 120           | 120 check points and road blocks conducted                                  |                                     | ATR 56<br>1.Licencing =101<br>2.Cellphone =3<br>3.Speed = 10<br>4.Stopsign = 34<br>5.Roadmarkings = 30<br>6.Others = 30<br>Total = 208 | None  | Register kept as per A.G recommendation                      |                                    |

DEPARTMENT: COMMUNITY SERVICES

DIVISION: DISASTER MANAGEMENT

KPA: INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT

| PLANNED PERFORMANCE DURING 2016/17 |  |          |               |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017 |   |  |                                    |
|------------------------------------|--|----------|---------------|---|--|---------------------------------------|---|--|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME   | BASELINE | ANNUAL TARGET | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE                      | PROGRESS AS AT 30 JUNE 2017           | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>DISASTER MANAGEMENT</b>         | To make use of the disaster management centre according to disaster management Act   | 4        | 4             | Convene 04 meetings with National, Provincial departments and District as well as NGO's to ensure their involvement in Disaster Management in Mantsopa. | Minutes and reports regarding meetings with stakeholders | 07 Meetings held                      | Achieved  | N/A  |                                    |
|                                    | To ensure increased awareness by supporting and co-resourcing awareness programmes to increase preparedness of all communities | 4        | 4             | Conduct 04 awareness sessions with all disaster management disciplines.   | Awareness sessions reports                               | 51Awareness sessions conducted        | Achieved  | N/A  |                                    |
|                                    |  | 1        | 1             | Annual review of the Disaster Management Plan   | Reviewed Disaster Management Plan                        | Disaster Management Plan reviewed.    | None  | Plan to be adopted by Council in the next quarter.           |                                    |
|                                    |  | 60       | 60            | Conduct 60 fire safety inspections  | Report on fire inspections                               | 60 fire Inspections were done         | Achieved  | N/A  |                                    |

DEPARTMENT: COMMUNITY SERVICES

DIVISION: PROPERTIES

KPA: INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT

| PLANNED PERFORMANCE DURING 2016/17 |   |  |                                |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |   |   |                                    |
|------------------------------------|---|--|--------------------------------|--|---|---|---|---|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME  | BASELINE   | ANNUAL TARGET                  | KEY PERFORMANCE INDICATOR                        | UNIT OF MEASURE/PERFORMANCE MEASURE       | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)                                       | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS  | COMMENTS ON PERFORMANCE ASSESSMENT |
| PROPERTIES                         | To ensure that all properties of Council such as municipal offices, flats and stores are properly maintained. | Number of municipal offices cleaned.                     | 10 municipal offices           | Daily cleaning of 10 municipal office space      | Weekly report on cleaning and inspections | Municipal properties are being maintained on a daily basis  | Achieved  | Municipality need to procure more equipments such as Lawnmowers to assist in keeping the properties in good order |                                    |
|                                    |   | Number of community halls cleaned                        | 9 community halls              | Daily cleaning of 09 community halls             | Report                                    | Achieved  | Shortage of staff<br>Cleaning materials are not procured on time                        |   |                                    |
|                                    |   | Number of municipal flats maintained<br>Municipal houses | 3 houses, Beeton & Kolbe flats | Monthly cleaning of municipal flats and 3 houses | Monthly maintenance report                | Not achieved, only Casa Mia No. 4 inserting new kitchen units, ceiling and tiles, No 20 Beeton roof leakage, 10 Beeton inserting ceiling. | Lack of funding<br>Municipal flats at Tweespruit are dilapidated they are not habitable | The municipality need to put enough budget so that flats can be maintained  |                                    |

**DIVISION: PARKS, CEMETERIES AND RECREATION**

**KPA: INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT**

| PLANNED PERFORMANCE DURING 2016/17 |  |   |               |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |   |                                    |
|------------------------------------|--|---|---------------|--|---|--|---|---|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME   | BASELINE  | ANNUAL TARGET | KEY PERFORMANCE INDICATOR                                      | UNIT OF MEASURE/PERFORMANCE MEASURE         | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)   | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS  | COMMENTS ON PERFORMANCE ASSESSMENT |
| PARKS AND CEMETERIES               | Communities in Mantsopa Local Municipality have access to proper cemeteries with enough capacity to cater for the next 20 years.       | Number of cemeteries with sufficient burial space to cater for the next 20 years. | 2             | Procure 02 Burial spaces for Manyatseng and Borwa cemeteries   | Manyatseng and Borwa cemeteries formalised. | Not achieved   | Challenge is at Boroa where the residents are burying top on top without the approval of the municipality | Councillors need to educate community through public meetings about regulations when burying top on top   |                                    |
|                                    |  | Number of cemeteries well cleaned   | 10 cemeteries | Weekly maintenance of 10 cemeteries                            | Maintenance of cemeteries                   | Only Ladybrand, Manyatseng and Hobhouse cemeteries are well cleaned, target is not achieved as majority of cemeteries are not cleaned/maintained | Lack of staff in all towns<br><br>Shortage of equipments/resources  | EPWP workers have been engaged to assist  |                                    |
|                                    | To ensure that all parks, recreational facilities of Council such as community halls, sports ground and parks are properly maintained. | Number of municipal sports grounds and parks cleaned                              | 12            | Weekly cleaning of 06 sports grounds and 06 recreational parks | Cleaning and maintenance reports            | Not achieved   | The stadiums are monthly maintained by cutting of grass and removing unwanted weeds                       | Appoint more permanent staff to maintain the municipal stadium<br><br>The stadium needs to be fenced so that they may not be exposed to vandalism |                                    |

DEPARTMENT  
DIVISION  
KPA

OFFICE OF THE MUNICIPAL MANAGER  
IDP  
GOOD GOVERNANCE & PUBLIC PARTICIPATION

| PLANNED PERFORMANCE DURING 2016/17 |  |                        |                                   |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |  |                                    |
|------------------------------------|--|------------------------|-----------------------------------|--|---|--|---|--|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME   | BASELINE               | ANNUAL TARGET                     | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE                         | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| Good governance                    | Ensured that sound governance processes are development and maintained | IDP 2016/17            | 1                                 | Annual review of approved 5 year IDP conducted in terms of MSA and MFMA              | Submission to Council<br><br>Submission to Cogta            | The final IDP has been approved by Council.<br><br>IDP assessments all four were attend and reports were received for the assessment outcome<br><br>The document has been submitted to Cogta | None  | None   |                                    |
|                                    |  | Council strategic plan | Previous Strategic plan (2013/14) | Coordination of Council strategic plan in Aug 2016                                   | Agenda<br><br>Invitation letters<br><br>Attendance register | The strategic plan was held, but the business could not be concluded and it shall be reconvened  | Budgetary constraints                             | None   |                                    |
|                                    |  | Sector Plans           | 6                                 | Facilitation of sectorial development plans and its incorporation in the IDP process | Proof of coordination<br><br>Attendance registers           | IDP Sector Plans adopted as part of the IDP process  | None  | None   |                                    |
|                                    |  | Steering committee     | 2                                 | Prepare Agenda invitations   | Minutes<br>Attendance                                       | Met only once, not achieved  | Non availability of stakeholders                  | None   | 1                                  |

DEPARTMENT OFFICE OF THE MUNICIPAL MANAGER  
DIVISION ORGANISATIONAL PERFORMANCE MANAGEMENT  
KPA GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PLANNED PERFORMANCE DURING 2016/17                                  |  |   |  |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |   |   |                                    |
|---|--|---|--|---|--|---|---|---|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME   | BASELINE                                  | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS                              | COMMENTS ON PERFORMANCE ASSESSMENT |
| Ensure that sound governance processes are developed and maintained | Ensured that sound governance processes are developed and maintained | 1<br><br>(2016/17 SDBIP)                  | 1<br><br>( 2016/17 Annual SDBIP approved within 28 days after the approval of the IDP and budget)                | 2016/17 Annual SDBIP approved by the Mayor within 28 days of the approval of the 2016/17 IDP & Budget     | 2016/17 SDBIP approved by the Mayor within the prescribed period<br><br>Letter sent to the Mayor<br><br>Minutes of Council     | SDBIP was approved by the Mayor in June 2016  | None  | Adjusted SDBIP prepared tabled in Council together with the Adjustment Budget in Feb 2017 |                                    |
|   | Ensured that sound governance processes are developed and maintained | (5) 2016/17 Signed Performance Agreements | Facilitate the Signed Performance Agreements of Section 57A and Section 56, and submission to COGTA and Treasury | Signed 2016/17 Performance Agreements of Section 57A and Section 56, and submission to COGTA and Treasury | Prepare the draft Performance Agreements for Directors & MM<br><br>Submit the final Performance Agreements to FS COGTA & FS PT | Performance agreements for MM and Directors were signed and submitted to COGTA and FSPT | None  | None  |                                    |
| Ensured that sound governance processes are developed               | Ensured that sound governance processes are                          | 2<br>(2015/16 Annual Report)              | 2 (MSA and MFMA compliant Annual Report  | MSA and MFMA compliant Annual Report tabled in Council  | Proof of submission (COGTA)<br><br>Council minutes   | Annual Report was tabled in Council and submitted to COGTA                              | None  | None  |                                    |

|  |  |                        |  |  |   |  |   |      |  |
|--|--|------------------------|--|--|---|--|---|------|--|
| and maintained   | developed and maintained   |                        | tabled in Council by 31 January 2017)  | by 31 January 2017.  | Oversight Committee minutes   |  |   |      |  |
| Ensured that sound governance processes are developed and maintained | Ensured that sound governance processes are developed and maintained | 20 (Quarterly reports) | 20 (Submit institutional Quarterly Performance Assessment Reports to Council)  | 5 Prepare and submit institutional Quarterly Performance Assessment Reports to Council     | Proof of submission (evidence from depts) Council minutes<br><br>Acknowledgement from MM & Internal Auditor<br><br>Performance Evaluation reports | Quarterly reports were consolidated and Performance evaluation reports for MM and Directors were done. | None                                      | None |  |
| Ensured that sound governance processes are developed and maintained | Ensured that sound governance processes are developed and maintained | Back to Basics reports | 12 (Submit Monthly Back to Basics report to National COGTA) &<br><br>4 (Quarterly Back To Basics reports to FS COGTA & Council | Monthly & Quarterly Back To Basics reports submitted to National COGTA, FS COGTA & Council | Proof of submission   | Back to Basics reports were done and submitted to COGTA  | Non-attendance of District B2B Crack Team | None |  |



DEPARTMENT  
DIVISION  
KPA

OFFICE OF THE MUNICIPAL MANAGER  
INTERNAL AUDIT  
GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PLANNED PERFORMANCE DURING 2016/17                                   |  |   |   |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                                |   |  |                                    |                      |
|--|--|---|---|--|--|--|---|--|------------------------------------|----------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME   | BASELINE  | ANNUAL TARGET   | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT | POE REF PAGE         |
| Ensure that sound governance processes are developed and maintained  | Ensure that sound governance processes are developed and maintained  | 1 (2015/16 approved annual internal audit plan)               | 1 (2016/17 approved annual internal audit plan)               | Review annual internal audit plan for 2016/17 financial year.          | Agenda<br>Minutes of the Audit Committee Meeting<br><br>2016/17 approved annual internal audit plan.       | Achieved   | None  | None   |                                    | REF A & F            |
| Ensured that sound governance processes are developed and maintained | Ensured that sound governance processes are developed and maintained | 4 (2015/16 internal audit reports)                            | 4 (2016/17 internal audit reports)                            | Implementation of 2016/17 annual internal audit plan.                  | Agendas<br>Minutes of the Audit Committee Meetings<br><br>Attendance Registers                             | Four internal audit reports were tabled before audit committee       | None  | Noe  |                                    | REF; F<br>REF: G     |
| Ensured that sound governance processes are developed and maintained | Ensured that sound governance processes are developed and maintained | 1 (2015/16 approved three-year rolling coverage plan)         | 1 (2016/17 approved three-year rolling coverage plan)         | Review the three-year rolling coverage plan for 2016/17 financial year | Agenda<br>Minutes of the Audit Committee Meeting<br><br>2016/17 approved three-year rolling coverage plan. | The three-year rolling coverage plan was approved on the 26/09/ 2016 | None  | Noe  |                                    | REF: B and<br>REF: F |
| Ensured that sound governance processes are developed and maintained | Ensured that sound governance processes are developed and maintained | 4 (2015/16 number of audit committee meetings held per annum) | 4 (2016/17 number of audit committee meetings held per annum) | Number of audit committee meetings held per annum.                     | Invitations<br>Agendas<br>Attendance Registers<br>Minutes of the Audit Committee Meetings                  | Four internal audit committee meetings were held as follows:         | None  | None   |                                    | REF: F               |

[illegible]

DEPARTMENT OFFICE OF THE MUNICIPAL MANAGER  
DIVISION RISK MANAGEMENT  
KPA GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PLANNED PERFORMANCE DURING 2016/17                                   |   |   |   |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |  |                                    |
|--|---|---|---|--|--|--|---|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME  | BASELINE                                    | ANNUAL TARGET   | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| ensure that sound governance processes are developed and maintained  | To ensured that sound governance processes are developed and maintained and the municipality has an integrated risk Management system | 2 (Risk Management Committee Meetings held) | 4 (2016/17 number of audit committee meetings held per annum) | One Risk Management Committee Meeting held per quarter                 | Minutes of the Risk Management Committee Meeting,<br><br>Attendance Register of the Risk Management Committee Meeting,<br><br>Agenda | 4 Risk Management Committee Meetings have been held                                  | None  | None   | None                               |
| Ensured that sound governance processes are developed and maintained | To ensured that sound governance processes are developed and maintained and the municipality has an integrated risk Management system | 1 (Approved Risk Management Policy)         | 1   | Review of the Risk Management Policy for the 2016/17 financial year.   | Reviewed Risk Management Strategy,<br><br>Minutes of the Risk Management Committee,<br><br>Council minutes                           | Risk Management Policy has been reviewed and approved by Risk Management Committee   | None  | None   | None                               |
| Ensured that sound governance processes are developed                | To ensured that sound governance processes are developed  | 1 (Approved Risk Management Strategy)       | 1   | Review of the Risk Management Strategy for the 2016/17 financial year. | Reviewed Risk Management Strategy,<br><br>Minutes of the Risk Management Committee,<br>Council minutes                               | Risk Management Strategy has been reviewed and approved by Risk Management Committee | None  | None   | None                               |

|                |  |   |   |   |   |   |      |      |      |
|----------------|--|---|---|---|---|---|------|------|------|
| and maintained | and maintained and the municipality has an integrated risk Management system |   |   |   |   |   |      |      |      |
|                |  | 1 (Approved Risk Management Implementation Plan)      | 1   | Approval of the Risk Management Implementation Plan by the Risk Management Committee for the 2016/17 financial year | Approved Risk Management Implementation plan,<br><br>Minutes of the Risk Management Committee                 | Risk Management Implementation Plan has been reviewed and approved by Risk Management Committee | None | None | None |
|                |  | 1 (Approved Fraud Prevention Plan and Strategy)       | 1   | Review of the Fraud Prevention by the Risk Management Committee and Council   | Reviewed Fraud Prevention Plan and strategy,<br><br>Minutes of the Risk Management Committee, Council minutes | Fraud Prevention Plan has been reviewed and approved by Council as part of Sector Plans         | None | None | None |
|                |  | 1 (Conduct Institution Wide Risk Assessment)          | 1   | Conducting of the Institution Wide Risk Assessment  | Invitation<br><br>Attendance register for the Risk Assessment,<br><br>Risk Assessment Report                  | Institution Wide Risk Assessment Conducted for the 2016/2017 Financial Year                     | None | None | None |
|                |  | 1 (Approved Risk Register)                            | 1   | Approval of the Risk Register for 2016/17 financial year  | Approved Risk Register,<br><br>Minutes of the Risk Management Committee                                       | Risk Register approved by the Risk Management Committee   | None | None | None |
|                |  | 0   | 4 (Update Risk Register once a quarter)               | Updating Risk Register on a quarterly basis   | Updated Risk Register,<br><br>Proof of update by the Risk Champion and Risk Management Officer                | Risk Register has been updated quarterly  | None | None | None |
|                |  | 4 (number of Risk Management Committee report tabled) | 4 (number of Risk Management Committee report tabled) | Number of Risk Management Committee Reports Completed   | Invitation<br>Minutes of the Council<br><br>Risk Management Committee Reports                                 | Risk Management Committee Reports not yet tabled before Council.                                | None | None | None |

DEPARTMENT OFFICE OF THE MUNICIPAL MANAGER  
DIVISION INFORMATION TECHNOLOGY  
KPA GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PLANNED PERFORMANCE DURING 2016/17          |   |   |  |   |  | ACTUAL PERFORMANCE FROM AS AT 30 JUNE 2017  |   |   |                                    |
|---|---|---|--|---|--|---|---|---|------------------------------------|
| IDP OBJECTIVE                               | INTENDED OUTCOME                          | BASELINE  | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE                                    | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS        | COMMENTS ON PERFORMANCE ASSESSMENT |
| IT Good Governance and Public Participation | Integrated Information Technology Systems | (1) Draft IT Steering Committee Terms of Reference                              | (4) ICT Steering Committee Meetings  | Develop risk register that is quarterly reviewed and updated  | -ICT Steering committee Agenda and Minutes                             | Not achieved  | None  | None  | None                               |
|   |   | Terms of Reference of ICT Steering Committee is submitted for management review | (1)Annual Report on the review of ICT Steering committee Terms of Reference              | ICT Steering Committee Meeting for review and approval of Terms of Reference for ICT Steering committee | Approved terms of reference of ICT Steering Committee                  | Terms of reference for ICT Steering committee was reviewed and amended in accordance to Auditor General recommendations | None  | Amendment of ICT Steering Committee Terms of Reference after review | None                               |
|   |   | (3)ICT Service Providers must gain access by authenticating to municipal server | (12)Quarterly report for Security log Access showing the details of the service provider | To monitor the municipal Service Provider in accordance to their SLA                                    | Security Log access that show the logon detail of the service Provider | Security Logon access on municipal systems was reviewed and documented for audit purposes                               | None  | None  | None                               |

|  |  |  |  |   |  |  |      |  |      |
|--|--|--|--|---|--|--|------|--|------|
|  |  | (1)Draft ICT Security Policy   | Approved ICT Security Policy Management  | ICT Security Policy is submitted for management review.   | Approved ICT Security Policy and Procedures  | ICT Security Policy was amended in accordance to the auditor general recommendations and Firewall procedure and antivirus procedures were developed as part of ICT Security policy | None | Amendments of ICT Security Policy to include Patch management, firewall and antivirus procedures | None |
|  |  | Trial SCCM   | (12)Monthly Computer generated report showing that all patches Deployed by System Configuration Centre Manager | Implemented System Centre Configuration Manager to deploy patches on the workstations on monthly basis. | System Configuration Manager is deployed on the server as six month trial version                            | Reports showing that all patches were deployed to the workstations were documented as per auditor general requirements   | None | None   | None |
|  |  | Draft IT Disaster Recovery Plan  | Approved IT Disaster recovery plan and Backup register   | Quarterly Test Report showing the timeframes to resume IT Service in case of disaster                   | IT disaster recovery plan and Backup procedures is submitted to the management for review                    | ICT disaster recovery plan was reviewed and backup procedures were amended in accordance to auditor general recommendation   | None | Backup procedures were amended after review  | None |
|  |  | Connection to municipal Towns Network Infrastructure and Network Diagram | (6)Complete Network connectivity to the municipal remote offices and Towns                                     | (1)Quarterly computer generated Log file showing that remote municipal offices and towns can be access  | Approved quarterly reports showing the data traffic and access log to the remote municipal offices and towns | Logon access showing data traffic to the connected remote offices were reviewed and documented   | None | None   | None |
|  |  | Draft Server Room Register   | (1)Upgraded Server Room to meet the required server standards  | Physical Access and Environmental Controls  | Develop server room access policy and procedure and electronic server room registers                         | Electronic access control for Server room was installed and server room procedures were reviewed   | None | None   | None |

DEPARTMENT OFFICE OF THE MUNICIPAL MANAGER  
DIVISION LOCAL ECONOMIC DEVELOPMENT  
KPA GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PLANNED PERFORMANCE DURING 2016/17   |   |                        |               |  |   | ACTUAL PERFORMANCE FROM 01 JULY 2016 TO 31 DECEMBER 2016                                      |  |   |  |
|--|---|------------------------|---------------|--|---|---|--|---|--|
| IDP OBJECTIVE  | INTENDED OUTCOME  | BASELINE               | ANNUAL TARGET | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 31 DECEMBER 2016   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)  | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS          | COMMENTS ON PERFORMANCE ASSESSMENT   |
| FACILITATE DECENT EMPLOYMENT THROUGH INCLUSIVE ECONOMIC GROWTH BY STIMULATING THE GROWTH OF SMME's TO CONTRIBUTE TOWARDS THE REDUCTION OF UNEMPLOYMENT AND POVERTY | Review LED Strategy   | 2015/2016 LED Strategy | 1             | Approved 2016/17 LED strategy by Council not later than September 2016 | Minutes of the IE committee meeting Attendance Register, Council resolution approving the LED Structure | No Strategy was reviewed due to the COGTA department that promised to assist the Municipality | Capacity constraints   | Still awaiting the confirmation of the date from the COGTA department | No target achieved because of the assistance we are waiting for from COGTA in the Province                                       |
|  | Number Of employment opportunities created through the EPWP | 157                    | 300           | 300 jobs created through EPWP  | Contracts signed by employees   | 197   | Not achieved, municipality does not employ people for the EPWP but the Province does and the Province only employed 195 people for the year ending 2016 for Mantsopa Local Municipality. | None as the employment comes straight from the Province               | No Target was met as the Municipality does not have powers over the employment of EPWP people.                                   |
|  | Number of employment opportunities created through CWP      | 127                    | 300           | 300 jobs created through CWP   | Contracts signed by employees   | 1447  | None   | None  | Target met over limitation because the CWP employs people every month and their target for the 2016 was 1000 but have managed to |

|  |   |   |                        |  |   |   |      |      |  |
|--|---|---|------------------------|--|---|---|------|------|--|
|  |   |   |                        |  |   |   |      |      | employ more than that number   |
|  | Contribution towards the sustainability of SEDA offices                               | 0 | 1                      | The operation of SEDA offices                                      | Service Level agreement with the Municipality Attendance Register | Service Level agreement available and Ending June 2017  | None | None | Target met and the service level agreement ends in June 2017   |
|  | Number of LED projects supported by the Municipality in conjunction with SEDA offices | 8 | 8 projects per quarter | Identify LED projects to be supported by the Municipality and SEDA | List of identified projects                                       | The Municipality has 10 projects on the data base of SEDA that are been supported by SEDA by trainings and also seeking funding for these projects  | None | None | 10 Projects are been supported by LED and SEDA for funding applications and trainings that are needed.   |
|  | Number of Cooperatives revamped/established   | 3 | 3                      | 3 new cooperatives established                                     | Copy of registration certificate                                  | 1.Katleho Farmer Construction Co-operative<br>2. Phahamisang Nursery Manufacture for Farming Services<br>Agricultural Cooperative<br>3.Fast Track Trading and Projects Primary Co-operative Limited<br>4. Planet 2000(PTY)Ltd | None | None | We are trying hard not to register more projects without operations as these may hamper the interests of other projects that needs to register so we have stopped with the registration until we have managed to get some funding for other projects to start and then consider others that needs registration |



DEPARTMENT: OFFICE OF THE CHIEF FINANCIAL OFFICER  
DIVISION: EXPENDITURE  
KPA: FINANCIAL VIABILITY & MANAGEMENT

| PLANNED PERFORMANCE DURING 2016/17  |   |  |  |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |   |  |                                    |
|---|---|--|--|---|--|---|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME                                  | BASELINE   | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR                     | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>To ensure full compliance with MFMA and GRAP with regard to financial management and reporting</b> | Improved financial management and accountability. | 30% Payments within 30 days  | 60% creditors Payment within 30 days of receipt of invoice           | Monthly list of payments and reconciliations  | <b>Monthly</b> – Creditors account reconciliation, monthly list of payments and creditors age analysis <b>(Keep a register as proof)</b> | 24%   | Insufficient revenue and high ESKOM debt          | Launching of Mayoral Operation Patala campaign               |                                    |
|   | Improved financial management and accountability. | 12 reports compiled for all suspense accounts reconciled and cleared | 12 reports compiled for all suspense accounts reconciled and cleared | Monthly list and report on suspense accounts  | <b>Monthly</b> – Reports compiled each month <b>(Keep a register as proof)</b>   | 12 reports compiled for all suspense accounts reconciled and cleared  | None  | None   |                                    |
|   | Improved financial management and accountability. | 12 reports on all Filing of Payment vouchers                         | 12 monthly reconciliation reports                                    | Monthly creditors reconciliation              | <b>Monthly</b> – Creditors reconciliation each month <b>(Keep a register as proof)</b>   | Creditors control report updated until the end of 30 June 2017 and it is balancing with the creditors list (PV02) | None  | None   |                                    |
|   | Improved financial management and accountability. | 12 reports on all Filing of Payment vouchers                         | 12 reports on all Filing of Payment vouchers                         | Monthly reports on filing of Payment vouchers | <b>Monthly</b> – list of payments made and reports compiled each month <b>(Keep a register as proof)</b>                                 | List of filing report updated until the end of 30 June 2017   | None  | None   |                                    |

## EXPENDITURE CONTINUES .....

| PLANNED PERFORMANCE DURING 2016/17  |  |  |  |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |  |                                    |
|---|--|--|--|--|---|--|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME                                 | BASELINE   | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR                              | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>To ensure full compliance with MFMA and GRAP with regard to financial management and reporting</b> | Improved financial management and accountability | Submit before the 10 <sup>th</sup> working day                               | 12 reports compiled and tabled at the Section 32 committee and Council | Monthly register on fruitless and wasteful expenditure | <b>Monthly</b> – Monthly register, minutes of Section 32 committee and resolutions of Council <b>(Keep a register as proof)</b> | Register on fruitless & wasteful expenditure updated until the end of 30 June 2017 | None  | None   |                                    |
|   | Improved financial management and accountability | Salaries on 25 <sup>th</sup> each month and Wages 2 <sup>nd</sup> each month | 12 monthly Salaries and Wages Certification reports                    | Salaries and Wages Certification report                | <b>Monthly</b> – Salaries Certification report and proof of payments <b>(Keep a register as proof)</b>                          | The recon performed on the monthly basis   | Shortage of staff                                 | The recon will be performed on the monthly basis             |                                    |
|   | Improved financial management and accountability | Salaries on 25 <sup>th</sup> each month and Wages 2 <sup>nd</sup> each month | 12 monthly Salaries and Wages Certification reports                    | Salaries and Wages Certification report                | <b>Monthly</b> – Wages Certification report and proof of payments <b>(Keep a register as proof)</b>                             | Updated up to 30 June 2017   | None  | None   |                                    |
|   | Improved financial management and accountability | Submit before the 10 <sup>th</sup> working day                               | 12 monthly reconciliation reports                                      | Monthly payroll reconciliation                         | <b>Monthly</b> – Payroll reconciliation each month <b>(Keep a register as proof)</b>  | Wages recon performed until 30 June 2017   | None  | None   |                                    |
|   | Improved financial management and accountability | IRP5 reconciliation  | Compilation of IRP5 reconciliation                                     | Compilation of IRP5 reconciliation                     | <b>Bi-Annually</b> -Submission of IRP5 reconciliations to SARS by 31 October and 31 May <b>(Submission report as proof)</b>     | Achieved   | None  | None   |                                    |

## EXPENDITURE CONTINUES .....

| PLANNED PERFORMANCE DURING 2016/17  |  |   |  |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |  |                                    |
|---|--|---|--|--|--|--|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME                                 | BASELINE  | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>To ensure full compliance with MFMA and GRAP with regard to financial management and reporting</b> | Improved financial management and accountability | EMP 201 Forms                                       | EMP 201 Forms  | EMP 201 Forms  | <b>Monthly</b> - EMP 201 Forms completed and submitted not later than the 7 <sup>th</sup> each month ( <b>Keep a register as proof</b> )   | <ul style="list-style-type: none"> <li>The report updated until 30 June 2017</li> </ul>                              | None  | None   |                                    |
|   | Improved financial management and accountability | Review and Submission of policy<br>1 Reviewed       | Review policy  | Policy review  | <b>Annually</b> (Policy reviewed and tabled before council for adoption by 31 May) ( <b>Council resolution as proof</b> )  | <ul style="list-style-type: none"> <li>Reviewed once a year</li> </ul>   | None  | None   |                                    |
|   | Improved financial management and accountability | Answering of all audit queries<br>5 days            | Response timeously to both internal and external audit queries for Expenditure and Payroll Units | Response timeously to both internal and external audit queries for Expenditure and Payroll Units | <b>Ongoing</b> - Answering of queries within 3 working days after receiving query with relation to Expenditure and Payroll Units (IA report/ AG) ( <b>Register with query nr, query date and date of answer as proof</b> ) | <ul style="list-style-type: none"> <li>AG queries were all responded and were responded within three days</li> </ul> | None  | None   |                                    |
|   | Improved financial management and accountability | Compilation and Implementation of audit action plan | 12 reports monthly on implementation and progress of audit action plan                           | Year-end procedures  | <b>Monthly</b> - Report monthly on implementation and progress of audit action plan ( <b>Report as proof</b> )   | <ul style="list-style-type: none"> <li>Audit action plan is being compiled but not yet finished.</li> </ul>          | None  | None   |                                    |

**DIVISION: SUPPLY CHAIN**

**KPA: FINANCIAL VIABILITY & MANAGEMENT**

| PLANNED PERFORMANCE DURING 2016/17   |   |   |  |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017 |   |  |                                    |
|--|---|---|--|--|---|---------------------------------------|---|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME                                  | BASELINE  | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017           | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>To implement an effective and efficient system of supply chain management and expenditure</b> | Improved financial management and accountability. | Answering of all audit queries  | Response timeously to both internal and external audit queries on supply chain management processes.         | Response timeously to both internal and external audit queries on supply chain management processes. | <b>Ongoing</b> - Answering of queries within 5 working days after receiving query with relation to supply chain | Achieved                              | None  | None   |                                    |
|  | Improved financial management and accountability. | Update Supplier Database on regular basis   | Advertise annually for invitation of suppliers database on the newspaper and the website of the Municipality | Advertise Update data base and, Report on new entries  | Ensure compliance of SCM 14 (b) policy  | Achieved                              | None  | None   |                                    |
|  | Improved financial management and accountability. | SCM procurement plan compiled and approved.   | Compile an annual procurement plan   | Approved SCM procurement plan  | <b>The signature of the MM and date of the approval procurement plan</b>  | Achieved                              | None  | None   |                                    |
|  | Improved financial management and accountability. | Compilation of accurate and complete irregular expenditure and deviation register in conjunction with | 12 reports/registers of irregular expenditure and deviation  | Irregular expenditure and SCM section 36 deviation   | Quarterly council resolutions for irregular expenditure and deviation   | Achieved                              | None  | None   |                                    |

|  |   |   |  |  |  |              |      |   |  |
|--|---|---|--|--|--|--------------|------|---|--|
|  |   | Expenditure Division  |  |  |  |              |      |   |  |
|  | Improved financial management and accountability. | Appointment of bids and tenders within 90 days                          | Tenders and Bids evaluation must be completed within 90 days | Tenders and Bids evaluation must be completed within 90 days   | Evaluation Reports must be submitted and list of bids register         | Achieved     | None | None  |  |
|  | Improved financial management and accountability. | Updated tender register on the website of the Municipality              | Updated tender register on the website of the Municipality   | Updated tender register on the website of the Municipality   | Updated tender register on the website of the Municipality             | Achieved     | None | None  |  |
|  | Improved financial management and accountability. | Compilation of complete and updated commitment register                 | Maintained and update commitment register                    | Maintained and update commitment register  | Maintained and update commitment register                              | Achieved     | None | None  |  |
|  | Improved financial management and accountability. | Reconciliations:  | 12 Reconciliation of Travel Card and Orders                  | Commitments order and travelling reconciliations   | Reconciliations  | Achieved     | None | Noe   |  |
|  | Improved financial management and accountability. | SCM policy review   | Annual review  | SCM policy review  | SCM policy review  | Not achieved | None | SCM Policy will be subjected to review as part of the IDP Annual Review process |  |
|  | Improved financial management and accountability. | Capturing of contracts awarded above R100, 000.00 to National Treasury. | 12 Reports   | Capturing of contracts awarded above R100,000.00 to National Treasury on monthly basis before 10 <sup>th</sup> | Capturing of contracts awarded above R100, 000.00 to National Treasury | Achieved     | None | None  |  |

DEPARTMENT: OFFICE OF THE CHIEF FINANCIAL OFFICER  
DIVISION: BUDGET  
KPA: FINANCIAL VIABILITY & MANAGEMENT

| PLANNED PERFORMANCE DURING 2016/17  |   |  |   |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                               |   |  |                                    |
|---|---|--|---|--|--|---|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME                                  | BASELINE   | ANNUAL TARGET   | KEY PERFORMANCE INDICATOR                            | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>To ensure full compliance with MFMA and GRAP with regard to financial management and reporting</b> | Improved financial management and accountability. | Submit before the 10 <sup>th</sup> working day after month end | Section 71 reports on time  | Section 71 reports                                   | <b>1. Monthly</b> (submissions before the 10 <sup>th</sup> working day of the next month).<br><b>2. Quarterly</b> (submissions before the last day of the month following the end of the quarter)<br><b>(Keep a register as proof)</b> | 12 sets of section 71 submitted to National and Provincial Treasury | None  | None   |                                    |
|   | Improved financial management and accountability. | Submit before the 10 <sup>th</sup> working day                 | Departmental / Vote Income and Expenditure Reports on time to all directors | Departmental / Vote Income and Expenditure Reports   | <b>Monthly</b> (Not later than the 10 <sup>th</sup> day after month-end) <b>(Keep a register as proof)</b>   | 12 sets of reports were submitted                                   | None  | None   |                                    |
|   | Improved financial management and accountability. | Timelines to be approved by council                            | Budget Timeliness   | Budget Timeliness                                    | <b>Annually</b> (Compiled and tabled before Council by 31 August )<br><b>(Attached council resolution as proof)</b>  | They were tabled be before Council by 31 Aug 2016                   | None  | None   |                                    |
|   | Improved financial management and accountability. | Submit to council not later as 25 January                      | Section 72 report   | Section 72 report                                    | <b>Annually</b> (Mid-year report to be tabled before council by 25 January)<br><b>(Council resolution as proof)</b>  | The report tabled in Jan 2017                                       | None  | None   |                                    |
|   | Improved financial management and accountability. | Adjustment budget approved by not later than 28                | Adjustment budget in line MFMA and Budget regulation                        | Adjustment budget in line MFMA and Budget regulation | <b>Annually</b> (Compiled and tabled before council by 28 February)<br><b>(Council resolution as proof)</b>  | The report tabled in Jan 2017                                       | None  | None   |                                    |

|  |   |   |  |  |  |  |      |      |  |
|--|---|---|--|--|--|--|------|------|--|
|  |   | February<br>by council  |  |  |  |  |      |      |  |
|  | Improved financial management and accountability. | Draft budget table before council 31 March  | Draft budget                           | Draft budget                           | <b>Annually</b><br><b>1.</b> Discussions with departments by not later than 15 March ( <b>Minutes of discussions</b> )<br><b>2.</b> Compiled and tabled by 31 March ( <b>Council resolution as proof</b> )                                     | Letters to various departments were issued on the 6 <sup>th</sup> of January with dead line of the 29 Jan. Discussions with the Departments regarding the draft budget will be after the dead line | None | None |  |
|  | Improved financial management and accountability. | Application to Nersa by end of April  | NERSA application                      | NERSA application                      | <b>Annually</b><br>(Lodge application to NERSA by 30 April) ( <b>Letter as proof</b> )   | Application to Nersa by end of April 2017  | None | None |  |
|  | Improved financial management and accountability. | Table final draft budget to council by 31 May                                     | Adoption of the draft budget           | Adoption of the draft budget           | <b>Annually</b><br><b>1.</b> Discussions with departments by not later than 30 April and neighbouring municipalities ( <b>Minutes of discussions</b> )<br><b>2.</b> Compiled and tabled by 31 May ( <b>Council resolution as proof</b> )       | The 2017/2018 IDP & Budget approved by Council in May 2017   | None | None |  |
|  | Improved financial management and accountability. | Finalising AFS  | Compilation of AFS                     | Compilation of AFS                     | <b>Annually</b><br>(Compilation of AFS completed and submitted to AG by 31 August) ( <b>Submission letter as proof</b> )   | To be done in August 2017  | None | None |  |
|  | Improved financial management and accountability. | Submit VAT 201 forms by the 25 <sup>th</sup> of each month for the previous month | VAT 201 Forms                          | VAT 201 Forms                          | <b>Monthly</b><br>( <b>1.</b> VAT 201 Forms completed and submitted each month by not later than the 25 <sup>th</sup><br><b>2.</b> VAT Reconciliation to be done by the 25 <sup>th</sup> of each month)<br>( <b>Keep a register as proof</b> ) | 12 sets were filled on SARS e filing   | None | None |  |
|  | Improved financial management and accountability. | Reconcile registers monthly   | Loans, Investment, and Funds Registers | Loans, Investment, and Funds Registers | <b>Quarterly</b><br>(Registers to be updated by the last day of the month following the end of the quarter) ( <b>Registers as proof</b> )  | Registers are updated monthly  | None | None |  |

BUDGET CONTINUES .....

| PLANNED PERFORMANCE DURING 2016/17   |  |  |  |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                              |   |  |                                    |
|--|--|--|--|--|--|--|---|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME                                 | BASELINE   | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>To implement an effective and efficient system of the budget division</b> | Improved financial management and accountability | Submit all budget related policies together with budget. Review all policies | Policies   | Policies   | <b>Annually</b><br>(Policies to be reviewed and tabled before council by 31 March 2016 and final adoption by 31 May)<br><b>(Council resolution as proof)</b>   | Policies to be reviewed and tabled before council by 31 March 2017 | N/A   | N/A  |                                    |
|  | Improved financial management and accountability | Answering of all audit queries   | Response timeously to both internal and external audit queries on Budget and Treasury Office | Response timeously to both internal and external audit queries on Budget and Treasury Office | <b>Continuously</b><br>(Answering of queries within 5 working days after receiving query with relation to budget office up to a maximum of 3 queries per day (IA report/ AG))<br><b>(Register with query nr, query date and date of answer as proof)</b> | To be done in August 2017  | N/A   | N/A  |                                    |
|  | Improved financial management and accountability | Implement audit action plan  | Year-end procedures  | Year-end procedures  | Implementation by the end of January 2016<br>Progress on audit action plan is a continuous process   | Audit Action Plan approved by Council in Feb 2017                  | N/A   | N/A  |                                    |



**DIVISION: FLEET AND ASSETS MANAGEMENT**  
**KPA: FINANCIAL VIABILITY & MANAGEMENT**

| PLANNED PERFORMANCE DURING 2016/17  |  |          |  |  |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                                 |   |  |                                    |
|---|--|----------|--|--|--|---|---|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME                                 | BASELINE | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE                          | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| <b>To implement an effective and efficient system of Asset and Fleet division</b> | Improved financial management and accountability |          | 100%   | Response timeously to both internal and external audit queries on Assets | 3 working days( IA report/ AG)                               | Achieved  | N/A   | None   |                                    |
|   | Improved financial management and accountability |          | Quarterly update an inventory register                       | Inventory register   | Updated room reports placed in all offices and buildings     | Achieved  | None  | None   |                                    |
|   | Improved financial management and accountability |          | Quarterly update of Asset register                           | Updated additions register on quarterly base and asset register annually | Asset Register   | Achieved  | None  | None   |                                    |
|   | Improved financial management and accountability |          | Monthly reconciliations of the asset register                | Monthly reconciliations of the asset register                            | Quarterly reconciliation register                            | Not achieved, it was only reconciled annually at the end of June 2017 | The need to appoint an Asset Manager              | Advertisement placed on newspapers for Asset Manager         |                                    |
|   | Improved financial management and accountability |          | Monthly fleet expenditure report                             | Prepare and submit Monthly fleet expenditure report to MM                | Monthly fleet expenditure report                             | Achieved  | None  | None   |                                    |
|   | Improved financial management and accountability |          | Annually compile obsolete, slow and moving disposal register | Annually compile obsolete, slow and moving disposal register             | Compile obsolete, slow moving and disposal register annually | Achieved  | None  | None iu  |                                    |

**DEPARTMENT: CORPORATE SERVICES**

**DIVISION: HUMAN RESOURCES**

**KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

| PLANNED PERFORMANCE DURING 2016/17  |   |  |   |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                    |  |  |                                    |
|---|---|--|---|---|--|--|--|--|------------------------------------|
| IDP OBJECTIVE   | INTENDED OUTCOME                                      | BASELINE   | ANNUAL TARGET   | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017                              | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)                        | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS                                 | COMMENTS ON PERFORMANCE ASSESSMENT |
| To provide sufficient and skilled human capital in order to enable all departments to function optimally in order to enhance service delivery and institutional capacity. | Improved organizational stability and sustainability. | Number of funded vacancies as per organogram                     | Fill all positions that become vacant during the year within 90 days of the position being created and/or vacated | Targeted and qualified individuals recruited in line with the critical posts identified within 90 days of the vacancy being vacant and/or created | Submit a monthly report of all vacant positions<br>Advertise all vacant positions and fill them within 90 days of being vacant<br>Create a report on a monthly basis of all appointments | 47 Internal, external and political vacancies advertised | None   |  |                                    |
|   | Improved organizational stability and sustainability. | 2015/16 organogram structure approved                            | Organisational Structure reviewed and approved on a yearly basis  | Organisational structure reviewed and approved annually   | Organogram submitted to council for approval annually  | Organogram approved by council in May 2017               | Post levels not included, pending placement                              |  |                                    |
|   |   | HR manual to include new LRA changes                             | Human resource policies reviewed annually   | Review all policies identified for a specific year and submit to council for approval   | Identified policies reviewed and approved by council   | No new policies approved                                 | None   |  |                                    |
|   |   | Number of signed job description to be confirmed after road show | Job description compiled and distributed for all employees  | Job description compiled and distributed for all employees  | Job descriptions kept on file  | Not achieved   | No placement of staff, most post level 04-16 don't have job descriptions | Finalise placement of staff; complete the job descriptions of staff, conclude job evaluation |                                    |

DEPARTMENT: CORPORATE SERVICES  
DIVISION: SKILLS DEVELOPMENT  
KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

| PLANNED PERFORMANCE DURING 2016/17   |  |          |  |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |   |  |                                    |
|--|--|----------|--|--|---|--|---|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME                                     | BASELINE | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE                           | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| To Provide sufficient and skilled human capital in order to enable all departments to function optimally in order to enhance service delivery and institutional capacity | Improved organisational stability and sustainability |          | All identified programs as per WSP should be undertaken. | Employees trained as per the approved annual Workplace Skills Plan | Monthly reports on progress of the implementation of programs | <u>Water Process Controller Learnership NQF3 - 32 employed learners Started Jan 2017</u><br><br><u>Water Process Controller NQF 4 12 Employed learners Started Jan 2017</u><br><br><u>Water Process Controller 17 Unemployed Learners Started Jan 2017</u><br><br><u>RPL Plumbing employed learners – Trade test from 25 July 2017 To be completed Aug 2017</u><br><br><u>Plumbing Apprenticeship unemployed learners- 13 MFMP – 10 employed learners To be completed Aug 2017</u> | Lack of funds<br><br>Delay on LGSETA approvals    |  |                                    |

|           |  |  |   |   |   |   |   |  |  |
|-----------|--|--|---|---|---|---|---|--|--|
|           |  |  |   |   |   | <u>Environmental Practice</u><br><u>Mantsopa Lead Employer –</u><br><u>Setsoto 60 learners,</u><br><u>Dihlabeng 19 learners,</u><br><u>Mohokare 19 Learners &amp; Maluti</u><br><u>A Phofung 49 Leraners</u><br><u>Challenges with the Service</u><br><u>Provider, LGSETA is assisting for completion of the programme</u><br><br><u>Internship</u><br><br><u>Treasury – 5 learners</u><br><u>Work Integrated Learning 17 Learners</u><br><u>MISA – 2 learners</u><br><u>EPWP – 1 Learner</u><br><u>EE Services- 5</u><br><u>Premier's Office - 9</u> |   |  |  |
|           | Skills audit conducted for Employees and Councillors |  | Conduct Skills audit for all Councillors and Employees Annually | Skills audit conducted for all Councillors and Employees      | A yearly report produced identifying skills gap and recommendations | Conducted from 15 December 2016– 6 January 2017   | Trainings   |  |  |
| Induction |  |  | Collect information on a monthly basis                          | Collect information regarding induction of employees annually | Induction report kept on file                                       | Conducted on 30 September 2016  | Reluctance of employees to sign documents due to no training despite the signed forms |  |  |

|  |  |  |  |  |  |   |  |  |  |
|--|--|--|--|--|--|---|--|--|--|
|  | Compliant EE Report and Plan submitted to the Dept. of Labour on time. | EE plan backlog due to none compliance | Submit the EE report to the Dept. of Labour manually on 1 Oct or electronically on 15 January every year | Compliant EE Report and Plan submitted to the Dept. of Labour on time. | Acknowledgement of receipt of the completed EE Report received from the Department of Labour | Not achieved, the municipal login details is blocked. | Plan is still to be completed and submitted to Department of Labour for approval |  |  |
|--|--|--|--|--|--|---|--|--|--|

**DEPARTMENT: CORPORATE SERVICES**

**DIVISION: EMPLOYEE WELLNESS**

**KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

| PLANNED PERFORMANCE DURING 2016/17    |                                   |   |  |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                              |   |  |                                    |
|---------------------------------------|-----------------------------------|---|--|---|--|--|---|--|------------------------------------|
| IDP OBJECTIVE                         | INTENDED OUTCOME                  | BASELINE  | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| To ensure healthy working environment | Enhance health and safety at work | None  | A once off biological assessment undertaken annually of areas associated with hazardous risks. | Risk assessment to be done for all areas within the Municipality and a report be submitted to the Municipal Manager for implementation of recommendations | Finalised Assessment Report produced for implementation of recommendations | Not achieved   |   |  |                                    |
|                                       |                                   | Protective clothing is made available to employee | Provision of protective clothing to employees. (PPE).  | Procure and provide employees with PPE's Bi-Annually  | Number of employees provided with PPE.                                     | Not achieved, Protective clothing distributed from 18 January 2017 | Electricity Division still have to receive PPE    |  |                                    |
|                                       |                                   | Require proper implementation                     | Number of Municipal departments/ sections inspected quarterly in line with OSHA                | Ensured that Health and Safety reps are identified and trained by End of September 2015 in order for them to inspect all departments                      | 4 Inspections Reports submitted annually                                   | None   | None  |  |                                    |

|  |   |   |   |  |   |      |                                   |  |  |
|--|---|---|---|--|---|------|-----------------------------------|--|--|
|  |   |   | Quarterly reports on COIDA                          | Ensure compliance with COIDA by reporting all incidences in the Municipality | Injury on Duty reports created and submitted for approval | 1    | Submitted to department of labour |  |  |
|  | To ensure a working environment that enables good staff morale. | Implementation of employee wellness programme | 4 Quarterly Reports submitted on Employees wellness | Conduct an employee wellness day to raise awareness                          | Not achieved  | None | No budget                         |  |  |

**DEPARTMENT: CORPORATE SERVICES**

**DIVISION: LABOUR RELATIONS**

**KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

| PLANNED PERFORMANCE DURING 2016/17           |  |  |   |   |  | ACTUAL PERFORMANCE AS AT 30 JUNE 2017  |  |  |                                    |
|--|--|--|---|---|--|--|--|--|------------------------------------|
| IDP OBJECTIVE                                | INTENDED OUTCOME                                     | BASELINE   | ANNUAL TARGET   | KEY PERFORMANCE INDICATOR   | UNIT OF MEASURE/PERFORMANCE MEASURE  | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)                        | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| To facilitate stable relations at work place | Improved organisational stability and sustainability | Currently addressing two(2) disciplinary actions | Address all disputes and grievances within 90 days of receipt of such | Disputes and grievances handled in terms of the SALGBC collective agreement within 90 days. | Report of all disputes and resolutions reached produced and submitted for approval | 1 finalised fraud case –results, internal / lateral transfer<br>2 Fraud cases pending outcomes(cashier, security guard)<br>1 Fraud case outcome finalised-dismissal<br>1 Fraud case pending outcomes<br>1 Fraud case finalised- outcomes, resignation with admission of debt | No dedicated / designated official handling labour and litigation issues |  |                                    |

**DIVISION: MANAGEMENT AND COUNCIL**

**KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

| PLANNED PERFORMANCE DURING 2016/17   |   |          |   |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017                    |   |  |                                    |
|--|---|----------|---|--|---|--|---|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME  | BASELINE | ANNUAL TARGET   | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017                              | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| To provide efficient and effective council administrative support services | Improved organizational stability and sustainability                                  | 4        | 4 Ordinary Council meetings being held  | Hold 4 Ordinary Council meetings annually  | Minutes of meetings and attendance register   | <b>4 Ordinary</b><br><br>8 Special Council meetings held |   |  |                                    |
|  |   | 4        | Council, EXCO and Committee agendas delivered as per standard rules (Council – 48 hours, budget – 96 hours and EXCO & Committees - 48 hours). | 100% of meeting agendas delivered on time as prescribed  | Schedule of EXCO, Council & Standing Committee meetings<br><br>Agenda, minutes & attendance registers<br><br>Proof of delivery note | All agendas delivered on time. POE attached              |   |  |                                    |
|  |   | 4        | quarterly reports to Council on the tracking of council resolutions (submitted at the end of each quarter - Sept, Dec, Mar & Apr              | Follow up Monthly on Resolutions taken by Council  | 4 Quarterly council resolutions tracking management via email/memo  | Not achieved   |   | Quarterly follow ups to be reported to Council.              |                                    |
| To ensure that sound governance processes are developed and maintained     | Calendar of council, standing committees and management meetings programmes developed | 1        | Develop annual organizational year planner.   | Submit a schedule to council stipulating the dates for all committees, EXCO and Council for approval | Schedule of Council, EXCO, Council  | Schedule taken to Council on 30/1/2017                   | None  | Do yearly  |                                    |

**DIVISION: ADMINISTRATION**

**KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

| PLANNED PERFORMANCE DURING 2016/17 |                                     |  |  |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017 |   |  |                                    |
|------------------------------------|-------------------------------------|--|--|--|---|---------------------------------------|---|--|------------------------------------|
| IDP OBJECTIVE                      | INTENDED OUTCOME                    | BASELINE   | ANNUAL TARGET  | KEY PERFORMANCE INDICATOR                                      | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017           | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
|                                    | Protection of municipal information | All employees who have signed confidentiality agreement. | All current employees to sign confidentiality agreement by 31 Dec 2016 and new ones prior commencement of duty | Number of employees who have signed confidentiality agreement. | Report of all employees who have signed the confidentiality and Conduct of Employees as per Schedule 2 of the Municipal Systems | No new appointments                   | None  |  |                                    |

**DIVISION: MANAGEMENT**

**KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

| ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |                     |                       |  |   |                              |   |  |                                    |  |
|---|---------------------|-----------------------|--|---|------------------------------|---|--|------------------------------------|--|
| IDP OBJECTIVE   | INTENDED OUTCOME    | BASELINE              | ANNUAL TARGET  | UNIT OF MEASURE/PERFORMANCE MEASURE                   | PROGRESS AS AT 30 JUNE 2017  | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE) | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS         | COMMENTS ON PERFORMANCE ASSESSMENT |  |
| To implement an effective and efficient system of supply chain management and expenditure | Clean Audit Outcome | 2015/16 Annual Report | 4 Quarterly reports deficiencies raised by AG addressed          | Quarterly reports produced and submitted for approval | Not achieved                 | None  | Regular department meetings to review, monitor and evaluate progress |                                    |  |
|   | Clean Audit Outcome | 2015/16 Annual Report | Respond to Audit Exceptions within the maximum of 7 working days | Report on submitted responses to auditors             | Audit responses done in time | None  | Regular department meetings to review, monitor and evaluate progress |                                    |  |



**DIVISION: REGISTRY**

**KPA: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

| PLANNED PERFORMANCE DURING 2016/17   |                                  |                             |               |  |   | ACTUAL PERFORMANCE AS AT 30 JUNE 2017   |  |  |                                    |
|--|----------------------------------|-----------------------------|---------------|--|---|---|--|--|------------------------------------|
| IDP OBJECTIVE  | INTENDED OUTCOME                 | BASELINE                    | ANNUAL TARGET | KEY PERFORMANCE INDICATOR  | UNIT OF MEASURE/PERFORMANCE MEASURE   | PROGRESS AS AT 30 JUNE 2017   | LIMITATIONS FOR UNDER-PERFORMANCE (IF APPLICABLE)  | CORRECTIVE MEASURES TAKEN TO IMPROVE ON 2015/16 A-G FINDINGS | COMMENTS ON PERFORMANCE ASSESSMENT |
| To implement an efficient registry system to ensure smooth running of administration | Smooth running of administration | Quarterly reports submitted | Ongoing       | Effective decimation of all mail within two day of receipt         | Generate Reports on all mail received and sent quarterly                      | 324 (Mail items, faxes and emails )   | None   | None   |                                    |
|  | Smooth running of administration |                             |               | Number of new files opened   | Generate Reports on all mail received and sent quarterly                      | 73 New volumes of files. There were no totally new files opened                   | None   | None   |                                    |
|  | Smooth running of administration | 0                           | 4             | Registry office to comply with archive regulations and standards   | Report on compliance to regulations by creating a report on a quarterly basis | Mr Challa sent reviewer item number register for approval. Sent to DCS            | Email sent to the archive department requesting information to assist the office               |  |                                    |
|  | Smooth running of administration | 0                           | 1             | A Records Management Policy to be drawn up and approved by Council | Policy developed and submitted to council for approval                        | Draft policy drawn up- Grave to DC for discussion. Previous policy still in place | Records management policy approved by council vide resolution 789 27/11/2007 still in use. New |  |                                    |
|  | Smooth running of administration | 0                           | 1             | Procedure Manual submitted to council for approval                 | Approved Procedure Manual   | Approved procedure manual is available  | In process of reviewing procedures   |  |                                    |

## **CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE**

### **INTRODUCTION**

Mantsopa Local Municipality is categorized in terms of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) as a Category B local municipality. It has an EXCO that is headed by the Mayor who is supported by two other members of the EXCO as described in Chapter 2 of this report under Political Governance.

The Accounting Officer (Municipal Manager) is appointed in accordance with the Municipal Systems and Procedures contemplated in Section 54A and is supported by a Senior Management Team as described in Chapter 2 under Administrative Governance. The functions performed and coordinated by the office of the Municipal Manager are governance related.

While national government prioritises delivery of national imperatives and other policy objectives, the delivery of basic services to communities is the primary mandate of the local authority. Mantsopa Local Municipality believes that municipal human resources forms the bedrock upon which its operational foundation is built and the cornerstone upon which its present and future success is anchored. Human resources is the most valuable asset, when optimally utilized, motivated and developed. The municipality is aiming at fully optimise the potential of its workforce in order to enhance service delivery and to achieve the overall objectives as well as the organisational performance. Human resources is the primary investment source of the municipality through the human capital and endeavour to maintain its investment by sourcing relevant talent and developing it to capacitate the Municipality further.

## COMPONENT A

### INTRODUCTION TO MUNICIPAL PERSONNEL

#### EMPLOYEE TOTALS, VACANCIES AND TURNOVER

| VACANCY RATE   |                             |  |   |
|--|-----------------------------|--|---|
| DESIGNATIONS   | Total Approved Posts<br>No. | Vacancies (Total time that<br>vacancies exist using fulltime<br>equivalents) No. | Vacancies (as a proportion of<br>total posts in each category)<br>% |
| Municipal manager  | 0                           | 0  | 100.00  |
| CFO  | 1                           | 1  | 100,00  |
| Other S56 Managers (excluding Finance Posts)                     | 3                           | 1  | 33,33   |
| Senior Management: Level 1-3 (excluding Finance)                 | 11                          | 6  | 66.66   |
| Senior management : Level 1-3 (Finance Posts)                    | 5                           | 1  | 20,00   |
| Highly skilled supervision: Level 4-5 (excluding 'finance posts) | 30                          | 13   | 43.33   |
| Highly skilled supervision (Finance post) Level 4-5              | 6                           | 3  | 50,00   |
| Highly skilled production (level 6-8)                            | 31                          | 14   | 45.16   |
| Skilled production (level 9-11)                                  | 35                          | 12   | 34.28   |

|                          |     |    |              |
|--------------------------|-----|----|--------------|
| Production (level 12-14) | 57  | 30 | <b>52,63</b> |
| Production (Level 15-16) | 220 | 98 | <b>44.54</b> |

## VACANCY RATE

### TURNOVER RATE

| <i>Details</i> | <i>Total appointments</i> | <i>Total terminations</i> | <i>Turnover rate</i> |
|----------------|---------------------------|---------------------------|----------------------|
| 2014/2015      | 6                         | 16                        | 0.05                 |
| 2015/2016      | 1                         | 18                        | 11.04%               |
| 2016/2017      | 0                         | 35                        | 11.11%               |

## VACANCIES AND TURNOVER

For the financial year 2016/2017, the Municipality did not make any new appointments, the structure was being reviewed and the Municipality preparing for placement of all staff currently in the employ, while also preparing for the job evaluation that will resume in the 2017/2018 financial year and finalised to enable new appointments into corrected salary levels and positions on the approved structure

### 1. Vacancy Rate

The municipality strives to fill vacant positions within three months once they are vacant. The process might be a little longer due to unforeseen circumstances. In terms of recruitment the municipality advertises vacant positions both internally and externally with the criteria being consistent in both cases. Generally the media that targets previously disadvantaged groups assume priority in terms of advertisements. The retention of skilled and experienced workers is an arduous task, which needs planning, time, financial resources and physical resources.

There is high vacancy rate experienced in the technical department due to attrition, death, etc. It is of course still a challenge for the municipality to attract scarce resource and skilled personnel due to the size and geographical area of the municipality. **According to the Municipal Staff Establishment there are 280 Existing Posts and 400 approved Post with a Difference of 120 Post, thus a vacancy rate of 30%.**

## MUNICIPAL PERSONNEL

### EMPLOYEE TOTALS, VACANCIES AND TURNOVER

| DESCRIPTION        | 2015/16         | 2016/17         |                   |               |               |             |
|--------------------|-----------------|-----------------|-------------------|---------------|---------------|-------------|
|                    | No of Employees | No of Employees | Approved Posts No | Employees No. | Vacancies No. | Vacancies % |
| MM's office        | 16              | 10              | 22                | 10            | 12            | 54,55       |
| Finance Department | 36              | 36              | 52                | 36            | 16            | 30,77       |
| Corporate Services | 23              | 13              | 27                | 13            | 14            | 51,85       |
| Community Service  | 95              | 55              | 144               | 55            | 89            | 61,81       |
| Technical Services | 143             | 166             | 155               | 166           | -11           | -7,10       |
| <b>TOTALS</b>      | <b>313</b>      | <b>280</b>      | <b>400</b>        | <b>280</b>    | <b>120</b>    | <b>30</b>   |

The difference in numbers on the positions in the community Services and the Technical Services is due to the movement of the refuse removal department from Community Services to Technical Services during the year before the changes to the organisational Structure to address the alignment to the institutional budget and performance management.

Employee and approved positions are as at 30 June 2017 as per the approved organogram

## COMPONENT B MANAGING THE MUNICIPAL WORKFORCE

*MSA 32 of 2000: 67 oblige municipalities to develop and adopt appropriate systems and processes to ensure fair, efficient, effective and transparent personnel administration in accordance with applicable laws (Constitution and Employment Equity Act etc)*

| No   | FUNCTIONS                                    |
|--|--|
| <b>1. OFFICE OF THE MUNICIPAL MANAGER</b>                                      |  |
| 1.1  | Internal Audit                               |
| 1.2  | Integrated Development Planning              |
| 1.3  | Performance Management                       |
| 1.4  | Communications                               |
| 1.5  | Local Economic Development and Tourism       |
| <b>2. DEPARTMENT OF CORPORATE SERVICES</b>                                     |  |
| 2.1  | Human Resource Management                    |
| 2.2  | Administration, Council and Sound Governance |
| 2.3  | Legal services                               |
| <b>2.4 TRAINING INTERVENTIONS BY THE SKILLS DEVELOPMENT WITHIN HR DIVISION</b> |  |
| 2.4.1  | Local Government Accounting                  |
| 2.4.2  | Local Government Advanced Accounting         |
| 2.4.3  | Municipal Finance Management Program         |
| 2.4.4  | SAICA/Deloitte Municipalities Finance        |
| 2.4.5  | Water & Waste Water Process Controller       |
| 2.4.6  | Environmental Practice                       |
| <b>3. DEPARTMENT OF TECHNICAL SERVICES</b>                                     |  |
| 3.1  | Infrastructure Planning and Development      |
| 3.2  | Water and Sanitation Provision               |
| 3.3  | Solid Waste Management                       |
| 3.4  | Municipal Infrastructure Grant (MIG) funding |
| 3.5  | Technical Support                            |
| 3.6  | Infrastructure Operations and Maintenance    |
| 3.7  | Electrical Services                          |
| <b>4. DEPARTMENT OF COMMUNITY SERVICES</b>                                     |  |
| 4.1  | Fire & Disaster Management Services          |
| 4.2  | Waste management Services                    |
| 4.3  | Social Development Services                  |
| 4.4  | Development Planning                         |
| 4.5  | Geographic Information Services              |

| <b>5. DEPARTMENT OF FINANCIAL SERVICES</b> |                         |
|--|-------------------------|
| 5.1  | Budgeting and Reporting |
| 5.2  | Income Control          |
| 5.3  | Expenditure Control     |
| 5.4  | Supply Chain Management |

#### HR POLICIES AND PLANS

| <b>No</b> | <b>Name of Policy</b>                              | <b>Completed %</b> | <b>Reviewed date</b> | <b>Date adopted by Council</b> |
|-----------|--|--------------------|----------------------|--------------------------------|
| 1         | Human Resource Policy                              | 100%               | 29/05/2017           | 29/05/2015                     |
| 2         | Sexual Harassments                                 | 100%               | 29/05/2017           | 27/06/2013                     |
| 3.        | HIV & AIDS   | 100%               | 29/05/2017           | 27/06/2013                     |
| 4         | Induction policy                                   | 100%               | 29/05/2017           | 27/06/2013                     |
| 5         | ICT Governance Charter                             | 100%               | 30/01/2018           | 27/06/2013                     |
| 6         | ICT Steering Committee                             | 100%               | 30/01/2018           | 27/06/2013                     |
| 7         | EPWP   | 100%               | 29/05/2017           | 26/02/2013                     |
| 8         | Land policy  | 100%               |                      | 9/11/2012                      |
| 9         | Recruitment and Selection policy                   | 100%               | 29/05/2017           | 26/05/2015                     |
| 10        | Job Evaluation policy                              | 100%               | 29/05/2017           | 26/05/2015                     |
| 11        | ICT Security policy                                | 100%               | 29/05/2017           | 26/05/2015                     |
| 12        | Internet and E-mail use policy                     | 100%               | 29/05/2017           | 26/05/2015                     |
| 13        | ICT change management procedure                    | 100%               | 29/05/2017           | 26/05/2015                     |
| 14        | Information and Communication Technology framework | 100%               | 29/05/2017           | 26/05/2015                     |
| 15        | Budget policy                                      | 100%               | 29/05/2017           | 29/05/2015                     |
| 16        | Indigent policy                                    | 100%               | 29/05/2017           | 29/05/2015                     |
| 17        | Tariff policy                                      | 100%               | 29/05/2017           | 29/05/2015                     |
| 18        | Property Rates policy                              | 100%               | 29/05/2017           | 29/05/2015                     |

|    |   |      |            |            |
|----|---|------|------------|------------|
| 19 | Subsistence and travelling                | 100% | 29/05/2017 | 31/05/2013 |
| 20 | Immigration and placement policy          | N/A  | N/A        | N/A        |
| 21 | Disclosure of interest policy             | 100% | 29/05/2017 | 29/05/2017 |
| 22 | Credit Control and Debt collection policy | 100% | 29/05/2017 | 29/05/2015 |
| 23 | Cash management and investment policy     | 100% | 29/05/2017 | 29/05/2015 |

#### INJURIES, SICKNESS AND SUSPENSION

| <b><i>INJURY ON DUTY</i></b>  |                                  |  |   |
|-------------------------------|----------------------------------|--|---|
| <b><i>TYPE OF INJURY</i></b>  | <b><i>INJURY LEAVE TAKEN</i></b> | <b><i>EMPLOYEES USING SICK LEAVE</i></b> | <b><i>Average injury per employee</i></b> |
| Basic medical attention       | 0                                | 117                                      | N/A                                       |
| Temporary / total disablement | 0                                | 8  | N/A                                       |
| Fatal injury                  | 0                                | 0  | N/A                                       |
| <b>Total</b>                  |                                  | <b>125</b>                               |   |

#### COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

*MSA: s68(1) require municipalities to develop its own human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way in accordance with Skills Development Act, 1998 and Skill Development Levies Act, 1999*

Financial Competency Development

Training for employed employees:



| Learning Program me                             | Occupation al Category of Learners | Field of Study        | Racial Stats |   |   |   | Gende r Stats |   | Age Group Stats |       |     | No. of People with Disabilitie s | Total No. of Learner s |
|---|------------------------------------|-----------------------|--------------|---|---|---|---------------|---|-----------------|-------|-----|----------------------------------|------------------------|
|   |                                    |                       | A            | C | I | W | M             | F | <35             | 35-55 | >55 |                                  |                        |
| MFMP  | Managers                           | Financial Manageme nt | 9            | 0 | 0 | 1 | 8             | 2 | 5               | 5     |     | 0                                | 10                     |
| Artisan RPL                                     | Elementary Workers                 | Plumbing              | 19           | 0 | 0 | 0 | 5             | 0 | 2               | 16    | 1   | 0                                | 19                     |
| Plumbing  | Unemploye d                        | Plumbing              | 13           | 0 | 0 | 0 | 6             | 7 | 13              | 0     | 0   | 0                                | 13                     |
| Water & Waste Water Process Controllin g- NQF 3 | Unemploye d                        | Trade & Technical     | 26           | 0 | 0 | 0 | 26            |   | 26              | 0     | 0   | 0                                | 26                     |

The following training was also undertaken during 2015/2016:

Unemployed trainees

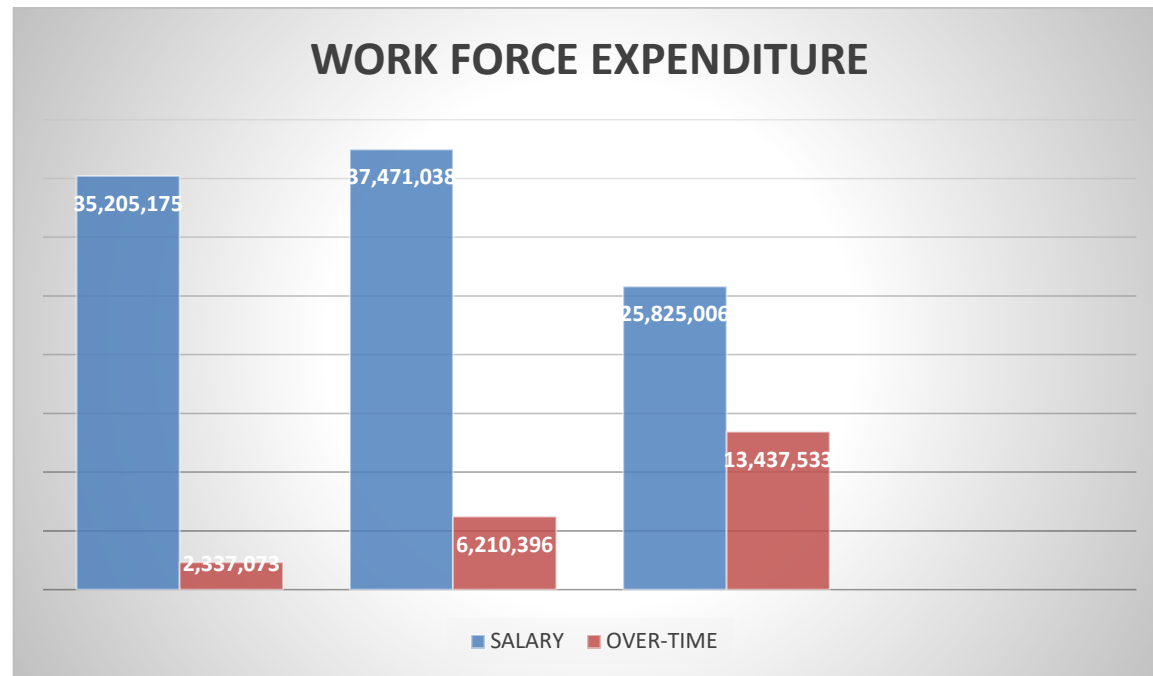
| Learning Program me  | Occupation al Category of Learners | Field of Study   | Racial Stats |   |   |   | Gender Stats |   | Age Group Stats |       |     | No. of People with Disabilities | Total No. of Learners |
|----------------------|------------------------------------|--|--------------|---|---|---|--------------|---|-----------------|-------|-----|---------------------------------|-----------------------|
|                      |                                    |  | A            | C | I | W | M            | F | <35             | 35-55 | >55 |                                 |                       |
| Internship           | Interns                            | Financial Management   | 5            | 0 | 1 | 1 | 2            | 3 | 5               | 0     | 0   | 0                               | 5                     |
| WIL                  | Interns                            | HR, Electricity, Logistics, Finance, Public                                    | 17           | 0 | 0 | 0 | 10           | 7 | 17              | 0     | 0   | 0                               | 17                    |
| WIL                  | Interns                            | Business Management  | 5            | 0 | 0 | 0 | 1            | 4 | 5               | 0     | 0   | 0                               | 5                     |
| University Graduates | Interns                            | Legal, Language Practice, LG Management. Policing, BCom, Public Management, IT | 9            | 0 | 0 | 0 | 4            | 5 | 9               | 0     | 0   | 0                               | 9                     |

#### COMPONENT D: MANAGING WORKFORCE EXPENDITURE

The municipality is under constant pressure to ensure that the workforce expenditure is managed with the approved budget and National Treasury benchmarks. Where feasible vacancies, which arise from turnover, is filled based on the assessment of the continued need for the post and operational requirements.

#### EMPLOYEE EXPENDITURE

#### COMMENT ON WORKFORCE EXPENDITURE



Number of employees whose salaries were increased

| <b>NUMBER OF EMPLOYEES WHOSE SALARIES WERE INCREASED TO THEIR POSITIONS BEING UPGRADED</b>  |               |              |
|---|---------------|--------------|
| <b>Beneficiaries</b>  | <b>Gender</b> | <b>Total</b> |
| MM and S 56   | Female        | 0            |
|   | Male          | 0            |
| Senior Management (Levels 1–3)  | Female        | 0            |
|   | Male          | 0            |
| Highly skilled supervision (Levels 4–5)   | Female        | 0            |
|   | Male          | 0            |
| Highly skilled production (Levels 6-8)  | Female        | 0            |
|   | Male          | 0            |
| <b>TOTAL</b>  |               | <b>0</b>     |
| <b>Those with disability will be shown in brackets '(x)' in the total column on each category of beneficiaries at the right hand side of the column as illustrated.</b> |               |              |

#### **EMPLOYEES WHOSE SALARY LEVELS EXCEED GRADING**

| <b>EMPLOYEE WHOSE SALARY LEVEL EXCEED THE GRADE DETERMINED BY SALGA AS A BASELINE</b> |                            |                           |                              |
|---|----------------------------|---------------------------|------------------------------|
| <b>Occupation</b>   | <b>Number of employees</b> | <b>Remuneration level</b> | <b>Reasons for deviation</b> |
| N/A   | 0                          | 0                         | N/A                          |

#### **EMPLOYEES APPOINTED ON POSTS NOT APPROVED**

| EMPLOYEES APPOINTED ON POSTS NOT APPROVED |       |                     |               |   |
|---|-------|---------------------|---------------|---|
| DEPARTMENT                                | LEVEL | DATE OF APPOINTMENT | No. appointed | Reasons for appointments when no established post exist |
|   |       |                     | 0             |   |

#### **DISCLOSURE OF FINANCIAL INTERESTS**

Refer to disclosure made by officials and councillors concerning their financial interest as required by Performance management Regulations 805 of 2006

All councillors, Section 54(a) and section 56 Managers have filled in the Disclosure of interest forms that have been kept safe.

Council further decided that all employees of the Municipality should submit disclosure of interest information and submit to council to ensure credible Supply chain management, most of other Municipal Employees have also filled in the disclosure of financial interest

## **CHAPTER 5: REPORT OF THE AUDIT COMMITTEE FOR THE PERIOD ENDING 30 JUNE 2016**

### **PURPOSE**

The purpose of this report is to provide the Municipal Council of Mantsopa Local Municipality with the independent assurance on the activities which were evaluated by the committee during the financial year ending 30 June 2017.

### **BACKGROUND**

Section 166 of the MFMA (Municipal Finance Management Act. No. 56 of 2003) provides for the establishment of an Audit committee by a municipality, to advise the Municipal Council, the Political Office Bearers and the Management staff on matters relating to:

- Internal financial control and internal audits;
- Risk management;
- Accounting policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance management;
- Effective governance;
- Compliance with legislation;
- Performance evaluation;
- Any other issues referred to it by the Municipality.

The Audit committee also has to review the Annual Financial Statements to provide the council of the Municipality with an authoritative and credible view.

The Audit Committee executes its function through close liaison and communication with management and the internal audit unit of the Municipality. To ensure its independence, the Committee has adopted appropriate formal terms of reference as its Audit Committee Charter and has regulated its affairs in compliance with this charter.

## REPORT

### 1. REPORT OF THE AUDIT COMMITTEE

Honourable Speaker, Mayor, and Councillors, the Audit Committee (AC) takes the liberty of thanking you for this opportunity to present the Audit Committee Report for the period 1<sup>st</sup> July 2016 to 30 June 2017. The Audit Committee of Mantsopa Local Municipality consists of the members listed hereunder and the Audit Committee managed to hold five effective functional Audit Committee meetings.

### 2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee membership and meetings related to 2016/17 financial year matters are listed below:

| Name                               | Date of Meeting<br>29 August 2016 | Date of Meeting<br>26 September<br>2016 | Date of Meeting<br>04 November<br>2016 | Date of Meeting<br>23 March 2017 | Date of Meeting<br>08 June 2017 |
|------------------------------------|-----------------------------------|---|--|----------------------------------|---------------------------------|
| Adv. Teboho Moloi<br>(Chairperson) | ✓                                 | ✓                                       | ✓                                      | N1                               | N1                              |
| Msizi Gwala (CA)SA                 | N1                                | N1                                      | N1                                     | ✓                                | ✓                               |

|                   |   |   |   |   |   |
|-------------------|---|---|---|---|---|
| Chairperson       |   |   |   |   |   |
| Ms. Selina Lebeko | ✓   | ✓ | ✓ | ✓ | x |
| Ms. V C Sikaundi  | ✓   | ✓ | ✓ | ✓ | ✓ |
| ✓                 | The member attended the Audit Committee meeting   |   |   |   |   |
| X                 | Member did not attend the Audit Committee meeting   |   |   |   |   |
| N1                | Mr Gwala was appointed on 1 February 2017 as the chairperson of the committee and replaces Adv. Moloi in this position. |   |   |   |   |
|                   | The member was not yet appointed as a member of the audit committee at this time.                                       |   |   |   |   |

### 3. MATTERS CONSIDERED AND RECOMMENDED FOR CORRECTIVE ACTION BY THE AUDIT COMMITTEE

During the quarterly meetings, the following matters were dealt with and finalised by the committee during the quarters under reporting:-

- Expenditure Management
- Performance Management System
- Fraud Risk and Related Matters
- IDP (Integrated Development Plan)
- Information Computer Technology
- Asset and Fleet Management
- Occupational Health and Safety
- Division of Revenue Act (DORA)
- Payment of wages and salaries
- Overtime
- Approval of tariffs
- Receipts
- Annual, Sick, and unpaid leave
- Attendance Registers
- Fraud investigations



### **3.1 The effectiveness of Internal Controls.**

Based on the reports presented to the Audit Committee by Internal Audit unit during audit committee meetings, the system of internal control was generally considered to require serious attention. During the year under review several deficiencies in the system of internal controls were reported by the Internal Audit Unit. The Audit Committee recommended to Management and to Council that internal controls should be adhered to without fail. That has not been done.

### **3.2 Compliance with applicable Laws and Regulations**

The Audit Committee noted that overtime was being misused to the detriment of the municipality. It was also noted that suppliers were not being paid within 30 days as required by MFMA, resulting in the municipality incurring fruitless and wasteful expenditure due to interest charged by creditors.

The committee recommended that the Municipality consider circular 68 in dealing with expenses that will end up in the three month bracket of expenditure. Regarding non-adherence to other regulations, Management was advised to comply.

The combination of weakness in controls and incapable (or unwilling) staff has led to the misappropriation of municipal assets. The poor attitude towards controls resulting the lack of implementation of controls particularly in the expenditure management of the municipality has led to fraud being committed by employees of the municipality.

### **3.3 Financial Reporting**

The Audit Committee reviewed the draft Annual Financial Statement for the year ended 30 June 2017 by going through the following:-

- the wording of the entire draft Annual Financial Statement for the year ended 30 June 2017;
- the opening balances were compared with the prior year audited closing balances – comparative figures;
- the amounts appearing on the statement of financial position; financial performance and cash flow were compared/cross-referenced with the figures that appear on the notes to the financial statements; and
- The accounting policies were reviewed for consistency and appropriateness with reference to the statement of financial position; financial performance and cash flow.

### 3.4 Performance Management

The Audit Committee has not been able to timeously review the quarterly performance reports due to the lack of timeous submission of reports to the internal audit unit as well as to the committee. Management also did not submit supporting evidence to some of the reported targets.

A late review of the annual performance report was conducted by internal audit and the audit committee before the required submission to the external auditors.

### 3.5 Internal Audit Unit

The Audit Committee has reviewed and approved the Internal Audit Charter, Audit Methodology, Three Year strategic plan as well as Annual Coverage Plan for 2016-2017 with some modifications. The Internal Audit Unit also presented their quarterly reports that were approved and used to assess the effectiveness of the internal controls as indicated in point 3.1.

The Audit Committee also considered and took note of the Risk Committee Report and the related Charter.

The Audit Committee also recommended that the Internal Audit Unit must ensure that the audit of assets is conducted on a timeous basis because the Municipality encountered major challenges with regard to assets in past years.

Furthermore, the Audit Committee recommended that the Municipality must act decisively **(Consequence Management must be implemented)** regarding the municipal officials who digress from municipal processes and those that do not performed their tasks as expected and they cripple the effective functioning of the municipality. Consequences should also be implemented regarding those officials who do not implement the recommendations of the internal and external auditors.

### 3.6 Governance matters

The Audit Committee noted that a number of investigations have been initiated by the municipality against its officials. The Audit Committee will continue to monitor progress of the investigations and cases opened and encourage the municipality to seek to recover municipal funds from those who have benefited from these acts.

The Audit Committee firmly believes that the rife fraud being uncovered is probably the tip of the iceberg and that its apparent entrenchment within the municipality is cause for concern and that decisive action should be taken to root it out. An important contribution to changing the predicament would be actual and perceived action by the Council on these particular cases but also toward consequence management and controls of the municipality.

### **3.7 Action plan for 2016-2017**

The audit report of the auditor general for the financial year 2015-2016 forms the bases for the action plan. Management drew up the action plan that would address issues raised in the management letter of the auditor general. The action plan pertaining to the audit report was submitted and reviewed by the Audit Committee and it the action plan was a standing item on the agenda of the Audit Committee meetings.

### **3.8 Risk Management**

The Risk Management Committee has been functioning during the financial year although the risk department was compromised due to the reallocation of the risk resource to the assets management unit. A credible risk register exists and was approved by the Committee. A chairperson was also been appointed for the committee. The municipality is addressed concerns in the risk area.

## **CONCLUSION**

Based on the reports and documents presented before the committee, members concluded and recommended that the audit committee resolutions and the above key recommendations be accepted by Council for further expedition. The Municipality is already in the sixth month of the 2017/18 financial period and, as a matter of urgency, requires hands-on assistance to take corrective action to address the shortcomings identified before it is too late, to effectively show an improvement.

---

**Msizi Gwala CA(SA)**  
**Chairperson of the Audit Committee**

**Date**\_\_\_\_\_

## CHAPTER 6: ANNUAL FINANCIAL STATEMENTS

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|   |   |
|---|---|
| <b>Legal form of entity</b><br>executive authority.   | A municipality, which is an organ of state within the local sphere of government exercising legislative and         |
| <b>Nature of business and principal activities</b><br>interest of the community in the Mantsopa Municipal area. | A local authority providing municipal services and maintaining the best   |
| <b>Mayoral committee</b>  |   |
| Executive Mayor   | Clr ME Tsoene (ANC)   |
| Councillors   | Clr MJ Moduka (ANC)   |
| Clr SQG Gaba (ANC) Clr T Halse (DA)   |   |
| Clr DJ Hattingh (DA) Clr YL Jacobs (ANC) Clr BA Maboza (EFF) Clr BE Meya (ANC) Clr DT Molefe (ANC)              |   |
| Clr LP Moletsane (ANC) Clr SJ Moses (EFF)   |   |
| Clr RT Mphakathe (DA) Clr MP Nakalebe (ANC) Clr BM Sani (Cope)  |   |
| Clr GM Seoe (ANC) Clr NJ Thaisi (ANC) Clr KI Tigeli (ANC)   |   |
| <b>Grading of local authority</b>   | Grade 3   |
| <b>Chief Finance Officer (CFO)</b>  | MA Makoe (Acting)   |
| <b>Accounting Officer</b>   | TP Masejane   |
| <b>Business address</b><br>Ladybrand 9745   | 38 Joubert Street   |
| <b>Postal address</b><br>Ladybrand 9745   | Private Bag X11   |
| <b>Bankers</b>  | ABSA Bank   |
| <b>Auditors</b>   | Auditor-General of South Africa (AGSA)  |
| <b>Attorneys</b>  | Majavu Attorneys, PO Box 62241, Marshalltown, 2107<br>Morobane Incorporated, 21 Reid Street, Westdene, Bloemfontein |
| <b>Telephone number</b>   | (051) 924 0654  |
| <b>Fax number</b>   | (051) 924 0020  |
| <b>Website</b>  | <a href="http://www.mantsopa.fs.gov.za">www.mantsopa.fs.gov.za</a>  |

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

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## Abbreviations

|         |  |
|---------|--|
| COID    | Compensation for Occupational Injuries and Diseases                |
| CRR     | Capital Replacement Reserve  |
| DBSA    | Development Bank of South Africa                                   |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP    | Generally Recognised Accounting Practice                           |
| GAMAP   | Generally Accepted Municipal Accounting Practice                   |
| HDF     | Housing Development Fund   |
| IAS     | International Accounting Standards                                 |
| IMFO    | Institute of Municipal Finance Officers                            |
| IPSAS   | International Public Sector Accounting Standards                   |
| ME's    | Municipal Entities   |
| MEC     | Member of the Executive Council                                    |
| MFMA    | Municipal Finance Management Act                                   |
| MIG     | Municipal Infrastructure Grant (Previously CMIP)                   |

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Mantsopa Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page x.

The financial statements set out on pages 5 to 77, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

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**TP Masejane Accounting  
Officer**

# Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2017.

## 1. Review of activities

### Main business and operations

## 2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 1 003 708 224 and that the municipality's total assets exceed its liabilities by R 1 003 708 224.

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

## 3. Subsequent events

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

## 4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

## 5. Accounting policies

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

## 6. Non-current assets

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

## 7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

|             |             |
|-------------|-------------|
| Name        | Nationality |
| TP Masejane | RSA         |

## 8. Auditors

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

## 9. Retirement benefit obligation

Management performed an actuarial valuation of the Employee Benefits of the employer's liability arising from the post-retirement healthcare subsidy ("PRHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.



# Mantsopa Local Municipality (FS196)

## Statement of Financial Position as at 30 June 2017

Figures in Rand

|  | Note(s) | 2017                 | 2016<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Assets</b>                                    |         |                      |                      |
| Current Assets                                   |         |                      |                      |
| Inventories                                      | 3       | 37 846 081           | 38 367 648 *         |
| Other receivables from exchange transactions     | 4       | 9 981 117            | 10 295 059 *         |
| Other receivables from non-exchange transactions | 5       | 577 003              | 644 691 *            |
| VAT receivable                                   | 6       | 13 475 361           | -                    |
| Receivables from exchange transactions           | 7       | 99 871 543           | 62 965 825           |
| Receivables from non-exchange transactions       | 7       | 12 099 155           | 12 079 079           |
| Current portion of long-term receivables         | 12      | 6 137                | 6 076                |
| Cash and cash equivalents                        | 8       | 1 307 237            | 986 753 *            |
|  |         | <b>175 163 634</b>   | <b>125 345 131</b>   |
| Non-Current Assets                               |         |                      |                      |
| Investment property                              | 9       | 112 448 145          | 112 448 145 *        |
| Property, plant and equipment                    | 10      | 934 471 334          | 934 658 366 *        |
| Other financial assets                           | 11      | 1 010 401            | 1 043 669 *          |
| Long-term receivables                            | 12      | 532 407              | 511 870 *            |
|  |         | <b>1 048 462 287</b> | <b>1 048 662 050</b> |
| <b>Total Assets</b>                              |         | <b>1 223 625 921</b> | <b>1 174 007 181</b> |
| <b>Liabilities</b>                               |         |                      |                      |
| Current Liabilities                              |         |                      |                      |
| Other financial liabilities                      | 18      | 1 509 404            | 1 880 619            |
| Finance lease obligation                         | 19      | 970 759              | -                    |
| Payables from exchange                           | 13      | 165 831 478          | 115 467 203 *        |
| Payables from non-exchange transactions          | 14      | 1 316 736            | 1 104 831 *          |
| VAT payable                                      | 15      | -                    | 272 099 *            |
| Consumer deposits                                | 16      | 1 582 433            | 1 438 662            |
| Unspent conditional grants and receipts          | 17      | -                    | 872 758              |
| Bank overdraft                                   | 8       | 119 958              | -                    |
|  |         | <b>171 330 768</b>   | <b>121 036 172</b>   |
| Non-Current Liabilities                          |         |                      |                      |
| Other financial liabilities                      | 18      | 4 394 501            | 4 407 933            |
| Finance lease obligation                         | 19      | 1 420 923            | -                    |
| Employee benefit obligation                      | 20      | 25 906 000           | 25 172 000           |
| Provisions                                       | 21      | 16 865 505           | 15 180 535 *         |
|  |         | <b>48 586 929</b>    | <b>44 760 468</b>    |
| <b>Total Liabilities</b>                         |         | <b>219 917 697</b>   | <b>165 796 640</b>   |
| <b>Net Assets</b>                                |         | <b>1 003 708 224</b> | <b>1 008 210 541</b> |
| Accumulated surplus                              |         | 1 003 708 224        | 1 008 210 541        |

# Mantsopa Local Municipality (FS196)

## Statement of Financial Performance

| Figures in Rand<br>Restated*                        |    | Note(s) | 2017                 | 2016                 |
|---|----|---------|----------------------|----------------------|
| <b>Revenue</b>                                      |    |         |                      |                      |
| <b>Revenue from exchange transactions</b>           |    |         |                      |                      |
| Service charges                                     |    | 22      | 106 224 105          | 93 725 750 *         |
| Other income  |    | 23      | 2 542 588            | 7 372 169 *          |
| Interest received                                   |    | 24      | 24 607 840           | 19 983 031           |
| Dividends received                                  |    | 24      | 32 554               | 32 354               |
| <b>Total revenue from exchange transactions</b>     |    |         | <b>133 407 087</b>   | <b>121 113 304</b>   |
| <b>Revenue from non-exchange transactions</b>       |    |         |                      |                      |
| <b>Taxation revenue</b>                             |    |         |                      |                      |
| Property rates                                      |    | 25      | 12 791 034           | 15 363 209 *         |
| <b>Transfer revenue</b>                             |    |         |                      |                      |
| Government grants & subsidies                       | 26 |         | 138 604 850          | 144 020 150          |
| Public contributions and donations                  | 27 |         | -                    | 2 000                |
| Fines, penalties and forfeits                       |    |         | 598 630              | 522 550              |
| <b>Total revenue from non-exchange transactions</b> |    |         | <b>151 994 514</b>   | <b>159 907 909</b>   |
| <b>Total revenue</b>                                | 28 |         | <b>285 401 601</b>   | <b>281 021 213</b>   |
| <b>Expenditure</b>                                  |    |         |                      |                      |
| Employee related costs                              | 29 |         | (78 119 377)         | (78 534 214)         |
| Remuneration of councillors                         | 30 |         | (5 933 234)          | (5 797 391)          |
| Increase / (decrease) in provisions                 | 31 |         | 1 586 999            | 19 145 000           |
| Depreciation and amortisation                       | 32 |         | (51 684 974)         | (54 602 768) *       |
| Impairment loss                                     |    |         | (860 671)            | (1 013 605)          |
| Finance costs                                       | 33 |         | (18 467 206)         | (15 428 200) *       |
| Lease rentals on operating lease                    |    |         | -                    | (188 114)            |
| Debt Impairment                                     | 34 |         | (43 369 017)         | (42 820 437)         |
| Repairs and maintenance                             |    |         | (4 628 740)          | (6 863 193) *        |
| Bulk purchases                                      | 35 |         | (40 643 602)         | (37 559 534) *       |
| Contracted services                                 |    |         | (832 693)            | (985 322)            |
| Transfers and subsidies                             |    |         | (2 097 642)          | (1 151 849) *        |
| General expenses                                    | 36 |         | (31 260 743)         | (28 335 361) *       |
| <b>Total expenditure</b>                            |    |         | <b>(276 310 900)</b> | <b>(254 134 988)</b> |
| <b>Operating surplus</b>                            |    |         | <b>9 090 701</b>     | <b>26 886 225</b>    |
| Loss on disposal of assets and liabilities          |    |         | (13 559 750)         | (1 029 485)          |
| Fair value adjustments                              | 37 |         | (33 268)             | 22 459 *             |
|   |    |         | <b>(13 593 018)</b>  | <b>(1 007 026)</b>   |
| <b>(Deficit) surplus for the year</b>               |    |         | <b>(4 502 317)</b>   | <b>25 879 199</b>    |

# Mantsopa Local Municipality (FS196)

## Statement of Changes in Net Assets

| Figures in Rand                             | Accumulated surplus  | Total net assets       |
|---|----------------------|------------------------|
| Opening balance as previously reported      | 983 344 208          | 983 344 208            |
| Adjustments                                 |                      |                        |
| Prior year adjustments                      | (1 012 866)          | (1 012 866)            |
| <b>Balance at 01 July 2015 as restated*</b> | <b>982 331 342</b>   | <b>982 331 342 *</b>   |
| Changes in net assets                       |                      |                        |
| Surplus for the year                        | 25 879 199           | 25 879 199 *           |
| Total changes                               | 25 879 199           | 25 879 199             |
| <b>Restated* balance at 01 July 2016</b>    | <b>1 008 210 541</b> | <b>1 008 210 541 *</b> |
| Changes in net assets                       |                      |                        |
| Surplus for the year                        | (4 502 317)          | (4 502 317)            |
| Total changes                               | (4 502 317)          | (4 502 317)            |
| <b>Balance at 30 June 2017</b>              | <b>1 003 708 224</b> | <b>1 003 708 224</b>   |

# Mantsopa Local Municipality (FS196)

## Financial Statements for the year ended 30 June 2017 Cash Flow Statement

| Figures in Rand<br>Restated*                                | Note(s) | 2017                | 2016                |
|---|---------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |         |                     |                     |
| <b>Receipts</b>   |         |                     |                     |
| Cash receipts from customers                                |         | 28 918 329          | 35 596 751 *        |
| Grants  |         | 99 021 246          | 116 781 203         |
| Interest income   |         | 24 607 840          | 19 983 031          |
| Dividends received  |         | 32 554              | 32 354              |
| 152 579 969    172 393 339                                  |         |                     |                     |
| <b>Payments</b>   |         |                     |                     |
| Employee costs  |         | (73 729 081)        | (81 509 311) *      |
| Suppliers   |         | (34 962 076)        | (53 025 485) *      |
| Finance costs   |         | (18 467 206)        | (10 175 834)        |
| Other payments  |         | -                   | (5 263 168)         |
|   |         | (127 158 363)       | (149 973 798)       |
| <b>Net cash flows from operating activities</b>             | 39      | <b>25 421 606</b>   | <b>22 419 541</b>   |
| <b>Cash flows from investing activities</b>                 |         |                     |                     |
| Purchase of property, plant and equipment                   | 10      | (27 207 521)        | (28 687 666)        |
| Proceeds from sale of financial assets                      |         | -                   | 49 257 *            |
| Purchase of long-term receivables                           |         | (20 598)            | 6 010               |
| <b>Net cash flows from investing activities</b>             |         | <b>(27 228 119)</b> | <b>(28 632 399)</b> |
| <b>Cash flows from financing activities</b>                 |         |                     |                     |
| Repayment of other financial liabilities                    |         | (384 647)           | 1 990               |
| Finance lease payments                                      |         | (611 801)           | -                   |
| Finance lease receipts                                      |         | 3 003 487           | -                   |
| <b>Net cash flows from financing activities</b>             |         | <b>2 007 039</b>    | <b>1 990</b>        |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>200 526</b>      | <b>(6 210 868)</b>  |
| Cash and cash equivalents at the beginning of the year      |         | 986 753             | 7 197 621           |
| <b>Cash and cash equivalents at the end of the year</b>     | 8       | <b>1 187 279</b>    | <b>986 753</b> *    |

## Budget on Accrual Basis

| Figures in Rand | Original budget<br>budget | Adjustments | Adjusted | Actual results | Variance | Reference |
|-----------------|---------------------------|-------------|----------|----------------|----------|-----------|
|-----------------|---------------------------|-------------|----------|----------------|----------|-----------|

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|   |                    |                    |                    |                    |                   |         |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|---------|
| Service charges                                 | 105 424 432        | (13 061 056)       | <b>92 363 376</b>  | 106 224 105        | <b>13 860 729</b> | Note 55 |
| Rental of facilities and equipment              | 1 230 015          | (213 015)          | <b>1 017 000</b>   | 1 122 133          | <b>105 133</b>    |         |
| Other income - (rollup)                         | 1 048 350          | (11 985)           | <b>1 036 365</b>   | 1 394 735          | <b>358 370</b>    | Note 55 |
| Interest received - investment                  | 14 049 521         | 6 817 455          | <b>20 866 976</b>  | 24 607 840         | <b>3 740 864</b>  | Note 55 |
| Dividends received                              | 20 000             | -                  | <b>20 000</b>      | 32 554             | <b>12 554</b>     | Note 55 |
| <b>Total revenue from exchange transactions</b> | <b>121 772 318</b> | <b>(6 468 601)</b> | <b>115 303 717</b> | <b>133 381 367</b> | <b>18 077 650</b> |         |

##### Revenue from non-exchange transactions

##### Taxation revenue

|                |            |   |                   |            |                  |  |
|----------------|------------|---|-------------------|------------|------------------|--|
| Property rates | 13 700 535 | - | <b>13 700 535</b> | 12 791 034 | <b>(909 501)</b> |  |
|----------------|------------|---|-------------------|------------|------------------|--|

##### Transfer revenue

|   |                    |                |                    |                    |                   |         |
|---|--------------------|----------------|--------------------|--------------------|-------------------|---------|
| Government grants & subsidies                       | 128 179 000        | -              | <b>128 179 000</b> | 138 604 850        | <b>10 425 850</b> |         |
| Fines   | 1 015 000          | (9 000)        | <b>1 006 000</b>   | 598 630            | <b>(407 370)</b>  | Note 55 |
| <b>Total revenue from non-exchange transactions</b> | <b>142 894 535</b> | <b>(9 000)</b> | <b>142 885 535</b> | <b>151 994 514</b> | <b>9 108 979</b>  |         |

#### Total revenue

|                    |                    |                    |                    |                   |
|--------------------|--------------------|--------------------|--------------------|-------------------|
| <b>264 666 853</b> | <b>(6 477 601)</b> | <b>258 189 252</b> | <b>285 375 881</b> | <b>27 186 629</b> |
|--------------------|--------------------|--------------------|--------------------|-------------------|

#### Expenditure

|                                     |              |             |                     |              |                     |         |
|-------------------------------------|--------------|-------------|---------------------|--------------|---------------------|---------|
| Personnel                           | (80 255 775) | 5 969 212   | <b>(74 286 563)</b> | (78 119 377) | <b>(3 832 814)</b>  |         |
| Remuneration of councillors         | (6 793 535)  | 692 774     | <b>(6 100 761)</b>  | (5 933 234)  | <b>167 527</b>      |         |
| Increase / (decrease) in provisions | -            | -           | -                   | 1 586 999    | <b>1 586 999</b>    | Note 55 |
| Depreciation and amortisation       | (3 939 487)  | -           | <b>(3 939 487)</b>  | (51 684 974) | <b>(47 745 487)</b> | Note 55 |
| Impairment loss                     | -            | -           | -                   | (860 671)    | <b>(860 671)</b>    | Note 55 |
| Finance costs                       | -            | -           | -                   | (18 467 206) | <b>(18 467 206)</b> | Note 55 |
| Debt impairment                     | (28 883 559) | 391 378     | <b>(28 492 181)</b> | (43 369 017) | <b>(14 876 836)</b> | Note 55 |
| Repairs and maintenance             | (6 358 000)  | 1 140 375   | <b>(5 217 625)</b>  | (4 628 740)  | <b>588 885</b>      | Note 55 |
| Bulk purchases                      | (39 365 600) | -           | <b>(39 365 600)</b> | (40 643 602) | <b>(1 278 002)</b>  |         |
| Contracted services                 | (3 000 000)  | 1 800 000   | <b>(1 200 000)</b>  | (832 693)    | <b>367 307</b>      | Note 55 |
| Transfers and subsidies             | (1 764 000)  | 329 520     | <b>(1 434 480)</b>  | (2 097 642)  | <b>(663 162)</b>    | Note 55 |
| General expenses                    | (35 879 550) | (3 595 020) | <b>(39 474 570)</b> | (31 260 743) | <b>8 213 827</b>    | Note 55 |

#### Total expenditure

|                      |                  |                      |                      |                     |
|----------------------|------------------|----------------------|----------------------|---------------------|
| <b>(206 239 506)</b> | <b>6 728 239</b> | <b>(199 511 267)</b> | <b>(276 310 900)</b> | <b>(76 799 633)</b> |
|----------------------|------------------|----------------------|----------------------|---------------------|

#### Operating surplus

|                            |   |   |   |              |                     |         |
|----------------------------|---|---|---|--------------|---------------------|---------|
| Loss on disposal of assets | - | - | - | (13 559 750) | <b>(13 559 750)</b> | Note 55 |
| Fair value adjustments     | - | - | - | (33 268)     | <b>(33 268)</b>     | Note 55 |

|   |   |   |   |                     |                     |  |
|---|---|---|---|---------------------|---------------------|--|
| - | - | - | - | <b>(13 593 018)</b> | <b>(13 593 018)</b> |  |
|---|---|---|---|---------------------|---------------------|--|

#### Deficit before taxation

|                   |                |                   |                    |                     |
|-------------------|----------------|-------------------|--------------------|---------------------|
| <b>58 427 347</b> | <b>250 638</b> | <b>58 677 985</b> | <b>(4 528 037)</b> | <b>(63 206 022)</b> |
|-------------------|----------------|-------------------|--------------------|---------------------|

|  |            |         |            |             |              |
|--|------------|---------|------------|-------------|--------------|
| Actual Amount on Comparable<br>Basis as Presented in the<br>Budget and Actual Comparative<br>Statement | 58 427 347 | 250 638 | 58 677 985 | (4 528 037) | (63 206 022) |
|--|------------|---------|------------|-------------|--------------|

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Original budget<br>budget | Adjustments | Adjusted | Actual results | Variance | Reference |
|-----------------|---------------------------|-------------|----------|----------------|----------|-----------|
|-----------------|---------------------------|-------------|----------|----------------|----------|-----------|

### Statement of Financial Position

#### Assets

##### Current Assets

|   |             |                |                    |                    |                      |         |
|---|-------------|----------------|--------------------|--------------------|----------------------|---------|
| Inventories   | -           | -              | -                  | 37 846 081         | <b>37 846 081</b>    | Note 55 |
| Other receivables from exchange transactions            | 5 000 000   | -              | <b>5 000 000</b>   | 9 981 117          | <b>4 981 117</b>     | Note 55 |
| Other receivables from non-exchange transactions        | -           | -              | -                  | 577 003            | <b>577 003</b>       | Note 55 |
| VAT receivable  | -           | -              | -                  | 13 477 143         | <b>13 477 143</b>    | Note 55 |
| Receivables from exchange and non-exchange transactions | 315 386 239 | 391 378        | <b>315 777 617</b> | 111 970 698        | <b>(203 806 919)</b> | Note 55 |
| Current portion of long-term receivables                | 6 000       | -              | <b>6 000</b>       | 6 137              | <b>137</b>           |         |
| Cash and cash equivalents                               | 7 371 000   | (396 877)      | <b>6 974 123</b>   | 1 307 237          | <b>(5 666 886)</b>   | Note 55 |
| <b>327 763 239</b>                                      |             | <b>(5 499)</b> | <b>327 757 740</b> | <b>175 165 416</b> | <b>(152 592 324)</b> |         |

##### Non-Current Assets

|                               |                      |                |                      |                      |                      |         |
|-------------------------------|----------------------|----------------|----------------------|----------------------|----------------------|---------|
| Investment property           | -                    | -              | -                    | 112 448 145          | <b>112 448 145</b>   | Note 55 |
| Property, plant and equipment | 1 336 083 879        | 256 138        | <b>1 336 340 017</b> | 934 471 337          | <b>(401 868 680)</b> | Note 55 |
| Other financial assets        | 1 300 000            | -              | <b>1 300 000</b>     | 1 010 401            | <b>(289 599)</b>     | Note 55 |
| Long-term receivables         | 200 000              | -              | <b>200 000</b>       | 532 407              | <b>332 407</b>       | Note 55 |
| <b>1 337 583 879</b>          |                      | <b>256 138</b> | <b>1 337 840 017</b> | <b>1 048 462 290</b> | <b>(289 377 727)</b> |         |
| <b>Total Assets</b>           | <b>1 665 347 118</b> | <b>250 639</b> | <b>1 665 597 757</b> | <b>1 223 627 706</b> | <b>(441 970 051)</b> |         |

#### Liabilities

##### Current Liabilities

|   |            |   |                   |                    |                    |         |
|---|------------|---|-------------------|--------------------|--------------------|---------|
| Other financial liabilities             | 1 500 000  | - | <b>1 500 000</b>  | 1 509 404          | <b>9 404</b>       |         |
| Finance lease obligation                | -          | - | -                 | 970 759            | <b>970 759</b>     | Note 55 |
| Payables from exchange                  | 44 350 000 | - | <b>44 350 000</b> | 165 831 478        | <b>121 481 478</b> | Note 55 |
| Payables from non-exchange transactions | -          | - | -                 | 1 316 736          | <b>1 316 736</b>   | Note 55 |
| VAT payable                             | -          | - | -                 | 1 782              | <b>1 782</b>       | Note 55 |
| Consumer deposits                       | -          | - | -                 | 1 582 433          | <b>1 582 433</b>   | Note 55 |
| Bank overdraft                          | -          | - | -                 | 119 958            | <b>119 958</b>     | Note 53 |
| <b>45 850 000</b>                       |            | - | <b>45 850 000</b> | <b>171 332 550</b> | <b>125 482 550</b> |         |

##### Non-Current Liabilities

|                             |                      |                |                      |                      |                      |         |
|-----------------------------|----------------------|----------------|----------------------|----------------------|----------------------|---------|
| Other financial liabilities | 4 786 562            | -              | <b>4 786 562</b>     | 4 394 508            | <b>(392 054)</b>     | Note 55 |
| Finance lease obligation    | -                    | -              | -                    | 1 420 923            | <b>1 420 923</b>     |         |
| Employee benefit obligation | 44 000 000           | -              | <b>44 000 000</b>    | 25 906 000           | <b>(18 094 000)</b>  | Note 55 |
| Provisions                  | 797 997              | -              | <b>797 997</b>       | 16 865 505           | <b>16 067 508</b>    | Note 55 |
| <b>49 584 559</b>           |                      | -              | <b>49 584 559</b>    | <b>48 586 936</b>    | <b>(997 623)</b>     |         |
| <b>Total Liabilities</b>    | <b>95 434 559</b>    | -              | <b>95 434 559</b>    | <b>219 919 486</b>   | <b>124 484 927</b>   |         |
| <b>Net Assets</b>           | <b>1 569 912 559</b> | <b>250 639</b> | <b>1 570 163 198</b> | <b>1 003 708 220</b> | <b>(566 454 978)</b> |         |

**Net Assets**

**Reserves**



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**Budget on Accrual Basis**

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| Figures in Rand     | Original budget<br>budget | Adjustments | Adjusted             | Actual results | Variance             | Reference |
|---------------------|---------------------------|-------------|----------------------|----------------|----------------------|-----------|
| Accumulated surplus | 1 569 912 559             | 250 639     | <b>1 570 163 198</b> | 1 003 708 220  | <b>(566 454 978)</b> | Note 55   |

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The main reason for the above adjustments and/or changes between the approved and final budget is the reallocation and changes in the forecast of income and expenditure needs.

## Financial Statements for the year ended 30 June 2017

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### 1. Presentation of Financial Statements

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

These 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 financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

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

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

##### Trade receivables / held to maturity investments and / or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

## Financial Statements for the year ended 30 June 2017

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

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

#### Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the condition and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

#### Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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

**GRAP 24 : Presentation of budget information**

The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget amounts, and;
- the actual amounts on a comparable basis.

**1.4 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

**Fair value**

Subsequent to initial measurement investment property is measured at fair value. The

fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

## Financial Statements for the year ended 30 June 2017

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### 1.5 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

## Financial Statements for the year ended 30 June 2017

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

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

| Item   | Depreciation method | Average useful life |
|--|---------------------|---------------------|
| Land   | Straight line       | Infinite            |
| Buildings  | Straight line       | 25 - 50 years       |
| • Improvements                                       | Straight line       | 25 - 50 years       |
| Plant and machinery                                  | Straight line       | 3 - 10 years        |
| Furniture and fixtures                               | Straight line       | 3 - 10 years        |
| Vehicles   | Straight line       | 3 - 7 years         |
| Heavy machinery and vehicles                         | Straight line       | 3 - 10 years        |
| Office equipment                                     | Straight line       | 2 - 7 years         |
| Infrastructure assets                                |                     |                     |
| • Electricity  | Straight line       | 7 - 50 years        |
| • Roads  | Straight line       | 8 - 50 years        |
| • Stormwater   | Straight line       | 30 - 50 years       |
| Community assets                                     |                     |                     |
| • Buildings  | Straight line       | 20 - 50 years       |
| • Recreational facilities                            | Straight line       | 7 - 50 years        |
| • Security measures                                  | Straight line       | 3 - 5 years         |
| Other property, plant and equipment                  |                     |                     |
| • Other equipment                                    | Straight line       | 2 - 10 years        |
| • Fences and gates                                   | Straight line       | 15 - 25 years       |
| • Paving   | Straight line       | 50 years            |
| Other equipment                                      | Straight line       | 3 - 10 years        |
| Other leased Assets - Computer equipment and copiers | Straight line       | 3 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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

## Financial Statements for the year ended 30 June 2017

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### 1.6 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.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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.

## Financial Statements for the year ended 30 June 2017

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### 1.6 Financial instruments (continued)

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.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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.



## Financial Statements for the year ended 30 June 2017

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### 1.6 Financial instruments (continued)

#### 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  |
|---|---|
| Other receivables from exchange transactions                    | Financial asset measured at amortised cost      |
| Other receivables from non-exchange transactions                | Financial asset measured at amortised cost      |
| Receivables from exchange transactions                          | Financial asset measured at amortised cost      |
| Receivables from non-exchange transactions and cash equivalents | Financial asset measured at amortised cost Cash |
| VAT receivable  | Financial asset measured at amortised cost      |
| Other financial assets  | Financial asset measured at fair value          |
| Long-term 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                                       |
|---|--|
| Other financial liabilities             | Financial liability measured at amortised cost |
| Payables from exchange transactions     | Financial liability measured at amortised cost |
| Payables from non-exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits                       | Financial liability measured at amortised cost |
| VAT payable                             | Financial liability measured at amortised cost |
| Bank overdraft                          | Financial liability measured at amortised cost |

#### Initial recognition

The entity recognizes 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 recognizes 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.

## **1.6 Financial instruments (continued) 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 municipality 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 assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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.

## Financial Statements for the year ended 30 June 2017

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### 1.6 Financial instruments (continued)

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 derecognizes financial assets using trade date accounting.

The entity derecognizes 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 recognise 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 continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognizes 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 Statements for the year ended 30 June 2017

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### 1.6 Financial instruments (continued)

#### 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.

### 1.7 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 - lessor

The municipality recognizes finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

## **1.7 Leases (continued)**

### **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 municipality's incremental borrowing rate.

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

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

### **Operating leases - lessor**

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

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

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.

### **Operating leases - lessee**

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

## **1.8 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

### **1.8 Inventories (continued)**

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

### **1.9 Impairment of cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 managed 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:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### **Identification**

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

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

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

### **Value in use**

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

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

## **1.9 Impairment of cash-generating assets (continued)**

### **Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognizes a liability only to the extent that is a requirement in the Standard of GRAP.

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

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

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### **Identification**

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

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

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

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

#### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognizes a liability only to the extent that is a requirement in the Standards of GRAP.

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

### **1.11 Employee benefits**

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.



### **1.11 Employee benefits (continued)**

#### **Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

#### **Post-employment benefits**

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

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### **Multi-employer plans and/or State plans and/or Composite social security programmes**

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

## Financial Statements for the year ended 30 June 2017

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### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

## Financial Statements for the year ended 30 June 2017

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### 1.11 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial Statements for the year ended 30 June 2017

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### 1.11 Employee benefits (continued)

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

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

## Financial Statements for the year ended 30 June 2017

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### 1.11 Employee benefits (continued)

#### Termination benefits

The entity recognizes termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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.

## Financial Statements for the year ended 30 June 2017

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### 1.12 Provisions and contingencies (continued)

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 a 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

### 1.13 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Financial Statements for the year ended 30 June 2017

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### 1.13 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### 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 municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

### 1.14 Revenue from non-exchange transactions

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

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

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

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

## Financial Statements for the year ended 30 June 2017

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

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

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 municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognizes an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognizes an asset, it also recognizes revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

Apart from Services in kind, which are not recognized, the municipality recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognized as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.



## Financial Statements for the year ended 30 June 2017

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

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Assessment rates

Except for financial guarantee contracts, the municipality recognize services in-kind that are significant to its operations and/or service delivery objectives as assets and recognize the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

### 1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

### 1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.17 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.

### 1.18 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.

### 1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA 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.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

## **Financial Statements for the year ended 30 June 2017**

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### **1.19 Irregular expenditure (continued)**

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.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

### **1.20 Use of estimates**

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.21 Value added tax**

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2) of the Value-Added-Tax Act, 1991 (Act No. 89 of 1991).

### **1.22 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

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

The 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.

### **1.23 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

## Financial Statements for the year ended 30 June 2017

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### 1.23 Related parties (continued)

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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

### 1.24 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts that are non-cancelable or only cancelable at significant cost, contracts should relate to something other than the business of the municipality.

### 1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Investment in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with investment income over receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the surplus/(deficit) for the period.

#### Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects the surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

## Financial Statements for the year ended 30 June 2017

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### 1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably, and;
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of the financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow of economic benefits. Revenue should only be recognised once evidence of the probability of the flow of economic benefits becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds are stated, should be recognised on a time proportion basis, i.e over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

### Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably, and;
- to the extent that there has been compliance with any restrictions associated with the grant.

# Mantsopa Local Municipality (FS196)

## Financial Statements for the year ended 30 June 2017

| Figures in Rand | 2017 | 2016 |
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### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

| Standard/ Interpretation:<br>Years beginning on or after  | Effective date: | Expected impact:                         |
|---|-----------------|--|
| <ul style="list-style-type: none"> <li>GRAP 109: Accounting by Principals and Agents</li> </ul> | 01 April 2017   | Unlikely there will be a material impact |

#### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

| Standard/ Interpretation:<br>Years beginning on or after   | Effective date:                                 | Expected impact:   |
|--|---|--|
| <ul style="list-style-type: none"> <li>GRAP 108: Statutory Receivables</li> <li>GRAP 32: Service Concession Arrangements: Grantor</li> <li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li> </ul> | 01 April 2016<br>01 April 2016<br>01 April 2016 | Unlikely there will be a material impact<br>Unlikely there will be a material impact<br>Unlikely there will be a material impact |

### 3. Inventories

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Consumable stores               | -                 | 330 717           |
| Spare parts                     | -                 | 162 317           |
| Water                           | 5 397             | 33 930            |
| Unsold properties-held-for-sale | 37 840 684        | 37 840 684        |
|                                 | <b>37 846 081</b> | <b>38 367 648</b> |

No inventory was written-off during the year. The cost of inventories recognised as an expense during the period was R521 567. Management further corrected the unsold property-held-for-sale, details thereof is included in note 43.

### 4. Other receivables from exchange transactions

|   |                  |                   |
|---|------------------|-------------------|
| Prepaid electricity receivables                     | 8 616 486        | 9 015 627         |
| Eskom debtor  | 17 086           | 17 086            |
| Insurance debtor                                    | 21 228           | 21 228            |
| Prepayments   | 908 256          | 567 462           |
| Department of Water Affairs                         | 418 061          | 673 656           |
| Housing allowance debtor                            | 631 640          | 631 640           |
| Provision for impairment - Housing allowance debtor | (631 640)        | (631 640)         |
|   | <b>9 981 117</b> | <b>10 295 059</b> |

# Mantsopa Local Municipality (FS196)

## Financial Statements for the year ended 30 June 2017

| Figures in Rand  | 2017                 | 2016                 |
|--|----------------------|----------------------|
| <b>5. Other receivables from non-exchange transactions</b>             |                      |                      |
| Fines  | 1 491 136            | 970 756              |
| Provision for impairment - Fines                                       | (1 422 236)          | (877 206)            |
| Deposits   | 269 709              | 278 410              |
| Other receivables  | 113 492              | 113 492              |
| Sundry debtors   | 238 393              | 159 239              |
| Provision for impairment - Other and sundry receivables                | (113 491)            | -                    |
|  | <b>577 003</b>       | <b>644 691</b>       |
| <b>6. VAT receivable</b>   |                      |                      |
| VAT  | 13 475 361           | -                    |
| <b>7. Receivables from exchange and non-exchange transactions</b>      |                      |                      |
| <b>Gross balances</b>  |                      |                      |
| Rates  | 31 813 056           | 27 642 959           |
| Electricity  | 23 155 866           | 20 615 439           |
| Water  | 79 553 254           | 66 912 348           |
| Sewerage   | 79 356 923           | 75 275 945           |
| Refuse   | 57 147 215           | 53 982 672           |
| Other  | 8 551 762            | 8 180 622            |
|  | <b>279 578 076</b>   | <b>252 609 985</b>   |
| <b>Less: Allowance for impairment</b>                                  |                      |                      |
| Rates  | (19 713 901)         | (15 563 880)         |
| Electricity  | (10 351 988)         | (11 057 850)         |
| Water  | (40 760 983)         | (47 119 977)         |
| Sewerage   | (51 561 513)         | (57 366 087)         |
| Refuse   | (39 121 991)         | (42 095 894)         |
| Other  | (6 097 002)          | (4 361 393)          |
|  | <b>(167 607 378)</b> | <b>(177 565 081)</b> |
| <b>Net balance</b>   |                      |                      |
| Rates  | 12 099 155           | 12 079 079           |
| Electricity  | 12 803 878           | 9 557 589            |
| Water  | 38 792 271           | 19 792 371           |
| Sewerage   | 27 795 410           | 17 909 858           |
| Refuse   | 18 025 224           | 11 886 778           |
| Other  | 2 454 760            | 3 819 229            |
|  | <b>111 970 698</b>   | <b>75 044 904</b>    |
| <b>Included in above is receivables from exchange transactions</b>     |                      |                      |
| Electricity  | 12 803 878           | 9 557 589            |
| Water  | 38 792 271           | 19 792 371           |
| Sewerage   | 27 795 410           | 17 909 858           |
| Refuse   | 18 025 224           | 11 886 778           |
| Other  | 2 454 760            | 3 819 229            |
|  | <b>99 871 543</b>    | <b>62 965 825</b>    |
| <b>Included in above is receivables from non-exchange transactions</b> |                      |                      |
| Rates  | 12 099 155           | 12 079 079           |
| <b>Net balance</b>   | <b>111 970 698</b>   | <b>75 044 904</b>    |

# Mantsopa Local Municipality (FS196)

## Financial Statements for the year ended 30 June 2017

| Figures in Rand | 2017 | 2016 |
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### 7. Receivables from exchange and non-exchange transactions (continued)

#### Rates

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 1 292 981         | 909 545           |
| 31 - 60 days         | 395 597           | 671 739           |
| 61 - 90 days         | 313 195           | 611 687           |
| 91 - 120 days        | 294 332           | 550 403           |
| 121 - 150 days       | 283 434           | 520 865           |
| > 150 days           | 9 519 616         | 8 814 840         |
|                      | <b>12 099 155</b> | <b>12 079 079</b> |

#### Electricity

|                      |                   |                  |
|----------------------|-------------------|------------------|
| Current (0 -30 days) | 3 740 034         | 3 485 027        |
| 31 - 60 days         | 1 285 777         | 1 152 916        |
| 61 - 90 days         | 1 070 304         | 818 002          |
| 91 - 120 days        | 631 273           | 790 800          |
| 121 - 150 days       | 641 548           | 626 210          |
| > 150 days           | 5 434 942         | 2 684 634        |
|                      | <b>12 803 878</b> | <b>9 557 589</b> |

#### Water

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 1 129 453         | 4 343 495         |
| 31 - 60 days         | 691 461           | 4 032 937         |
| 61 - 90 days         | 455 911           | 1 743 322         |
| 91 - 120 days        | 544 184           | 1 580 933         |
| 121 - 150 days       | 520 915           | 1 235 194         |
| > 150 days           | 35 450 347        | 6 856 490         |
|                      | <b>38 792 271</b> | <b>19 792 371</b> |

#### Sewerage

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 587 250           | 2 055 275         |
| 31 - 60 days         | 372 648           | 1 647 937         |
| 61 - 90 days         | 343 359           | 1 539 669         |
| 91 - 120 days        | 316 380           | 1 443 314         |
| 121 - 150 days       | 310 730           | 1 338 670         |
| > 150 days           | 25 865 043        | 9 884 993         |
|                      | <b>27 795 410</b> | <b>17 909 858</b> |

#### Refuse

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 444 994           | 1 301 829         |
| 31 - 60 days         | 261 555           | 996 468           |
| 61 - 90 days         | 233 892           | 928 605           |
| 91 - 120 days        | 226 340           | 868 565           |
| 121 - 150 days       | 218 624           | 805 678           |
| > 150 days           | 16 639 819        | 6 985 633         |
|                      | <b>18 025 224</b> | <b>11 886 778</b> |

#### Other (specify)

|                      |                  |                  |
|----------------------|------------------|------------------|
| Current (0 -30 days) | 101 822          | 145 659          |
| 31 - 60 days         | 62 730           | 146 661          |
| 61 - 90 days         | 40 342           | 86 913           |
| 91 - 120 days        | 40 283           | 85 278           |
| 121 - 150 days       | 39 559           | 81 471           |
| > 150 days           | 2 170 024        | 3 273 247        |
|                      | <b>2 454 760</b> | <b>3 819 229</b> |

# Mantsopa Local Municipality (FS196)

## Financial Statements for the year ended 30 June 2017

| Figures in Rand   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| <b>7. Receivables from exchange and non-exchange transactions (continued)</b> |                      |                      |
| <b>Summary of debtors by customer classification</b>                          |                      |                      |
| <b>Household / residential</b>  |                      |                      |
| Current (0 -30 days)  | 14 445 738           | 11 250 421           |
| 31 - 60 days  | 6 414 866            | 9 493 707            |
| 61 - 90 days  | 5 658 785            | 5 836 514            |
| 91 - 120 days   | 5 729 114            | 5 630 149            |
| 121 - 365 days  | 5 849 205            | 5 169 488            |
| > 365 days  | 212 507 014          | 191 594 429          |
|   | 250 604 722          | 228 974 708          |
| Less: Allowance for impairment  | (158 724 290)        | (168 852 968)        |
|   | <b>91 880 432</b>    | <b>60 121 740</b>    |
| <b>Industrial / commercial</b>  |                      |                      |
| Current (0 -30 days)  | 1 872 775            | 1 547 391            |
| 31 - 60 days  | 1 091 755            | 747 919              |
| 61 - 90 days  | 608 275              | 576 048              |
| 91 - 120 days   | 597 780              | 541 988              |
| 121 - 365 days  | 549 382              | 455 347              |
| > 365 days  | 12 576 304           | 10 792 510           |
|   | 17 296 271           | 14 661 203           |
| Less: Allowance for impairment  | (8 881 226)          | (8 712 113)          |
|   | <b>8 415 045</b>     | <b>5 949 090</b>     |
| <b>National and provincial government</b>                                     |                      |                      |
| Current (0 -30 days)  | 987 217              | 1 244 048            |
| 31 - 60 days  | 678 501              | 224 471              |
| 61 - 90 days  | 612 605              | 206 371              |
| 91 - 120 days   | 251 334              | 198 123              |
| 121 - 365 days  | 224 130              | 193 550              |
| > 365 days  | 8 923 292            | 6 904 686            |
|   | <b>11 677 079</b>    | <b>8 971 249</b>     |
| <b>Total</b>  |                      |                      |
| Current (0 -30 days)  | 17 305 731           | 14 044 684           |
| 31 - 60 days  | 8 185 123            | 10 466 097           |
| 61 - 90 days  | 6 879 665            | 6 618 933            |
| 91 - 120 days   | 6 578 227            | 6 370 260            |
| 121 - 150 days  | 6 622 717            | 5 818 385            |
| > 150 days  | 234 006 613          | 209 291 626          |
|   | 279 578 076          | 252 609 985          |
| Less: Allowance for impairment  | (167 607 378)        | (177 565 081)        |
|   | <b>111 970 698</b>   | <b>75 044 904</b>    |
| <b>Less: Allowance for impairment</b>   |                      |                      |
| Current (0 -30 days)  | (10 009 244)         | -                    |
| 31 - 60 days  | (5 212 914)          | -                    |
| 61 - 90 days  | (4 549 845)          | -                    |
| 91 - 120 days   | (4 699 778)          | -                    |
| 121 - 365 days  | (4 830 868)          | -                    |
| > 150 days  | (138 304 729)        | (177 565 081)        |
|   | <b>(167 607 378)</b> | <b>(177 565 081)</b> |



# Mantsopa Local Municipality (FS196)

## Financial Statements for the year ended 30 June 2017

| Figures in Rand | 2017 | 2016 |
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|-----------------|------|------|

### 7. Receivables from exchange and non-exchange transactions (continued)

#### Reconciliation of allowance for impairment

|   |                      |                      |
|---|----------------------|----------------------|
| Balance at beginning of the year              | (177 565 081)        | (175 056 330)        |
| Contributions to allowance                    | (48 047 632)         | (32 551 304)         |
| Debt impairment written off against allowance | 58 005 335           | 30 042 553           |
|   | <b>(167 607 378)</b> | <b>(177 565 081)</b> |

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

|                     |                  |                |
|---------------------|------------------|----------------|
| Cash on hand        | 2 989            | 3 138          |
| Bank balances       | -                | 622 180        |
| Short-term deposits | 1 304 248        | 361 435        |
| Bank overdraft      | (119 958)        | -              |
|                     | <b>1 187 279</b> | <b>986 753</b> |
| Current assets      | 1 307 237        | 986 753        |
| Current liabilities | (119 958)        | -              |
|                     | <b>1 187 279</b> | <b>986 753</b> |

The municipality had the following bank accounts

| Account number / description                       | Bank statement balances |                |                  | Cash book balances |                |                  |
|--|-------------------------|----------------|------------------|--------------------|----------------|------------------|
|  | 30 June 2017            | 30 June 2016   | 30 June 2015     | 30 June 2017       | 30 June 2016   | 30 June 2015     |
| ABSA Bank - cheque account - 2020000050            | (119 958)               | 622 180        | (74 973)         | (119 958)          | 622 180        | (74 973)         |
| First National Bank - cheque account - 62402356530 | 1 045 358               | 9 813          | 157 384          | 1 045 358          | 9 813          | 157 801          |
| ABSA Bank - investment account - 9264892325        | 4 550                   | 1 000          | 2 826 582        | 4 550              | 1 000          | 2 826 582        |
| ABSA Bank - investment account - 9230571400        | 28 490                  | 26 701         | 25 192           | 28 490             | 26 701         | 25 192           |
| ABSA Bank - investment account - 9278783703        | 2 197                   | 224 401        | 1 977 587        | 2 197              | 224 401        | 1 977 587        |
| ABSA Bank - investment account - 9264892561        | 55 797                  | 1 000          | 2 010 029        | 55 797             | 1 000          | 2 010 029        |
| ABSA Bank - investment account - 9277963448        | 52 317                  | 1 000          | 271 697          | 52 317             | 1 000          | 271 697          |
| Standard Bank - investment account -24895860001    | 111                     | 111            | 111              | 111                | 111            | 111              |
| Nedbank - investment account - 094831059996        | 115 428                 | 108 300        | 97 408           | 115 428            | 108 300        | 97 408           |
| <b>Total</b>                                       | <b>1 184 290</b>        | <b>994 506</b> | <b>7 291 017</b> | <b>1 184 290</b>   | <b>994 506</b> | <b>7 291 434</b> |

# Mantsopa Local Municipality (FS196)

## Financial Statements for the year ended 30 June 2017

Figures in Rand 2017 2016

### 9. Investment property

| 2017                | 2016                                    |               |   |               |
|---------------------|---|---------------|---|---------------|
| Cost /              | Accumulated Carrying value              |               | Cost / Accumulated Carrying value       |               |
| Valuation           | depreciation and accumulated impairment | Valuation     | depreciation and accumulated impairment |               |
| Investment property | 112 448 145                             | - 112 448 145 | 112 448 145                             | - 112 448 145 |

### Reconciliation of investment property - 2017

| Opening balance     | Total       |             |
|---------------------|-------------|-------------|
| Investment property | 112 448 145 | 112 448 145 |

### Reconciliation of investment property - 2016

| Opening balance     | Total       |             |
|---------------------|-------------|-------------|
| Investment property | 112 448 145 | 112 448 145 |

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

### Details of valuation

The effective date of the valuations was 30 June 2017. Valuations were performed by an independent valuer, Mr DB Grobler is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The basis used to value the investment properties were the direct comparable method of valuation.

Direct comparable method of valuation (International Valuation Standards) - 7th Edition

"This is the approach or method preferred by our courts and consist of finding suitable recent sales of comparable properties within the same area and using them to help arrive at a market related value for the subject property."

Amounts recognised in surplus and deficit for the year.

|   |           |           |
|---|-----------|-----------|
| Rental revenue from investment property | 1 004 637 | 1 340 020 |
|---|-----------|-----------|

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand

### 10. Property, plant and equipment

| 2017                                | 2016   |                      |                    |  |                      |                    |
|-------------------------------------|--|----------------------|--------------------|--|----------------------|--------------------|
| Cost /                              | Accumulated Carrying value                       |                      |                    | Cost / Accumulated Carrying value                |                      |                    |
| Valuation                           | depreciation<br>and<br>accumulated<br>impairment | Valuation            |                    | depreciation<br>and<br>accumulated<br>impairment |                      |                    |
| Land                                | 165 634 137                                      | -                    | 165 634 137        | 165 634 137                                      | -                    | 165 634 137        |
| Leased assets                       | 3 003 484  | (667 441)            | 2 336 043          | -  | -                    | -                  |
| Infrastructure                      | 1 054 295 349                                    | (378 187 057)        | 676 108 292        | 1 022 010 273                                    | (340 705 815)        | 681 304 458        |
| Community                           | 139 021 227                                      | (58 499 250)         | 80 521 977         | 132 690 195                                      | (56 984 048)         | 75 706 147         |
| Other property, plant and equipment | 25 388 513                                       | (15 517 628)         | 9 870 885          | 24 612 011                                       | (12 598 387)         | 12 013 624         |
| <b>Total</b>                        | <b>1 387 342 710</b>                             | <b>(452 871 376)</b> | <b>934 471 334</b> | <b>1 344 946 616</b>                             | <b>(410 288 250)</b> | <b>934 658 366</b> |

### Reconciliation of property, plant and equipment - 2017

| Opening balance                     | Additions<br>loss | Disposals           | Depreciation        | Impairment       | Total                 |
|-------------------------------------|-------------------|---------------------|---------------------|------------------|-----------------------|
| Land                                | 165 634 137       | -                   | -                   | -                | 165 634 137           |
| Leased assets                       | -                 | 3 003 484           | (667 441)           | -                | 2 336 043             |
| Infrastructure                      | 681 304 459       | 55 401 529          | (13 439 970)        | (46 503 386)     | (654 338) 676 108 294 |
| Community                           | 75 706 146        | 6 736 851           | (119 783)           | (1 801 236)      | - 80 521 978          |
| Other property, plant and equipment | 12 013 624        | 776 502             | -                   | (2 712 908)      | (206 333) 9 870 885   |
| <b>934 658 366</b>                  | <b>65 918 366</b> | <b>(13 559 753)</b> | <b>(51 684 971)</b> | <b>(860 671)</b> | <b>934 471 337</b>    |

# Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2016

| Opening balance                     | Additions<br>loss | Disposals   | Depreciation | Impairment   | Total                  |
|-------------------------------------|-------------------|-------------|--------------|--------------|------------------------|
| Land                                | 165 634 137       | -           | -            | -            | 165 634 137            |
| Infrastructure                      | 686 351 420       | 43 182 766  | (358 067)    | (47 871 660) | - 681 304 459          |
| Community                           | 65 919 740        | 15 524 979  | (639 774)    | (4 085 194)  | (1 013 605) 75 706 146 |
| Other property, plant and equipment | 13 250 482        | 1 440 630   | (31 576)     | (2 645 912)  | - 12 013 624           |
| 931 155 779                         | 60 148 375        | (1 029 417) | (54 602 766) | (1 013 605)  | 934 658 366            |

#### Reconciliation of Work-in-Progress 2017

| Included within Infrastructure | Included within<br>Community | Total        |
|--------------------------------|------------------------------|--------------|
| Opening balance                | 25 286 107                   | 19 802 942   |
| Additions/capital expenditure  | 55 401 538                   | 6 736 850    |
| Transferred to completed items | (68 823 275)                 | (11 354 643) |
| 11 864 370                     | 15 185 149                   | 27 049 519   |

#### Reconciliation of Work-in-Progress 2016

| Included within                | Included within<br>Infrastructure | Included within<br>Community | Total        |
|--------------------------------|-----------------------------------|------------------------------|--------------|
| Opening balance                | 22 077 058                        | 7 883 557                    | 29 960 615   |
| Additions/capital expenditure  | 17 583 228                        | 11 919 385                   | 29 502 613   |
| Transferred to completed items | (14 374 179)                      | -                            | (14 374 179) |
|                                | 25 286 107                        | 19 802 942                   | 45 089 049   |

## Financial Statements for the year ended 30 June 2017

| Figures in Rand   |  | 2017             | 2016             |
|---|--|------------------|------------------|
| <b>11. Other financial assets</b>   |  |                  |                  |
| <b>Designated at fair value</b>   |  |                  |                  |
| Listed shares   |  | 128 819          | 151 378          |
| Old Mutual shares:  | 3 937 (2016: 3 937) shares at R32.72 per share   |                  |                  |
| Unlisted shares   |  | 881 582          | 892 291          |
| OVK Holding shares:   | 34 566 (2016: 34 566) shares at R12.15 per share |                  |                  |
| OVK Operations shares:  | 33 209 (2016: 33 209) shares at R13.90 per share |                  |                  |
|   |  | <b>1 010 401</b> | <b>1 043 669</b> |
| <b>Non-current assets</b>   |  |                  |                  |
| Designated at fair value  |  | 1 010 401        | 1 043 669        |
| <b>Financial assets at fair value</b>   |  |                  |                  |
| <b>Fair values of financial assets measured or disclosed at fair value</b>  |  |                  |                  |
| Old Mutual shares   |  | 128 819          | 151 378          |
| These shares are valued as per valuation on the quoted price in the active market at 30 June.   |  |                  |                  |
| OVK shares  |  | 881 582          | 892 251          |
| These shares are valued as per valuation obtained from the OVK Transfer Secretaries as at 30 June.  |  |                  |                  |
|   |  | <b>1 010 401</b> | <b>1 043 629</b> |
| <b>Fair value hierarchy of financial assets at fair value</b>   |  |                  |                  |
| For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:  |  |                  |                  |
| Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly derived from prices). |  |                  |                  |
| Level 3 applies inputs which are not based on observable market data.   |  |                  |                  |
| <b>Level 1</b>  |  |                  |                  |
| Listed shares   |  | 1 010 401        | 1 043 629        |

# Financial Statements for the year ended 30 June 2017

Figures in Rand

2017 2016

## 12. Long-term receivables

Long-term receivables consist of the following:

|                  |                |                |
|------------------|----------------|----------------|
| Loan: OVK        | 348 049        | 321 375        |
| Loan: Buitekklub | 184 358        | 190 495        |
| Loan: Buitekklub | 6 137          | 6 076          |
|                  | <b>538 544</b> | <b>517 946</b> |

## Non-current assets

|                   |         |         |
|-------------------|---------|---------|
| At amortised cost | 532 407 | 511 870 |
|-------------------|---------|---------|

## Current assets

|                   |       |       |
|-------------------|-------|-------|
| At amortised cost | 6 137 | 6 076 |
|-------------------|-------|-------|

## 13. Payables from exchange

|  |                    |                    |
|--|--------------------|--------------------|
| Trade payables                         | 139 221 987        | 96 808 681         |
| Receivables from exchange transactions | 1 062 635          | 1 372 630          |
| Salary control accounts                | 9 649 639          | 3 693 341          |
| Accrued leave pay                      | 10 720 235         | 9 022 202          |
| Accrued bonus                          | 1 310 037          | 1 430 837          |
| Retentions                             | 1 749 775          | 1 898 035          |
| Other creditors                        | 2 117 170          | 1 241 477          |
|  | <b>165 831 478</b> | <b>115 467 203</b> |

## 14. Payables from non-exchange transactions

|  |           |           |
|--|-----------|-----------|
| Receivables from non-exchange transactions | 1 316 736 | 1 104 831 |
|--|-----------|-----------|

## 15. VAT payable

|             |   |         |
|-------------|---|---------|
| VAT payable | - | 272 099 |
|-------------|---|---------|

## 16. Consumer deposits

|             |                  |                  |
|-------------|------------------|------------------|
| Electricity | 1 511 000        | 1 394 329        |
| Sundry      | 71 433           | 44 333           |
|             | <b>1 582 433</b> | <b>1 438 662</b> |

Guarantees held in lieu of electricity and other deposits.

## 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

## Unspent conditional grants and receipts

|  |   |         |
|--|---|---------|
| Integrated National Electrification Grant (INEG) | - | 872 758 |
|--|---|---------|

The nature and extent of government grants recognised in the 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 26 for reconciliation of grants from

National/Provincial Government.

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

## 18. Other financial liabilities

### At amortised cost

Development Bank of South Africa

|           |           |
|-----------|-----------|
| 5 903 905 | 6 288 552 |
|-----------|-----------|

### Non-current liabilities

At amortised cost

|           |           |
|-----------|-----------|
| 4 394 501 | 4 407 933 |
|-----------|-----------|

### Current liabilities

At amortised cost

|           |           |
|-----------|-----------|
| 1 509 404 | 1 880 619 |
|-----------|-----------|

Mantsopa Local Municipality entered into a loan agreement with DBSA on 26 May 2010 in terms of which DBSA borrowed a capital amount of R2 730 000 to Mantsopa Local Municipality.

The loan agreement reached its repayment maturity. The parties agreed to the following terms:

- The debt obligation will be repaid in 4 equal payments; and
- The first payment was due on 30 November 2016 and the debt obligation did not accrue interest during this time.

## 19. Finance lease obligation

### Minimum lease payments due

- within one year

|           |   |
|-----------|---|
| 1 102 549 | - |
|-----------|---|

- in second to fifth year inclusive

|           |   |
|-----------|---|
| 1 490 680 | - |
|-----------|---|

|           |   |
|-----------|---|
| 2 593 229 | - |
|-----------|---|

less: future finance charges

|           |   |
|-----------|---|
| (201 547) | - |
|-----------|---|

### Present value of minimum lease payments

|           |   |
|-----------|---|
| 2 391 682 | - |
|-----------|---|

### Present value of minimum lease payments due

- within one year

|         |   |
|---------|---|
| 970 759 | - |
|---------|---|

- in second to fifth year inclusive

|           |   |
|-----------|---|
| 1 420 923 | - |
|-----------|---|

|           |   |
|-----------|---|
| 2 391 682 | - |
|-----------|---|

Non-current liabilities

|           |   |
|-----------|---|
| 1 420 923 | - |
|-----------|---|

Current liabilities

|         |   |
|---------|---|
| 970 759 | - |
|---------|---|

|           |   |
|-----------|---|
| 2 391 682 | - |
|-----------|---|

It is municipality policy to lease certain IT equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 7% (2016: -%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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### 20. Employee benefit obligations Defined

#### benefit plan

#### Post retirement medical aid plan

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

#### Total members

|   |           |           |
|---|-----------|-----------|
| In-service (employee) members                         | 62        | 53        |
| Continuation members (e.g: retirees, widows, orphans) | 11        | 14        |
|   | <b>73</b> | <b>67</b> |

The municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme
- Hosmed Medical Scheme
- Samwumed Medical Scheme
- KeyHealth Medical Scheme

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

|   |              |              |
|---|--------------|--------------|
| Present value of the defined benefit obligation-wholly unfunded | (25 906 000) | (25 172 000) |
|---|--------------|--------------|

#### Net expense recognised in the statement of financial performance

|                          |                   |             |
|--------------------------|-------------------|-------------|
| Current service cost     | (2 527 000)       | (3 488 000) |
| Interest cost            | (898 000)         | (4 073 000) |
| Actuarial (gains) losses | 2 193 000         | 21 684 000  |
| Settlement               | 498 000           | 528 000     |
| <b>(734 000)</b>         | <b>14 651 000</b> |             |

#### Key assumptions used

The economic assumptions used at the reporting date are shown in the table below:

|                               |         |         |
|-------------------------------|---------|---------|
| Actual return on plan assets  | 8,00 %  | 6,67 %  |
| Discount rates used           | 10,60 % | 10,04 % |
| Medical cost trend rates      | 10,00 % | 8,67 %  |
| Expected increase in salaries | 0,55 %  | 1,26 %  |

#### Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the statement of financial position date.

Therefore the discount rate and inflation assumptions were based on the yields taken from the government zero coupon bond yield curves.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the nominal yield on the South African government zero-coupon bond yield curve with a term of 19 years, the expected duration of the liability based on the current membership data, as at 30 June 2017.



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## 20. Employee benefit obligations (continued) Health care cost inflation

The South African bond market has seen large foreign capital inflows over the last 5 to 10 years. More recently, the South African bond market has seen large outflows due to political and economical reasons.

These large in- and outflows have distorted bond yields, and have also distorted the market's expectation of future inflation as measured by the difference between yields on fixed and index-linked government bonds.

The long-term inflation rate implied from the government bond yields is 8.24%, which is measured as the real difference between:

- the nominal yield of the South African government zero coupon bond yield curve (10.60% p.a) at a term of 19 years, and
- the real yield of the South African government zero coupon bond yield curve (2.40% p.a) at the same duration.

This inflation expectation of 8.00% p.a is realistic in the long-term, given the Reserve Bank's mandate of keeping inflation between 3% and 6% p.a.

Hence, inflation was estimated as the average of our house-view long term inflation estimate of 5.25% p.a, and the implied inflation derived from the fixed interest and index-linked government bonds. The best estimate of inflation is therefore assumed to be 8.00% p.a.

### Maximum subsidy increase

According to the Salary and Wage Agreement 2014 the maximum employer contribution to an accredited medical scheme for an individual employee shall escalate at the same rate as the annual percentage increase in salaries and wages, which is agreed to from time to time by the Parties to the Council. However, in the last few years this annual percentage increase was less than salary inflation and therefore it has been assumed that it will increase annually in line with CPI inflation. This is in line with previous valuation.

### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

Included in defined contribution plan information above, is the following plans which are a Multi-Employer Funds and are a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for these plans as a defined contribution plans:

- South African Local Authorities Provident Fund
- National Fund for Municipal Workers
- Municipal Employees Pension Fund
- South African Municipal Workers Union Provident Fund
- Municipal Councillors Pension Fund

### Defined benefit plans

The following are defined benefit plans:

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

These are not treated as a defined benefit plan as defined by IAS 19, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to the lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

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### 20. Employee benefit obligations (continued)

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in a sound financial position. The estimated liabilities of the fund is R7 418 million (2009: R6 568 million) which is adequately financed by assets of R7 110 million (2009: R6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R1 531 million.

### 21. Provisions

#### Reconciliation of provisions - 2017

| Opening Balance              | Additions        |           | Total             |
|------------------------------|------------------|-----------|-------------------|
| Environmental rehabilitation | 12 208 535       | 1 215 970 | 13 424 505        |
| Long service awards          | 2 972 000        | 469 000   | 3 441 000         |
| <b>15 180 535</b>            | <b>1 684 970</b> |           | <b>16 865 505</b> |

#### Reconciliation of provisions - 2016

| Opening Balance              | Additions        |                 | Reversed         |   | Total             |
|------------------------------|------------------|-----------------|------------------|---|-------------------|
|                              |                  | during the year |                  |   |                   |
| Environmental rehabilitation | 11 102 706       | 1 105 829       | -                | - | 12 208 535        |
| Long service awards          | 3 130 000        | -               | (158 000)        | - | 2 972 000         |
| <b>14 232 706</b>            | <b>1 105 829</b> |                 | <b>(158 000)</b> |   | <b>15 180 535</b> |

#### Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation, in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Excelsior, Ladybrand, Tweespruit and Hobhouse to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2017 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on a bond rate that matures as close as possible to the future date of the rehabilitation.

The final rehabilitation of the landfill sites are expected to be over a period of 19 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

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## 21. Provisions (continued)

Key assumptions used:

The following assumptions were used to calculate the provision:

- Total area expected to be rehabilitated: 201 922 square metres
- Average rate per square metre: R97.55 (excl. VAT) escalating every year by 6.5%

The area to be rehabilitated can be reconciled to the different sites as follows:

- Ladybrand 38 082
- Tweespruit / Thaba Patchoa 50 020
- Hobhouse 68 800
- Excelsior 45 020

Solid waste sites:

Each of the landfill sites have adequate footprint and airspace available for the disposal of solid waste until 2031 - 2033. Ladybrand:

The site presently used at Ladybrand is an informal site which has not been designed and constructed as a proper landfill site. As indicated in paragraph 4 of this report, it is a condition of the Waste Management License issued on 15 March 1994 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Tweespruit / Thaba Patchoa:

As indicated in paragraph 4 of this report, it is a condition of the Waste Management License issued on 23 April 2015 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Hobhouse:

Hobhouse does not have a designed landfill site. Refuse is dumped in a disused dolerite quarry without any engineered cells. No proper landfill activities can take place at the site due to the absence of proper cells and the non-availability of material to cover compacted refuse. It is a condition of the Waste Management License issued on 10 April 2015 that a properly designed facility should be constructed as soon as possible as a matter of urgency.

Excelsior:

The site presently used at Excelsior is an informal site which has not been designed and constructed as a proper landfill site. As a condition of the Waste Management License issued on 22 March 1994 a properly designed facility should be constructed as soon as possible as a matter of urgency.

### Long service award provision

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in future. GRAP 25 valuation was done by management for the 2017 financial year and membership data used can be summarised as follow:

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

#### As at 30 June

|  |                    |                    |
|--|--------------------|--------------------|
| Present value of long service awards liability - wholly unfunded | (2 972 000)        | (3 130 000)        |
| Service cost   | (267 000)          | (436 000)          |
| Interest cost  | (263 000)          | (264 000)          |
| Actuarial gains / (losses) - change in financial assumptions     | 1 000              | 100 000            |
| Actuarial gains / (losses) - change in eligibility criterion     | (280 000)          | 610 000            |
| Actuarial gains / (losses) - experience variance                 | 60 000             | (90 000)           |
| Benefit payments   | 280 000            | 238 000            |
|  | <b>(3 441 000)</b> | <b>(2 972 000)</b> |

## Financial Statements for the year ended 30 June 2017

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### 21. Provisions (continued)

The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

#### Key assumptions used:

##### Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

| Financial variable               | Assumed value June 2017 | Assumed value 30 June 2016 |
|----------------------------------|-------------------------|----------------------------|
| • Discount rate                  | 8.80 %                  | 8.85%                      |
| • CPI (Consumer price inflation) | 6.00%                   | 6.15%                      |

##### Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the statement of financial position date. Therefore the discount rate and inflation assumptions were based on the government zero coupon bond yield curves.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The discounted term of the liabilities is approximately 7 years. Salary inflation

Escalation in the general level of salaries as a result of inflation and real salary increases. The general trend is for salaries to increase faster than the increase in inflation. A salary escalation rate of 8.15% p.a, which includes real growth of approximately 1% p.a and a further 1% allowance for merit increases was used.

##### Demographic assumptions

The demographic assumptions for the year 30 June 2017 valuation are shown in the tables below, and compared to those used for the previous valuation.

#### 30 June 2017

- Pre-retirement mortality: SA85-90 (light) rated down 1 year for males and females
- Assumed retirement age: 63 years for males and females

#### 30 June 2016

- Pre-retirement mortality: SA85-90 (light) rated down 1 year for males and females
- Assumed retirement age: 63 years for males and females

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## 21. Provisions (continued)

### Withdrawal assumption

In the absence of credible past withdrawal data for this particular scheme, the withdrawal assumptions have been set in line with those generally observed in the South African market:

The annual withdrawal rates for the valuation, differentiated by age:

|   | Age | Males and Females |
|---|-----|-------------------|
| • | 20  | 13.30%            |
| • | 25  | 13.30%            |
| • | 30  | 10.90%            |
| • | 35  | 8.20%             |
| • | 40  | 5.80%             |
| • | 45  | 4.10%             |
| • | 50  | 2.90%             |
| • | 55  | 0.00%             |
| • | 60+ | 0.00%             |

## 22. Service charges

|                                 |                    |                   |
|---------------------------------|--------------------|-------------------|
| Sale of electricity             | 34 094 797         | 34 377 176        |
| Sale of water                   | 36 116 121         | 31 539 828        |
| Sewerage and sanitation charges | 21 907 173         | 17 378 058        |
| Refuse removal                  | 14 106 014         | 10 430 688        |
|                                 | <b>106 224 105</b> | <b>93 725 750</b> |

## 23. Other income

|  |                  |                  |
|--|------------------|------------------|
| Administration fees                            | -                | 3 697            |
| Advertisements                                 | 208 078          | 93 600           |
| Building plans                                 | 110 092          | 137 748          |
| Commission received                            | 104 977          | 105 394          |
| Connections                                    | 471 965          | 340 972          |
| Discount received                              | (1 094)          | -                |
| Dog licenses                                   | 270              | 280              |
| Garden refuse                                  | 14 044           | 11 526           |
| Grave sales                                    | 122 877          | 95 538           |
| Insurance recoveries                           | -                | 2 363 672        |
| Other sales                                    | 1 683            | 1 297            |
| Penalties                                      | 9 600            | 26 360           |
| Photo copies                                   | 1 281            | 6 729            |
| Private telephone cost recovery                | 25 856           | -                |
| Private work                                   | -                | 819              |
| Rental of properties, facilities and equipment | 1 122 113        | 2 361 138        |
| Sale of land                                   | 117 476          | 341 165          |
| Subdividing                                    | -                | 800              |
| Tender documents                               | 80 500           | 131 200          |
| Testmeters                                     | 800              | 750              |
| Training cost recover                          | 82 869           | 1 302 234        |
| Valuation lists                                | 66 924           | 43 850           |
| Valuation roll                                 | 2 277            | 3 400            |
|  | <b>2 542 588</b> | <b>7 372 169</b> |

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## 24. Investment revenue

### Dividend revenue

Listed financial assets

| 2017   | 2016   |
|--------|--------|
| 32 554 | 32 354 |

### Interest revenue

Bank

Interest received - arrear consumer accounts

|                   |                   |
|-------------------|-------------------|
| 635 007           | 719 653           |
| 23 972 833        | 19 263 378        |
| <b>24 607 840</b> | <b>19 983 031</b> |
| <b>24 640 394</b> | <b>20 015 385</b> |

## 25. Property rates

### Rates received

Residential

Commercial

|                   |                   |
|-------------------|-------------------|
| 6 948 971         | 10 356 316        |
| 5 842 063         | 5 006 893         |
| <b>12 791 034</b> | <b>15 363 209</b> |

## 26. Government grants and subsidies

### Operating grants

Equitable Share

Municipal Systems Improvement Grant (MSIG)

Expanded Public Works Programme (EPWP) Grant

Financial Management Grant (FMG)

|                   |                   |
|-------------------|-------------------|
| 67 747 925        | 69 173 999        |
| -                 | 930 000           |
| 1 000 000         | 1 000 000         |
| 1 810 000         | 1 675 000         |
| <b>70 557 925</b> | <b>72 778 999</b> |

### Capital grants

Municipal Infrastructure Grant (MIG)

Energy Efficiency Demand Grant (EEDG)

Integrated National Electrification Grant (INEG)

Thabo Mofutsanyana

Grant in-kind: Thusanong, Mandela, Flamingo and New Platberg Parks

Grant in-kind: Various Roads

Grant in-kind: Electrification of Platberg

Grant in-kind: New Platberg Sewer Pump Station

Grant in-kind: Buy Back Centre

Department of Water Affairs (DWA) Grant

Grant in-kind: Bulk Infrastructure (Dan Pienaar Substation)

Grant in-kind: Borwa / Tweespruit (Construction of Taxi Rank)

Grant in-kind: Thaba Phatswa Oxidation Pond

Grant in-kind: Tweespruit / Borwa (Road Reticulation)

Grant in-kind: Excelsior / Mahlatswetsa (Road Reticulation)

|                    |                    |
|--------------------|--------------------|
| 19 061 000         | 19 428 000         |
| -                  | 223 401            |
| 2 522 595          | 2 127 242          |
| -                  | 5 054 586          |
| -                  | 6 933 206          |
| -                  | 7 315 005          |
| -                  | 1 652 632          |
| -                  | 6 071 186          |
| -                  | 7 246 498          |
| 7 752 483          | 15 189 395         |
| 1 898 433          | -                  |
| 2 620 247          | -                  |
| 24 237 933         | -                  |
| 6 140 351          | -                  |
| 3 813 883          | -                  |
| <b>68 046 925</b>  | <b>71 241 151</b>  |
| <b>138 604 850</b> | <b>144 020 150</b> |

### Equitable Share

Current-year receipts

Conditions met - transferred to revenue

|              |              |
|--------------|--------------|
| 67 747 925   | 69 173 999   |
| (67 747 925) | (69 173 999) |
| -            | -            |

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy, which is funded from the grant.

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### 26. Government grants and subsidies (continued) Energy Efficiency Demand

#### Grant (EEDG)

|   |   |           |
|---|---|-----------|
| Balance unspent at beginning of year    | - | 223 401   |
| Conditions met - transferred to revenue | - | (223 401) |

- -

The grant provided to municipalities target measures that reduce the electricity consumption of existing public infrastructure. Typical projects include traffic lights, street lights, high mast lights, building infrastructure such as lights and HVAC, water infrastructure equipment, such as energy efficient pumps, and installation of energy management systems, such as building management systems and ripple controls.

#### Municipal Infrastructure Grant (MIG)

|   |              |              |
|---|--------------|--------------|
| Current year receipts                   | 19 061 000   | 19 428 000   |
| Conditions met - transferred to revenue | (19 061 000) | (19 428 000) |

- -

In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

#### Financial Management Grant (FMG)

|   |             |             |
|---|-------------|-------------|
| Current year receipts                   | 1 810 000   | 1 675 000   |
| Conditions met - transferred to revenue | (1 810 000) | (1 675 000) |

- -

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

The funds were used to promote and support reforms to financial management practices, including the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Municipal Management Act. The grant was also used for the salaries of the financial interns.

#### Expanded Public Works Programme (EPWP) Grant

|   |             |             |
|---|-------------|-------------|
| Current year receipts                   | 1 000 000   | 1 000 000   |
| Conditions met - transferred to revenue | (1 000 000) | (1 000 000) |

- -

The grant was used in respect of job creation projects and programmes.

#### Municipal Systems Improvement Grant (MSIG)

|   |   |           |
|---|---|-----------|
| Current year receipts                   | - | 930 000   |
| Conditions met - transferred to revenue | - | (930 000) |

- -

The funds were used to assist the municipality to reform the function and stabilise institutional and governance systems as required by the Municipal Systems Act, 2000 (Act No. 32 of 2000).

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

## 26. Government grants and subsidies (continued)

### Integrated National Electrification Grant (INEG)

|   |             |                |
|---|-------------|----------------|
| Balance unspent at beginning of year    | 872 758     | -              |
| Current year receipts                   | 2 000 000   | 3 000 000      |
| Centlec roll-over                       | 522 595     | -              |
| Conditions met - transferred to revenue | (2 522 595) | (2 127 242)    |
| Repayment made during the year          | (872 758)   | -              |
|   | <b>-</b>    | <b>872 758</b> |

The grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. All conditions attached the grant were met.

### Department of Water Affairs (DWAF) Grant

|   |                  |                  |
|---|------------------|------------------|
| Balance unspent at beginning of year    | (673 656)        | -                |
| Current-year receipts                   | 8 008 078        | 14 515 739       |
| Conditions met - transferred to revenue | (7 752 483)      | (15 189 395)     |
|   | <b>(418 061)</b> | <b>(673 656)</b> |

The grant was allocated for the construction and upgrading of water networks within the municipal boundaries. All conditions attached the grant were met.

### Thabo Mofutsanyana (District Municipality)

|   |   |             |
|---|---|-------------|
| Current year receipts                   | - | 5 054 586   |
| Conditions met - transferred to revenue | - | (5 054 586) |
|   |   |             |

### Grant in-kind: Thusanong, Mandela, Flamingo and New Platberg Parks (Department of Environmental Affairs)

|   |   |             |
|---|---|-------------|
| Current year receipts                   | - | 6 933 206   |
| Conditions met - transferred to revenue | - | (6 933 206) |
|   |   |             |

During the year the Thusanong, Mandela, Flamingo and New Platberg Parks have been constructed and upgraded on behalf of the Municipality. The related assets have been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

### Grant in-kind: Buy Back Centre (Department of Environmental Affairs)

|   |   |             |
|---|---|-------------|
| Current year receipts                   | - | 7 246 498   |
| Conditions met - transferred to revenue | - | (7 246 498) |
|   |   |             |

### Grant in-kind: Electrification of Platberg (Department of Mineral and Energy)

|   |   |             |
|---|---|-------------|
| Current year receipts                   | - | 1 652 632   |
| Conditions met - transferred to revenue | - | (1 652 632) |
|   |   |             |

During the year the Platberg: Electrification Project has been constructed on behalf of the Municipality. The related asset has been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.



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### 26. Government grants and subsidies (continued) Grant in-kind: New Platberg

#### Sewer Pump Station

|   |   |             |
|---|---|-------------|
| Current year receipts                   | - | 6 071 186   |
| Conditions met - transferred to revenue | - | (6 071 186) |
| -                                       | - |             |

During the year the Platberg: Sewer Pump Station Project has been constructed on behalf of the Municipality. The related asset has been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

#### Grant in-kind: Various Roads (Free State Department of Public Works)

|   |   |             |
|---|---|-------------|
| Current year receipts                   | - | 7 315 005   |
| Conditions met - transferred to revenue | - | (7 315 005) |
| -                                       | - |             |

During the year various Roads Projects have been conducted on behalf of the Municipality. The related assets have been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grants in-kind received.

#### Grant in-kind: Thaba Phatswa Oxidation Pond

|   |              |   |
|---|--------------|---|
| Current-year receipts                   | 24 237 933   | - |
| Conditions met - transferred to revenue | (24 237 933) | - |
| -                                       | -            | - |

During the year the Thabo Phatswa Oxidation Pond has been upgraded on behalf of the Municipality. The related asset has been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

#### Grant in-kind: Tweespruit / Borwa (Road Reticulation)

|   |             |   |
|---|-------------|---|
| Current-year receipts                   | 6 140 351   | - |
| Conditions met - transferred to revenue | (6 140 351) | - |
| -                                       | -           | - |

During the year the Tweespruit / Borwa Internal Reticulation of Roads has been upgraded on behalf of the Municipality. The related asset has been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

#### Grant in-kind: Excelsior / Mahlatswetsa (Road Reticulation)

|   |             |   |
|---|-------------|---|
| Current-year receipts                   | 3 813 883   | - |
| Conditions met - transferred to revenue | (3 813 883) | - |
| -                                       | -           | - |

During the year the Excelsior / Mahlatswetsa Internal Reticulation of Roads has been upgraded on behalf of the Municipality. The related asset has been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

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## 26. Government grants and subsidies (continued)

### Grant in-kind: Borwa / Tweespruit (Construction of Taxi Rank)

|   |             |   |
|---|-------------|---|
| Current-year receipts                   | 2 620 247   | - |
| Conditions met - transferred to revenue | (2 620 247) | - |
| -                                       | -           | - |

During the year the Taxi Rank in Borwa / Tweespruit has been constructed on behalf of the Municipality. The related asset has been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

### Grant in-kind: Bulk Infrastructure (Dan Pienaar Substation)

|   |             |   |
|---|-------------|---|
| Current-year receipts                   | 1 898 433   | - |
| Conditions met - transferred to revenue | (1 898 433) | - |
| -                                       | -           | - |

During the year the Bulk Infrastructure in Ladybrand (Dan Pienaar Substation) has been upgraded on behalf of the Municipality. The related asset has been capitalised and as the Municipality is not responsible for the payment of the project, it has been accounted for as a donated asset and grant in-kind received.

## 27. Public contributions and donations

|                    |   |       |
|--------------------|---|-------|
| Donation of assets | - | 2 000 |
|--------------------|---|-------|

## 28. Revenue

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Service charges                    | 106 224 105        | 93 725 750         |
| Other income                       | 2 542 588          | 7 372 169          |
| Interest received                  | 24 607 840         | 19 983 031         |
| Dividends received                 | 32 554             | 32 354             |
| Property rates                     | 12 791 034         | 15 363 209         |
| Government grants and subsidies    | 138 604 850        | 144 020 150        |
| Public contributions and donations | -                  | 2 000              |
| Fines, penalties and forfeits      | 598 630            | 522 550            |
|                                    | <b>285 401 601</b> | <b>281 021 213</b> |

### The amount included in revenue arising from exchanges of goods or services are as follows:

|                    |                    |                    |
|--------------------|--------------------|--------------------|
| Service charges    | 106 224 105        | 93 725 750         |
| Other income       | 2 542 588          | 7 372 169          |
| Interest received  | 24 607 840         | 19 983 031         |
| Dividends received | 32 554             | 32 354             |
|                    | <b>133 407 087</b> | <b>121 113 304</b> |

### The amount included in revenue arising from non-exchange transactions is as follows:

|  |                    |                    |
|--|--------------------|--------------------|
| Property rates                           | 12 791 034         | 15 363 209         |
| Government grants and subsidies received | 138 604 850        | 144 020 150        |
| Public contributions and donations       | -                  | 2 000              |
| Fines, penalties and forfeits            | 598 630            | 522 550            |
|  | <b>151 994 514</b> | <b>159 907 909</b> |

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## 29. Employee related costs

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Basic salaries and wages             | 42 557 750        | 42 274 806        |
| Performance bonus                    | 471 241           | -                 |
| Medical aid - council contributions  | 6 547 009         | 5 991 996         |
| UIF                                  | 516 657           | 498 906           |
| Other payroll levies                 | 27 137            | 27 535            |
| Leave pay provision charge           | 3 383 020         | 5 049 805         |
| Pension fund - council contributions | 6 314 307         | 6 658 973         |
| Overtime payments                    | 9 382 331         | 10 005 178        |
| Long service awards                  | 207 521           | 198 675           |
| Car allowance                        | 3 924 846         | 3 582 466         |
| Housing benefits and allowances      | 1 277 850         | 424 050           |
| Holiday bonus                        | 2 848 780         | 3 110 585         |
| Other allowances                     | 660 928           | 711 238           |
|                                      | <b>78 119 377</b> | <b>78 534 213</b> |

### Remuneration of the Municipal Manager - Mr SM Selepe

|   |                  |                  |
|---|------------------|------------------|
| Annual remuneration                                 | 1 021 430        | 971 376          |
| Allowances  | 150 994          | 150 994          |
| Performance bonuses                                 | 119 346          | -                |
| Contributions to UIF, medical aid and pension funds | 180 869          | 203 331          |
| Other contributions                                 | 77               | 87               |
|   | <b>1 472 716</b> | <b>1 325 788</b> |

### Remuneration of the Chief Finance Officer - Mr KD Matsie

|   |                |                  |
|---|----------------|------------------|
| Annual remuneration                                 | 592 141        | 720 402          |
| Allowances  | 156 233        | 187 480          |
| Performance bonuses                                 | 92 856         | -                |
| Contributions to UIF, medical aid and pension funds | 97 712         | 138 620          |
| Other contributions                                 | 77             | 87               |
|   | <b>939 019</b> | <b>1 046 589</b> |

### Remuneration of the Director: Technical Services - Mr NJ Raliapeng

|   |                |                |
|---|----------------|----------------|
| Annual remuneration                                 | 388 869        | 673 305        |
| Allowances  | 86 493         | 172 985        |
| Performance bonuses                                 | 86 286         | -              |
| Contributions to UIF, medical aid and pension funds | 66 322         | 126 200        |
| Other contributions                                 | 46             | 87             |
|   | <b>628 016</b> | <b>972 577</b> |

The post was vacant for the period 1 January 2017 to 30 June 2017.

### Remuneration of the Director: Corporate Services - Ms PP Moloi

|   |                  |                |
|---|------------------|----------------|
| Annual remuneration                                 | 694 675          | 688 729        |
| Allowances  | 65 142           | 210 211        |
| Performance bonuses                                 | 86 377           | -              |
| Contributions to UIF, medical aid and pension funds | 210 119          | 61 720         |
| Other contributions                                 | 92               | 87             |
|   | <b>1 056 405</b> | <b>960 747</b> |

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### 29. Employee related costs (continued)

#### Remuneration of the Director: Community Services - Ms KB Sebolai

|   |                  |                |
|---|------------------|----------------|
| Annual remuneration                                 | 688 824          | 672 861        |
| Allowances  | 172 287          | 172 287        |
| Performance bonuses                                 | 86 374           | -              |
| Contributions to UIF, medical aid and pension funds | 137 041          | 128 694        |
| Other contributions                                 | 92               | 87             |
|   | <b>1 084 618</b> | <b>973 929</b> |

### 30. Remuneration of councillors

|                 |                  |                  |
|-----------------|------------------|------------------|
| Executive Mayor | 775 065          | 783 540          |
| Speaker         | 629 464          | 630 878          |
| Councillors     | 4 528 705        | 4 382 973        |
|                 | <b>5 933 234</b> | <b>5 797 391</b> |

#### In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has the use of a separate Council owned vehicle

for official duties.

| 2017                          | Annual remuneration | Travel allowance | Medical aid contribution | Pension fund contribution | Cellphone allowance | Total            |
|-------------------------------|---------------------|------------------|--------------------------|---------------------------|---------------------|------------------|
| Mayor: ME Tsoene              | 545 277             | 67 737           | -                        | 81 623                    | 15 231              | 709 868          |
| Mayor (previous): SD Ntsepe   | 45 626              | 6 317            | 4 381                    | 6 844                     | 2 039               | 65 207           |
| Speaker: MJ Moduka            | 413 345             | 54 189           | 16 258                   | 61 835                    | 22 509              | 568 136          |
| Speaker (previous): MA Majara | 46 748              | 5 053            | 1 789                    | 5 699                     | 2 039               | 61 328           |
| Chief Whip: YJ Jacobs         | 219 266             | 76 294           | -                        | 31 163                    | 24 548              | 351 271          |
| MA Malakane (previous)        | 15 519              | 6 545            | 1 789                    | 2 328                     | 2 039               | 28 220           |
| J Machakela (previous)        | 9 278               | -                | -                        | -                         | -                   | 9 278            |
| PN Nakalebe                   | 174 165             | 68 430           | 40 820                   | 22 281                    | 20 748              | 326 444          |
| NJ Thaise                     | 205 848             | 68 430           | -                        | 28 238                    | 24 548              | 327 064          |
| KI Tigeli                     | 179 841             | 68 430           | 28 087                   | 24 111                    | 24 548              | 325 017          |
| GM Seoe                       | 206 064             | 68 430           | -                        | 28 238                    | 24 548              | 327 280          |
| MC Chomane (previous)         | 40 914              | 6 109            | -                        | 2 390                     | 2 039               | 51 452           |
| PP Raboko (previous)          | 24 639              | 6 109            | -                        | 2 390                     | 2 039               | 35 177           |
| DT Molefe                     | 147 517             | 57 533           | 28 087                   | 19 521                    | 24 548              | 277 206          |
| BE Meya                       | 132 827             | 51 424           | 14 836                   | 18 967                    | 22 509              | 240 563          |
| BM Sani                       | 164 813             | 56 184           | 15 484                   | 22 543                    | 24 548              | 283 572          |
| T Halse                       | 213 974             | 74 946           | -                        | 30 635                    | 24 548              | 344 103          |
| DJ Hattingh                   | 168 468             | 56 184           | -                        | 23 124                    | 24 548              | 272 324          |
| LP Moletsane                  | 168 468             | 56 184           | -                        | 23 124                    | 24 548              | 272 324          |
| SQG Gaba                      | 147 413             | 51 424           | -                        | 21 261                    | 22 509              | 242 607          |
| RT Mpakathe                   | 183 046             | 51 424           | -                        | 21 261                    | 22 509              | 278 240          |
| SJ Moses                      | 147 413             | 51 424           | -                        | 21 261                    | 22 509              | 242 607          |
| BA Maboza                     | 147 413             | 51 424           | -                        | 21 261                    | 22 509              | 242 607          |
| AL Kouveltdt (previous)       | 40 818              | 6 109            | -                        | 2 390                     | 2 039               | 51 356           |
|                               | <b>3 788 700</b>    | <b>1 066 333</b> | <b>151 531</b>           | <b>522 488</b>            | <b>404 199</b>      | <b>5 933 251</b> |

### 31. Increase / (decrease) in provisions

|   |                    |                     |
|---|--------------------|---------------------|
| Employee retirement benefit obligations | (1 792 999)        | (18 724 000)        |
| Long service award provision            | 206 000            | (421 000)           |
|   | <b>(1 586 999)</b> | <b>(19 145 000)</b> |

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## 32. Depreciation and amortisation

Property, plant and equipment

| 2017 | 2016 |
|------|------|
|------|------|

|            |            |
|------------|------------|
| 51 684 974 | 54 602 768 |
|------------|------------|

## 33. Finance costs

Bank  
Post-employment medical aid subsidies  
Long service bonuses  
Non-current borrowings  
Rehabilitation of landfill sites  
Trade and other payables

|                   |                   |
|-------------------|-------------------|
| 722               | 4 901             |
| 2 790 000         | 4 073 000         |
| -                 | 263 000           |
| 98 940            | 1 990             |
| 1 215 970         | 1 105 829         |
| 14 361 574        | 9 979 480         |
| <b>18 467 206</b> | <b>15 428 200</b> |

## 34. Debt impairment

Contributions to debt impairment provision

|            |            |
|------------|------------|
| 43 369 017 | 42 820 437 |
|------------|------------|

## 35. Bulk purchases

Electricity  
Water

|                   |                   |
|-------------------|-------------------|
| 39 192 647        | 36 047 569        |
| 1 450 955         | 1 511 965         |
| <b>40 643 602</b> | <b>37 559 534</b> |

## 36. General expenses

Advertising  
Audit committee costs  
Auditors remuneration  
Bank charges  
Chemicals  
Cleaning  
Community development and training  
Conferences, seminars and strategic planning  
Consulting and professional fees  
Donations  
Entertainment  
Fuel and oil  
Hire  
Insurance  
Licenses  
Magazines, books and periodicals  
Other expenses  
Pest control  
Postage and courier  
Printing and stationery  
Research and development costs  
Security  
Skills development levy  
Staff welfare  
Subscriptions and membership fees  
Telephone and fax  
Training  
Travel - local  
Trees and related items (donated project)  
Uniforms  
Valuation and transfer costs

|                   |                   |
|-------------------|-------------------|
| 234 133           | 313 796           |
| 178 702           | 156 546           |
| 4 749 290         | 5 335 548         |
| 516 758           | 380 517           |
| 1 379 259         | 1 340 220         |
| 54 870            | 53 407            |
| 54 809            | 46 392            |
| 215 349           | 193 890           |
| 2 116 040         | 2 113 490         |
| -                 | 3 339             |
| 145 620           | 209 142           |
| 3 011 293         | 2 184 175         |
| 995 048           | 771 504           |
| 1 056 168         | 1 428 375         |
| 2 378 522         | 693 411           |
| 305 278           | -                 |
| 4 128 011         | 3 426 158         |
| 3 601             | 3 061             |
| 62 800            | 86 665            |
| 531 326           | 378 548           |
| 60 031            | 100 041           |
| 25 833            | 116 400           |
| 639 606           | 644 723           |
| 29 051            | -                 |
| 760 588           | 40 804            |
| 2 173 500         | 2 132 916         |
| 258 454           | 842 412           |
| 3 585 325         | 3 953 362         |
| -                 | 1 203 251         |
| 1 518 486         | 88 221            |
| 92 992            | 95 047            |
| <b>31 260 743</b> | <b>28 335 361</b> |

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## 36. General expenses (continued)

Included in other expenses are the following material expenses:

Electrification expenses

- 2 127 242

## 37. Fair value adjustments

Other financial assets

- Old Mutual shares
- OVK shares

|                 |               |
|-----------------|---------------|
| (23 106)        | (984)         |
| (10 162)        | 23 443        |
| <b>(33 268)</b> | <b>22 459</b> |

## 38. Auditors' remuneration

Fees

4 749 290 5 335 548

## 39. Cash generated from operations

(Deficit) surplus

(4 502 317) 25 879 199

### Adjustments for:

Depreciation and amortisation

51 684 974 54 602 768

Loss / (Gain) on sale of assets and liabilities

13 559 750 1 029 485

Fair value adjustments

33 268 (22 459)

Impairment deficit

860 671 1 013 605

Debt impairment

43 369 017 42 820 437

Movements in retirement benefit assets and liabilities

734 000 (14 651 000)

Movements in provisions

1 684 970 947 829

Adjusting for donated assets

(38 710 846) (34 273 180)

### Changes in working capital:

Inventories

521 567 173 043

Other receivables from exchange transactions

313 942 (5 041 427)

Consumer debtors

(80 294 813) (75 725 622)

Other receivables from non-exchange transactions

67 688 (5 515)

Payables from exchange

50 364 288 25 116 549

VAT

(13 747 460) (189 214)

Payables from non-exchange transactions

211 905 -

Unspent conditional grants and receipts

(872 769) 649 357

Consumer deposits

143 771 95 686

**25 421 606 22 419 541**

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## 40. Financial instruments disclosure

### Categories of financial instruments

#### 2017

##### Financial assets

|  | At amortised cost  | Total              |
|--|--------------------|--------------------|
| Other receivables from exchange transactions     | 9 981 117          | 9 981 117          |
| Other receivables from non-exchange transactions | 577 003            | 577 003            |
| VAT receivable                                   | 13 475 381         | 13 475 381         |
| Receivables from exchange transactions           | 99 871 543         | 99 871 543         |
| Receivables from non-exchange transactions       | 12 099 155         | 12 099 155         |
| Current portion of long-term debtors             | 6 137              | 6 137              |
| Cash and cash equivalents                        | 1 307 237          | 1 307 237          |
| Long-term debtors                                | 532 407            | 532 407            |
| Other financial assets                           | 1 010 401          | 1 010 401          |
|  | <b>138 860 381</b> | <b>138 860 381</b> |

##### Financial liabilities

|   | At amortised cost  | Total              |
|---|--------------------|--------------------|
| Other financial liabilities             | 5 903 905          | 5 903 905          |
| Payables from exchange transactions     | 165 831 478        | 165 831 478        |
| Payables from non-exchange transactions | 1 316 736          | 1 316 736          |
| Consumer deposits                       | 1 582 433          | 1 582 433          |
| Bank overdraft                          | 119 958            | 119 958            |
|   | <b>174 754 510</b> | <b>174 754 510</b> |

#### 2016

##### Financial assets

|  | At amortised cost | Total             |
|--|-------------------|-------------------|
| Other receivables from exchange transactions     | 10 295 059        | 10 295 059        |
| Other receivables from non-exchange transactions | 644 691           | 644 691           |
| Receivables from exchange transactions           | 62 965 825        | 62 965 825        |
| Receivables from non-exchange transactions       | 12 079 079        | 12 079 079        |
| Cash and cash equivalents                        | 986 753           | 986 753           |
| Other financial assets                           | 1 043 669         | 1 043 669         |
| Current portion of long-term debtors             | 6 076             | 6 076             |
| Long-term receivables                            | 511 870           | 511 870           |
|  | <b>88 533 022</b> | <b>88 533 022</b> |

##### Financial liabilities

|   | At amortised cost  | Total              |
|---|--------------------|--------------------|
| Other financial liabilities             | 6 288 552          | 6 288 552          |
| Payables from exchange transactions     | 115 467 203        | 115 467 203        |
| Payables from non-exchange transactions | 1 104 831          | 1 104 831          |
| VAT payable                             | 272 099            | 272 099            |
| Consumer deposits                       | 1 438 662          | 1 438 662          |
|   | <b>124 571 347</b> | <b>124 571 347</b> |





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## 42. Related parties (continued)

### Related party transactions

#### Property sales to related parties

|   |   |        |
|---|---|--------|
| DJ Spannenberg (MFIP Technical Advisor)     | - | 66 827 |
| PP Moloi (Director: Corporate Services)     | - | 25 428 |
| NJ Railapeng (Director: Technical Services) | - | 2 378  |
| K May (Supervisor)                          | - | 28 000 |
| NJ Thaisi (Councillor)                      | - | 32 996 |
| M Pesa (Assistant Manager: PMU)             | - | 40 000 |
| R Jagers (Technician)                       | - | 30 000 |
| KJ Chauke (Internal Auditor)                | - | 35 000 |
| TD Molefe (Councillor)                      | - | 35 000 |

## 43. Prior period errors

The following prior period errors have been corrected:

- Provisions:** During the current year the provision for rehabilitation costs was re-assessed based on the physical verification conducted and internal information received. It was found that the adjustment required, to correctly value the present value of the future obligation was material in amount. The adjustments were therefore applied retrospectively.
- Property, plant and equipment:** Management embarked on a process to verify all municipal assets in the municipal boundaries, which included all immovable assets. This project resulted in a material increase in the number of assets, and subsequently the carrying values as at 1 July 2015. All adjustments, including depreciation expenses, were made retrospectively.
- Property, plant and equipment (work-in-progress):** Part of the aforementioned process, was the review of the WIP register. A number of errors were identified and these were corrected retrospectively, including a retention payment of R199 325 made during the year, which was not provided for previously.
- Land audit:** During the year, management performed a detailed land audit, which included the physical verification of all properties registered in the name of Mantsopa Local Municipality (and previously registered names) and the classification of said properties. The adjustments were made retrospectively.
- Property, plant and equipment (infrastructure assets):** The municipality has never accounted for their meters in accordance with the GRAP standards. This error has been corrected and the adjustment has been made retrospectively.
- Consumer debtors with credit balances:** During the year, management embarked on a process to verify the accuracy and validity of the consumer debtors with credit balances at each of the financial years presented in the annual financial statements. It was found that a number of credit balances were invalid and therefore the necessary adjustments were made retrospectively.
- Prior year payables not provided for:** During the current year, a number of prior year payables were identified that were not previously provided for. These adjustments were made retrospectively to ensure that the relating expenditure was captured in the correct financial year.

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## 43. Prior period errors (continued)

The effect of the aforementioned errors are as follows:

|    |  |               |               |
|----|--|---------------|---------------|
| 1. | (Increase) / decrease in the Provisions (rehabilitation of landfill sites)     | (10 320 147)  | (10 320 147)  |
| 1. | Increase / (decrease) in Finance cost  | -             | 916 365       |
| 1. | (Increase) / decrease in Accumulated surplus                                   | 10 320 147    | 9 403 781     |
| 2. | Increase / (decrease) in Property, plant and equipment (infrastructure assets) | 89 957 143    | 89 957 143    |
| 2. | Increase / (decrease) in Property, plant and equipment (movable assets)        | 1 788 404     | 1 788 404     |
| 2. | Increase / (decrease) in Property, plant and equipment (community assets)      | 1 395 160     | 1 395 160     |
| 2. | Increase / (decrease) in Depreciation and amortisation expense                 | -             | 3 935 673     |
| 2. | (Increase) / decrease in Accumulated surplus                                   | (93 140 709)  | (97 076 380)  |
| 3. | Increase / (decrease) in Property, plant and equipment (work-in-progress)      | (2 812 402)   | (2 812 402)   |
| 3. | (Increase) / decrease in Payables from exchange transactions (retentions)      | (99 643)      | (99 643)      |
| 3. | Increase / (decrease) in Repairs and maintenance                               | -             | 2 712 720     |
| 3. | (Increase) / decrease in Accumulated surplus                                   | 2 912 045     | 199 325       |
| 4. | Increase / (decrease) in Inventory (property-held-for-resale)                  | 34 471 388    | 34 471 388    |
| 4. | Increase / (decrease) in Property, plant and equipment (land)                  | (182 948 898) | (182 948 898) |
| 4. | Increase / (decrease) in Investment property                                   | 49 874 470    | 49 874 470    |
| 4. | (Increase) / decrease in Fair value adjustment                                 | -             | 9 545 622     |
| 4. | (Increase) / decrease in Accumulated surplus                                   | 98 602 770    | 89 057 148    |
| 5. | Increase / (decrease) in Property, plant and equipment (infrastructure assets) | 1 674 783     | 1 674 783     |
| 5. | Increase / (decrease) in Depreciation and amortisation expense                 | -             | 222 675       |
| 5. | (Increase) / decrease in Accumulated surplus                                   | (1 674 783)   | (1 897 458)   |
| 6. | (Increase) / decrease in Payables from exchange transactions                   | 1 851 596     | 1 851 596     |
| 6. | (Increase) / decrease in Payables from non-exchange transactions               | 2 633 836     | 2 633 836     |
| 6. | (Increase) / decrease in VAT payable   | (219 515)     | (219 515)     |
| 6. | (Increase) / decrease in Accumulated surplus                                   | (4 265 917)   | -             |
| 6. | (Increase) / decrease in Service charges                                       | -             | (644 720)     |
| 6. | (Increase) / decrease in Other income  | -             | (987 360)     |
| 6. | (Increase) / decrease in Assessment rates                                      | -             | (2 633 836)   |
| 7. | (Increase) / decrease in Payables from exchange transactions                   | (2 142 452)   | (2 142 452)   |
| 7. | (Increase) / decrease in VAT payable   | 60 863        | 60 863        |
| 7. | (Increase) / decrease in Accumulated surplus                                   | 2 081 589     | 1 326 447     |
| 7. | Increase / (decrease) in Repairs and maintenance                               | -             | 149 302       |
| 7. | Increase / (decrease) in Bulk purchases  | -             | 62 196        |
| 7. | Increase / (decrease) in Transfers and subsidies                               | -             | 2 500         |
| 7. | Increase / (decrease) in General expenses                                      | -             | 541 144       |

## 44. Comparative figures

Certain comparative figures have been reclassified.

- During the preparation of the 2016 annual financial statements, creditor payments made in advance, amounting to R567 461 were classified as non-exchange transactions. These however are exchange transactions in nature and were therefore classified as such for purposes of the 2017 statements. The comparative figures were reclassified accordingly.
- The OVK loan was previously classified as Non-current investments. As this is a loan account and not listed or unlisted shares, the loan was classified as a Long-term receivable and the prior year balance of R321 375 was reclassified accordingly.
- In the previous financial year, the assessment rate consumer debtors with credit balances (amounting to R3 738 667), were disclosed as Payables from exchange transactions. As the receivable portion is presented as a non-exchange receivable and the nature of the debtor is as such, the current and prior year assessment rate consumer debtors with credit balances are presented as Payables from non-exchange transactions.

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## 44. Comparative figures (continued)

4. The municipality holds a fixed deposit at Nedbank. In the previous financial years, this investment was classified as an other financial asset, but on inspection of the statements it complied with the definition of cash and cash equivalents (similar to the investments held at ABSA and Standard Bank) and was therefore reclassified as such.
5. In previous financial years, the municipality disclosed its "own" service charges as an expense in the Statement of Financial Performance. In the current, this was re-allocated against the Service charges and the reclassification was made retrospectively.
6. In the previous financial year, certain electricity votes were incorrectly mapped as property rate revenue in the Statement of Financial Performance. In the current, this was re-allocated to the Service charges and the reclassification was made retrospectively.

The effects of the reclassification are as follows:

### Statement of Financial Position

| Comparative                                      |                      | Prior period     | Reclassification | After                |
|--|----------------------|------------------|------------------|----------------------|
|  | figures              | errors (Note 45) | reclassification |                      |
| Other receivables from exchange transactions     | 9 727 597            | -                | 567 462          | 10 295 059           |
| Other receivables from non-exchange transactions | 1 212 153            | -                | (567 462)        | 644 691              |
| Cash and cash equivalents                        | 889 344              | -                | 97 408           | 986 752              |
| Other financial assets                           | 1 462 452            | -                | (418 783)        | 1 043 669            |
| Long-term receivables                            | 190 495              | -                | 321 375          | 511 870              |
| Payables from exchange transactions              | (118 815 369)        | (390 499)        | 3 738 667        | (115 467 201)        |
| Payables from non-exchange transactions          | 1                    | -                | (3 738 667)      | (3 738 666)          |
| <b>Total</b>                                     | <b>(105 333 327)</b> | <b>(390 499)</b> | <b>-</b>         | <b>(105 723 826)</b> |

### Statement of Financial Performance

|                  | Comparative figures | Prior period errors | Reclassification | After reclassification |
|------------------|---------------------|---------------------|------------------|------------------------|
|                  | (94 602 816)        | (Note 45)           |                  | (93 725 752)           |
| Service charges  |                     | (644 720)           | 1 521 784        |                        |
| Property rates   | (12 729 373)        | (2 633 836)         | -                | (15 363 209)           |
| General expenses | 29 316 002          | 541 144             | (1 521 785)      | 28 335 361             |
| <b>Total</b>     | <b>(78 016 187)</b> | <b>(2 737 413)</b>  | <b>-</b>         | <b>(80 753 600)</b>    |

## 45. Risk management Financial risk

### management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by the finance department under policies approved by the accounting officer. Municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### 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.

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

## Financial Statements for the year ended 30 June 2017

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### 45. Risk management (continued)

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

| At 30 June 2017<br>year     |           |   | Less than 1 | Between 1<br>and 2 years              | Between 2<br>and 5 years | Over 5 years |
|-----------------------------|-----------|---|-------------|---------------------------------------|--------------------------|--------------|
| Other financial liabilities | 2 038 935 | 1 568 780                                 | 2 745 365   | - Payables from exchange transactions |                          | 165 831 478  |
| -                           | -         | - Payables from non-exchange transactions | 1 316 736   | -                                     | -                        | -            |
| At 30 June 2016<br>year     |           |   | Less than 1 | Between 1<br>and 2 years              | Between 2<br>and 5 years | Over 5 years |
| Other financial liabilities | 1 802 659 | 2 038 935                                 | 4 314 145   | - Payables from exchange transactions |                          | 115 467 203  |
| -                           | -         | - Payables from non-exchange transactions | 1 104 831   | -                                     | -                        | -            |

#### Credit risk

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

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.

#### Market risk Interest rate

##### risk

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

#### Cash flow interest rate risk

| Financial instrument                            | Current | Due in less than a<br>year | Due in one to two<br>years | Due in two to three<br>years | Due in three to four<br>years | Due after five years |
|---|---------|----------------------------|----------------------------|------------------------------|-------------------------------|----------------------|
| interest rate                                   |         |                            |                            |                              |                               |                      |
| Receivables from exchange transactions          | 11,00 % | 99 871 543                 | -                          | -                            | -                             | -                    |
| Receivables from non-exchange transactions      |         |                            |                            |                              |                               |                      |
| Long-term receivables Cash and cash equivalents | - %     | 12 099 155                 | -                          | -                            | -                             | -                    |
| Payables from exchange transactions             | 1,00 %  | 532 407                    | -                          | -                            | -                             | -                    |
| Payables from non-exchange transactions         | 5,00 %  | 1 307 237                  | -                          | -                            | -                             | -                    |
| Other financial liabilities                     | - %     | 165 831 478                | -                          | -                            | -                             | -                    |
|   | - %     | 1 316 736                  | -                          | -                            | -                             | -                    |
|   | 16,00 % | 2 038 935                  | 1 568 780                  | 1 568 780                    | 1 176 585                     | -                    |

#### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality. The value of shares depends on the share price at year end.

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## 46. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 1 003 708 224 and that the municipality's total assets exceed its liabilities by R 1 003 708 224.

The 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.

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 municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant increase in accounts payable of R42 413 306 (2016: R25 914 603);
- The amount due to Eskom for the current year amounts to R82 670 922 (2016: R63 777 928);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current financial year;
- The provision for doubtful debts have been estimated at R167 607 378 (2016: R177 565 081). This equates to approximately 59.95% of gross outstanding debtors (2016: 70%);
- As at 30 June 2017 the municipality's current liabilities amounted to R171 330 768 (2016: R121 036 172), whilst

the current assets amounted to R175 163 634 (2016: R125 345 131); and

- The municipality incurred a net loss for the year of R4 502 317.

## 47. Unauthorised expenditure

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 36 493 000        | 131 838 000       |
| Current year unauthorised expenditure: Operating expenditure | 98 576 284        | 36 493 000        |
| Less: Approved by Council                                    | (36 493 000)      | (131 838 000)     |
|  | <b>98 576 284</b> | <b>36 493 000</b> |

The municipality is currently investigating these unauthorised expenditure. The investigation will be carried out in line with the guidance provided in the MFMA circular 68 and other applicable legislation.

The outcome of these investigations will be presented to Council.

## 48. Fruitless and wasteful expenditure

|   |                  |                  |
|---|------------------|------------------|
| Opening balance                                 | 6 222 255        | 5 343 579        |
| Current year fruitless and wasteful expenditure | 14 239 064       | 9 986 761        |
| Less: Written off by Council - Prior year       | (6 199 654)      | (5 343 559)      |
| Less: Written off by Council - Current year     | (9 636 685)      | (3 764 526)      |
|   | <b>4 624 980</b> | <b>6 222 255</b> |

The fruitless and wasteful expenditure in respect to the current and prior year, amounting to R9 636 685 and R6 199 654 respectively, has already been investigated and tabled before council, on the 29th of June 2017 for condonement. However, the results of the investigations revealed that R95 169 (2016/17) and R22 622 (2015/16) must be recovered from the liable municipal officials.

The majority of the fruitless and wasteful expenditure incurred was the result of interest levied by Eskom on their outstanding account.

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## 49. Irregular expenditure

|  |                  |                   |
|--|------------------|-------------------|
| Opening balance  | 23 321 862       | 27 104 234        |
| Current year irregular expenditure (non-compliance to SCM policy)        | 437 527          | 2 256 449         |
| Current year irregular expenditure (identified during the audit process) | 6 907 126        | 21 535 134        |
| Prior year irregular expenditure (identified in current year)            | 13 744           | 376 745           |
| Less: Amounts written off by Council or condoned - Current year          | (451 271)        | (846 466)         |
| Less: Amounts written off by Council or condoned - Prior year            | (23 321 862)     | (27 104 234)      |
|  | <b>6 907 126</b> | <b>23 321 862</b> |

## Analysis of expenditure awaiting condonation

|   |                   |                   |
|---|-------------------|-------------------|
| Opening balance                             | 23 321 862        | -                 |
| Non-compliance to SCM policy - Current year | 451 271           | 1 786 728         |
| Identified during the audit process         | 6 907 126         | 21 535 134        |
|   | <b>30 680 259</b> | <b>23 321 862</b> |

The municipality is in the process of investigating the incidents and will table the report to Council.

## 50. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Current year subscription / fee | 741 620   | 770 060   |
| Amount paid - current year      | (741 620) | (770 060) |
|                                 | <b>-</b>  | <b>-</b>  |

### Audit fees

|                              |                  |                |
|------------------------------|------------------|----------------|
| Opening balance              | 303 593          | 4 081 292      |
| Current year fee             | 5 414 191        | 5 335 548      |
| Amount paid - current year   | (3 658 615)      | (9 113 247)    |
| Amount paid - previous years | (303 593)        | -              |
|                              | <b>1 755 576</b> | <b>303 593</b> |

### PAYE, SDL and UIF

|  |                  |                |
|--|------------------|----------------|
| Opening balance  | 760 937          | 2 260 477      |
| Current year deductions (including interest and penalties) | 11 184 359       | 9 247 695      |
| Amount paid - current year                                 | (6 770 256)      | (10 747 235)   |
|  | <b>5 175 040</b> | <b>760 937</b> |

### Pension and medical aid contributions

|                            |                  |              |
|----------------------------|------------------|--------------|
| Opening balance            | -                | 1 461 725    |
| Current year deductions    | 20 667 155       | 12 998 244   |
| Amount paid - current year | (17 378 128)     | (14 459 969) |
|                            | <b>3 289 027</b> | <b>-</b>     |

# Financial Statements for the year ended 30 June 2017

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## 50. Additional disclosure in terms of Municipal Finance Management Act (continued) VAT

|                   |                |            |         |
|-------------------|----------------|------------|---------|
| VAT receivable    |                | 13 475 361 | -       |
| VAT payable       |                | -          | 272 099 |
| <b>13 475 361</b> | <b>272 099</b> |            |         |

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

All VAT returns have been submitted by the due date throughout the year.

## Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

| 30 June 2017<br>less than 90 days<br>R          | Outstanding        | Outstanding more<br>than 90 days<br>R          | Total R        |
|---|--------------------|--|----------------|
| ME Tsoene                                       | 670                | -  | 670            |
| MJ Moduka                                       | 16 366             | 56 098   | 72 464         |
| SQG Gaba  | 1 610              | 487  | 2 097          |
| T Halse   | 1 839              | -  | 1 839          |
| BE Meya   | 493                | -  | 493            |
| BA Moboza                                       | 1 823              | 5 793  | 7 616          |
| DT Molefe                                       | 2 442              | 16 111   | 18 553         |
| LP Moletsane                                    | 1 961              | 14 555   | 16 516         |
| SJ Moses  | 5 046              | 557  | 5 603          |
| MP Mphakathi                                    | 1 130              | 179  | 1 309          |
| PN Nakalebe                                     | 837                | 1 080  | 1 917          |
| BM Sani   | 1 160              | 106  | 1 266          |
| NJ Thaisi                                       | 473                | -  | 473            |
| KI Tigeli                                       | 1 219              | 4 950  | 6 169          |
| <b>37 069</b>                                   | <b>99 916</b>      | <b>136 985</b>                                 |                |
| <b>30 June 2016<br/>less than 90 days<br/>R</b> | <b>Outstanding</b> | <b>Outstanding more<br/>than 90 days<br/>R</b> | <b>Total R</b> |
| NJ Thaise                                       | 1 589              | 1 974  | 3 563          |
| PN Nakalebe                                     | 206                | -  | 206            |
| J Machakela                                     | 9 613              | 5 742  | 15 355         |
| BM Sani   | 1 325              | 763  | 2 088          |
| KI Tigeli                                       | 5 425              | 2 339  | 7 764          |
| DT Molefe                                       | 2 098              | 11 992   | 14 090         |
| PP Raboko                                       | 1 804              | 13 030   | 14 834         |
| MC Chomane                                      | 3 665              | 2 689  | 6 354          |
| T Halse   | 2 067              | -  | 2 067          |
| LP Moletsane                                    | 3 209              | 19 691   | 22 900         |
| <b>31 001</b>                                   | <b>58 220</b>      | <b>89 221</b>                                  |                |

## 51. Utilisation of Long-term liabilities reconciliation

|                              |           |           |
|------------------------------|-----------|-----------|
| Long-term liabilities raised | 5 903 905 | 6 288 552 |
|------------------------------|-----------|-----------|

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

# Financial Statements for the year ended 30 June 2017

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## 52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Deviations totalling R1 607 224 (2016: R1 500 882), were incurred and reported during the financial year in accordance with the aforementioned legislative requirements. These consisted of deviations for emergency cases (i.e. transactions relating to pipe and sewer bursts and water pump repairs) totalling R82 407 (2016: R381 125) and procurement from sole providers (transactions relating to strips and quotes) amounting to R1 234 014 (2016: R1 119 757). The remaining deviations pertain to SCM regulations (obtaining three quotations) that could not be followed due to a various reasons.

## 53. Contingent liabilities Pending

### claims:

|  |                  |           |           |           |
|--|------------------|-----------|-----------|-----------|
| J van As - damage to private property and for alternative lodging  | 1 195 734        | 1 195 734 |           |           |
| Lovedal Dam - negotiations and interim court interdict on water supply from dam  |                  |           | -         | 1 320 000 |
| Zanoxolo and Nandipha Jacobs - damages caused by veldt fires   |                  |           | 2 680 553 | 2 685 553 |
| Twin Peak Tech and Investment Holdings (Pty) Ltd - claim for second tranche for the environmental practice learnership |                  |           | 914 875   | -         |
| Manyatseng Construction  |                  |           | 1 128 398 | -         |
| SALA Provident Fund  |                  |           | 10 000    | -         |
| Tania Halse - investigating the conduct  |                  |           | -         | 25 000    |
| FP van Straten - claim against the municipality for loss due to impounding of animals                                  |                  |           | -         | 171 829   |
| LM Diau - urgent interdict to return impounded cattle  |                  |           | -         | 55 000    |
| Registration of subdivision Westville: Tweespruit  |                  |           | -         | 50 000    |
| Leon Mare: RFG Kriel   |                  |           | -         | 20 000    |
| Water and sanitation   |                  |           | 2 480 924 | 2 530 924 |
| Department of Labour   |                  |           | -         | 28 000    |
| Legal advice: various erven  |                  |           | -         | 45 000    |
| Tender SCM 43/15/16: Tweespruit Bulk Water Supply  |                  |           | 1 450 000 | -         |
| S Abdulla - eviction against person, but municipality received interdict   |                  |           | 200 000   | -         |
| Nonkosivumile Theodora Masiza  |                  |           | 300 000   | -         |
| <b>10 360 484</b>  | <b>8 127 040</b> |           |           |           |

Litigation is in process against the municipality that could result in possible contingent liabilities of R10 360 484 (2016: R8 127 040).

## 54. Distribution losses

|                   |                   |            |
|-------------------|-------------------|------------|
| Electricity       | 13 973 066        | 11 805 174 |
| Water             | 1 724 285         | 1 104 573  |
| <b>15 697 351</b> | <b>12 909 747</b> |            |

**Electricity losses** - The Municipality purchased 43 191 259 (2016: 42 778 301) units during the financial year. The Municipality sold 29 218 193 (2016: 28 670 951) units during the year and has calculated its distribution losses at an estimated 32% (2016: 33%) at an average unit cost of R1.10 per unit (2016: R0.84 per unit). The main reason for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering.

**Water losses** - The Municipality purchased 4 117 360 (2016: 4 216 842) units during the financial year, of which a total of 2 393 075 (2016: 3 230 616) units were billed. This represents a loss of 1 724 285 (2016: 986 226) units at an estimated 42% (2016: 23%) at a cost of R1.58 (2016: R1.12) per unit.



# Financial Statements for the year ended 30 June 2017

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## 55. Budget differences

### Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 10%. The following is reasons for the material differences identified:

#### Statement of Financial Performance:

**Service charges:** In the previous financial year the municipality embarked on a project whereby controls were put into place to ensure all service are charged. Although the desired and expected results were not achieved in the previous financial year, the results in the current year indicated an increase in revenue.

**Other income:** The significant increase in relation to the budgeted figure is due to unexpected sundry income through various sources of services, such as rental, which was not expected.

**Interest received:** The increase has been the result of the increase in the municipality's cash and cash equivalents balance in comparison to that of the budgeted balance.

**Dividends received:** More dividends were received from the OK and Old Mutual listed investments. As this revenue is not controlled by the municipality and dependant on the results of the aforementioned companies, the amount budgeted was less then the actual amount received.

**Fines:** The budgeted revenue was based on the prior year revenue, which was more than the actual fines issued during the current financial year.

**Increase / (decrease) in provisions:** As this is a non-cash flow item, the movement was not separately budgeted for.

**Depreciation and amortisation:** As this is a non-cash flow item, the movement was not separately budgeted for.

**Finance cost:** Management did not provide for any interest (finance cost) to be levied on any loans, overdrawn facilities or outstanding accounts (as these are fruitless and wasteful).

**Impairment loss (bad debts):** During the current financial year, there was an increase in the number of consumers that were registered as indigent debtors. The indigent debtor balances were written-off and provided for at year end after careful consideration of the probability of payment. Due to the increase in the volume of indigent registered debtors, the debt impairment exceeded the budgeted amount.

**Contracted services:** In comparison to the previous year, the municipality did budget for contracted service during the finalisation of the 2017 budget. The budgeted expenditure was based on the actual results achieved in the 2016 financial year. The municipality however exceed this budget and the main reason and contributor to this is the implementation of MSCOA. The municipality changed from financial systems, but is still using the current system for the purpose of finalising the 2017 statements and audit, resulting in expenditure being incurred for two (2) financial operating systems.

**Transfers and subsidies:** This represents the subsidies provided to the indigent debtors and were not separately provided for.

**Repairs and maintenance:** As included in the deviations, various incidents occurred that required vital equipment to be repaired, resulting in the increase.

**General expenses:** Due to cost cutting processes, management was able to save significantly on the general expenses. This was the result of SCM processes being implemented and budget control measures.

**Loss on disposal of assets:** A full physical asset verification was conducted, which included all immovable and movable assets. In various cases, the assets could not be verified and to ensure the accuracy, validity and completeness of the registers, these were written-off.

**Fair value adjustments:** The fair value adjustments are due to the Other financial assets being carried at fair value.

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## 55. Budget differences (continued) Statement of

### Financial Position:

**Inventories:** Normally, inventory is an immaterial balance to the Statement of Financial Position. All land was however verified during the year, resulting in specific properties to be accounted for as property-held-for-sale in terms of GRAP. This was therefore not budgeted for.

**Receivables and other receivables from exchange and non-exchange transactions:** Management does not separately provide for receivables. The budgeted balance represents the gross balance and the cumulative effect of the impairment provision was not taken into account. .

**Cash and cash equivalents:** Through effective control and cash flow management, the municipality improved its cash and cash equivalent balances in comparison to that of the previous financial year and the adjusted budget.

**Investment property:** Due to the issues experienced in the past, management embarked on a process to identify, verify and correctly classify and value all investment property. The results of the project was unknown at the time of submission of the budget, and therefore no accurate balance could be budget for.

**Property, plant and equipment:** Due to the issues experienced in the past, management embarked on a process to identify, verify and correctly classify and cost all immovable assets. The results of the project was unknown at the time of submission of the budget, and therefore no accurate balance could be budget for.

**Other financial assets:** The municipality experienced a fair value loss on the listed investments (due to the general economic situation), although management's expectation was that fair value gains will be reported (as was the result in the 2016 financial year).

**Long-term receivables:** As stated in Note 42: Comparative figures, the OVK loan was previously classified as an other financial asset. It was found that the balance of R348 049 represents a long-term loan (similar to that of the Buiteklub) and should therefore be presented as such. The budgeted figure was based on the results of the previous financial year and the current year (and retrospective) reclassification resulted in the actual results exceeding the budgeted balance.

**Payables from exchange transactions:** Due to the municipality's financial difficulties, it is not able to meet its short term commitments and therefore the desired budgeted results cannot be achieved.

**Consumer deposits:** More consumer deposits were received than budgeted for.

**VAT payable:** No balance was budgeted for at yearend as the expectation was that the amount would be paid in full.

**Employee benefit obligations:** The difference between the budgeted and actual budget is due to the fact that the long service awards (included under Provisions) have been budgeted for under this line item. In addition to this, the prior year significant movements did not occur.

**Provisions:** The landfill sites operated by the municipality were physically inspected and a professional valuation was performed to estimate the future liability. This resulted in a material adjustment.

**Finance lease obligations:** During the year the municipality entered into a finance lease for IT equipment. Due to cashflow constraints and the need for the equipment, these were acquired although not budgeted for.

## Mantsopa Local Municipality (FS196)

Financial Statement for the year ended 30 June 2017

### Appendix A: Schedule of External Loans

| Received during the Period<br>Details | Original Loan Amount | Interest Rate | Loan Number | Redeemable | Balance at 30 June 2016 | Redeemed / Written off during Period | Balance at 30 June 2017 | Other costs in accordance with MFMA |
|---------------------------------------|----------------------|---------------|-------------|------------|-------------------------|--------------------------------------|-------------------------|-------------------------------------|
|                                       | R                    |               |             |            | R                       | R                                    | R                       | R                                   |
| <b>R ANNUITY LOANS</b>                |                      |               |             |            |                         |                                      |                         |                                     |
| DBSA                                  | 520,000              | 16.32%        | 61001843    | 2017/06/03 | 6,168                   |                                      |                         |                                     |
| - DBSA                                | 6,275,120            | 0.00%         | 61007338    | 2021/03/31 | 6,275,120               |                                      |                         |                                     |
| - (377,383)                           | 5,897,737            | -             |             |            |                         |                                      |                         |                                     |
| <b>FINANCE LEASES</b>                 |                      |               |             |            |                         |                                      |                         |                                     |
| Thepa Trading                         | 3,003,483            | 6.75%         | Various     | 2019/10/31 | -                       | 3,003,483                            | (611,801)               | 2,391,682                           |
|                                       |                      |               |             |            |                         |                                      |                         | -                                   |
| <b>Total Annuity Loans</b>            | <b>9,798,602.95</b>  |               |             |            | <b>6,281,288</b>        | <b>3,003,483</b>                     | <b>(989,184)</b>        | <b>8,295,587</b>                    |
|                                       |                      |               |             |            |                         |                                      |                         | -                                   |

#### ANNUITY LOANS: DBSA Loan

(61001843):

The loan bears interest at 16.32% per annum and will be repaid in the next financial year.

#### DBSA Loan (61007338):

The Municipality entered into a loan agreement with DBSA on 26 May 2010. In terms of the agreement, DBSA gave the Municipality a capital loan amounting to R6 275 120. The loan agreement has reached its maturity and the Municipality and the DBSA reached the following agreement: (i) The total outstanding payments as at 31 July 2016 would amount to R1 880 619; (ii) The outstanding debt will be repaid in 4 equal repayments; and (iii) The first payment is due on 30 November 2016 and the debt obligation will not accrue interest during this time.

#### FINANCE LEASES:

##### Thepa Trading (various):

The Municipality entered into a finance lease agreement with Thepa Trading on 1 November 2016. In terms of the agreement, Thepa Trading provided the Municipality with fifteen (15) copiers and fax machines, with a fair value amounting to R3 003 483. The finance lease obligation is repayable over 36-months at a monthly instalment of R91 879 (excl. VAT). The effective interest rate is 6.75% per annum.

**Note:** The rates of interest payable on the above structured loans are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

## Mantsopa Local Municipality (FS196)

Financial Statement for the year ended 30 June 2017

| Property, Plant and Equipment         |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
|---------------------------------------|----------------------|-------------------|--------------------|---------------------|----------------------|---|-------------------|--------------------|--------------------|--------------------|
| Description                           | Cost                 |                   |                    |                     |                      | Accumulated depreciation and impairment |                   |                    |                    | Carrying value     |
|                                       | Opening balance      | Additions         | Under construction | Disposals           | Closing balance      | Opening balance                         | Additions         | Disposals          | Closing balance    |                    |
| <b>Land and Buildings</b>             |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Land                                  | 165,634,137          | -                 | -                  | -                   | 165,634,137          | -                                       | -                 | -                  | -                  | 165,634,137        |
| <b>Community Assets</b>               |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Buildings                             | 121,825,114          | -                 | 11,354,643         | (405,816)           | 132,773,942          | 56,984,048                              | 1,801,236         | (286,034)          | 58,499,250         | 74,274,691         |
| Work-in-progress                      | 10,865,083           | 6,736,850         | (11,354,643)       | -                   | 6,247,289            | -                                       | -                 | -                  | -                  | 6,247,289          |
| <b>Total</b>                          | <b>298,324,334</b>   | <b>6,736,850</b>  | <b>-</b>           | <b>(405,816)</b>    | <b>304,655,368</b>   | <b>56,984,048</b>                       | <b>1,801,236</b>  | <b>(286,034)</b>   | <b>58,499,250</b>  | <b>246,156,117</b> |
| <b>Infrastructure</b>                 |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| <b>Electricity</b>                    |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Electricity Network                   | 65,388,848           | -                 | 1,898,433          | (3,386,553)         | 63,900,728           | 18,977,898                              | 4,172,865         | (1,493,217)        | 21,657,547         | 42,243,181         |
| Electricity Meters                    | 715,435              | -                 | -                  | -                   | 715,435              | 286,174                                 | 35,772            | -                  | 321,946            | 393,489            |
| <b>Roads</b>                          |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Roads and Stormwater Network          | 491,319,345          | -                 | 41,717,261         | (12,575,037)        | 520,461,569          | 221,514,228                             | 27,613,746        | (5,116,729)        | 244,011,246        | 276,450,323        |
| <b>Solid Waste</b>                    |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Landfill Sites                        | 7,257,056            | -                 | -                  | -                   | 7,257,056            | 1,753,993                               | 321,207           | -                  | 2,075,200          | 5,181,856          |
| <b>Sanitation</b>                     |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Sewer Network                         | 208,489,662          | -                 | 15,582,916         | (4,282,519)         | 219,790,059          | 34,962,401                              | 6,770,721         | (876,510)          | 40,856,612         | 178,933,447        |
| <b>Water</b>                          |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Water Network                         | 211,933,060          | -                 | 9,624,664          | (1,264,529)         | 220,293,195          | 61,773,742                              | 8,056,512         | (582,216)          | 69,248,039         | 151,045,156        |
| Water Meters                          | 2,682,900            | -                 | -                  | -                   | 2,682,900            | 1,437,378                               | 186,903           | -                  | 1,624,281          | 1,058,619          |
| <b>Capital work-in-progress</b>       |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Work-in-progress                      | 34,223,966           | 55,401,538        | (68,823,274)       | -                   | 20,802,231           | -                                       | -                 | -                  | -                  | 20,802,231         |
| <b>Total</b>                          | <b>1,022,010,273</b> | <b>55,401,538</b> | <b>-</b>           | <b>(21,508,638)</b> | <b>1,055,903,173</b> | <b>340,705,814</b>                      | <b>47,157,726</b> | <b>(8,068,670)</b> | <b>379,794,870</b> | <b>676,108,302</b> |
| <b>Leased Assets</b>                  |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Office Equipment                      | -                    | 3,003,474         | -                  | -                   | 3,003,474            | 667,441                                 | -                 | -                  | 667,441            | 2,336,033          |
| <b>Total</b>                          | <b>-</b>             | <b>3,003,474</b>  | <b>-</b>           | <b>-</b>            | <b>3,003,474</b>     | <b>667,441</b>                          | <b>-</b>          | <b>-</b>           | <b>667,441</b>     | <b>2,336,033</b>   |
| <b>Other Assets</b>                   |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| <b>Computer Equipment</b>             |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Computer Hardware                     | 3,281,493            | 74,738            | -                  | -                   | 3,356,231            | 1,870,865                               | 438,740           | -                  | 2,309,605          | 1,046,625          |
| <b>Furniture And Office Equipment</b> |                      |                   |                    |                     |                      |   |                   |                    |                    |                    |
| Cabinets and Cupboards                | 1,638,081            | 3,905             | -                  | -                   | 1,641,985            | 832,375                                 | 162,215           | -                  | 994,590            | 647,395            |
| Chairs                                | 1,033,527            | -                 | -                  | -                   | 1,033,527            | 514,892                                 | 117,322           | -                  | 632,214            | 401,313            |
| Tables and Desks                      | 907,776              | 3,967             | -                  | -                   | 911,743              | 459,792                                 | 95,905            | -                  | 555,697            | 356,046            |

## Mantsopa Local Municipality (FS196)

Financial Statement for the year ended 30 June 2017

### Appendix B: Analysis of Property, Plant and Equipment

| Property, Plant and Equipment      |                 |            |                    |              |                 |   |            |             |                 |                |
|------------------------------------|-----------------|------------|--------------------|--------------|-----------------|---|------------|-------------|-----------------|----------------|
| Description                        | Cost            |            |                    |              |                 | Accumulated depreciation and impairment |            |             |                 | Carrying value |
|                                    | Opening balance | Additions  | Under construction | Disposals    | Closing balance | Opening balance                         | Additions  | Disposals   | Closing balance |                |
| <i>Machinery and Equipment</i>     |                 |            |                    |              |                 |   |            |             |                 |                |
| Office Machines                    | 1,434,030       | -          | -                  | -            | 1,434,030       | 861,028                                 | 187,727    | -           | 1,048,756       | 385,274        |
| Lawn Mowers                        | 337,673         | 8,613      | -                  | -            | 344,285         | 205,781                                 | 81,559     | -           | 287,340         | 56,945         |
| Compressors                        | 729,342         | -          | -                  | -            | 729,342         | 461,573                                 | 100,072    | -           | 561,645         | 167,697        |
| Farm Equipment                     | 236,039         | 11,841     | -                  | -            | 247,881         | 122,952                                 | 62,877     | -           | 185,828         | 62,052         |
| Laboratory Equipment               | 254,180         | 20,501     | -                  | -            | 274,682         | 106,626                                 | 36,914     | -           | 143,541         | 131,141        |
| Other Fire Fighting Equipment      | 56,706          | -          | -                  | -            | 56,706          | 20,235                                  | 3,809      | -           | 24,044          | 32,663         |
| Air Conditioners                   | 185,461         | -          | -                  | -            | 185,461         | 132,290                                 | 26,541     | -           | 158,830         | 26,630         |
| Radio Equipment                    | 39,600          | 123,662    | -                  | -            | 163,262         | 25,408                                  | 18,843     | -           | 44,251          | 119,011        |
| Telecommunication Equipment        | 12,520          | -          | -                  | -            | 12,520          | 4,240                                   | 2,504      | -           | 6,744           | 5,776          |
| Irrigation Systems                 | 42,357          | -          | -                  | -            | 42,357          | 2,824                                   | 2,824      | -           | 5,648           | 36,709         |
| Conveyors                          | 1,064,497       | -          | -                  | -            | 1,064,497       | 429,292                                 | 73,078     | -           | 502,369         | 562,128        |
|                                    |                 |            |                    |              |                 | -                                       | -          | -           |                 |                |
| <i>Transport Assets</i>            |                 |            |                    |              |                 |   |            |             |                 |                |
| Tractors                           | 2,099,725       | -          | -                  | -            | 2,099,725       | 679,625                                 | 215,981    | -           | 895,605         | 1,204,119      |
| Ordinary Motor Vehicles            | 3,015,451       | 531,274    | -                  | -            | 3,546,725       | 2,100,949                               | 498,082    | -           | 2,599,032       | 947,693        |
| Trucks and Light Delivery Vehicles | 3,567,938       | -          | -                  | -            | 3,567,938       | 2,453,011                               | 484,237    | -           | 2,937,248       | 630,689        |
| Graders                            | 4,523,167       | -          | -                  | -            | 4,523,167       | 1,274,158                               | 301,544    | -           | 1,575,702       | 2,947,464      |
| Fire Engines                       | 145,200         | -          | -                  | -            | 145,200         | 36,439                                  | 7,260      | -           | 43,699          | 101,501        |
| Motor Cycles                       | 7,320           | -          | -                  | -            | 7,320           | 4,103                                   | 1,207      | -           | 5,310           | 2,010          |
| Total                              | 24,612,082      | 776,501    |                    |              | 25,388,583      | 12,598,458                              | 2,919,241  |             | 15,517,699      | 9,870,884      |
|                                    |                 |            |                    |              |                 |   |            |             |                 |                |
| Total                              | 1,344,946,689   | 95,918,364 |                    | (21,914,454) | 1,388,950,598   | 410,955,761                             | 91,878,204 | (8,354,704) | 454,479,260     | 934,471,337    |
|                                    |                 |            |                    |              |                 |   |            |             |                 |                |
|                                    |                 |            |                    |              |                 |   |            |             |                 |                |
| Investment Property                |                 |            |                    |              |                 |   |            |             |                 |                |
| Description                        | Cost            |            |                    |              |                 | Accumulated depreciation and impairment |            |             |                 | Carrying value |
|                                    | Opening balance | Additions  | Under construction | Disposals    | Closing balance | Opening balance                         | Additions  | Disposals   | Closing balance |                |
| <i>Land and Buildings</i>          |                 |            |                    |              |                 |   |            |             |                 |                |
| Land Buildings                     | 77,215,343      | -          | -                  | -            | 77,215,343      | -                                       | -          | -           | -               | 77,215,343     |
|                                    | 35,232,802      | -          | -                  | -            | 35,232,802      | -                                       | -          | -           | -               | 35,232,802     |
| Total                              | 112,448,145     | -          | -                  | -            | 112,448,145     | -                                       | -          | -           | -               | 112,448,145    |
|                                    |                 |            |                    |              |                 |   |            |             |                 |                |
|                                    |                 |            |                    |              |                 |   |            |             |                 |                |

Mantsopa Local Municipality (FS196)

Financial Statement for the year ended 30 June 2017

| Description                    | Cost            |            |                    |              |                 | Accumulated depreciation and impairment |            |             |                 | Carrying value |
|--------------------------------|-----------------|------------|--------------------|--------------|-----------------|---|------------|-------------|-----------------|----------------|
|                                | Opening balance | Additions  | Under construction | Disposals    | Closing balance | Opening balance                         | Additions  | Disposals   | Closing balance |                |
| WIP                            | 35,088,868      | 82,138,388 | (80,177,918)       | -            | 17,049,339      | -                                       | -          | -           | -               | 17,049,339     |
| Finance and Administration     | 4,437,620       | 3,103,098  | -                  | -            | 7,540,718       | 2,657,130                               | 1,179,079  | -           | 3,836,209       | 3,704,509      |
| Corporate Services             | 1,665,112       | 125,112    | -                  | -            | 1,790,224       | 860,328                                 | 221,885    | -           | 1,082,213       | 708,011        |
| Community and Social Services  | 2,669,327       | -          | -                  | -            | 2,669,327       | 1,162,743                               | 304,838    | -           | 1,467,581       | 1,201,746      |
| Planning and Development (LED) | 106,964         | -          | -                  | -            | 106,964         | 62,745                                  | 9,592      | -           | 72,337          | 34,628         |
| Properties                     | 287,459,251     | -          | 11,354,643         | (405,816)    | 298,408,078     | 56,984,048                              | 1,801,236  | (286,034)   | 58,499,250      | 239,908,828    |
| Technical Services             | 16,159,580      | 551,775    | -                  | -            | 16,711,356      | 8,275,340                               | 1,877,812  | -           | 10,153,152      | 6,558,204      |
| Roads and Transport            | 491,319,345     | -          | 41,717,261         | (12,575,037) | 520,461,569     | 221,514,228                             | 27,613,746 | (5,116,729) | 244,011,246     | 276,450,323    |
| Electricity                    | 66,106,790      | -          | 1,898,433          | (3,386,553)  | 64,618,670      | 19,266,579                              | 4,208,637  | (1,493,217) | 21,981,999      | 42,636,671     |
| Waste Management               | 215,317,787     | -          | 15,582,916         | (4,282,519)  | 226,618,184     | 36,287,463                              | 7,091,928  | (876,510)   | 42,502,881      | 184,115,303    |
| Water                          | 214,615,960     | -          | 9,624,664          | (1,264,529)  | 222,976,095     | 63,217,646                              | 8,236,890  | (582,216)   | 70,872,320      | 152,103,775    |
| Total                          | 1,334,946,605   | 85,918,374 | (0)                | (21,914,454) | 1,378,950,524   | 410,288,250                             | 82,545,642 | (8,354,704) | 484,479,187     | 894,471,337    |

# Mantsopa Local Municipality (FS196)

Financial Statement for the year ended 30 June 2017

## 7. Appendix D: Segmental Statement of Financial Performance

| 2016           |                    |                     | Vote description              | 2017           |                    |                     |
|----------------|--------------------|---------------------|-------------------------------|----------------|--------------------|---------------------|
| Actual revenue | Actual expenditure | Surplus / (deficit) |                               | Actual revenue | Actual expenditure | Surplus / (deficit) |
| 15,058,288     | (22,022,470)       | (6,964,182)         | Executive and Council         | 30,311,691     | (15,489,185)       | 14,822,506          |
| 86,701,149     | (48,222,818)       | 38,478,331          | Finance and Administration    | 48,441,449     | (70,652,980)       | (22,211,531)        |
| 6,417,411      | (6,271,109)        | 146,302             | Planning and Development      | 1,952,304      | (2,059,272)        | (106,967)           |
| -              | -                  | -                   | Health                        | -              | -                  | -                   |
| 3,692,046      | (4,601,634)        | (909,588)           | Community and Social Services | 13,128,002     | (11,161,359)       | 1,966,643           |
| 1,455,819      | (1,705,961)        | (250,142)           | Housing                       | 1,821,005      | (1,779,797)        | 41,208              |
| 3,742,597      | (3,902,301)        | (159,704)           | Public Safety                 | 4,635,903      | (5,066,164)        | (430,261)           |
| 8,054,215      | (5,707,527)        | 2,346,688           | Sport and Recreation          | 1,249,422      | (6,293,031)        | (5,043,609)         |
| -              | -                  | -                   | Environmental Protection      | -              | -                  | -                   |
| 42,405,090     | (35,020,935)       | 7,384,155           | Waste Management              | 70,943,319     | (54,561,964)       | 16,381,355          |
| 27,030,122     | (33,319,387)       | (6,289,265)         | Roads and Transport           | 24,369,267     | (34,088,958)       | (9,719,691)         |
| 47,147,975     | (54,324,630)       | (7,176,655)         | Water                         | 50,472,361     | (55,184,984)       | (4,712,623)         |
| 39,338,961     | (40,065,702)       | (726,741)           | Electricity                   | 45,087,577     | (40,576,924)       | 4,510,653           |
| -              | -                  | -                   | Other                         | -              | -                  | -                   |
| 281,043,673    | (255,164,474)      | 25,879,199          |                               | 292,412,301    | (296,914,618)      | (4,502,317)         |
|                |                    |                     |                               |                |                    |                     |

**Mantsopa Local Municipality (FS196)**

Financial Statement for the year ended 30 June 2017

**Appendix E(1): Budgeted Financial Performance (revenue and expenditure by standard classification)**

| Description                                 | 2017                     |                    | 2017                        |                    | 2017               |                     | Unauthorised | 2017                                   |   |
|---|--------------------------|--------------------|-----------------------------|--------------------|--------------------|---------------------|--------------|--|---|
|   | Original<br>Total Budget | Budget Adjustments | Final<br>Adjustments Budget | Final Budget       | Actual Outcome     | Variance            |              | Actual Outcome<br>as % of Final Budget | Actual Outcome<br>as % of Original Budget |
| <b>REVENUE - STANDARD</b>                   |                          |                    |                             |                    |                    |                     |              |  |   |
| <b>Governance and Administration:</b>       |                          |                    |                             |                    |                    |                     |              |  |   |
| Executive and council                       | 14,642,727               | 4,126,971          | 18,769,698                  | 18,769,698         | 30,311,691         | 11,541,993          |              | 161.49%                                | 207.01%                                   |
| Budget and treasury office                  | 49,486,131               | 8,745,203          | 56,231,334                  | 56,231,334         | 41,430,729         | (14,800,605)        |              | 73.68%                                 | 83.72%                                    |
| Corporate services                          | 1,300                    | (1,265)            | 35                          | 35                 | 20                 | (15)                |              | 57.66%                                 | 1.55%                                     |
| <b>Community and Public Safety:</b>         |                          |                    |                             |                    |                    |                     |              |  |   |
| Community and Social Services               | 11,400,291               | 131,953            | 11,532,244                  | 11,532,244         | 13,128,002         | 1,595,758           |              | 113.84%                                | 115.15%                                   |
| Sport and Recreation                        | -                        | -                  | -                           | -                  | 1,249,422          | 1,249,422           |              |  |   |
| Public Safety                               | 4,831,566                | 206,207            | 5,037,773                   | 5,037,773          | 4,635,903          | (401,870)           |              | 92.02%                                 | 95.95%                                    |
| Housing                                     | 1,619,782                | 201,223            | 1,821,005                   | 1,821,005          | 1,821,005          | 0                   |              | 100.00%                                | 112.42%                                   |
| Health                                      | -                        | -                  | -                           | -                  | -                  | -                   |              | -                                      | -   |
| <b>Economic and Environmental Services:</b> |                          |                    |                             |                    |                    |                     |              |  |   |
| Planning and Development                    | 2,406,568                | (673,742)          | 1,732,826                   | 1,732,826          | 1,952,304          | 219,478             |              | 112.67%                                | 81.12%                                    |
| Road Transport                              | 13,660,857               | -                  | 13,660,857                  | 13,660,857         | 24,369,267         | 10,708,411          |              | 178.39%                                | 178.39%                                   |
| Environmental protection                    | -                        | -                  | -                           | -                  | -                  | -                   |              | -                                      | -   |
| <b>Trading Services:</b>                    |                          |                    |                             |                    |                    |                     |              |  |   |
| Electricity                                 | 49,133,841               | (8,938,361)        | 40,195,480                  | 40,195,480         | 45,087,577         | 4,892,097           |              | 112.17%                                | 91.76%                                    |
| Water                                       | 74,513,031               | (7,493,031)        | 67,020,000                  | 67,020,000         | 50,472,361         | (16,547,639)        |              | 75.31%                                 | 67.74%                                    |
| Water Waste Management                      | 27,429,960               | (255,960)          | 27,174,000                  | 27,174,000         | 52,889,373         | 25,715,373          |              | 194.63%                                | 192.82%                                   |
| Waste Management                            | 15,540,800               | (526,800)          | 15,014,000                  | 15,014,000         | 18,053,946         | 3,039,946           |              | 120.25%                                | 116.17%                                   |
| <b>Other:</b>                               |                          |                    |                             |                    |                    |                     |              |  |   |
| Other                                       | -                        | -                  | -                           | -                  | -                  | -                   |              | -                                      | -   |
| <b>Total Revenue - Standard</b>             | <b>264,666,854</b>       | <b>(6,477,602)</b> | <b>258,189,252</b>          | <b>258,189,252</b> | <b>285,401,601</b> | <b>27,212,349</b>   |              | <b>110.54%</b>                         | <b>107.83%</b>                            |
| <b>EXPENDITURE - STANDARD</b>               |                          |                    |                             |                    |                    |                     |              |  |   |
| <b>Governance and Administration:</b>       |                          |                    |                             |                    |                    |                     |              |  |   |
| Executive and council                       | 23,816,925               | (5,465,178)        | 18,351,748                  | 18,351,748         | 19,251,428         | 899,680             |              | 104.90%                                | 80.83%                                    |
| Budget and treasury office                  | 42,474,176               | 5,816,880          | 48,291,056                  | 48,291,056         | 53,185,425         | 4,894,369           |              | 110.14%                                | 125.22%                                   |
| Corporate services                          | 7,346,982                | 782,278            | 8,129,259                   | 8,129,259          | 8,181,059          | 51,799              |              | 100.64%                                | 111.35%                                   |
| <b>Community and Public Safety:</b>         |                          |                    |                             |                    |                    |                     |              |  |   |
| Community and Social Services               | 8,947,737                | 29,138             | 8,976,875                   | 8,976,875          | 9,674,911          | 2,698,037           |              | 138.67%                                | 139.25%                                   |
| Sport and Recreation                        | 3,942,553                | 1,302,302          | 5,244,855                   | 5,244,855          | 6,293,031          | 1,048,176           |              | 119.98%                                | 159.62%                                   |
| Public Safety                               | 4,831,566                | 206,207            | 5,037,773                   | 5,037,773          | 5,066,164          | 28,391              |              | 100.56%                                | 104.86%                                   |
| Housing                                     | 1,619,782                | 201,223            | 1,821,005                   | 1,821,005          | 1,779,797          | (41,208)            |              | 97.74%                                 | 109.88%                                   |
| Health                                      | -                        | -                  | -                           | -                  | -                  | -                   |              | -                                      | -   |
| <b>Economic and Environmental Services:</b> |                          |                    |                             |                    |                    |                     |              |  |   |
| Planning and Development                    | 3,032,447                | (836,050)          | 2,196,397                   | 2,196,397          | 2,059,272          | (137,125)           |              | 93.76%                                 | 87.91%                                    |
| Road Transport                              | 8,931,494                | (3,072,251)        | 5,859,243                   | 5,859,243          | 34,088,958         | 28,229,715          |              | 581.80%                                | 381.67%                                   |
| Environmental Protection                    | -                        | -                  | -                           | -                  | -                  | -                   |              | -                                      | -   |
| <b>Trading Services:</b>                    |                          |                    |                             |                    |                    |                     |              |  |   |
| Electricity                                 | 47,238,817               | (3,289,627)        | 43,949,190                  | 43,949,190         | 55,184,984         | 11,235,794          |              | 125.57%                                | 116.82%                                   |
| Water                                       | 27,406,377               | (3,492,657)        | 23,913,719                  | 23,913,719         | 40,576,924         | 16,663,204          |              | 169.68%                                | 148.06%                                   |
| Waste Water Management                      | 14,533,448               | 759,165            | 15,292,613                  | 15,292,613         | 30,931,248         | 15,638,635          |              | 202.26%                                | 212.83%                                   |
| Waste Management                            | 14,117,201               | 330,330            | 14,447,531                  | 14,447,531         | 23,630,716         | 9,183,185           |              | 163.56%                                | 167.39%                                   |
| <b>Other:</b>                               |                          |                    |                             |                    |                    |                     |              |  |   |
| Other                                       | -                        | -                  | -                           | -                  | -                  | -                   |              | -                                      | -   |
| <b>Total Expenditure - Standard</b>         | <b>206,239,506</b>       | <b>(6,728,241)</b> | <b>199,511,265</b>          | <b>199,511,265</b> | <b>289,903,918</b> | <b>90,392,653</b>   |              | <b>145.31%</b>                         | <b>140.57%</b>                            |
|   |                          |                    |                             |                    |                    |                     |              |  |   |
|   | <b>58,427,348</b>        | <b>250,639</b>     | <b>58,677,987</b>           | <b>58,677,987</b>  | <b>(4,502,317)</b> | <b>(63,180,304)</b> |              | <b>(7.57)%</b>                         | <b>(7.71)%</b>                            |



|                                |  |  |  |  |  |  |  |  |
|--------------------------------|--|--|--|--|--|--|--|--|
| Surplus/(Deficit) for the year |  |  |  |  |  |  |  |  |
|--------------------------------|--|--|--|--|--|--|--|--|

**Mantsopa Local Municipality (FS196)**

Financial Statement for the year ended 30 June 2017

**Appendix E(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Description                           | 2017                     |                    |                             |                    |                    |                     |                     |  |   |
|---------------------------------------|--------------------------|--------------------|-----------------------------|--------------------|--------------------|---------------------|---------------------|--|---|
|                                       | Original<br>Total Budget | Budget Adjustments | Final<br>Adjustments Budget | Final Budget       | Actual Outcome     | Variance            | Unauthorised        | Actual Outcome<br>as % of Final Budget | Actual Outcome<br>as % of Original Budget |
| <b>REVENUE BY VOTE</b>                | <b>R</b>                 | <b>R</b>           | <b>R</b>                    | <b>R</b>           | <b>R</b>           | <b>R</b>            | <b>R</b>            | <b>R</b>                               | <b>R</b>                                  |
| Vote 1 - Municipal Manager            | 10,837,245               | (1,726,450)        | 9,110,794                   | 9,110,794          | 9,110,794          | (0)                 | -                   | 100.00%                                | 84.07%                                    |
| Vote 2 - Council                      | 5,259,000                | 5,179,680          | 10,438,680                  | 10,438,680         | 18,046,187         | 7,607,507           | -                   | 172.88%                                | 343.15%                                   |
| Vote 3 - Financial Services           | 49,486,131               | 6,745,203          | 56,231,334                  | 56,231,334         | 46,537,751         | (9,693,582)         | -                   | 82.76%                                 | 94.04%                                    |
| Vote 4 - Corporate Services           | 1,300                    | (1,265)            | 35                          | 35                 | 20                 | (15)                | -                   | 57.66%                                 | 1.55%                                     |
| Vote 5 - Community Services           | 11,332,330               | 688,658            | 12,020,988                  | 12,020,988         | 14,239,376         | 2,218,388           | -                   | 118.45%                                | 125.65%                                   |
| Vote 6 - Technical Services           | 187,750,847              | (17,363,426)       | 170,387,421                 | 170,387,421        | 197,467,481        | 27,080,060          | -                   | 115.89%                                | 105.18%                                   |
| <b>Total Revenue by Vote</b>          | <b>264,666,854</b>       | <b>(6,477,601)</b> | <b>258,189,252</b>          | <b>258,189,252</b> | <b>285,401,609</b> | <b>27,212,357</b>   | <b>-</b>            | <b>110.54%</b>                         | <b>107.83%</b>                            |
| <b>EXPENDITURE BY VOTE</b>            |                          |                    |                             |                    |                    |                     |                     |  |   |
| Vote 1 - Municipal Manager            | 10,591,653               | (1,501,059)        | 9,090,594                   | 9,090,594          | 9,816,245          | 725,650             | 725,650             | 107.98%                                | 92.68%                                    |
| Vote 2 - Council                      | 14,678,791               | (4,637,861)        | 10,040,930                  | 10,040,930         | 2,997,307          | (7,043,622)         | -                   | 29.85%                                 | 20.42%                                    |
| Vote 3 - Financial Services           | 42,474,176               | 5,816,880          | 48,291,056                  | 48,291,056         | 60,196,125         | 11,905,069          | 11,905,069          | 124.65%                                | 141.72%                                   |
| Vote 4 - Corporate Services           | 7,346,982                | 782,278            | 8,129,259                   | 8,129,259          | 8,181,059          | 51,799              | 51,799              | 100.64%                                | 111.35%                                   |
| Vote 5 - Community Services           | 15,274,884               | 1,990,960          | 17,265,843                  | 17,265,843         | 17,513,035         | 247,191             | 247,191             | 101.43%                                | 114.65%                                   |
| Vote 6 - Technical Services           | 115,873,020              | (9,179,438)        | 106,693,582                 | 106,693,582        | 191,200,147        | 84,506,566          | 84,506,566          | 179.20%                                | 165.01%                                   |
| <b>Total Expenditure by Vote</b>      | <b>206,239,506</b>       | <b>(6,728,241)</b> | <b>199,511,265</b>          | <b>199,511,265</b> | <b>289,903,918</b> | <b>90,392,653</b>   | <b>97,436,275</b>   | <b>145.31%</b>                         | <b>140.57%</b>                            |
| <b>Surplus/(Deficit) for the year</b> | <b>58,427,348</b>        | <b>250,639</b>     | <b>58,677,987</b>           | <b>58,677,987</b>  | <b>(4,502,309)</b> | <b>(63,180,296)</b> | <b>(97,436,275)</b> | <b>-7.67%</b>                          | <b>-7.71%</b>                             |

## Mantsopa Local Municipality (FS196)

Financial Statements for the year ended 30 June 2017

### Appendix E(3): Budgeted Financial Performance (revenue and expenditure)

| Description                                     | 2017                     |                    |                             |                    |                     |                     |                   |  |   |
|---|--------------------------|--------------------|-----------------------------|--------------------|---------------------|---------------------|-------------------|--|---|
|   | Original<br>Total Budget | Budget Adjustments | Final<br>Adjustments Budget | Final Budget       | Actual Outcome      | Variance            | Unauthori-<br>sed | Actual Outcome<br>as % of Final Budget | Actual Outcome<br>as % of Original Budget |
|   | R                        | R                  | R                           | R                  | R                   | R                   | R                 | R                                      | R   |
| <b>Revenue by Source</b>                        |                          |                    |                             |                    |                     |                     |                   |  |   |
| Property rates                                  | 13,700,535               | -                  | 13,700,535                  | 13,700,535         | 12,791,034          | (909,501)           | -                 | 93.36%                                 | 93.36%                                    |
| Property rates - penalties & collection charges | -                        | -                  | -                           | -                  | -                   | -                   | -                 | -                                      | -   |
| Service charges - electricity revenue           | 45,022,841               | (8,309,321)        | 36,713,520                  | 36,713,520         | 34,094,797          | (2,618,723)         | -                 | 92.87%                                 | 75.73%                                    |
| Service charges - water revenue                 | 33,716,831               | (6,236,575)        | 27,480,256                  | 27,480,256         | 36,116,121          | 8,635,865           | -                 | 131.43%                                | 107.12%                                   |
| Service charges - sanitation revenue            | 15,954,960               | 1,150,640          | 17,105,600                  | 17,105,600         | 21,907,173          | 4,801,573           | -                 | 128.07%                                | 137.31%                                   |
| Service charges - refuse revenue                | 10,729,800               | 334,200            | 11,064,000                  | 11,064,000         | 14,106,014          | 3,042,014           | -                 | 127.49%                                | 131.47%                                   |
| Service charges - other                         | -                        | -                  | -                           | -                  | -                   | -                   | -                 | -                                      | -   |
| Rental of facilities and equipment              | 1,230,015                | (213,015)          | 1,017,000                   | 1,017,000          | -                   | (1,017,000)         | -                 | -                                      | -   |
| Interest earned - external investments          | 316,000                  | 174,000            | 490,000                     | 490,000            | 635,007             | 145,007             | -                 | 129.59%                                | 200.95%                                   |
| Interest earned - outstanding debtors           | 13,733,521               | 6,643,455          | 20,376,976                  | 20,376,976         | 23,972,833          | 3,595,857           | -                 | 117.65%                                | 174.56%                                   |
| Dividends received                              | 20,000                   | -                  | 20,000                      | 20,000             | 32,554              | 12,554              | -                 | 162.77%                                | 162.77%                                   |
| Fines   | 1,015,000                | (9,000)            | 1,006,000                   | 1,006,000          | 598,630             | (407,370)           | -                 | 59.51%                                 | 58.98%                                    |
| Licences and permits                            | -                        | -                  | -                           | -                  | -                   | -                   | -                 | -                                      | -   |
| Agency services                                 | -                        | -                  | -                           | -                  | -                   | -                   | -                 | -                                      | -   |
| Transfers recognised - operating                | 71,511,050               | -                  | 71,511,050                  | 71,511,050         | 70,557,925          | (953,125)           | -                 | 98.67%                                 | 98.67%                                    |
| Other revenue                                   | 1,048,350                | (11,985)           | 1,036,365                   | 1,036,365          | 2,542,588           | 1,506,223           | -                 | 245.34%                                | 242.53%                                   |
| Gains on disposal of PPE                        | -                        | -                  | -                           | -                  | -                   | -                   | -                 | -                                      | -   |
| <b>Total Revenue</b>                            | <b>207,998,904</b>       | <b>(6,477,601)</b> | <b>201,521,302</b>          | <b>201,521,302</b> | <b>217,354,676</b>  | <b>15,833,374</b>   | -                 | <b>104.50%</b>                         | <b>104.50%</b>                            |
| <b>Expenditure</b>                              |                          |                    |                             |                    |                     |                     |                   |  |   |
| Employee related costs                          | 80,255,775               | (5,969,212)        | 74,286,563                  | 74,286,563         | 78,119,377          | 3,832,814           | -                 | 105.16%                                | 97.34%                                    |
| Remuneration of councillors                     | 6,793,535                | (692,774)          | 6,100,761                   | 6,100,761          | 5,933,234           | (167,527)           | -                 | 97.25%                                 | 87.34%                                    |
| Increase / (decrease) in provisions             | -                        | -                  | -                           | -                  | (1,586,999)         | (1,586,999)         | -                 | 100.00%                                | 100.00%                                   |
| Debt impairment                                 | 28,883,559               | (391,379)          | 28,492,181                  | 28,492,181         | 43,369,017          | 14,876,836          | -                 | 152.21%                                | 150.15%                                   |
| Depreciation & asset impairment                 | 3,939,487                | -                  | 3,939,487                   | 3,939,487          | 52,545,645          | 48,606,158          | -                 | 1333.82%                               | 1333.82%                                  |
| Finance charges                                 | -                        | -                  | -                           | -                  | 18,467,206          | 18,467,206          | -                 | 100.00%                                | 100.00%                                   |
| Bulk purchases                                  | 39,365,600               | -                  | 39,365,600                  | 39,365,600         | 40,643,602          | 1,278,002           | -                 | 103.25%                                | 103.25%                                   |
| Other materials                                 | 6,358,000                | (1,140,375)        | 5,217,625                   | 5,217,625          | 4,628,740           | (588,885)           | -                 | 88.71%                                 | 72.80%                                    |
| Contracted services                             | 3,000,000                | (1,800,000)        | 1,200,000                   | 1,200,000          | 832,693             | (367,307)           | -                 | 69.39%                                 | 27.76%                                    |
| Transfers and grants                            | 1,764,000                | (329,520)          | 1,434,480                   | 1,434,480          | 2,097,642           | 663,162             | -                 | 146.23%                                | 118.91%                                   |
| Other expenditure                               | 35,879,550               | 3,595,020          | 39,474,569                  | 39,474,569         | 31,260,743          | (8,213,826)         | -                 | 79.19%                                 | 87.13%                                    |
| Loss on disposal of PPE                         | -                        | -                  | -                           | -                  | 13,559,750          | 13,559,750          | -                 | 100.00%                                | 100.00%                                   |
| Fair value adjustment                           | -                        | -                  | -                           | -                  | 33,268              | 33,268              | -                 | 100.00%                                | 100.00%                                   |
| <b>Total Expenditure</b>                        | <b>206,239,506</b>       | <b>(6,728,240)</b> | <b>199,511,266</b>          | <b>199,511,266</b> | <b>289,903,918</b>  | <b>90,392,652</b>   | -                 | <b>140.57%</b>                         | <b>140.57%</b>                            |
| <b>Surplus/(Deficit)</b>                        | <b>1,759,398</b>         | <b>250,639</b>     | <b>2,010,037</b>            | <b>2,010,037</b>   | <b>(72,549,242)</b> | <b>(74,559,279)</b> | -                 | <b>(3609.35)%</b>                      | <b>(4123.53)%</b>                         |
| Transfers Recognised - Capital                  | 56,667,950               | -                  | 56,667,950                  | 56,667,950         | 68,046,925          | 11,378,975          | -                 | 120.08%                                | 120.08%                                   |
| <b>Surplus/(Deficit) for the Year</b>           | <b>58,427,348</b>        | <b>250,639</b>     | <b>58,677,987</b>           | <b>58,677,987</b>  | <b>(4,502,317)</b>  | <b>(63,180,304)</b> | -                 | <b>-7.67%</b>                          | <b>-7.71%</b>                             |
|   |                          |                    |                             |                    |                     |                     |                   |  |   |

**Mantsopa Local Municipality (FS196)**

Financial Statement for the year ended 30 June 2017

**Appendix E(4): Budgeted Capital Expenditure by vote, standard classification and funding**

| Description                                    | 2017                     |                    |                             |                   |                   |                  |              |  |   |
|--|--------------------------|--------------------|-----------------------------|-------------------|-------------------|------------------|--------------|--|---|
|  | Original<br>Total Budget | Budget Adjustments | Final<br>Adjustments Budget | Final Budget      | Actual Outcome    | Variance         | Unauthorised | Actual Outcome<br>as % of Final Budget | Actual Outcome<br>as % of Original Budget |
| <b>CAPITAL EXPENDITURE - VOTE</b>              |                          |                    |                             |                   |                   |                  |              |  |   |
| <b>Multi-year Expenditure</b>                  |                          |                    |                             |                   |                   |                  |              |  |   |
| Vote 1 - Municipal Manager                     | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Vote 2 - Council                               | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Vote 3 - Financial Services                    | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Vote 4 - Corporate Services                    | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Vote 5 - Community Services                    | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Vote 6 - Technical Services                    | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| <b>Total Capital Expenditure - Multi-year</b>  |                          |                    |                             |                   |                   |                  |              |  |   |
| <b>Single-year Expenditure</b>                 |                          |                    |                             |                   |                   |                  |              |  |   |
| Vote 1 - Municipal Manager                     | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Vote 2 - Council                               | 500,000                  | 31,274             | 531,274                     | 531,274           | -                 | (531,274)        | -            | -                                      | -   |
| Vote 3 - Financial Services                    | -                        | 9,822              | 9,822                       | 9,822             | 3,103,090         | 3,094,268        | -            | 35172.98%                              | 100.00%                                   |
| Vote 4 - Corporate Services                    | -                        | 198,400            | 198,400                     | 198,400           | 125,112           | (73,288)         | -            | 63.06%                                 | 100.00%                                   |
| Vote 5 - Community Services                    | 3,988,101                | -                  | 3,988,101                   | 3,988,101         | -                 | (3,988,101)      | -            | -                                      | -   |
| Vote 6 - Technical Services                    | 53,929,849               | 17,641             | 53,947,490                  | 53,947,490        | 62,690,164        | 8,742,674        | -            | 116.21%                                | 116.24%                                   |
| <b>Total Capital Expenditure - Single-year</b> | <b>58,417,950</b>        | <b>256,137</b>     | <b>58,674,087</b>           | <b>58,674,087</b> | <b>65,918,366</b> | <b>7,244,279</b> | -            | <b>112.35%</b>                         | <b>112.84%</b>                            |
| <b>Total Capital Expenditure - Vote</b>        | <b>58,417,950</b>        | <b>256,137</b>     | <b>58,674,087</b>           | <b>58,674,087</b> | <b>65,918,366</b> | <b>7,244,279</b> | -            | <b>112.35%</b>                         | <b>112.84%</b>                            |
| <b>CAPITAL EXPENDITURE - STANDARD</b>          |                          |                    |                             |                   |                   |                  |              |  |   |
| <b>Governance and Administration:</b>          |                          |                    |                             |                   |                   |                  |              |  |   |
| Executive and Council                          | 500,000                  | 31,274             | 531,274                     | 531,274           | -                 | (531,274)        | -            | -                                      | -   |
| Budget and Treasury Office                     | -                        | 9,822              | 9,822                       | 9,822             | 3,103,090         | 3,094,268        | -            | 35172.98%                              | 100.00%                                   |
| Corporate Services                             | -                        | 198,400            | 198,400                     | 198,400           | 125,112           | (73,288)         | -            | 63.06%                                 | 100.00%                                   |
| <b>Community and Public Safety:</b>            |                          |                    |                             |                   |                   |                  |              |  |   |
| Community and Social Services                  | 908,992                  | 5,800              | 914,792                     | 914,792           | -                 | (914,792)        | -            | -                                      | -   |
| Sport and Recreation                           | 3,988,101                | -                  | 3,988,101                   | 3,988,101         | 6,736,894         | 2,748,793        | -            | 168.92%                                | 168.92%                                   |
| <b>Economic and Environmental Services:</b>    |                          |                    |                             |                   |                   |                  |              |  |   |
| Planning and Development                       | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Road Transport                                 | 12,660,857               | -                  | 12,660,857                  | 12,660,857        | 23,018,764        | 10,357,907       | -            | 181.81%                                | 181.81%                                   |
| Environmental protection                       | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| <b>Trading Services:</b>                       |                          |                    |                             |                   |                   |                  |              |  |   |
| Electricity                                    | 2,750,000                | -                  | 2,750,000                   | 2,750,000         | 1,898,433         | (851,567)        | -            | 69.03%                                 | 69.03%                                    |
| Water  | 34,060,000               | 11,841             | 34,071,841                  | 34,071,841        | 31,036,073        | (3,035,768)      | -            | 91.09%                                 | 91.12%                                    |
| Waste water management                         | 3,550,000                | -                  | 3,550,000                   | 3,550,000         | -                 | (3,550,000)      | -            | -                                      | -   |
| <b>Other:</b>                                  |                          |                    |                             |                   |                   |                  |              |  |   |
| Other  | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| <b>Total Capital Expenditure - Standard</b>    | <b>58,417,950</b>        | <b>256,137</b>     | <b>58,674,087</b>           | <b>58,674,087</b> | <b>65,918,366</b> | <b>7,244,279</b> | -            | <b>112.84%</b>                         | <b>112.35%</b>                            |
| <b>FUNDED BY:</b>                              |                          |                    |                             |                   |                   |                  |              |  |   |
| National Government                            | 56,667,950               | -                  | 56,667,950                  | 56,667,950        | 62,134,540        | 5,466,590        | -            | 109.65%                                | 109.65%                                   |
| Provincial Government                          | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| District Municipality                          | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Other transfers and grants                     | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| <b>Transfers Recognised - Capital</b>          | <b>56,667,950</b>        | -                  | <b>56,667,950</b>           | <b>56,667,950</b> | <b>62,134,540</b> | <b>5,466,590</b> | -            | <b>109.65%</b>                         | <b>109.65%</b>                            |
| Borrowing                                      | -                        | -                  | -                           | -                 | -                 | -                | -            | -                                      | -   |
| Internally generated funds                     | 1,750,000                | 256,138            | 2,006,138                   | 2,006,138         | 3,783,826         | 1,777,688        | -            | 188.61%                                | 216.22%                                   |
| <b>Total Capital Funding</b>                   | <b>58,417,950</b>        | <b>256,138</b>     | <b>58,674,088</b>           | <b>58,674,088</b> | <b>65,918,366</b> | <b>7,244,278</b> | -            | <b>112.35%</b>                         | <b>112.84%</b>                            |

| Description   | 2017                |                     |                     |                     |                     |                    |                      |                         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|----------------------|-------------------------|
|   | Original            | Budget              | Final               |                     |                     |                    | Actual Outcome       | Actual Outcome          |
|   | Total Budget        | Adjustments         | Adjustments Budget  | Final Budget        | Actual Outcome      | Variance           | as % of Final Budget | as % of Original Budget |
|   | R                   | R                   | R                   | R                   | R                   | R                  | R                    | R                       |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>          |                     |                     |                     |                     |                     |                    |                      |                         |
| <b>Receipts</b>                                     |                     |                     |                     |                     |                     |                    |                      |                         |
| Property rates, penalties & collection charges      | 10,960,428          | -                   | 10,960,428          | 10,960,428          | 10,867,219          | (93,209)           | 99.15%               | 99.15%                  |
| Service charges                                     | 83,375,993          | (11,026,433)        | 72,349,560          | 72,349,560          | 14,007,549          | (58,342,011)       | 19.36%               | 16.80%                  |
| Other revenue                                       | 2,273,365           | -                   | 2,273,365           | 2,273,365           | 4,043,550           | 1,770,185          | 177.87%              | 177.87%                 |
| Government - operating                              | 71,511,050          | -                   | 71,511,050          | 71,511,050          | 70,557,925          | (953,125)          | 98.67%               | 98.67%                  |
| Government - capital                                | 56,667,950          | -                   | 56,667,950          | 56,667,950          | 28,463,321          | (28,204,629)       | 50.23%               | 50.23%                  |
| Interest  | 14,049,521          | (2,871,954)         | 11,177,567          | 11,177,567          | 24,607,840          | 13,430,273         | 220.15%              | 175.15%                 |
| Dividends   | 20,000              | -                   | 20,000              | 20,000              | 32,554              | 12,554             | 162.77%              | 162.77%                 |
| <b>Payments</b>                                     |                     |                     |                     |                     |                     |                    |                      |                         |
| Suppliers and Employees                             | (188,095,105)       | -                   | (188,095,105)       | (188,095,105)       | (108,691,146)       | 79,403,959         | 57.79%               | 57.79%                  |
| Finance Charges                                     | -                   | -                   | -                   | -                   | (18,467,206)        | (18,467,206)       | (100.00)%            | (100.00)%               |
| Transfers and Grants                                | -                   | -                   | -                   | -                   | -                   | -                  | -                    | -                       |
| <b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>  | <b>50,763,202</b>   | <b>-13,898,387</b>  | <b>36,864,815</b>   | <b>36,864,815</b>   | <b>25,421,606</b>   | <b>-11,443,209</b> | <b>68.96%</b>        | <b>50.08%</b>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>         |                     |                     |                     |                     |                     |                    |                      |                         |
| <b>Receipts</b>                                     |                     |                     |                     |                     |                     |                    |                      |                         |
| Proceeds on Disposal of PPE                         | -                   | -                   | -                   | -                   | -                   | -                  | -                    | -                       |
| Decrease / (Increase) in Non-current Debtors        | -                   | -                   | -                   | -                   | -                   | -                  | -                    | -                       |
| Decrease / (Increase) Other Non-current Receivables | -                   | -                   | -                   | -                   | (20,598)            | (20,598)           | (100.00)%            | (100.00)%               |
| Decrease / (Increase) in Non-current Investments    | -                   | -                   | -                   | -                   | -                   | -                  | -                    | -                       |
| <b>Payments</b>                                     |                     |                     |                     |                     |                     |                    |                      |                         |
| Capital Assets                                      | (58,417,950)        | (256,138)           | (58,674,088)        | (58,674,088)        | (27,207,520)        | 31,466,568         | 46.37%               | 46.57%                  |
| <b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>  | <b>(58,417,950)</b> | <b>(256,138)</b>    | <b>(58,674,088)</b> | <b>(58,674,088)</b> | <b>(27,228,118)</b> | <b>31,466,568</b>  | <b>46.41%</b>        | <b>46.61%</b>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |                     |                     |                     |                     |                     |                    |                      |                         |
| <b>Receipts</b>                                     |                     |                     |                     |                     |                     |                    |                      |                         |
| Borrowing long term/refinancing                     | -                   | -                   | -                   | -                   | -                   | -                  | -                    | -                       |
| Increase (decrease) in consumer deposits            | -                   | -                   | -                   | -                   | -                   | -                  | -                    | -                       |
| <b>Payments</b>                                     |                     |                     |                     |                     |                     |                    |                      |                         |
| Proceeds of borrowing                               | -                   | -                   | -                   | -                   | 3,003,487           | 3,003,487          | 100.00%              | 100.00%                 |
| Repayment of borrowing                              | -                   | -                   | -                   | -                   | (996,449)           | (996,449)          | (100.00)%            | (100.00)%               |
| <b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>  | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>2,007,038</b>    | <b>2,007,038</b>   | <b>100.00%</b>       | <b>100.00%</b>          |
| <b>NET INCREASE / (DECREASE) IN CASH HELD</b>       | <b>(7,644,748)</b>  | <b>(14,154,525)</b> | <b>(21,799,274)</b> | <b>(21,799,274)</b> | <b>200,526</b>      | <b>4,014,077</b>   | <b>-0.92%</b>        | <b>-2.62%</b>           |
| Cash / Cash Equivalents at the Year begin:          | 5,000               | -                   | 5,000               | 5,000               | (986,753)           | (991,753)          | (19735.06)%          | (19735.06)%             |

|  |             |              |              |              |           |            |         |         |
|--|-------------|--------------|--------------|--------------|-----------|------------|---------|---------|
| Cash / Cash Equivalents at the Year end: | (7,649,748) | (14,154,525) | (21,804,274) | (21,804,274) | 1,187,279 | 22,991,553 | (5.45)% | (5.45)% |
|--|-------------|--------------|--------------|--------------|-----------|------------|---------|---------|

## Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

| Name of Grant   | Name of Organ of State or Municipal Entity | Opening Balance | Repayment        | Total Receipts     | Total Expenses       | Net Grant        | Reason for Delay / Withholding of Funds | Compliance to Revenue Act | Reason for Non-compliance |
|---|--|-----------------|------------------|--------------------|----------------------|------------------|---|---------------------------|---------------------------|
| Equitable Share   | Nat Treasury                               | -               | -                | 67,747,925         | (67,747,925)         | -                | -                                       | Yes                       | N/a                       |
| EPWP  | Nat Treasury                               | -               | -                | 1,000,000          | (1,000,000)          | -                | -                                       | Yes                       | N/a                       |
| Integrated National Electrification Grant (INEG)  | Nat Treasury                               | 872,758         | (872,758)        | 2,522,595          | (2,522,595)          | -                | -                                       | Yes                       | N/a                       |
| Thabo Mofutsanyana (District Municipality)  | District                                   | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| Grant in-kind: Thaba Phatswa Oxidation Pond   | Various                                    | -               | -                | 24,237,933         | (24,237,933)         | -                | -                                       | Yes                       | N/a                       |
| Grant in-kind: Tweespruit / Borwa (Road Reticulation)                                     | Various                                    | -               | -                | 6,140,351          | (6,140,351)          | -                | -                                       | Yes                       | N/a                       |
| Grant in-kind: Excelsior / Mahlatswetsa (Road Reticulation)                               | Various                                    | -               | -                | 3,813,883          | (3,813,883)          | -                | -                                       | Yes                       | N/a                       |
| Grant in-kind: Borwa / Tweespruit (Construction of Taxi Rank)                             | Various                                    | -               | -                | 2,620,247          | (2,620,247)          | -                | -                                       | Yes                       | N/a                       |
| Grant in-kind: Bulk Infrastructure (Dan Pienaar Substation)                               | Various                                    | -               | -                | 1,898,433          | (1,898,433)          | -                | -                                       | Yes                       | N/a                       |
| Thusanong, Mandela, Flamingo and New Platberg Parks (Department of Environmental Affairs) | Provincial                                 | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| Buy Back Centre (Department of Environmental Affairs)                                     | Provincial                                 | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| Electrification of Platberg (Department of Mineral and Energy)                            | Provincial                                 | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| Various Roads (Free State Department of Public Works)                                     | Provincial                                 | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| New Platberg Sewer Pump Station   | Provincial                                 | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| Energy Efficiency Demand Grant (EEDG)   | Provincial                                 | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| MIG   | Nat Treasury                               | -               | -                | 19,061,000         | (19,061,000)         | -                | -                                       | Yes                       | N/a                       |
| FMG   | Nat Treasury                               | -               | -                | 1,810,000          | (1,810,000)          | -                | -                                       | Yes                       | N/a                       |
| MSIG  | Nat Treasury                               | -               | -                | -                  | -                    | -                | -                                       | Yes                       | N/a                       |
| DWAF  | Provincial                                 | (673,656)       | -                | 8,008,078          | (7,752,483)          | (418,061)        | -                                       | Yes                       | N/a                       |
| <b>Total Grants and Subsidies Received</b>  |  | <b>199,102</b>  | <b>(872,758)</b> | <b>138,860,445</b> | <b>(138,604,850)</b> | <b>(418,061)</b> |   |                           |                           |

**Mantsopa Local Municipality (FS196)**

Financial Statement for the year ended 30 June 2017

**Appendix G: Statement of Remuneration of Management**

30 June 2017

| Incumbent  | Fees for Service | Basic Services   | Bonus          | es | Allowances       | Contributions to Funds | Other Short-term Benefits | Total Remuneration |
|--|------------------|------------------|----------------|----|------------------|------------------------|---------------------------|--------------------|
|  | es               |                  |                |    |                  |                        |                           |                    |
| <b>Mayor</b>   |                  |                  |                |    |                  |                        |                           |                    |
| ME Tsone   | -                | 545,268          | -              | -  | 32,967           | 81,623                 | -                         | 709,858            |
| SD Ntsepe (previous)                                   | -                | 45,626           | -              | -  | 3,356            | 11,225                 | -                         | 60,207             |
| <b>Speaker</b>   |                  |                  |                |    |                  |                        |                           |                    |
| MJ Moduka  | -                | 413,345          | -              | -  | 76,698           | 78,093                 | -                         | 568,136            |
| MA Majara (previous)                                   | -                | 46,748           | -              | -  | 7,092            | 7,488                  | -                         | 61,328             |
| <b>Councillors</b>                                     |                  |                  |                |    |                  |                        |                           |                    |
| YJ Jacobs  | -                | 219,266          | -              | -  | 100,842          | 31,163                 | -                         | 351,271            |
| MA Malakane (previous)                                 | -                | 15,519           | -              | -  | 3,584            | 4,117                  | -                         | 23,220             |
| J Machakela (previous)                                 | -                | 3,278            | -              | -  | -                | -                      | -                         | 3,278              |
| PN Nakalebe  | -                | 174,165          | -              | -  | 49,178           | 63,101                 | -                         | 286,443            |
| NU Thaise  | -                | 395,848          | -              | -  | 32,978           | 28,238                 | -                         | 456,064            |
| KI Tigeli  | -                | 179,841          | -              | -  | 32,978           | 52,198                 | -                         | 264,017            |
| GM Seoe  | -                | 206,064          | -              | -  | 32,978           | 28,238                 | -                         | 267,279            |
| MC Chomane (previous)                                  | -                | 40,914           | -              | -  | 3,148            | 2,390                  | -                         | 46,452             |
| PP Raboko (previous)                                   | -                | 34,639           | -              | -  | 3,148            | 2,390                  | -                         | 39,177             |
| DT Molefe  | -                | 147,517          | -              | -  | 32,080           | 47,608                 | -                         | 227,205            |
| BE Moya  | -                | 130,827          | -              | -  | 73,933           | 33,803                 | -                         | 238,563            |
| BM Sari  | -                | 154,813          | -              | -  | 40,732           | 38,027                 | -                         | 233,572            |
| T Halse  | -                | 213,974          | -              | -  | 49,494           | 30,635                 | -                         | 294,102            |
| DJ Hattingh  | -                | 168,468          | -              | -  | 40,732           | 23,124                 | -                         | 232,323            |
| LP Moletsane   | -                | 168,468          | -              | -  | 40,732           | 23,124                 | -                         | 232,323            |
| SOG Gaba   | -                | 147,413          | -              | -  | 73,933           | 21,261                 | -                         | 242,607            |
| RT Mphahlele   | -                | 193,046          | -              | -  | 73,933           | 21,261                 | -                         | 288,239            |
| SJ Moses   | -                | 147,413          | -              | -  | 73,933           | 21,261                 | -                         | 242,607            |
| BA Maboza  | -                | 147,413          | -              | -  | 73,933           | 21,261                 | -                         | 242,607            |
| AL Kouvetdt (previous)                                 | -                | 40,818           | -              | -  | 3,148            | 2,390                  | -                         | 46,356             |
| <b>Total for Councillors</b>                           |                  | <b>3,788,696</b> |                |    | <b>1,470,525</b> | <b>374,618</b>         |                           | <b>5,633,239</b>   |
| <b>Municipal Manager</b>                               |                  |                  |                |    |                  |                        |                           |                    |
| SM Selepe  | -                | 1,021,430        | 119,346        | -  | 150,994          | 180,869                | 77                        | 1,472,716          |
| <b>Chief Financial Officer</b>                         |                  |                  |                |    |                  |                        |                           |                    |
| KD Matsie  | -                | 392,141          | 92,858         | -  | 156,233          | 97,712                 | 77                        | 638,021            |
| <b>Director: Community Services</b>                    |                  |                  |                |    |                  |                        |                           |                    |
| KB Sebolai   | -                | 388,624          | 86,374         | -  | 172,287          | 137,041                | 92                        | 1,084,617          |
| <b>Director: Corporate Services</b>                    |                  |                  |                |    |                  |                        |                           |                    |
| PP Moloi   | -                | 394,675          | 86,377         | -  | 95,142           | 210,119                | 92                        | 1,056,405          |
| <b>Director: Infrastructure and Technical Services</b> |                  |                  |                |    |                  |                        |                           |                    |
| NU Ralapeng  | -                | 388,869          | 86,286         | -  | 96,493           | 96,322                 | 46                        | 668,015            |
| <b>Total for Senior Managers</b>                       |                  | <b>3,385,938</b> | <b>471,241</b> |    | <b>631,149</b>   | <b>692,662</b>         | <b>384</b>                | <b>5,180,774</b>   |
| <b>Total for Management</b>                            |                  | <b>7,174,634</b> | <b>471,241</b> |    | <b>2,101,674</b> | <b>1,067,280</b>       | <b>384</b>                | <b>11,114,607</b>  |

30 June 2016

| Incumbent  | Fees for Service | Basic Services   | Bonus | es | Allowances       | Contributions to Funds | Other Short-term Benefits | Total Remuneration |
|--|------------------|------------------|-------|----|------------------|------------------------|---------------------------|--------------------|
|  | es               |                  |       |    |                  |                        |                           |                    |
| <b>Mayor</b>   |                  |                  |       |    |                  |                        |                           |                    |
| SD Ntsepe  | -                | 355,012          | -     | -  | 86,293           | 130,235                | -                         | 571,540            |
| <b>Speaker</b>   |                  |                  |       |    |                  |                        |                           |                    |
| MA Majara  | -                | 458,606          | -     | -  | 83,528           | 88,744                 | -                         | 630,878            |
| <b>Councillors</b>                                     |                  |                  |       |    |                  |                        |                           |                    |
| YJ Jacobs  | -                | 179,095          | -     | -  | 88,064           | 26,195                 | -                         | 293,354            |
| MA Malakane  | -                | 189,560          | -     | -  | 100,796          | 48,290                 | -                         | 338,646            |
| J Machakela  | -                | 190,041          | -     | -  | 32,203           | 28,173                 | -                         | 310,417            |
| PN Nakalebe  | -                | 167,141          | -     | -  | 95,698           | 54,846                 | -                         | 317,685            |
| NU Thaise  | -                | 302,430          | -     | -  | 86,571           | 28,684                 | -                         | 317,685            |
| KI Tigeli  | -                | 170,617          | -     | -  | 95,698           | 51,370                 | -                         | 317,685            |
| GM Seoe  | -                | 193,303          | -     | -  | 95,698           | 28,684                 | -                         | 317,685            |
| MC Chomane   | -                | 193,303          | -     | -  | 95,698           | 28,684                 | -                         | 317,685            |
| PP Raboko  | -                | 193,303          | -     | -  | 95,698           | 28,684                 | -                         | 317,685            |
| DT Molefe  | -                | 170,617          | -     | -  | 95,698           | 51,370                 | -                         | 317,685            |
| BM Sari  | -                | 150,626          | -     | -  | 79,971           | 22,351                 | -                         | 252,948            |
| T Halse  | -                | 150,626          | -     | -  | 79,971           | 22,351                 | -                         | 252,948            |
| DJ Hattingh  | -                | 112,706          | -     | -  | 40,383           | 16,785                 | -                         | 169,874            |
| LP Moletsane   | -                | 134,428          | -     | -  | 32,422           | 18,831                 | -                         | 185,681            |
| D Holmes   | -                | 11,715           | -     | -  | 3,530            | 1,757                  | -                         | 17,002             |
| AL Kouvetdt  | -                | 171,736          | -     | -  | 88,064           | 25,518                 | -                         | 285,318            |
| <b>Total for Councillors</b>                           |                  | <b>3,594,865</b> |       |    | <b>1,500,974</b> | <b>701,552</b>         |                           | <b>5,797,391</b>   |
| <b>Municipal Manager</b>                               |                  |                  |       |    |                  |                        |                           |                    |
| SM Selepe  | -                | 371,376          | -     | -  | 150,994          | 203,331                | 87                        | 735,788            |
| <b>Chief Financial Officer</b>                         |                  |                  |       |    |                  |                        |                           |                    |
| KD Matsie  | -                | 320,402          | -     | -  | 187,480          | 138,620                | 87                        | 646,589            |
| <b>Director: Community Services</b>                    |                  |                  |       |    |                  |                        |                           |                    |
| KB Sebolai   | -                | 372,861          | -     | -  | 172,287          | 128,694                | 87                        | 673,929            |
| <b>Director: Corporate Services</b>                    |                  |                  |       |    |                  |                        |                           |                    |
| PP Moloi   | -                | 388,729          | -     | -  | 210,211          | 161,720                | 87                        | 760,747            |
| <b>Director: Infrastructure and Technical Services</b> |                  |                  |       |    |                  |                        |                           |                    |
| NU Ralapeng  | -                | 373,305          | -     | -  | 172,985          | 126,200                | 87                        | 672,577            |
| <b>Total for Senior Managers</b>                       |                  | <b>3,726,873</b> |       |    | <b>883,957</b>   | <b>666,565</b>         | <b>435</b>                | <b>5,277,830</b>   |
| <b>Total for Management</b>                            |                  | <b>7,321,738</b> |       |    | <b>2,384,931</b> | <b>1,368,117</b>       | <b>435</b>                | <b>11,074,821</b>  |



## CHAPTER: 7 REPORT OF THE AUDITOR-GENERAL SOUTH AFRICA TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE MANTSOPA LOCAL MUNICIPALITY

### ! Report on the audit of the financial statements

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#### Qualified opinion

1. I have audited the financial statements of the Mantsopa Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mantsopa Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

#### Basis for qualified opinion

##### Property, plant and equipment

3. The municipality did not recognise all items of land included in property, plant and equipment in accordance with GRAP 17 *Property, plant and equipment*. Restatements to the cost of land were incorrectly calculated. Consequently, property, plant and equipment was overstated by R63 204 380. Some of the items included in land were further incorrectly recognised as they should have been recognised as investment property. Consequently, property, plant and equipment was overstated and investment property understated by R136 787 696.
4. The municipality did not recognise all items of infrastructure included in property, plant and equipment in accordance with GRAP 17 *Property, plant and equipment*. Restatements to the cost of infrastructure were incorrectly calculated. Consequently, property, plant and equipment was overstated by R8 425 659. Additionally, there was a resultant impact on the accumulated surplus.

##### Investment property

5. I was unable to obtain sufficient appropriate audit evidence for the value of buildings included in investment property as the municipality did not maintain adequate supporting documentation for recorded values. Consequently, I was unable to determine whether any adjustment was necessary to investment property stated at R 112 448 145 {2016: R112 448 145} in note 9 to the financial statements.

## Service charges

6. During 2016, the municipality did not recognise revenue from exchange transactions in accordance with GRAP 9, *Revenue from exchange transactions*. Service charges were incorrectly calculated and levied on consumer accounts, which resulted in revenue from service charges and consumer debtors being understated by R104 293 372. In addition, I was unable to obtain sufficient appropriate audit evidence that the municipality had properly charged and accounted for income from service charges, due to the status of the accounting records. I was unable to confirm revenue from service charges by alternative means. Consequently, I was unable to determine whether any adjustment to service charges stated at R93 725 750 in the financial statements, was necessary. My audit opinion on the financial statements for the period ended 30 June 2016 was modified accordingly. My opinion on the current period's financial statements was also modified because of the possible effect on this matter on the comparability of the current period's figures.

## Inventory

7. The municipality recognised items that did not meet the definition of inventory in accordance with GRAP 12, *Inventory*. Properties held for sale in the ordinary course of business that had been disposed were still included in inventory. Consequently, inventory was overstated by R24 599 953. There was a resultant impact on the surplus for the period and on the accumulated surplus.

## Context for the opinion

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
9. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and 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 code.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## 2. Material uncertainty related to going concern

11. Note 46 in the financial statements indicates that the municipality incurred a net loss of R4 502 317 during the year ended 30 June 2017 and there has been a significant increase in accounts payable of R42 413 306 (2016: R25 914 603). In addition, the municipality owed Eskom R82 670 922 (2016: R63 777 928) as at 30 June 2017 which is long overdue. These conditions, along with other matters as set forth in note 46, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

## Emphasis of matters

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

## Unauthorised expenditure

13. As disclosed in note 47 to the financial statements, the municipality incurred unauthorised expenditure of R98 576 284 (2016: R36 493 000) during the year due to expenditure that exceeded the limits provided for in the main divisions of the approved budget.

## Irregular expenditure

14. As disclosed in note 49 to the financial statements, the municipality incurred irregular expenditure of R7 344 653 (2016: R23 791 583) during the year due to non-compliance with supply chain management requirements. In addition, the full extent of irregular expenditure during the year was still in the process of being determined.

## Fruitless and wasteful expenditure

15. As disclosed in note 48 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R14 239 064 (2016: R9 986 761) during the year due to interest and penalty charges on the late payment of suppliers

## Restatement of corresponding figures

16. As disclosed in notes 43 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2017

## Material losses

17. As disclosed in note 54 to the financial statements, water distribution losses of R1 724 285 (2016: R1 104 573) and electricity distribution losses of R13 973 066 (2016: R11 805 174) were incurred by the municipality mainly due to leakages, illegal connections, burst water pipes, line losses, tampering and theft.

## Material impairments

18. As disclosed in note 7 to the financial statements, receivables from exchange and non-exchange transactions were impaired by R167 607 378 (2016: R177 565 081).

## Other matters

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

## Unaudited disclosure notes

20. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure

requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

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

21. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
22. In preparing the financial statements, the accounting officer is responsible for assessing the Mantsopa Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

### **3. Auditor-general's responsibilities for the audit of the financial statements**

23. 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
24. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## **4. Report on the audit of the annual performance report**

### **Introduction and scope**

25. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPA's) presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
26. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

27. 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 KPAs presented in the annual performance report of the municipality for the year ended 30 June 2017:

| KPA  | Pages in the annual performance report |
|--|--|
| KPA 2- Basic Services- community development and social cohesion | xx-xx                                  |

28. I performed procedures to determine whether the reported performance information 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.

29. The material findings in respect of the usefulness and reliability of the selected KPA are as follows:

KPA 2- basic service- community development and social cohesion

Various indicators

30. Planned indicators and targets included in the service delivery and budget implementation plan (SDBIP) were not consistent with reported indicators and targets as the indicators below were not included in the annual performance report (APR). This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No.32 of 2000)

| Indicator  | Planned target  |
|--|---|
| Reduce water loss in distribution by 40% through installation of bulk meters       | 40%   |
| Achieve 90% compliance with green drop waste water quality accreditation system    | 90%   |
| Annual inspection of 1993 electricity meters                                       | 1993  |
| Annually review the integrated environmental plan                                  | Annual review of the current Integrated Environmental Management Plan |
| Promulgate waste management and waste collection by laws                           | 2 waste related bylaws promulgated                                    |
| Divert 15 000 kg of recyclable waste from the landfill site to the Buy-back centre | 15 000 kg   |

31. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators listed below. This was due to the unavailability of supporting documentation. I was unable to confirm the reported achievement by alternative means.

| Indicator  | Reported achievement |
|--|----------------------|
| Infrastructure- Patching of potholes on 4kms damaged tarred roads/streets in all towns | 2,675 km             |
| Infrastructure- Re-gravel 2km of streets/roads in Ladybrand / Manyatseng               | 350m                 |
| Infrastructure - Reshaping (Grading) of 2km streets in Ladybrand and Manyatseng        | 2,23km               |
| Infrastructure - Regravel of 1km of streets/roads in Excelsior / Mahlatswetsa          | 50m                  |
| Electricity- Maintain at least 5 substations annually                                  | 5                    |
| Electricity- Maintain 2185 street lights in accordance with maintenance program        | 90                   |

32. The target achievement reported for the indicators below were misstated when compared to evidence provided.

| Indicator  | Reported achievement | Audited achievement |
|--|----------------------|---------------------|
| Infrastructure - Maintain 5km of Storm water channels  | 5,060 km             | 3,070km             |
| Infrastructure- Construct 1,6km new storm water  | 0,6km                | 1,2km               |
| Water - Provide 383 households with potable water supply using communal water tankers to occupied erven of 383 without standpipes at Manyatseng ext.9 and 8 farming villages | 383                  | 325                 |

33. The systems and processes to enable reliable reporting of the actual service delivery against the indicators were not adequately designed and implemented as required by the FMPPPI. As a result, I was unable to obtain sufficient appropriate audit evidence to support the reported achievements of the indicators listed below due to these limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of these indicators.

I Indicator

achievement

I Reported

|   |        |
|---|--------|
| Continuously provide 15 170 households with access to basic water supplies within RDP standards | 15 170 |
| : Refuse - Weekly collection of refuse in all 15 170 households                                 | 15 170 |
| Continuously provide 15 553 households with access to basic sanitation services.                | 15 553 |
| : Continuously provide 15170 Households on formalised erven with access to electricity services | 15 170 |

#### Other matters

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

#### Achievement of planned targets

35. Refer to the annual performance report on pages x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 30 to 34 of this report.

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

#### Introduction and scope

36. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
37. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

#### Budget

38. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R98 576 284, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by inadequate budgeting for non-cash items included in expenditure. Unauthorised expenditure amounting to R51 684 974 was incurred on depreciation.

#### Annual financial statements

39. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently

corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

#### Strategic planning and performance management

40. A performance management system was not established or adopted as required by section 38(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 8.

#### Expenditure management

41. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
42. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2Xb) of the MFMA.
43. Effective steps were not taken to prevent irregular expenditure amounting to R7 344 653 as disclosed in note 49 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by not implementing adequate procedures and processes to ensure compliance with SCM regulations.
44. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R14 239 064, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on overdue accounts to suppliers.

#### Revenue management

45. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
46. I could not obtain sufficient audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA

#### Asset management

47. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
48. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

#### Liability management

49. An effective system of internal control for liabilities including a liability register was not in place, as required by section 63(2)(c) of the MFMA.
50. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.



## Conditional grants

51. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant, as required by section 12(5) of the DoRA.

## Consequence management

52. Authorisation of unauthorised expenditure amounting to R98 576 284 was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

## Human resource management

53. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the MSA

## Procurement and contract management

54. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured using price quotations as required by SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
55. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
56. Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2).
57. The preference point system was not applied in procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No.5 of 2000) (PPPFA) and Treasury Regulations 16A6.3(b). Similar non-compliance was also reported in the prior year.
58. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation (PPR) 9(1).
59. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
60. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112U) and SCM regulation 44.

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## i Other information

61. The Mantsopa Local Municipality's accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report

thereon and those selected KPAs presented in the annual performance report that have been specifically reported on in the auditor's report.

- 62. 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.
- 63. 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 KPAs presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 64. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate, however, if it is corrected this will not be necessary.

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5. **! Internal control deficiencies**

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- 65. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- 66. Leadership did not provide sufficient oversight over financial and performance reporting and compliance and related internal controls, as material repeat findings were identified in the current year.
- 67. Leadership did not implement adequate and effective monitoring controls over the implementation of actions to address prior year reported matters. This has resulted in repeat findings that have not been addressed.
- 68. Leadership did not take effective steps to ensure that there were consequences for poor performance and transgressions, as no official was held responsible for the unauthorised, irregular, and fruitless and wasteful expenditure incurred by the municipality.
- 69. Management did not maintain proper record keeping to support performance reporting. Performance reports were not always supported by adequate records which resulted in significant findings being reported. This was due to the lack of competencies and inadequate training for senior and operational staff on performance planning, monitoring and reporting.
- 70. Management did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings being reported. This was due to lack of consequence management as officials were not held accountable for non-compliance.

71. Management did not implement adequate review and supervisory controls over financial and performance reporting so that errors could be timely identified and corrected resulting in significant repeat findings that could have been prevented.
72. Management did not adequately implement risk management strategies to prevent/ mitigate risks relating to financial and performance reporting as risks to financial and performance reporting were not timely detected and or prevented. This is mainly due to inadequate implementation of risk strategies by management.

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

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 key performance areas and on the municipality's compliance with respect to the selected subject matters.

#### **6. Financial statements**

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

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

**7. Communication with those charged with governance**

74. 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.
75. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other

matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

*Autli or-* 9e tev'et.J  
Bloemfontein

30 November 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

