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# NGWATHE LOCAL MUNICIPALITY

DRAFT ANNUAL REPORT 2012-13



The home of harmony, prosperity and growth



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Cash Flow Outcomes				
R'000				
Description	2011/12	Current: 2012/13		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	182 928	247 727	248 125	228 633
Government - operating	160 385	157 276	157 276	203 137
Government - capital	(338)	50 441	50 441	
Interest	17 678	9 972	4 972	21 443
Dividends	1	-	-	-
<b>Payments</b>				
Suppliers and employees	(325 487)	(369 888)	(366 176)	(429 748)
Finance charges	-	-	-	(2 032)
Transfers and Grants	-	(36 006)	(36 006)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>35 167</b>	<b>59 522</b>	<b>58 632</b>	<b>21 433</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	-	1 578	1 578	
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				(65)
<b>Payments</b>				
Capital assets	(8 281)	(52 191)	(67 854)	(1 342)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(8 281)</b>	<b>(50 613)</b>	<b>(66 276)</b>	<b>(1 407)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
<b>Payments</b>				
Repayment of borrowing	(424)	(3 707)	(3 707)	(3 274)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(424)</b>	<b>(3 707)</b>	<b>(3 707)</b>	<b>(3 274)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>26 462</b>	<b>5 202</b>	<b>(11 351)</b>	<b>16 753</b>
Cash/cash equivalents at the year begin:	3 099	29 563	29 563	29 563
Cash/cash equivalents at the year end:	29 563	34 765	18 212	46 315

5.8 CASHFLOW Source: MBRR A7

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## REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. This template provides an update to the MFMA Circular No. 11, issued in January 2005.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non-financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others. Notes are included throughout the format to assist the compiler to understand the various information requirements.

The financial years contained in this template are explained as follows:

- Year -1: The previous financial year;
- Year 0: The financial year of reporting;
- Year 1: The following year, mostly requires future targets; and
- The other financial years will follow a similar sequence as explained above.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

# Chapter 1

## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### COMPONENT A: MAYOR’S FOREWORD

#### MAYOR’S FOREWORD

I, Joey Mochela in my capacity as the Mayor of Ngwathe Local Municipality hereby present the Annual Report for the financial year 2012 -13. The report intends to provide evidence of all the activities performed within the year under review.

##### **a. Vision**

To be a world class municipality that promotes economic development and excellent service delivery.

##### **b. Key Policy Developments**

##### **c. Key Service Delivery Improvements**

This reporting period was mainly on stabilizing Parys region, this was successfully done by mobilizing all relevant stakeholders including political leadership. The next step was to bring together stakeholders in Koppies to ensure stability in the area after we have improved the level of services to the citizens in the area. That did not derail Ngwathe local municipality in its quest of delivering acceptable basic services to our communities. Significant inroads were made in advancing the constitutional mandate entrusted upon our institution, some noteworthy initiatives were:

- Strengthening the relationship with DeBeers Mine through their SLP ( Social Labour Plan).
- Sector Departments willing to assist.
- The introduction of MISA (Municipal Infrastructure Support Agency)

Some of the major challenges that we were faced with include some of the following

- ❖ Low revenue.
- ❖ High Eskom account.
- ❖ High rate of unemployed especially youths.
- ❖ Theft of electricity and cable.
- ❖ Increasing no of indigents.(Job losses)

##### **d. Public Participation**

Under the banner of “**WORKING TOGETHER WE CAN DO MORE**”, further significant achievements



# Chapter 1

were made with regard to the relationships we have forged with our stakeholders especially with regard to IDP public participation process. Not only did we conduct them per ward but we went further to involve other stakeholders such as the Ministers' fraternal, youth formations, women, disability organizations and business communities. The intention was to bring government closer to its constituency, because we believe in one of the clauses of the Freedom Charter which is a fundamental document of the ruling party.

## **e. Future Actions**

Having noted some of our achievements and challenges, we will gear ourselves to improving on and not limited to the following areas:

- Effective service delivery.
- HIV/AIDS.
- People with disability.
- Ward Based Planning.
- Economic development.
- Managing Eskom account.
- Revenue enhancement.
- Job creation.
- Regular update of the indigent register.

## **f. Agreements / Partnership**

During the year under review, we were able to enter into the following partnerships/ agreements:

- Rand Water Foundation

## **g. Conclusion**

It is clear from the above that whilst we are moving forward in terms of service delivery, there are visible developments at this stage. Whilst we are doing something, more still needs to be done in ensuring improved services to our people. Therefore, I wish to pledge myself and Ngwathe Council to work harder in our endeavour to improve the lives of our people.

(Signed by :) \_\_\_\_\_

Mayor

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# Chapter 1

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## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

#### MUNICIPAL MANAGER'S OVERVIEW

The Honourable Mayor, Speaker, Members of the Executive Committee, Councillors, the respected Community of Ngwathe at large, this is yet another time to present the annual report for the 2011/12 financial year.

**The Supreme law of the country, Constitution of the Republic of South Africa in Section 152 mandates local government to realise the following objects that local government:**

- (a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;
- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and
- (e) to encourage the involvement of communities and community organisations in the matters of local government.

These objects are actualised and given oxygen by the necessary pieces of legislation governing local government key amongst which being the Municipal Finance Management Act, 2003.

**The realisation of the above within the local government context is embedded within the following five Key Performance Areas (KPA's):**

1. Municipal Transformation and Institutional Development
2. Good Governance and Public Participation
3. Municipal Financial Viability
4. Service Delivery and Infrastructure Development; and
5. Local Economic Development.

**"Mechanisms or initiatives' initiated during the year to improve overall efficiency and effectiveness of municipal activities include but are not limited to the following:**

- (i) the alignment of services to IDP indicators and Council priorities;
- (ii) service delivery performance;

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- (iii) financial sustainability as represented by the financial health ratios;
- (iv) the efforts the municipality is making to conserve power and water in its offices and other facilities to compliment the conservation measures its residents are being requested to adopt in their own housekeeping;
- (v) Details of administrative policies made during the year reflecting the pressures from the world recession that impact on everyone (e.g. restrictions on conferences and other events outside your municipality and the use of meeting accommodation other than your municipality's own venues).

(vi) **Shared Service Arrangements**

One of the responsibilities of the District municipality is to support its local, the following therefore represents the shared service arrangements we have entered into with Fezile Dabi:

✓ **GIS**

As one of the locals within the Fezile Dabi District space, Ngwathe is reliant on the district with regard to GIS services for we have not as yet developed our own. Most of the geospatial issues are therefore taken care of, at this particular level.

✓ **Performance Audit Committee**

The difficulty in establishing our own audit committee led to the municipality resolving to utilise the services of Fezile Dabi District Municipality's Audit committee.

(vii) **Municipal Demarcation Process**

As we all are aware, the local government elections of 2011 ushered in a twenty wards Ngwathe Local Municipality, the twentieth wards covers largely the areas of Vredefort and Edenville. The recent MDB processes attempted to yield yet another milestone in strengthening effective governance, the unfortunate scenario's witnessed particularly in the Metsimaholo townships of Zamdela and Refengkgotso forced the hand of the Provincial Government into reconsidering the initial position of preparing the merger of the two Municipalities, one needs to indicate that Ngwathe had embarked on public consultation through the office of the Speaker and by and large, the consulted communities indicated an interest in the proposed merger of the two municipalities.

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# Chapter 1

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

In terms of The LOCAL GOVERNMENT MUNICIPAL STRUCTURES ACT; Act No. 117, 1998

**(1)** A municipality has the functions and powers assigned to it in terms of sections

156 and 229 of the Constitution. Such functions include but are not limited to the following:

Function	Definition of function	MDB Prioritization
Municipal Roads	Construction, maintenance and control of a road used by members of the public, including streets in built up areas.	1
Electricity reticulation	Bulk supply of electricity, which includes for the purpose of such the supply, the transmission, distribution, and where applicable the generation of electricity.  Regulation, control and maintenance of the electricity reticulation network.  Provision and maintenance of public lighting which includes street lights, high mast lights, etc.  Tariff policies, monitoring of the operation of the facilities for adherence to standards.	1
Water (Potable)	Establishment or procurement, operation, management, and regulation of a potable water system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution	1
Sanitation	Establishment or procurement, where appropriate, provision, operation, management, maintenance and regulation of a system, including infrastructure for the collection, removal and disposal or purification of human excreta and domestic waste-water.	1

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# Chapter 1

Cemeteries, and crematoria	The establishments conduct and control of facilities for the purpose of disposing of human and animal remains. This includes cemeteries, funeral parlours and crematoria.	1
Refuse Removal, refuse dumps and solid Waste	Removal of any household or other waste and the disposal of such waste in an area, space or facility established for such a purpose. It further includes the provision, maintenance and control of any infrastructure or facility to ensure a clean and healthy environment.	1
Storm water	Management of systems to deal with storm water in built-up areas	1
Firefighting	Fighting and extinguishing fires, the rescue and protection of any person, animal or property in emergency situations not covered by other legislations or powers and functions	1
Traffic	Management and regulation of traffic and parking, which includes control over speeding of vehicles on municipal roads.	1
Municipal Planning	Compilation of IDPs, preparation of the SDFs as a sectoral plan, development and implementation of a town planning scheme or land-use management scheme	1
Local Sport and recreation facilities	Provision and maintenance of sports and recreational facilities	3

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T 1.2.1

POPULATION GROUPS												
Ngwathe Age Group												
	1996				2001				2011			
	AGE 0-14	AGE 15-34	AGE 35-64	AGE Over 65	AGE 0-14	AGE 15-34	AGE 35-64	AGE Over 65	AGE 0-14	AGE 15-34	AGE35-64	Over 65
Ward 1	3123	2825	1814	465	3399	3642	2466	558	2391	2767	2358	392
Ward 2	1847	2013	1379	370	1620	2043	1524	435	1781	1772	1554	457
Ward 3	1911	2378	2221	653	1386	1767	1734	531	1431	1771	1754	560
Ward 4	1005	1081	572	140	1281	1302	768	162	1284	1216	788	185
Ward 5	2028	2235	1309	287	1758	2016	1407	396	1534	1613	1218	304
Ward 6	4482	3696	2729	491	4623	4989	3258	582	601	793	689	126
Ward 7	4339	4658	3244	687	3600	4233	3033	522	3541	3441	2385	430
Ward 8	2519	2740	1443	295	2115	2250	1512	285	4005	4363	3257	551
Ward 9	2372	2638	1617	262	1944	2190	1710	333	1636	2041	1664	330
Ward 10	1310	1446	1018	144	2106	1935	1302	201	1668	1931	1611	244
Ward 11	1895	2183	1446	255	1593	2040	1566	354	1173	1585	1170	293
Ward 12	1976	2635	1966	425	1863	2349	2070	444	1380	1898	1673	502
Ward 13	894	977	1741	1479	717	1068	2118	1545	743	1131	2032	1537
Ward 14	1419	1598	993	256	2037	2178	1581	285	1870	2143	1838	292
Ward 15	2084	1979	1192	261	1812	1995	1329	312	1434	1561	1187	337
Ward 16	1449	1588	1170	423	1926	2217	1629	477	3086	2983	2263	429

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Ward 17	1648	1856	1024	244	813	951	591	162	2507	2437	1809	379
Ward 18	2970	2869	3309	1062	2178	2301	2973	867	947	1421	1782	749
Ward 19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2312	2320	1674	420
Ward 20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	958	1413	1921	423
<b>TOTAL</b>	<b>39271</b>	<b>41395</b>	<b>30187</b>	<b>8199</b>	<b>36771</b>	<b>41466</b>	<b>32571</b>	<b>8451</b>	<b>36282</b>	<b>40600</b>	<b>34627</b>	<b>8940</b>
T1.2.2												

(Source: Census 2011 STATSSA)

Social Status						
Year	Total population	Total Households	Average size of households	Unemployment Rate	Population Growth	Dependency Ratio
FDDM	488 036	127 389	3.83	33.9	0.61	54.02
NLM	120 520	36 474	3.73	35.2	0.14	60.2
T 1.2.3						

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Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year - 2		( 35.2%)				
Year - 1						
Year 0		43.4%; Other groups 56.1% ; Youth	37.9%		62.1	38,4%
					Source: (SOURCE: ETR.NE	T 1.2.4

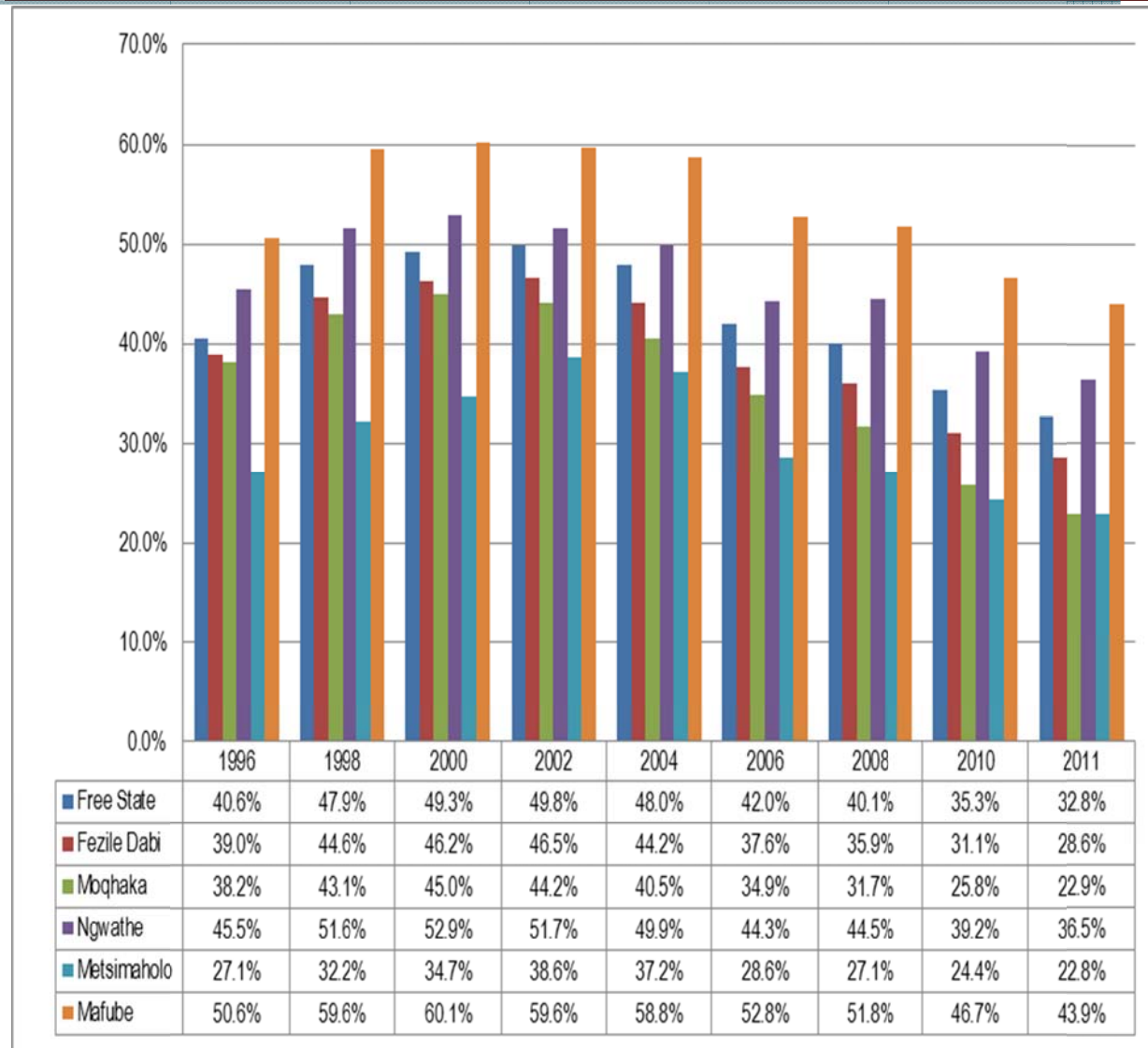
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Overview of Neighborhoods within 'Ngwathe L Municipality		
Settlement Type	Households	Population
Towns		
Parys	5 675	8071
Heilbron	3 316	1 143
Vredefort	1 031	786
Koppies	764	723
Edenville	1 166	433
Sub-Total	11 962	11 156
Townships		
Tumahole	10 695	37 675
Phiritona	8 513	5 482

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Mokwallo	4 545	4 323
Kwakwatsi	3 133	3 703
Ngwathe	1 524	5 861
Sub-Total	<b>28 410</b>	<b>57044</b>
Rural/Farms settlements		
Parys	620	
Heilbron	1 604	
Vredefort	153	
Koppies	1 468	
Edenville	571	
<b>Sub-Total</b>	<b>4 416</b>	<b>0</b>
Informal settlements		
1. Edenville / Ngwathe :	1003	

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2. Heilbron/Phiritona:	2368	
3. Koppies Kwakwasi: 1918	1918	
4. Parys/Schonkenville: 561	561	
5. Parys/Tumahole: 4356	4356	
6. Vredefort/Vredeshoop: 41	41	
7. Vredefort/Mokwallo: 1592	1592	
<b>Total</b>	Total backlog in Ngwathe municipality. <b><u>11893</u></b> -	
<i>T 1.2.5</i>		

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ENVIRONMENT		
Town	Major Natural Resource	Relevance to Community
Parys & Vredefort	Vredefort Dome World Heritage Site	<ul style="list-style-type: none"> <li>International significance</li> <li>Tourist Attraction Centre</li> </ul>
Parys	<ul style="list-style-type: none"> <li>Vaal River</li> </ul>	<ul style="list-style-type: none"> <li>Natural water resource to Parys &amp; Vredefort</li> </ul>
Vredefort	The Lesotho Spruit	Limits residential development
Heilbron	<ul style="list-style-type: none"> <li>Eeufees Dam</li> </ul>	Resort
Koppies	<ul style="list-style-type: none"> <li>Bentonite and Ceramic clay deposits.</li> <li>Coal deposits are present in the area.</li> <li>Diamond deposits, in the form of volcanic pipes are present in area.</li> <li>Koppies Dam Nature Reserve ( Renoster river)</li> </ul>	<ul style="list-style-type: none"> <li>Extraction taking place but final product produced in Gauteng.</li> <li>Exploitation thereof is not envisaged for several years</li> <li>Voorspoed Mine</li> <li>Natural water resource</li> </ul>
Edenville	A red data species, Sun Gazer Lizards	Endangered species T1 .2.6

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# # Chapter 1

## COMMENT ON BACKGROUND DATA:

Two of our towns; Parys and Vredefort draw their water from the Vaal river, water quality remains a challenge for the said river runs through the two highly industrialised municipalities in the form of Emfuleni in Gauteng and Metsimaholo in the Free State, this and to some extent our treatment plants have an adverse effect on the quality of water. We are working closely with DWA to improve the situation. Heilbron relies on Rand Water through a pipeline that runs from Sasol; this exercise is very costly though. Koppies on the other hand draw its water from Renoster River, the higher the table the sufficient provision and vice versa. The last town that is an increasingly worrisome in Edenville for, it draws water from the bore holes, to date more than thirty boreholes have been drilled and some have been decommissioned due to low tables and others polluted.

*T 1.2.7*

# # Chapter 1

## 1.3. SERVICE DELIVERY OVERVIEW

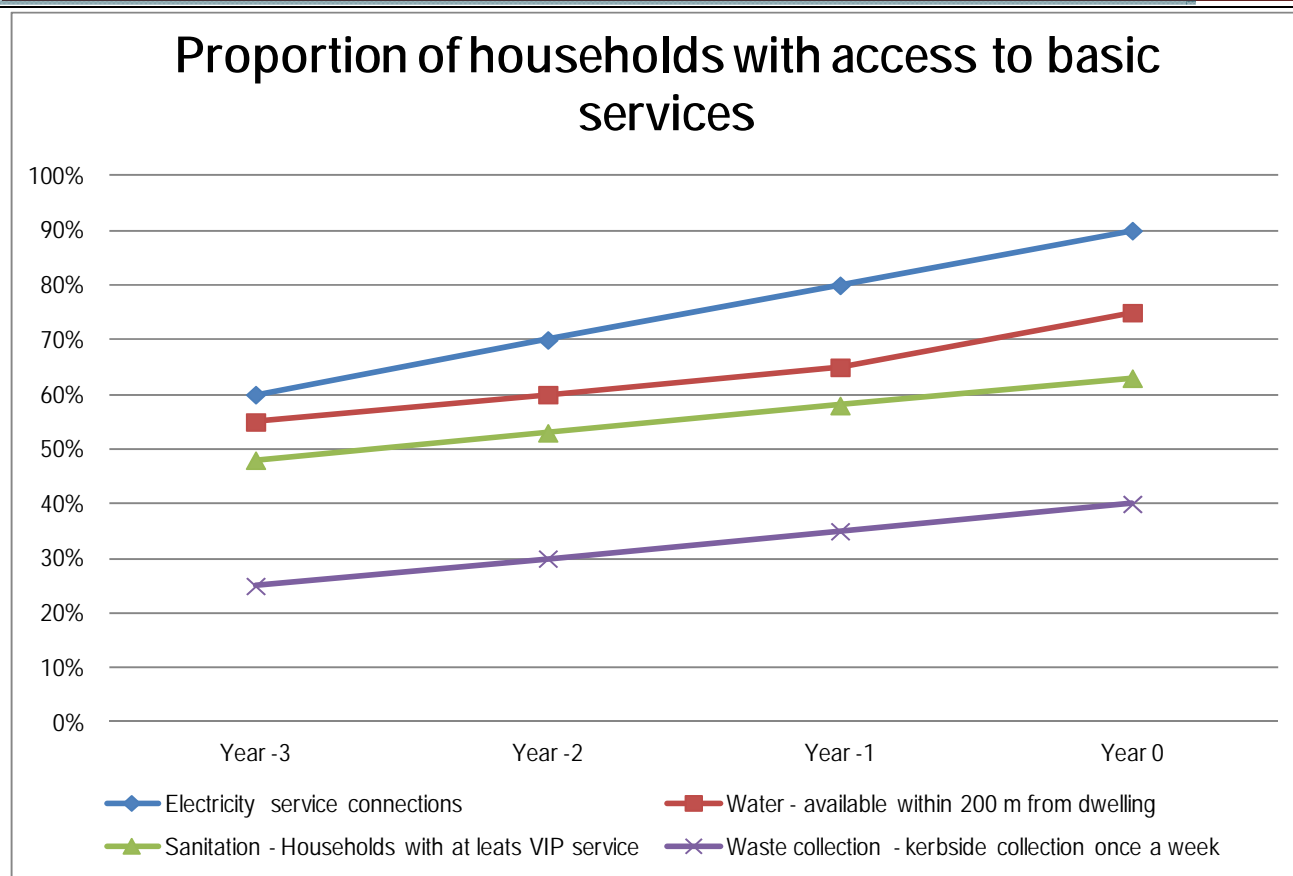
### SERVICE DELIVERY INTRODUCTION

The provision of services by the municipality is structured in terms of the following Key focus Areas:

- (a) Spatial Development Framework;
- (b) Service Delivery and Infrastructure Development;
- (c) Local Economic Development (LED);
- (d) Financial Viability;
- (e) Institutional Development and Organisational Transformation; and
- (f) Good Governance.

*T 1.3.1*

# # Chapter 1



T 1.3.2

## COMMENT ON ACCESS TO BASIC SERVICES:

Having mentioned the above it is therefore important to indicate that in order to address the above, the municipality embarked on needs prioritisation per ward with the view of determining ward priorities for proper planning.

T 1.3.3

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# # Chapter 1

## 1.4. FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

During the financial year under review, Ngwathe local Municipality had budgeted for a surplus of R 42.9 million (inclusive of capital grants). The municipality budgeted to levy or bill R 242.3 million for taxes, levies and tariffs, revenue from other sources amounting to R 16.9 million and grants receivable amounting to R 207.7 million as per DoRA.

During the financial year the municipality was faced with a number of challenges, the greatest challenge was and still is the outstanding Eskom account. As at the end of the financial year the municipality owed Eskom R164.9 million. The Eskom account is plagued by a number of legacy issues, such as bridged meters, electricity theft and theft of electricity cables. All these lead to the municipality not being able to meet its current account obligations (there is shortfall between revenue collected from electricity and expenditure incurred by the municipality on bulk purchases of electricity).

The municipality has entered into a number of payment agreement with Eskom, however the municipality is not able to maintain or implement the payment plan. The payment agreements are usually exorbitant and unrealistic and have a negative effect on the municipality's budget and cash flow.

The municipality appointed a permanent Chief Financial Officer on the 12th January 2013. The filling of the vacant CFO position will give the finance department a sense of direction. Key members of the BTO have started attending the minimum competency programme with Deloitte and are attending classes every month. The programme will ensure that the key members of the BTO meet minimum competency levels as set out by the National Treasury regulations as outlined in gazette 29967 of 15 June 2007.

The municipality has made great strides in achieving institutional functionality and MFMA compliance; however there is still work to be done to ensure that the municipality is functional institutionally.

*T 1.4.1*

# # Chapter 1

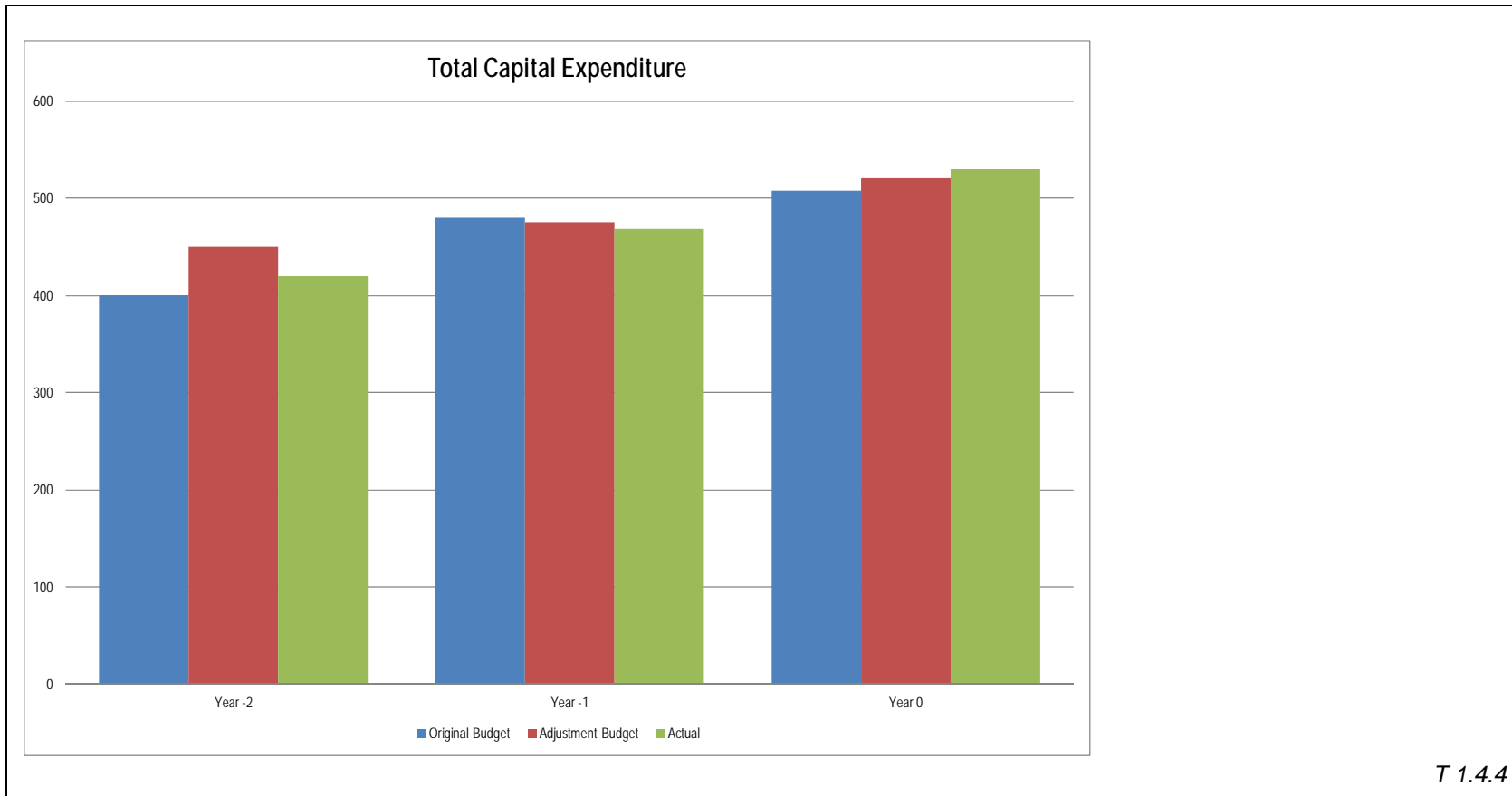
Financial Overview: Year 0			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	200	205	203
Taxes, Levies and tariffs	345	355	365
Other	100	80	78
Sub Total	645	640	646
Less: Expenditure	644	640	645
Net Total*	1	0	1
<i>* Note: surplus/(defecit)</i>			<i>T 1.4.2</i>

Total Capital Expenditure: Year -2 to Year 0			
			R'000
Detail	Year -2	Year -1	Year 0
Original Budget	400	480	508
Adjustment Budget	450	475	520
Actual	420	468	530
			<i>T 1.4.4</i>

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# # Chapter 1



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# # Chapter 1

## 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

Chapter 6 of the MSA provides guidelines on the nature and processes of Performance Management System (PMS) in local government. These guidelines further serve as a strategic approach to management and institutional development. They equip leaders, managers, employees and stakeholders with relevant tools to enable them to plan, measure, monitor, review performance regularly. PMS needs to ensure that there is synergy between IDP and Budget implementation.

Ngwathe through its four directorates strives to achieve the following KPA's:

#### **KPA's**

1. Basic Service Delivery and infrastructure development;
2. Local Economic development;
3. Good governance and public participation;
4. Financial Management and Viability;
5. Municipal transformation and institutional Development.

#### **Employment**

Employment is effected through the organogram that was adopted by Council in 2007. However the municipality is in the process of reviewing its organogram.

The institution is classified into the following directorates through which employment is housed;

- Political Offices (Mayor and Speaker)
- Municipal Manager's office

#### **- Directorates:**

- Finance,
- Technical,
- Community

# # Chapter 1

- Corporate.

- Regions

- Parys,

- Heilbron,

- koppies,

- Vredefort &

- Edenville.

*T 1.5.1*

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# # Chapter 1

## 1.6. AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT: YEAR 0 (CURRENT YEAR)

#### Auditor-General's responsibility

1. Was to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, he was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Disclaimer of opinion received is mainly due to the following:

1. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, the Auditor-General was been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, he did not express an opinion on the financial statements.

#### Financial sustainability

2. As a result of the matters described in the basis for disclaimer of opinion paragraphs, the municipality may be in a worse financial position than the position reflected in these financial statements. The difficulties being experienced by the municipality in recovering its consumer debtors, the potential negative effect of this tendency on the cash flows of the municipality and the inability to settle accounts payable within an acceptable period indicate that there is a risk that the municipality may be exposed to serious financial difficulties in terms of section 138 of the MFMA. The financial statements did not disclose any details of the uncertainty and had been prepared on a going concern basis. The municipality's accounting records did not provide sufficient appropriate audit evidence that the municipality is able to continue as a going concern.

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

3. 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 identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

T 1.6.1

# # Chapter 1

## 1.7 STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	

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# Chapter 1

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14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	
17	Oversight report is made public	December
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January
T 1.7.1		

## COMMENT ON THE ANNUAL REPORT PROCESS:

The Municipal System Act (MSA) 32 of 2000 and the Municipal Finance Management Act of 2003 (MFMA) requires that the 5-year strategy of a municipality which is the Integrated Development Plan (IDP), must be aligned to the municipal budget and be monitored through the annual Service Delivery and Budget Implementation Plan (SDBIP). Thus, the IDP, the Budget and the municipality's Performance Management Systems are linked. In relation to these provisions, the Performance Management of Section 56 & 57 Managers must be aligned with the implementation of the Integrated Development Plans.

### Legislative Requirement:

The process of compiling the annual report is realized in terms of the following pieces of legislation;

- The Municipal Systems Act , 32 of 2000
- The Municipal Planning and Performance Management Regulations, 2001
- The Municipal Finance Management Act, No. 56 of 2003; and
- The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

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# # Chapter 1

## **Community Involvement**

Section 42 of the MSA 32:2000 states that “A municipality, through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality’s performance. Management system and, in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality.”

This report will therefor also be subjected to such an exercise.

## **Submission**

The report will then be submitted to Treasury and the Auditor General.

*T 1.7.2*

# Chapter 2

## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

Ngwathe local Municipality has been classified as a Category B Municipality; a plenary executive system combined with a Ward participatory system..

*T 2.1*

## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The municipality is composed of the Executive Committee (EXCO) which is chaired by the Mayor and the following Portfolio Committees and their respective chairs:

INFRASTRUCTURE & LED	Cllr TL Vandisi ( Parys)
FINANCE & BUDGET	Cllr GP Mandelstam (Parys)
URBAN, RURAL, PLANNING & HOUSING	Cllr N Mopedi (Parys)
CORPORATE SERVICES	Cllr M Serathi (Heilbron)
SOCIAL & COMMUNITY DEVELOPMENT	Cllr K Serfontein (Koppies)
PUBLIC SAFETY & TRANSPORT	Cllr A Schoonwinkel (Parys)

Effectiveness of the above is entrusted in the hands of the Municipal Manager and the other managers directly reporting to the Municipal Manager.

*T 2.1.1*

# Chapter 2

## 2.1 POLITICAL GOVERNANCE


### INTRODUCTION TO POLITICAL GOVERNANCE

In accordance with the Municipal Structures Act 117/1998, Ngwathe local Municipality has been classified as a Category B Municipality; a plenary executive system combined with a Ward participatory system. A plenary executive system limits the exercise of executive authority to the Municipal Council itself and a Ward participatory system allows for matters of local concern to be dealt with by Ward Committees. Ngwathe Local Municipality does not qualify for an Executive Mayor and currently only 2 Councillors (Mayor & speaker) are full time 38 other Councillors serve in the part-time capacity.


#### Oversight

The oversight committee was not established and the Municipal Council resolved to adopt that of Fezile Dabi District. The Oversight Committee report will be published separately in accordance with MFMA guidance.

T 2.1.1

OFFICE	INCUMBENT	FUNCTIONS
Mayoral	 <p>The Mayor: Cllr Joey Mochela</p>	<ul style="list-style-type: none"> <li>✓ IDP.</li> <li>✓ Executive Committee</li> <li>✓ Portfolio Committees.</li> <li>✓ Poverty alleviation.</li> <li>✓ Youth Development.</li> <li>✓ Gender Promotion.</li> <li>✓ HIV&amp; AIDS.</li> <li>✓ Bursaries.</li> <li>✓ Communications.</li> <li>✓ Disability.</li> <li>✓ Pauper Burials.</li> </ul>

# Chapter 2

Speaker	 <p>The Speaker: Cllr Phillemon Ndayi</p>	<ul style="list-style-type: none"> <li>✓ Council.</li> <li>✓ Councillors.</li> <li>✓ Public Participation.</li> <li>✓ Ward Committees.</li> <li>✓ PPO's.</li> <li>✓ CDW's.</li> <li>✓ CWP.</li> </ul>
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## COUNCILLORS

Following the 2011 local government elections, Council is composed of 39 Councilors (20 Ward and 19 Proportional Representation):

Party set up is:

ANC = 28

DA = 09

FFP = 01

COPE = 01

Refer to **Appendix A** where a full list of Councilors can be found (including committee allocations and attendance at council meetings).

Also refer to **Appendix B** which sets out committees and committee purposes.

T 2.1.2

## POLITICAL DECISION-TAKING

### 1.2. Powers and responsibilities of the municipality

1.2.1 The municipality has all the powers assigned to it in terms of the Constitution as well as national and provincial legislation. The municipality has the right to do anything reasonably necessary for or incidental to the effective exercising of its powers.

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# Chapter 2

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*1.2.2 The executive and legislative authority of the municipality vest in the Council, and the Council takes all the decisions of the municipality except -*

- (a) decisions on those matters that have been delegated;*
- (b) decisions on those matters that have by law been assigned to a political structure, political office bearer or employee of the Council;*

*1.2.3 The Council may exercise executive and legislative authority within the municipal area of the municipality only, but may, by written agreement with another municipality, exercise executive authority in the area of that other municipality.*

*1.2.4 A municipality, as provided for in section 11 of the Systems Act, exercises its legislative or executive authority by:*

- (a) developing and adopting policies, plans, strategies and programmes, including setting targets for delivery;*
  - (b) promoting and undertaking development;*
  - (c) establishing and maintaining an administration;*
  - (d) administering and regulating its internal affairs and the local government affairs of the local community;*
  - (e) implementing applicable national and provincial legislation and its by-laws;*
  - (f) providing municipal services to the local community, or appointing appropriate service providers in accordance with the criteria and process set out in section 78 of the Systems Act;*
  - (g) monitoring and, where appropriate, regulating municipal services where those services are provided by service providers other than the municipality;*
  - (h) preparing, approving and implementing its budgets;*
  - (i) imposing and recovering rates, taxes, levies, duties, service fees and surcharges on fees, including setting and implementing tariff, rates and tax and debt collection policies;*
  - (j) monitoring the impact and effectiveness of any services, policies, programmes or plans;*
  - (k) establishing and implementing performance management systems;*
  - (l) promoting a safe and healthy environment;*
  - (m) passing by-laws and taking decisions on any of the above-mentioned matters;*
- and*
- (n) doing anything else within its legislative and executive competence.*

*1.2.5 A municipality must within its administrative and financial capacity establish and organise its administration in a manner that would enable the municipality to:*

- (a) be responsive to the needs of the local community;*
- (b) facilitate a culture of public service and accountability amongst its staff;*
- (c) be performance orientated and focused on the objects of local government set out in section 152 of the Constitution and its developmental duties as required by section 153 of the Constitution;*
- (d) ensure that its political structures, political office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality's integrated development plan;*

# Chapter 2

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- (e) *establish clear relationships, and facilitate co-operation, co-ordination and communication, between-*
  - (i) *its political structures and political office bearers and its administration;*
  - (ii) *its political structures, political office bearers and administration and the local community;*
- (f) *organise its political structures, political office bearers and administration in a flexible way in order to respond to changing priorities and circumstances;*
- (g) *perform its functions:*
  - (i) *through operationally effective and appropriate administrative regions and mechanisms, including departments and other functional or business units; and*
  - (ii) *when necessary, on a decentralised basis;*
- (h) *assign clear responsibilities for the management and co-ordination of these administrative regions and mechanisms;*
- (i) *hold the Municipal Manager accountable for the overall performance of the administration;*
- (j) *maximise efficiency of communication and decision-making within the administration;*
- (k) *delegate responsibility to the most effective level within the administration;*
- (l) *involve staff in management decisions as far as is practicable; and*
- (m) *provide an equitable, fair, open and non-discriminatory working environment.*

**1.2.6** *A decision taken by the Council or any other political structure of the municipality must be recorded in writing.*

**1.2.7** *All the powers of the municipality that have not been reserved for the Council, or that have not been delegated or assigned to a political structure, political office bearer or employee of the Council, are delegated to the Mayor of the Council.*

**T 2.1.3**

## 2.2 ADMINISTRATIVE GOVERNANCE

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# Chapter 2

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## INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Systems Act 32:2000 section 55 states that:

(1) As head of administration the municipal manager of a municipality is, subject to the policy directions of the municipal council, responsible and accountable to/or—

(a) the formation and development of an economical, effective, efficient and accountable administration-

(i) equipped to carry out the task of implementing the municipality's integrated development plan in accordance with Chapter 5:


(ii) operating in accordance with the municipality's performance and management system in accordance with Chapter 6; and

(iii) responsive to the needs of the local community to participate in the affairs of the municipality;

(b) the management of the municipality's administration in accordance with this Act and other legislation applicable to the municipality:

(c) the implementation of the municipality's integrated development plan, and the monitoring of progress with implementation of the plan

T 2.2.1


Title	Incumbent	Functions
Municipal Manager	ADV T Mokoena  The Municipal Manager	<ul style="list-style-type: none"> <li>✓ Employees.</li> <li>✓ Policies.</li> <li>✓ Risk &amp; Compliances.</li> <li>✓ Directorates.</li> <li>✓ Regions.</li> <li>✓ Strategic Planning.</li> <li>✓ PMS.</li> <li>✓ IGR.</li> <li>✓ Provision of Services.</li> <li>✓ Stakeholder Relations.</li> <li>✓ IDP.</li> <li>✓ Website.</li> <li>✓ Reporting.</li> </ul>

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# Chapter 2

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Community Services	Mr L Kamolane	<ul style="list-style-type: none"> <li>✓ LED.</li> <li>✓ Housing and Development.</li> <li>✓ Traffic.</li> <li>✓ Disaster Management.</li> <li>✓ Fire.</li> <li>✓ Land.</li> <li>✓ Commonages.</li> <li>✓ Refuse Removal.</li> <li>✓ Land fill Sites.</li> <li>✓ Building Plans.</li> <li>✓ Parks &amp; Recreation.</li> <li>✓ Mimosa.</li> <li>✓ Library Services.</li> <li>✓ Environmental Health.</li> <li>✓ ECD.</li> </ul>
Finance	Mr L Leeuw	<ul style="list-style-type: none"> <li>✓ Budgeting.</li> <li>✓ Revenue.</li> <li>✓ Financial Statements.</li> <li>✓ Supply Chain.</li> <li>✓ Assets Management.</li> <li>✓ Accounts &amp; Billing.</li> <li>✓ Fleet Management.</li> <li>✓ Metering.</li> </ul>
Technical	 <p>Director technical Services</p>	<ul style="list-style-type: none"> <li>✓ Water.</li> <li>✓ Sanitation.</li> <li>✓ Storm Water.</li> <li>✓ PMU.</li> <li>✓ Roads.</li> <li>✓ Infrastructure Projects.</li> <li>✓ Electricity</li> </ul>
Corporate	Me L Bopalamo	<ul style="list-style-type: none"> <li>✓ Human Resource</li> <li>✓ Admin &amp; Legal</li> <li>✓ Work Place Skills Plan.</li> <li>✓ Learnerships &amp;/ Internships.</li> <li>✓ Council Agenda &amp; Minutes.</li> <li>✓ Building Maintenance.</li> <li>✓ Recruitment &amp; Placements.</li> <li>✓ Labour.</li> <li>✓ Employment Equity.</li> </ul>

T 2.2.2

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# Chapter 2

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## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

4. The object of this Act is to provide within the principle of co-operative government set out in Chapter 3 of the Constitution a framework for the national government, provincial governments and local governments, and all organs of state within those governments, to facilitate co-ordination in the implementation of policy and legislation, including-

- (a) coherent government;
- (b) effective provision of services;
- (c) monitoring implementation of policy and legislation; and
- (d) realisation of national priorities.

T 2.2.3

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# Chapter 2

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## 2.3 INTERGOVERNMENTAL RELATIONS

### NATIONAL INTERGOVERNMENTAL STRUCTURES

Nationally the municipality is participating in the following structures;

Structure	Value
MISA	Infrastructure development
Refocused MTAS	One of the ten identified in the province for intervention by National DCOG

### PROVINCIAL INTERGOVERNMENTAL STRUCTURE

Structure	Value
Provincial Coordinating forum ( PCF) of the Premier	Provincial direction in terms of realization of the priorities.
SALGA Working groups and Municipal Manager's forum	Source of information
Provincial MTAS steering committee	Mobilisation of resources for Municipal challenges
IDP Manager's Provincial forum	Improve the quality of the IDP
Provincial Human Resource Manager' forum	Source of information

### DISTRICT INTERGOVERNMENTAL STRUCTURE

Structure	Value
District Coordinating Forum (DCF) ( Mayor's Forum)	Development within the district.

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# Chapter 2

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Technical IGR ( municipal Manager's Forum	Discuss interventions where necessary.
IDP Manager's forum	Improve the quality of the IDP
Energy forum	Attend to energy issues
M & E Forum	Monitor progress
T 2.3.1	

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# Chapter 2

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## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality has established an Oversight committee and further developed a Public Participation Strategy during the year under review through the office of the Speaker, all matters of public participation will therefore be carried out in terms of same. During the year under review some Councillors were privileged to attend the MPAC training in preparation of the establishment of the municipality's own Public Accounts Committee.

T 2.3.2

### 2.4 PUBLIC MEETINGS

#### COMMUNICATION, PARTICIPATION AND FORUMS

One of the main features of the IDP planning process is the involvement of community and stakeholder organizations in the process, such an involvement ensures an IDP that is informed by REAL and ACTUAL ISSUES DIRECTLY EXPERIENCED BY COMMUNITIES. It is therefore crucial for the Municipality to adopt an appropriate mechanism and also put in place appropriate structures to ensure effective participation. Ngwathe Public Participation Policy is the guiding document in this regard, this policy takes cue from the Provincial Community Based Planning Model (CBP).

#### Ward Committees

The main drivers of the public Participation is the Ward Committee, their functionality will therefore come in handy for the success of Municipal Planning and Development and help reduce service delivery protests.

#### Functional/ Effective Ward Committees:

- ☐ Hold regular meetings, starting on time and good attendance,
- ☐ Collective implementation of decisions,
- ☐ Constructive communication with municipality,
- ☐ Regular engagement with communities,
- ☐ Ensures that community issues are discussed in Council.

#### Principles of Public Participation:

- ☐ Collaborative Planning.
- ☐ Citizen Participation.
- ☐ Cooperation.
- ☐ Team Work.
- ☐ Public Education.
- ☐ Common Vision.
- ☐ Collective Ownership.

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# Chapter 2

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## Structured Participation:

A structured public participation process will be followed.

- ☐ Ward councillors and Ward Committees will in most cases lead the proceedings
- ☐ Ward based approach is the key to reach as vast and many members of our communities.
- ☐ Existing public participation structures will be used.
- ☐ Door to door will also be used to address the principle of inclusivity.
- ☐ Appropriate forms of media will be utilized in order to reach as many people as possible.
- ☐ All relevant community and stakeholder organizations will be invited to register as members of the IDP Representative Forum.
- ☐ An appropriate language and accessible venues will be used to allow all stakeholders to freely participate.
- ☐ The IDP Representative Forum meetings will be scheduled to accommodate the majority of the members.
- ☐ Copies of the IDP documents will be made available for all communities and stakeholders and adequate time provided for comments.

## Diversity:

- ☐ The way public participation is structured provides sufficient room for diversity within the Municipal area in terms of different cultures, gender, language and education levels.
- ☐ Participants will therefore be made aware that it is in their own interest to be involved in the planning process and it is not a task they have to be paid/pay for.
- ☐ Participants are responsible and expected to give report back to the structures that they represent.

T 2.4.1

# Chapter 2

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## WARD COMMITTEES

The primary functions of the ward committees are:

- (a) To serve as an official specialised participatory structure in the municipality;
- (b) To create formal unbiased communication channels as well as co-operative partnerships between the community and the council. This may be achieved as follows:
  - (i) Advise and make recommendations to the ward councillor on matters and policy affecting the ward;
  - (ii) Assist the ward councillor in identifying conditions, challenges and the needs of residents;
  - (iii) Spread information in the ward concerning municipal affairs such as the budget, integrated development planning, service delivery options and municipal properties;
  - (iv) Receive queries and complaints from residents concerning municipal service delivery, communicate it to council and provide feedback to the community on council's response;
  - (v) Ensure constructive and harmonious interaction between the municipality and community through the use and coordination of ward residents meetings and other community development forums; and
  - (vi) Interact with other forums and organizations on matters affecting the ward.
- (c) To serve as a mobilising agent for community action. This may be achieved as follows:
  - (i) Attending to all matters that affect and benefit the community;
  - (ii) Acting in the best interest of the community;
  - (iii) Ensure the active participation of the community in:
    - (a) Service payment campaigns;
    - (b) The integrated development planning process;
    - (c) The municipality's budgetary process;
    - (d) Decisions about the provision of municipal services; and
    - (e) Decisions about by-laws.
  - (iv) To draw up the boundaries of a ward and chair zone meetings.

Ward Committees are faced with the following challenges:

- Lack of operation space.

T 2.4.2

# Chapter 2

#

PUBLIC MEETINGS						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Workshop on Public Participation by Parliament	23/11/2012	12	24	150	yes	
Power Boat Show	26/10/2012	30	50	1000	no	
Ward committee Training	26/02/2013	10	10	200	yes	
Ngwathe Electricity	6 to 19/03/13	39	5	6000	yes	
IDP & BUDGET	17 April to 03 May 2013	39	10	6000	yes	
IDP/PMS	12 to 25/05/13	39	10	6000	yes	
Amon Nteo Memorial Games	29 March to 1 April 2013	5	10	6500	yes	
T 2.4.3						

## COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

Most of the meetings are held per ward and led by the Ward Councillors working with ward committees, whilst some ward meetings are effective and attendance is encouraging, the same cannot be said for some wards, for the average attendance is far less than fifty percent 50%, this is especially worse in predominantly town areas.

T 2.4.4

## 2.5 IDP PARTICIPATION AND ALIGNMENT

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# Chapter 2

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IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	No
* Section 26 Municipal Systems Act 2000	
T 2.5.1	

## COMPONENT D: CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

NLM as one of the local spheres is dependent on other especially higher structures to effectively provide essential services to the communities. In terms of Sec 41;1 (h) of the Constitution each sphere of government must co-operate with one another in mutual trust and good faith by:

- fostering friendly relations;
- assisting and supporting one another;
- informing one another of, and consulting one another on matters of common interest;
- coordinating their actions and legislation with one another;
- adhering to agreed procedures;
- avoiding legal proceedings against one another.

T 2.5.2

## 2.6 RISK MANAGEMENT

[Type text]

[Type text]



# Chapter 2

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The Ngwathe risk management process is based on the policy and the implementation plan, which are defined by the risk appetite as approved by council. The application of these elements will assist the Ngwathe management to prioritize risk and integrate them with the decision – making process. Risk management is embedded in Council processes through monitoring of treatment action plans, risk register updates, monthly management meeting as well as regular interaction with the risk management champions.

The risk committee was not appointed as stipulated in the framework for the year under-review. The importance of appointing a risk committee will enable the municipality to summarize the risk profile of directorates and related departments as well as other accountable risk owners. The unit is not fully functional as it is operating with two officials, one official is on acting capacity the other one is temporarily transferred to the unit.

The risk unit envisages continuous embedding of risk management, improved risk management relationships at district and provincial level through established forums and benchmarking of the municipality's risk function against national best practices. Currently different directorates have been engaged in identifying their departmental risk, which will assist in updating the risk register and monitor the treatment action plan. Directorates were requested to identify the risk champions within their directorates and submit to the office of the Municipal Manager.

## THE NGWATHE TOP RISKS ARE AS FOLLOWS:

The Ngwathe Local Municipality has identified, and is actively managing, five major risks to its ability to provide an efficient, effective and sustainable service to residents. These risks are as follows:

1. Risk of poor-quality services to customers :This is being managed by process improvements, employing new technology, improving response times to complaints driving a culture change among staff members, and improving communication with consumers.
2. Risk of insecure water supply: This is being managed by planning and developing additional diversified water resources.
3. Risk of inability to meet sanitation demand : This risk is being managed by expanding the wastewater infrastructure capacity and extending services to newly developed areas.
4. Risk of inability to deliver services material on time: This risk is managed by appointing a task team to monitor and evaluate the challenges.
5. Human resources capacity risk: This risk is being managed through a learning development programme that has been adopted by the Municipality.

T 2.6.1

## 2.7 ANTI-CORRUPTION AND FRAUD

[Type text]

[Type text]

# Chapter 2

The fraud response plan is an integral part of municipality overall fraud prevention strategy and is about putting our strategy into practice, it also marks and enforces the commitment of municipality to fair and open business practices and our overall commitment to fraud and corruption free environment.

The policy is been approved by Council and the draft fraud plan has been developed that will set out processes to detect fraud activities. In terms of the tender processes the Councilors does not form part of the committees, only management members appointed by the Accounting Officer. The Internal Audit does review the processes and ensures adherence to the set out measures.

The Ngwathe Local Municipality did not have Audit Committee in the beginning of year under review. The municipality did advertise inviting candidates to serve in the Audit Committee, the report was sent to Council and they were not satisfied with the applications received. The advice was requested from treasury department and shared service was secured towards the end of the year. The full functioning of the Audit Committee is planned to operate as per approved schedule that will be presented in the meeting for the approval.

*T 2.7.1*

## 2.8 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

Supply Chain Management Unit is an active section within finance department reporting direct to Chief Financial Officer, the SCM Headed by SCM Manager consists of nine officials including Assets and Fleet sub section. The SCM is guided by its policies and guidelines established and provided by the National Treasury. The SCM officials are well trained in order to interact with all departments within the municipality in order ensure effective and flexible procurement of goods and services. The main core function of the SCM is to procure all the goods and services in accordance with a system which is fair, equitable, transparent, competitive and cost effective required by all the departments within the municipality in order to promote service delivery reaches the community within the municipality. The SCM promote good governance and ethics in order to promote Batho Pele principles through procuring goods and services. The main goal of SCM is to provide a mechanism to ensure sound, sustainable and accountable Supply Chain Management processes within NLM.

*T 2.8.1*

## 2.9 BY-LAWS

[Type text]

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# Chapter 2

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By-laws Introduced during Year 0					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazette d* (Yes/No)	Date of Publication
Credit Control and Debt Collection By-Law	new by-law	Yes	25 – 29/06/2012	Yes	17 May 2013
Informal settlement	new by-law	Yes	25 – 29/06/2012	Yes	
Control of street vendors, peddlers or Hawkers	new by-law	Yes	25 – 29/06/2012	Yes	
Electricity Supply	new by-law	Yes	25 – 29/06/2012	Yes	
Fire and emergency Services	new by-law	Yes	25 – 29/06/2012	Yes	
*Note: See MSA section 13.					T 2.9.1

## COMMENT ON BY-LAWS:

The Municipality will be embarking on promulgating the other 4 by-laws in the next financial year.

T 2.9.2

## 2.10 WEBSITES

[Type text]

[Type text]

# Chapter 2

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Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	No	
All current budget-related policies	No	
The previous annual report (Year -1)	Yes	
The annual report (Year 0) to be published	Yes	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	No	
All service delivery agreements (Year 0)	No	
All long-term borrowing contracts (Year 0)	No	
All supply chain management contracts above a prescribed value (give value) for Year 0	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 0	No	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No	
		T 2.10.1

## COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The municipality was reliant on SITA as the host of the website, this meant officials had to go to Bloemfontein to upload the information on the website, the advent of the integrated website for the entire province including the municipalities will by and large help in alleviating this problem fomeasures put in place for data gathering lessen this burden.

Another major challenge is the municipality not having wem operator on full time basis, this is a consideration for the next financial year.

T 2.10.2

## 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

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# Chapter 2

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## PUBLIC SATISFCATION LEVELS

The municipality has posted books at the customer service points to serve as Complaints registers.

T 2.11.1

## COMMENT ON SATISFACTION LEVELS:

Though the complaints registers are in place, the level of monitoring has not as yet reached the required levels. There is no dedicated personnel to make follow ups and give feedback where is due.

T 2.11.2

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# Chapter 3

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## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

### INTRODUCTION

Objects of Local government

In terms of the Constitution of the Republic of South Africa: Act 108 of 1996, a municipality must within its financial and administrative capacity strive to achieve the following objects as set out in Chapter 7 Section 152 (1):

- (a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organization in the matters of local government.

NLM is also attempting to provide services in terms of this mandate.

T3.0

### COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

#### INTRODUCTION TO BASIC SERVICES

In order to realise the above mandate NLM is providing the following services:

Municipal Roads, Electricity reticulation, Water (Potable), Sanitation, Cemeteries, and crematoria Refuse Removal, Refuse dumps and solid Waste, Storm water, Fire fighting, Traffic, Municipal Planning, Local Sport and recreation facilities.

MISA has appointed Pro-Plan to produce Master Plans for all towns in Ngwathe for water, electricity, roads and storm water and sanitation including 3 landfill sites. MISA will be providing both the technical and financial support on these projects.

T3.1.0

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# Chapter 3

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## 3.1. WATER PROVISION

### INTRODUCTION TO WATER PROVISION

The water services development plan of the municipality has been linked with the IDP and it is addressing the water issues of the integrated development plan.

The aim is to:

- 1 to develop water infrastructure and assist consumers with provision of portable water
- 2 to provide basic services for all. To provide an acceptable quality water to all communities

**Currently there is one project under construction namely:**

Parys: Refurbishment and upgrading of the water purification plant

The Contract covers the provision of mechanical and electrical work for the refurbishment of Parys Water Treatment Plant. The refurbishment comprises the supply and installation of all electro-mechanical material and equipment flow control, the primary and secondary chemical dosing facilities and first phase separation for the existing 15 Ml/day settling tanks.

The following water supply schemes are located in the Ngwathe Municipal region

The Parys town and Tumahole areas use Vaal river as its water source

Vredefort town and Mokwalo areas use Vaal river as its water source

Koppies area uses Koppies dam as its water source

Heilbron is supplied by Rand water board through bulk water pipeline from Sasolburg.

Edenville is using 17 fully functional boreholes and the system has been upgraded

Ground water resources are frequently monitored for drinking water quality in Edenville. Water quality and water shortages have been experienced by consumers because some of the boreholes run dry during winter season, this is not a problem during winter as the water demand is least during this period. During summer, the municipality is complementing this by transporting 90 000 l of water from Heilbron on daily basis including weekends and public holidays. This exercise is very costly but unavoidable.

T3.1.1

### COMMENT ON WATER USE BY SECTOR

At this stage the municipality supplies water to all the sectors found within its space at normal billing rates, these sectors are:

Police department

Education department

Health Department

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# Chapter 3

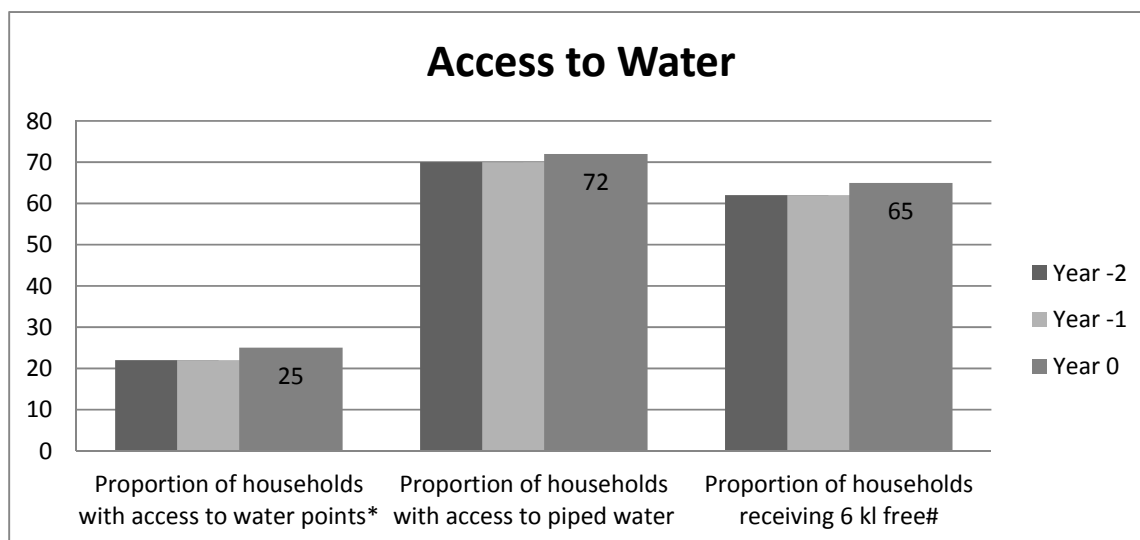
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And some of the non-governmental organizations such as churches etc.

T3.1.2

Households - Water Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	35722	35722	35722	35722	35722	35722
Households below minimum service level	4 218	4 218	4 218	4 218	4 218	4 218
Proportion of households below minimum service level	12%	12%	12%	12%	12%	12%
<b>Informal Settlements</b>						
Total households	0	0	0	0	0	0
Households below minimum service level	1 620	1 620	1 620	1 620	1 620	1 620
Proportion of households below minimum service level						

T3.1.3



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[Type text]



# Chapter 3

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\* Means access to 25 liters of potable water per day supplied within 200m of a household and with a minimum flow of 10 liters per minute

6,000 liters of potable water supplied per formal connection per month

T3.1.4

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# Chapter 3

## **Service Level Profile**

The type of service levels decided upon have a major impact on capital and operating costs and hence on the long-term viability of service provision. If service levels are set too high the consumers who receive them will not be able to afford to pay for them and are likely to default on payments, which in turn will impact on the viability of the revenue collection.

Service levels relate to quantity of water used and thus there is an impact on the environment from which this water has to be abstracted and returned to.

Currently there is a huge demand for water and there is a high population growth within the municipal area and the capacity of the water cannot accommodate the current situation hence the design capacity of the plants is too low.

# Chapter 3

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Water Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective									
<i>To ensure the sustainable bulk provision of adequate safe and potable drinking water to all communities at all times.</i>	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance				Upgrade the Parys Water treatment Plant	The project is currently underway with the bulk of the mechanical components already procured and awaiting installation. The project is 55% complete			The second phase is planned to commence in February 2014. Estimate for the following phase is R 15m.

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# Chapter 3

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						and the quality of work is satisfactory.			T3.1.5
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# Chapter 3

EMPLOYEES: WATER SERVICES					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
<b>Total</b>	<b>55</b>	<b>93</b>	<b>55</b>	<b>38</b>	<b>41%</b>

# Chapter 3

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T3.1.6					
Capital Expenditure Year 0: Water Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	R 9 306 973.00		R 6 498 464.34	0%	
Parys WTW	R 9 306 973.00	R 0	R 6 498 464.34	R 0	R 31 895 731.00
T 3.1.7					

There are currently 4 water treatment plant in all 5 towns under the municipal area of jurisdiction that is Parys, Vredefort, Heilbron and Koppies with Edenville using Borehole water , Rand water( WSP) is the supplier of drinking water to Heilbron town.

Due to financial constraints the upgrading PWTW will be done in phases.The 3<sup>rd</sup> phase which is currently running to the value of R 9 306 973.00 is expected to be completed in September 2013,The 4<sup>th</sup> phase will kickoff immediately after the completion of the 3<sup>rd</sup> phase.

## Current water demand and future needs per town

Town	Current water capacity MI/d	Future water Demand MI/d	Water capacity shortfall MI/d
------	-----------------------------	--------------------------	-------------------------------

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[Type text]

# Chapter 3

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Parys	15	30	15
Vredefort	5	10	5
Koppies	5	10	5
Heilbron	2	14	12
Edenville	3	10	7
T 3.1.8			

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# Chapter 3

## 3.2 WASTE WATER (SANITATION) PROVISION

### INTRODUCTION TO SANITATION PROVISION

The water services development plan of the municipality has been linked with the IDP, the water services development plan is addressing the water issues of the IDP

To develop sanitation infrastructure

To Provide basic sanitation services for all

**Currently there are two projects under construction namely:**

Parys sewer treatment works to the approved MIG value of R24 000 000.00 The scope included the construction of a perimeter fence, construction of an outlet channel and construction of a Motor Control Centre (MCC) building.

Heilbron sewer Treatment works to the approved MIG value of R8 000 000 .00. The works includes construction of a new bio-reactor, construction of a Motor Control Center (MCC) building with the electrical and mechanical components and installation of a Return Activated Sludge (RAS).

Tumahole Bucket Eradication(Winnie and Mandela) R 17 402 998.53 (780 Stands) The project entails construction of toilet structures, installation of sewer pipes and connecting water house connections to the mainline.

T3.2.1

Sanitation Service Delivery Levels				
Description	Year -3	Year -2	Year -1	*Households Year 0
	Outcome	Outcome	Outcome	Actual
	No.	No.	No.	No.
<b><u>Sanitation/sewerage: (above minimum level)</u></b>				
Flush toilet (connected to sewerage)	31677	31677	31677	31677
Flush toilet (with septic tank)	287	287	287	287
Chemical toilet	0	0	0	0



# Chapter 3

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Pit toilet (ventilated)	1657	1657	1657	1657
Other toilet provisions (above min.service level)	12545	13453	14521	11245
<i>Minimum Service Level and</i>				
<i>Above sub-total</i>	45	46	47	44
<i>Minimum Service Level and</i>				
<i>Above Percentage</i>	91.7%	91.8%	92.0%	91.4%
<b><u>Sanitation/sewerage: (below minimum level)</u></b>				
Bucket toilet	4126	4126	4126	4126
Other toilet provisions (below min.service level)	0	0	0	0
No toilet provisions	0	0	0	0
<i>Below Minimum Service Level</i>				
<i>sub-total</i>	4	4	4	4
<i>Below Minimum Service Level</i>				
<i>Percentage</i>	8.3%	8.2%	8.0%	8.6%
<b>Total households</b>	<b>50</b>	<b>50</b>	<b>51</b>	<b>48</b>
<b>*Total number of households including informal settlements</b>				<i>T3.2.2</i>

Households - Sanitation Service Delivery Levels below the minimum						
Households						
Description	Year -3	Year -2	Year -1	2012/2013		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
<b>Formal Settlements</b>						
Total households	0	0	0	0	36 967	36 967
Households below minimum service level	0	0	0	0	3346	3346
Proportion of households below minimum service level	0%	0%	0%	0%	9%	9%
<b>Informal Settlements</b>						
Total households	0	0	0	0	1 620	1 620
Households ts below minimum service level	0	0	0	0	1 620	1 620

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# Chapter 3

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Proportion of households ts below minimum service level	0%	0%	0%	0%	100%	100%
T3.2.3						

## Access To Sanitation

Access to Sanitation	
	Proportion of households with access to sanitation
2010-2011	32841
2011-2012	32841
2012-2013	33621
T3.2.4	

Waste Water (Sanitation) Service Policy Objectives Taken From IDP

[Type text]

[Type text]

# Chapter 3

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Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year			*Current Year	*Current Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
To eradicate all unacceptable sanitation systems and ensure that all households are provided with an acceptable sanitation system	To ensure the effective handing and transportation capacity of all bulk sewer system and its functional operation at all times				Parys : Upgrading of sewer treatment works: (Mechanical and Electrical Works)	Fencing and Civil work have been completed.Mechanical and Electrical component is 76 % complete.			
					Refurbishment of Heilbron Waste Water Treatment Works (Mechanical and Electrical Work).	The project is 68% complete			

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# Chapter 3

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					Bucket eradication for 1528 erven Heilbron.				
					Bucket eradication for 760 erven in Tumahole.				
									T3.2.5

EMPLOYEES: SANITATION SERVICES

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[Type text]

# Chapter 3

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Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0		0	0	
4 - 6	1		1	0	
7 - 9	0		0	0	
10 - 12	18		18	0	
13 - 15	4		4	0	
16 - 18	38		38	0	
19 - 20	0		0	0	
Total	61		61	0	
T 3.2.6					

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# Chapter 3

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Capital Expenditure Year 0: Sanitation Services					
R' 000					
Capital Projects	Year 2012/2013				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	R 56 402 998.53		R 47 443 368.41	71%	
Heilbron Upgrading of WWTW	R 13 00 000.00		R 12 133 973.92	53%	R 56 430 000
Parys Upgrading of WWTW	R26 000 000.00		R 25 994 624.80	8%	R 75 000 000
Parys Bucket Eradication 780	R17 402 998.53	R0.00	R9 314 769.69	61%	R17 402 998.
Project D	R 0.00	R 0	R 0		R 0 T3.2.7

## COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

The municipality has eradicated the bucket system by introducing 780 waterborne sanitation system in Parys in this financial year. We are busy upgrading Parys Wastewater Treatment Plant and constructing a new Wastewater treatment plant in Heilbron and also upgrading the existing plant. During the past year, the system was regularly maintained.

T3.2.8

Project Number	Project Description	Status	Total Project Cost	MIG Budget	Total expenditure to date (current)
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# Chapter 3

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MIG/FS0623/S/08/10	<b>Heilbron:</b> Upgrading of sewer treatment works (ID-158007)	Construction	56 430 000.00	49 500 000.00	R25 267 444.21
MIG/FS0624/S/08/10	<b>Parys:</b> Upgrading of sewer treatment works	Construction	85 500 000.00	75 000 000.00	R25 994 624.84
<b>Total</b>			<b>R141 930 000.00</b>	<b>R124 500 00.00</b>	<b>R51 262 069.05</b>  T3.2.9

Current waste water demands and future demands				
Town	Future waste water demand	Current waste water demand	Waste Water	Capacity shortfall
	MI/D	Mld	Mld	
Parys	21	7	14	
Vredefort	10	5	3	
Koppies	10	5	3	
Edenville	4	0	3	
Heilbron	11	4	7	
				T3.2.10

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# Chapter 3

## 3.3. ELECTRICITY

### Bulk Supply

The municipality received funding from Department of energy to upgrade electricity supply in Heilbron Phiritona to the value of R12 300 000.00

### Project entails

The upgrading of the Bulk Electricity Supply to Phiritona which includes the construction of a 66kV overhead line from the Eskom Substation to the main substation in Phiritona, including the supply of a 10MVA transformer and two substations.

### Electrification

No electrification was done in this financial year

T3.3.1

Electricity Service Delivery Levels					
Description	Ref	2009-2010	2010-2011	2011-2012	Households 2012-2013
		Actual No.	Actual No.	Actual No.	Actual No.
<b><u>Energy: (above minimum level)</u></b>					
Electricity (at least min.service level)		–	–	4	2
Electricity - prepaid (min.service level)		–	33	31	33
<i>Minimum Service Level and Above sub-total</i>		–	33	35	35
<i>Minimum Service Level and Above Percentage</i>			98.6%	98.7%	98.7%
<b><u>Energy: (below minimum level)</u></b>					
Electricity (< min.service level)		–	–	–	–
Electricity - prepaid (< min. service level)		–	0	0	0
Other energy sources		–	–	–	–
<i>Below Minimum Service Level sub-total</i>		–	0	0	0
<i>Below Minimum Service Level Percentage</i>			1.4%	1.3%	1.3%
<b>Total number of households</b>		–	34	36	36



# Chapter 3

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Households - Electricity Service Delivery Levels below the minimum						
Description	2009-2010	2010-2011	2011-2012	2012-2013		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	–	–	35	35	35	35
Households below minimum service level	–	–	–	–	–	–
Proportion of households below minimum service level			0%	0%	0%	0%
<b>Informal Settlements</b>						
Total households	2	2	2	2	2	2
Households ts below minimum service level	–	0	0	0	0	0
Proportion of households ts below minimum service level	0%	28%	28%	28%	28%	28%
T3.3.2						

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# Chapter 3

Electricity Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
To ensure sustainable provision of bulk electricity through an effective internal network that will be able to supply quality electricity according to consumer	Upgrade bulk electricity networks and feeder lines in identified areas				Upgrade bulk electricity supply at Heilbron	Contractor appointed and on site			

# Chapter 3

#

#

demand.									
	Sustainable electricity supply to all customers in all towns				Electricity Supply maintained .Replaced broken Transformer s				
									T 3.3.3

# Chapter 3

Employees: Electricity Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2		2		
4 - 6	0		0		
7 - 9	10		10		
10 - 12	12		12		
13 - 15	1		1		
16 - 18	5		5		
19 - 20	18		18		
Total	48		48		
T 3.3.4					

## COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

We are currently experiencing problems with non-functional meters in all five towns. In the next financial year, council will be procuring new metres starting at the Koppies unit.

We have been experiencing a serious challenge with cable theft in the entire municipality. The network was maintained from the Council's budgeted maintenance amount.

200 solar geysers were installed in Heilbron

Below is a list of electricity projects that are completed.

T3.3.5

Project Number	Project Description	Status	Fund	Total Project Cost	DOE Budget	Total expenditure to date (current)
NGW/06/2012	Heilbron: Electrification project	Construction	DOE	R16 972 686 .52	R12 000 000.00	R10 645 765.20

# Chapter 3

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## 3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

### INTRODUCTION TO WASTE MANAGEMENT

One of the functions of the municipalities is waste removal. We perform the following functions under refuse:

Landfill site management,

Refuse collection

Facilitation of recycling.

T3.4.1

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# Chapter 3

## SERVICE STATISTICS

### Tariffs

Business: R92.79

Residential: R64.26

### Landfill Sites

None permitted:

Parys & Koppies, Edenville, Koppies & Vredefort.

### Refuse Removal:

Business: Parys; daily

Other towns; three times a week.

Residential: Once per week per household.

### Challenges:

Old and inadequate refuse removal equipment.

None permitted sites,

Illegal dumping

Employee wellness.

T3.4.2

# Chapter 3

Waste Management Service Policy Objectives Taken From IDP									
Service Objectives   <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective									
To provide effective and regular refuse removal service to all households in urban areas.	Proportionate reduction in average weekly collection failures year on year (average number of collection failures each week)				Weekly Refuse collection: Household X 1, Business X 2	Failure to stick to the collection schedule			Weekly Refuse collection: Household X 1, Business X 2
To maintain all landfill and waste dumping sites according to legal and health requirements	The amount of spare capacity available in terms of the number of years capacity available at the current rate of landfill usage				To have all municipal landfill site licensed	Extended a request to MISA to assist with registration			Four of the five Landfill sites to be registered  T3.4.3

# Chapter 3

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Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0		0	0	
4 - 6	1		1	0	
7 - 9	0		0	0	
10 - 12	15		15	0	
13 - 15	4		4	0	
16 - 18	60		60	0	
19 - 20	0		0	0	
Total	80		80	0	
T3.4.4					

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# Chapter 3

## 3.5 HOUSING

Ngwathe Local Municipality provides the town planning services to the communities; the main function of this department is to secure land; develop safe and healthy environment; to establish sustainable settlement areas; eradicate informal settlements; to ensure tenure of land; to ensure access to funding; to develop internal services and provide housing. T3.5.1

The only real progress is with Parys /Schonkenville two room houses

Ngwathe was allocated a total of 2300 new housing subsidies for the 2010/11 and 2011/12 financial years plus completion of 199 houses that were left incomplete or not built at all in the previous construction years throughout the Municipality.

- Number of applications submitted for evaluation per town
- Number of subsidies allocated per contractor per town
- Number of approvals to date and
- Construction progress per milestone

The said information will be given in a tabular form for ease of reference and thereafter challenges and proposed or implemented interventions per project will be discussed.

### KOPPIES 350

A total of **246** applications have been submitted for approval and to date **233** have been captured in the HSS (Housing Subsidy System).

The project is implemented by a single contractor namely Thutela Bogolo and progress to date is as follows;

Contractor	Allocations	Approvals	Shortfall	Foundations completed	Wall Plates	Houses Completed and handed

# Chapter 3

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					Completed	over
Thutela Bogolo	350	178	172	0	0	0
<b>Totals</b>	<b>350</b>	<b>178</b>	<b>172</b>	<b>0</b>	<b>0</b>	<b>0</b>
						T3.5.2

## KOPPIES 350 HOUSE SUBSIDIES

Project	Allocation	Approved	Foundations cast	Wall plate claim	Complete Houses claim
350 Tuthela Bogolo	350	178	125	0	0
<b>Total</b>	<b>350</b>	<b>138</b>	<b>125</b>	<b>0</b>	<b>0</b>
					T3.5.3

## Challenges

There is currently no progress that can be reported in Koppies due the following ;

- All allocations were approved for Joro Construction and not for Thutela Bogolo who were later allocated the contract in replacement of Joro.
- The approved beneficiary list was transferred to Thutela Bogolo only in January 2011.
- Excessive rains during January and February 2011 also retarded progress.
- The contractor also informed us that another challenge they face is financial constraints as they are awaiting payment for jobs done in other projects within the Province.
- Shortage of residential sites in Koppies.
- The DoHS (Department of Human Settlements ) with the assistance of NHBRC is busy Audit the project in Koppies at the moment.
- The housing Projects was due to be funded through the provincial Budget for 2013 when the above Audit is completed.

## Interventions

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# Chapter 3

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- Department of Human Settlements is in the process of acquiring land for Ngwathe for the purposes of establishing a new township in Koppies.
- Department of Human Settlements is in the process of appointing a service provider to assume the survey and planning processes on plots 1014, 1015 and 1016 Koppes Settlements for 2100 sites in Koppies

## HEILBRON 700

A total of **955** applications have been submitted for approval to the DoHS (Department of Human Settlements) and a total of **705** thereof has been captured in the HSS (Housing Subsidy System)

The project is divided among three contractors namely:

Mgiftana Trading Enterprise, Besakha Trading and Chileshe Trading as follows;

Over and above these allocations, there are 96 PHP houses that need to be completed and progress is as follows per contractor;

Progress up to date:

### HEILBRON 700 RDP 96 PHP INCOMPLETE HOUSE SUBSIDIES

Project	Allocation	Approved	Foundations Claim	Wall plates claims	Complete
---------	------------	----------	-------------------	--------------------	----------

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# Chapter 3

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<b>250 Mgiftana Trading Enterprise</b>	<b>250 RDP</b>	<b>27 PHP</b>	<b>148</b>	<b>27</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>0</b>	<b>0</b>
<b>150 Beshaka Trading</b>	<b>150 RDP</b>	<b>27 PHP</b>	<b>123</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>300 Chileshe Trading Cc</b>	<b>300 RDP</b>	<b>27 PHP</b>	<b>124</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>700</b>	<b>81</b>	<b>395</b>	<b>81</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>0</b>
										T3.5.4

**\*\* Progress started picking more claims will submitted to Human Settlement Department**

## Challenges

Progress with regard to Besakha is slow and Department of Human Settlement needs to intervene as a matter of urgency more especially after we have received complaints that the sub-contractors struggled to get paid for the work performed.

## Interventions

- The Department with the assistance of the NHBRC. are conducting an Audit on the 700 RDP Houses
- The funding to complete the above projects will only become valuable during the 2013 /2014 provincial budget
- Department of Human Settlements is in the process did appoint service provider to plan and survey 1000 additional residential stand in PHIRITONA

## Edenville 400

A total of **224** applications has been submitted for approval to the Department of Human Settlements and a total of **204** thereof has been captured in the HSS (Housing Subsidy System)

This project is allocated to a single contractor, Khumbula Property Services and progress to date is as follows;

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# Chapter 3

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Contractor	Allocations	Approvals	Shortfall	Foundations Completed	Wall Plates Completed	Houses completed and handed over
Khumbula	400	144	256	4	0	0
<b>Totals</b>	<b>400</b>	<b>144</b>	<b>256</b>	<b>4</b>	<b>0</b>	<b>0</b> T3.5.5

Over and above the abovementioned allocations there are also 50 houses approved but not built in the previous allocations and progress thereon is as follows;

Contractor	Allocations	Approvals	Shortfall	Foundations Completed	Wall Plates Completed	Houses completed and handed over
Khumbula	50	50	0	0	4	0
<b>Totals</b>	<b>50</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b> T3.5.6

## Challenges

- Construction progress is very slow , though the delay may be attributed to the excessive rains of January and February 2011 albeit not entirely. DoHS intervention required to speed up housing delivery in Edenville.
- Secondly, shortage of residential sites due to the fact that most available sites are leased out and not owned by the current occupants.

## Intervention

- The Department Human Settlement did appoint the provider to survey and planning of 500 sites in Edenville.
- The 500 residential stands are already planned and ready for Council approval on the.
- Propose that the 250 subsidies not yet allocated in Edenville was relocated to Vredefort where beneficiaries are approved and put on hold by DoHS.

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# Chapter 3

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## Vredefort 150

A total of **480** applications has been submitted for approval to the DoHS (Department of Human Settlements) and a total of **480** thereof has been captured in the HSS (Housing Subsidy System). At the same time **223** of the subsidies are approved but on a waiting list.

This project was allocated to the single contractor, Dilemopumo Construction and Trading and progress to date is as follows;

### Parys two room houses

1. The first two houses is complete and re occupied by the respective owners
2. Additional 15 families houses are under construction
3. the progress with the above 15 house when well

The Project in Parys was given to two different Contractors,

Friedshelf 863 was allocated 500 RDP houses and Hlengiwe did have 200 RDP houses to build

### **PARYS 700 RDP & INCOMPLETE PHP HOUSE SUBSIDIES**

Project	Allocation	approved	Foundations claim	Wall plate claim	Complete houses claim
200 Hlengiwe Business Solutions	200 RDP	205	25	24	24
500 Friedshelf 863	500 RDP	500	500	500	500
Incomplete PHP houses (Tirisano)	53	53	0	0	0
Total	753	758	525	524	524 T3.5.7

**\*\* Tirisano PHP houses on the list that Incomplete must clarified with Contractors and Department of Public Works, regarding the demonizing of old structures.**

### Challenges

- Construction progress is very slow , the Hlengiwe can only complete 24 of the 200 RDP houses allocated to him , when funding was stop by the Human Settlement Department

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# Chapter 3

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## Intervention

- The Department Human Settlement did appoint the NHBRC to conduct a Audit on the 700 house project in Parys
- The funding to complete the projects will only made valuable in the 2013/2014 budget after the above audit is complete

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# Chapter 3

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# Chapter 3

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Employees: Housing Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100
4 - 6	1		1	0	
7 - 9	0		0	0	
10 - 12	1		1	0	
13 - 15	0		0	0	
16 - 18	0		0	0	
19 - 20	0		0	0	
<b>Total</b>	<b>2</b>		<b>2</b>	<b>0</b>	
T 3.5.9					

## Town planning report

1. The progress with the 5300 new residential stand in Ngwathe towns is still on schedule:
2. All new residential areas plans are complete
3. All impact studies complete and submitted.
4. New residential areas are registered with the department of Economic Affairs & Tourism
5. Priority is given to insure that the opening of title deeds for the new residential areas will take place not later than October 2014
6. 2063 residential stands in Kwakwatsi are the most urgent stands and will be completed first
7. Funding obtain to revise Ngwathe municipality's SDF from Fezile Dabi District Municipality, meeting between the service provider and Distinct Municipality is schedule for 24/07/2013

## Comment

The shortage of stands does contribute to the housing delivery process. The towns mainly affected are Koppies /Kwakwatsi and Edenville /Ngwathe.

[Type text]

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# Chapter 3

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The above problems will be address by the Town establishment in the five Ngwathe Municipal Towns, this process is well underway and will complete late 2013 or early 2014.

T3.5.10

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# Chapter 3

## COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (storm water drainage).

### 3.6 ROADS

#### INTRODUCTION TO ROADS

The municipality has a backlog of 200 kilometers of roads that require upgrading, however the municipality has only managed to upgrade 2Kms in the 2012/2013 FY. This project was funded by the Provincial Department of Public Works and was implemented in Mokwallo (1km) and Tumahole(1km) townships.

Below is a list of projects which are to be executed and completed in the 2013/2014 financial year:

Koppies: Paving of internal roads 1 km - The project includes construction of a 1km access road with interlocking paving blocks, concrete kerbs and provision of storm water via open channels. Edenville: Paving of internal roads 1 km The project includes construction of a 1km access road with interlocking paving blocks, concrete kerbs and provision of storm water via open channels. T3.6.1

# Chapter 3

Capital Expenditure Year 0: Road Services					
R' 000					
Capital Projects	Year 2013/2014				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	R 13 117902.70	R 0	R 0	0%	R 13 117902.700
Paving of internal roads in Koppies 1km	R6 558 951.35	R 0	R0	0%	R6 558 951.35
Paving of internal roads in Edenville 1km	R6 558 951.35	R 0	R0	0%	R6 558 951.35
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T3.6.2

# Chapter 3

Road Service Policy Objectives Taken From IDP									
<div>Service Objectives</div> <div> <div>Service Indicators</div> <div>(i)</div> </div>	<div>Outline Service Targets</div> <div>(ii)</div>	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective									
To provide continuous maintenance and upgrading of all tar, gravel and un-surfaced roads and storm water networks to keep them in a trafficable condition and to accommodate heavy vehicle transport where required in all urban and rural areas.	Rehabilitation of the tarred roads in Parys								
	Upgrade of 1 km gravel road to pave in Koppies				Paving of internal roads in Koppies 1km.	Consultant and Contractor appointed			
	Upgrade of 1 km gravel road to pave in Edenville				Paving of internal roads in Edenville 1 km	Consultant and Contractor appointed			

# Chapter 3

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Employees: Road Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0		0	0	
4 - 6	1		1	0	
7 - 9	1		1	0	
10 - 12	15		15	0	
13 - 15	2		2	0	
16 - 18	17		17	0	
19 - 20	0		0	0	
Total	36		36	0	
T3.6.4					

COMMENT ON THE PERFORMANCE OF ROADS OVERAL:

**PLS: See the Attached spread sheet Format Below**

T3.6.5

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# Chapter 3

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Project Number	Project Description	Status	Total Project Cost	MIG Budget	Total expenditure to date (current)	Expenditure Balance
MIG/FS0714/W/09/09	Paving of internal roads in Koppies 1km.	Consultant and Contractor appointed	R6 558 951.35	R6 558 951.35	R 0	R0
MIG/FS0954/R,ST/13/14	Paving of internal roads in Edenville 1 km	Consultant and Contractor appointed	R6 558 951.35	R6 558 951.35	R 0	R0 T3.6.6

## COMMENT ON THE PERFORMANCE OF ROADS AND STORMWATER DRAINAGE OVERALL:

We have done gravel road maintenance in all towns during the financial year. The challenge was that the municipality had to hire road construction plant which was used in the maintenance because the municipality does not have the necessary plant.

We also have a significant challenge with potholes; this problem was not addressed as there was no funding to do this.  
T3.6.7

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# Chapter 3

## 3.7 FREE BASIC SERVICES AND INDIGENT SUPPORT

### INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality has an indigent policy as approved by the Council. The policy ensures that it households who cannot afford to pay for municipal services do benefit as well from municipal services. The poor communities will be able to use money for other basic needs like food, etc. The determining threshold for 2012/2013 was the total household income not exceeding R2 040.00 per month. However the municipality does not provide alternative energy T3.7.1

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,900 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
2010-2011	36 292	15 370	13 515	100%	9 823	73%	10 515	78%	13 515	100%
2011-2012	37 339	16 519	13 885	90%	13 885	90%	15 370	100%	13 885	90%
2012-2013	37 339	16 519	16 519	100%	15 942	97%	16 519	100%	15 942	97%

T3.7.2

### COMMENT ON THE FREE BASIC SERVICES AND INDIGENT SUPPORT

Electricity: The total number of indigents provided was about 16 519. The municipality is providing indigent households with 50KWh on electricity per month. However there is a small number of household who continue to illegally bridge meters citing unemployment as the major reason. Non Indigents households on the other hand are receiving 15K T3.7.3

Water: The total number of indigents provided was about 16 519. The municipality is using a broad-based approach on all households by providing 6kl per household on water per month. However there



# Chapter 3

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were still broken meters that need replacement. Non Indigents are also provided with the same 6kl per household per month.

Sanitation: The total number of indigents provided was about 15 942 with a backlog of about 577 households.

Refuse: The total number of indigents provided was about 15 942with a backlogs of about 577 households. There were no refuse bins as well as shortage of heavy equipment.

T3.7.4

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# Chapter 3

## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

### INTRODUCTION TO PLANNING AND DEVELOPMENT

Planning and economic units are housed within Community Services Directorate, The units is tasked with among other areas of responsibility to facilitate the provision of a acceptable safe and equity housing, to ensure that land accessibility future development benefits both residents and the municipality in terms of the SPLUMA, Economic development section on the other hand facilitates availability of economic opportunities to all the residents.

T 3.7.5

## 3.8 PLANNING

### INTRODUCTION TO PLANNING

The section planning is mainly focussed on the following for the current financial year

- The eradication of informal settlement in all 5 Towns by means to speed up the proclamation 5300 stands as per the allocation.
- Complete and submit all applications for Parys, Edenvill, Koppies, Heilbron and Mokwallo not later than November 2014

T 3.8.1

The following table show the planning on housing

Towns	Project location	Project description					Beneficiary list
		Low cost houses	One door houses	Two room houses	Dilapidated house	Incomplete house	
Parys	Tumahole Schonkenville	2450	0	50	115	264	Yes
Koppies	Kwakwatsi	300	0	0	35	350	Yes
Heilbron	Phiritona /Sandersville	700	0	102	65	355	Yes

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Vredefort	Mokwallo /Verdeshoop	550	0	0	11	0	Yes
Edenville	Ngwathe	245	0	0	135	255	Yes
		4245	0	152	341	1224	T3.8.2

Due to the fact that a big portion of Town lands that was use as grazing land is at the moment in the process of being directed for planning of new residential Erven the result is the availability of new Land for new development

Land and commonage requirements

## Summary of Current Housing Tendencies : Parys / Tumahole / Schonkenville

### Urban Area:

RESIDENTIAL AREA	RESIDENTIAL ERVEN OCCUPIED	RESIDENTIAL ERVEN UNOCCUPIED	TOTAL RESIDENTIAL ERVEN	ERF REQUIREMENTS (Determined by Council)
Parys	2 376	667	3 043	None
Tumahole	10 263 <sup>1</sup>	1000 <sup>2</sup> 975 <sup>3</sup>	12 238	None
Schonkenville	733		733	None

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# Chapter 3

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TOTAL	13 372	2 642	16 014	T3.8.3
-------	--------	-------	--------	--------

<sup>1</sup>Includes recent Extension 6 of 764 erven

<sup>1</sup>Extension 7, in process of Township Establishment, unoccupied & not serviced

<sup>1</sup>2013 : Erven in process of Township Establishment(975residential erven)

for both Tumahole & Schonkenville

## Summary of Land Requirements

<u>LAND REQUIREMENTS FOR ERVEN</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
<ol style="list-style-type: none"> <li>1. Current planning of 975 erven will ensure a reserve in residential erven.</li> <li>2. These erven, with a proposed 1 000 erven (in the process of Township Establishment), will address the short term housing need in Tumahole.</li> </ol>	None, 1 975 erven in reserve	<ol style="list-style-type: none"> <li>1. Long term extension is proposed on the existing and remaining townlands, in a north-easterly direction towards the Parys/ Sasolburg road.</li> <li>2. Anew and prominent access road will be established to the existing and foreseen residential precincts of Tumahole.</li> <li>3. Relocation of the industrial ares to this area is deemed feasible.</li> </ol>
<u>LAND REQUIREMENTS FOR COMMONAGE</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
Land to the south-east of the Tumaholewere acquired during 1998 for commonage purposes.	Continual extension in a north-easterly direction will necessitatepurchasing of additionalcommonage to the east of Tumahole. It is proposed to acquire subdivisions 3 & 4 and the remainder of the Farm Boschkop 220.	Normal expansion of the community will require additional commonage, also further east of Tumahole.

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# Chapter 3

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		T3.8.4
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# Chapter 3

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## Summary of current housing tendencies :

### Heilbron / Phiritona / Sandersville Urban Area:

RESIDENTIAL AREA	RESIDENTIAL ERVEN OCCUPIED	RESIDENTIAL ERVEN UNOCCUPIED	TOTAL RESIDENTIAL ERVEN	ERF REQUIREMENTS <i>(Determined by Council)</i>
Heilbron	806	25	831	None
Phiritona	6 091 <sup>4</sup>	1 037 <sup>5</sup> 1413 <sup>6</sup>	8 541	None
Sandersville	367	-	367	None
<u>TOTAL</u>	<b>7 264</b>	<b>2 475</b>	<b>9 739</b>	T3.8.5

<sup>1</sup>Includes recent extension of 588 erven

<sup>1</sup>In process, previous Township establishment, unoccupied & not serviced

<sup>1</sup> 2013 : Erven in process of Township Establishment (1413 residential erven)

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# Chapter 3

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## Summary of Land Requirements)

<u>LAND REQUIREMENTS FOR ERVEN</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
<ol style="list-style-type: none"><li>1. Current planning of 1 413 erven will ensure a reserve in residential erven.</li><li>2. These erven, with an existing 1 037 unoccupied erven, will address the short term housing need in Phiritona.</li></ol>	None, 2450 erven in reserve	<ol style="list-style-type: none"><li>1. Long term extension will necessitate purchasing of additional land as future development on the existing commonage is not desirable.</li><li>2. The ideal extension of the urban area is in a western direction to ensure proximity to the industrial area, major roads (especially the Heilbron/ Sasolburg road) and the Heilbron CBD.</li><li>3. Detail investigations should determine the future urban framework, taking cognisance of prevailing winds, topography, land developability, accessibility and the like.</li></ol>
<u>LAND REQUIREMENTS FOR COMMONAGE</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
Five farms to the north of Phiritona were acquired during 1998 for commonage purposes.	None	Normal expansion of the community will require additional commonage.

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# Chapter 3

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## Summary of Current Housing Tendencies : Koppies / Kwakwatsi Urban Area:

RESIDENTIAL AREA	RESIDENTIAL ERVEN OCCUPIED	RESIDENTIAL ERVEN UNOCCUPIED	TOTAL  RESIDENTIAL ERVEN	ERF REQUIREMENTS  (Determined by Council)
Koppies	338	116	454	None
Kwakwatsi	3 019	135 <sup>7</sup> 2 018 <sup>8</sup>	5 461	1000 <sup>9</sup>
<u>TOTAL</u>	<b>3 357</b>	<b>2 558</b>	<b>5 915</b>	<b>1 000</b> T3.8.6

<sup>1</sup> Current planning of 2018 erven will partially address the waiting list,

## Summary of Land Requirements

<u>LAND REQUIREMENTS FOR ERVEN</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>

<sup>7</sup>Erven not occupied, proposed for alternative land uses

<sup>8</sup>2013 : Erven in process of Township Establishment ( 2018 residential erven)

<sup>9</sup> Current planning of 2018 erven will partially address the waiting list,  
additional erven will have to be provided in the near future to purposefully  
address the current and continuous backlog.

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# Chapter 3

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<ol style="list-style-type: none"> <li>1. Current planning of 2018 residential erven will partially address the waiting list.</li> <li>2. Although a large number of erven are now provided, the timespan preceding this extension was exceedingly lengthy, implying that the community will continue to experience a backlog in erven for the next two years.</li> </ol>	<ol style="list-style-type: none"> <li>1. It is proposed to urgently commence with negotiations for the purchasing of Plots 1019 (as immediate priority) and 1018 and 1017, located to the east of Kwakwatsi.</li> <li>2. Although not ideal, the extension is proposed for the short term as land immediately adjacent Kwakwatsi could purposefully be planned and integrated with the existing precincts.</li> </ol>	<ol style="list-style-type: none"> <li>1. Long term extension will necessitate purchasing of additional land that will unavoidably see urban expansion towards the Koppies/Sasolburg road.</li> <li>2. It will imply "jumping" of a railway line that will divide the urban area.</li> <li>3. Numerous small holdings will have to be acquired.</li> <li>4. The expansion is considered ideal as the residential and industrial zones will be established closer together.</li> </ol>
<b>LAND REQUIREMENTS FOR COMMONAGE</b>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
Remainder of the farm Leuwspruit 79	<ol style="list-style-type: none"> <li>1. The urban area does not comprise suitable commonage, attributed to the entire urban area being surrounded by small and expansive irrigation small holdings.</li> <li>2. It is proposed to urgently investigate purchasing the remainder and subdivision 1 of the farm Lionriver 154.</li> </ol>	<ol style="list-style-type: none"> <li>1. Normal expansion of the community will require additional commonage.</li> <li>2. It is proposed to urgently investigate purchasing the remainder and Subdivision 1 of the farm Goedverblyf 208 adjoining the existing commonage (remainder of the farm Leuwspruit 79).</li> </ol>

T3.8.7

**Summary of Current Housing Tendencies :  
Vredefort / Mokwallo / Vredeshoop Urban Area**

[Type text]

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# Chapter 3

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RESIDENTIAL AREA	RESIDENTIAL ERVEN OCCUPIED	RESIDENTIAL ERVEN UNOCCUPIED	TOTAL RESIDENTIAL ERVEN	ERF & LAND REQUIREMENTS (Determined by Council)
Vredefort	480	25	505	None
Mokwallo	4 400 <sup>10</sup>	500 <sup>11</sup> 264 <sup>12</sup>	5164	None
Vredeshoop	96	-	96	None
<b>TOTAL</b>	<b>4 976</b>	<b>789</b>	<b>5 765</b>	T3.8.8

<sup>1</sup>Includes recent Extension 3

<sup>1</sup>Extension 4 (unoccupied, not serviced)

<sup>1</sup>2013 : Erven in process of Township Establishment (264 residential erven)

## Summary of Land Requirements

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# Chapter 3

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<u>LAND REQUIREMENTS FOR ERVEN</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
<ol style="list-style-type: none"> <li>1. Current planning of 264 erven will ensure a reserve in residential erven.</li> <li>2. These erven, with an existing 500 unoccupied erven, will address the short term housing need in Mokwallo.</li> </ol>	None, 764 erven in reserve	<ol style="list-style-type: none"> <li>1. Additional erven will have to be provided for normal growth in the medium to long term.</li> <li>2. This could be addressed through infill planning in Mokwallo and the remaining Townlands of Vredefort.</li> <li>3. It was agreed that long term extension should be on commonage farms, subdivisions 8 and 9 of the farm Vredefort 148 with a new entrance road from the Parys/Vredefort road to Mokwallo.</li> <li>4. The farms will therefore have to be replaced.</li> </ol>
<u>LAND REQUIREMENTS FOR COMMONAGE</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
<ol style="list-style-type: none"> <li>1. Subdivision 1 of the farm Schulp Spruit 140</li> <li>2. Subdivision 2 &amp; 3 of the farm Lincoln 541</li> <li>3. Subdivision 8 &amp; 9 of the farm Vredefort 148</li> </ol>	None	<ol style="list-style-type: none"> <li>1. Normal expansion of the community will require additional commonage.</li> <li>2. Future urban extensions on the commonage farms, subdivisions 8 and 9 of the farm Vredefort 148 will necessitate acquiring of additional commonage (175 &amp; 147 Ha respectively).</li> </ol>

T3.8.9

**Summary of Current Housing Tendencies : Edenville/ Ngwathe Urban Area:**

[Type text]

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# Chapter 3

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RESIDENTIAL AREA	RESIDENTIAL ERVEN OCCUPIED	RESIDENTIAL ERVEN UNOCCUPIED	TOTAL RESIDENT IAL ERVEN	ERF REQUIREMENTS <i>(Determined by Council)</i>
Edenville	250	60	310	None
Ngwathe	2 026 197 <sup>13</sup>	491 <sup>14</sup>	2 714	500 erven in 2014/15 <sup>15</sup>
<b>TOTAL</b>	<b>2 473</b>	<b>551</b>	<b>3 024</b>	<b>500</b>  T3.8.10

<sup>1</sup>Recently approved Extension 3, provided with rudimentary services.

<sup>1</sup>2013 : Erven in process of Township Establishment (491 residential erven).

Current planning of 491 erven will address the waiting list additional erven will have to be added for normal growth.

## Summary of Land Requirements

[Type text]

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# Chapter 3

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<u>LAND REQUIREMENTS FOR ERVEN</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
Current planning of 491 erven will address the waiting list, although additional erven will have to be provided for normal growth.	<ol style="list-style-type: none"> <li>1. None</li> <li>2. Short term growth could, however, be addressed through infill planning in Edenville or on the remaining Townlands.</li> </ol>	<ol style="list-style-type: none"> <li>1. Long term extension will necessitate purchasing of additional land or, if commonage is considered for future extension, it should be replaced.</li> <li>2. It was agreed that extension should be on commonage farm Stilledal 53, with a new access road from the Edenville/ Heilbron road to Ngwathe.</li> <li>3. The farm will therefore have to be replaced.</li> </ol>
<u>LAND REQUIREMENTS FOR COMMONAGE</u>		
<u>CURRENT</u>	<u>SHORT TERM</u>	<u>LONG TERM</u>
<ol style="list-style-type: none"> <li>1. Uelzen 1994</li> <li>2. Ebenhaezer 1455</li> <li>3. Stilledal 53</li> </ol>	None	<ol style="list-style-type: none"> <li>1. Normal expansion of the community will require additional commonage.</li> <li>2. Future urban extensions on the commonage farm Stilledal 53, will necessitate acquiring of additional commonage (approximately 280 Ha).</li> </ol> <p>T3.8.11</p>

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# Chapter 3

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Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning application received						
Determination made in year of receipt						
Determination made in following year						
Applications withdrawn						
Applications outstanding at year end						
						T 3.10.2

## 3.9 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

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# Chapter 3

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## INTRODUCTION TO ECONOMIC DEVELOPMENT

This annual report will provide information on the status quo of the LED Strategy. This strategy which was developed in 2008 has been finally reviewed and the final draft document is available for public participation and it will be tabled before the Council for approval after this process of public participation. The report will further reflect on job creation project, measures taken to improve performances and challenges faced by the unit. The major challenges have always been that of budget because there was no allocation for the unit, however there are some achievements which were attained in to give support to our communities and SMME's which will also be part of this report .

*T 3.9.1*

## COMMENT ON LOCAL JOB OPPORTUNITIES:

The region has potential for tourism marketing, market places and farming. The Vredefort Dome which has been declared as a World Heritage site will attract tourists once the project has been completed and well marketed. We also have three resorts which can accommodate visitors and tourists during festive season. Koppies Dam , Mimosa Garden (Parys) and Unifees Dam (Heilbron) are strategically placed for this purpose and can also increase our revenue collection immensely. They only need to be renovated and marketed. Our beautiful restaurants and coffee shops in Bree street (Parys) are admired by visitors who pass by. This attraction also boosts the market of street vendors especially during the weekends.

There are projects which can sustain and create jobs in the Agricultural sector. Sizabantu cooperative which operates on the farm called Welderhonderkop has recently employed six people who are receiving skills from an experienced farmer. There is also Hydroponic which operates from one of the farms in Parys. This project has presently employed six people and has the potential to grow once it receives assistance from the Municipality and Provincial Government. Green house project in Koppies received funding from Rand Water Foundation. The project will employ twenty people in its inception. The process to start this project is underway and it is anticipated that it will be launched in October 2013. It is anticipated that Poultry project will be started in Heilbron soon. This project will also be assisted by Rand Water Foundation. The Bakery in Edenville will also assist in poverty alleviation and job creation De Beers has shown interest for rendering assistance towards this bakery project. Vredefort will benefit from the juice factory. This project collapsed due to lack of commitment by previous beneficiaries. It will be given to newly identified beneficiaries as Vredefort.

*T3.9.2*

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# Chapter 3

Local Economic Development Policy Objectives Taken From IDP									
Service Objectives   <i>Service Indicators</i> (i)	Outline Service Targets   (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	 (iv)	*Previous Year (v)	*Current Year (vi)	 (vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective									
Create an environment that promotes the development of the local economy and facilitate job creation	Improved municipal economic viability.				Ensure the success and sustainability of current government job creation programs and projects.	Expansion of CWP programmes in Edenville and Koppies to 2300 job opportunities.			Introduction of CWP programme in Vredefort
					Review the LED Strategy	Reviewed Strategy drafted by FDDM			T3.9.3



# Chapter 3

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Employees: Local Economic Development Services				
Job Level	2012/13			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	1	100%
000-04-1429	8	3	5	91%
000-04-1371	1	0	1	100%
000-04-1372	0	0	0	100%
Total	10	4	6	491%
				T 3.9.4

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# Chapter 3

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Jobs Created during Year 0 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created  No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year  No.	Method of validating jobs created/lost
Establishment of vegetable production project in Koppies.	50			
Received and are considering two presentations aimed at establishing viable business in the fields of agriculture and semi dry building material suppliers respectively in partnership with the community of Ngwathe.				
Social labour plan project by Routeledge modise attorneys on behalf of Witkop mine.				
				T 3.9.5

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# Chapter 3

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Job creation through EPWP* projects		
	EPWP Projects	Jobs created through EPWP projects
Details	No.	No.
Year -2		
Year -1	3 Storm Water + Cemetery Cleaning + CWP:	2370
Year 0	3: Storm Water + Cemetery Cleaning + CWP	2370
* - Extended Public Works Programme		T 3.9.6

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# Chapter 3

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

### 3.10 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

#### INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

Of the above mentioned services Ngwathe Local municipality is only responsible for the libraries, archives and community facilities such as halls and community facilities, the library in Edenville is the only one that belongs and managed by the Province.

*T3.10.1*

# Chapter 3

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Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	1	1	1		
7 - 9	2	2	2		
10 - 12	12	12	12		
13 - 15					
16 - 18	15	15	15		
19 - 20					
<b>Total</b>	<b>30</b>	<b>30</b>	<b>30</b>		
T 3.10.2					

COMMENT ON THE PERFORMANCE OF LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC) OVERALL:

Three municipality Libraries need a budget for upgrading.

[Type text]

[Type text]

# Chapter 3

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There is a need for vehicles because some of the libraries' activities and programmes need transport.  
T 3.10.3

## 3.11 CEMETERIES AND CREMATORIUMS

### INTRODUCTION TO CEMETERIES & CREMATORIUMS

NLM performs the establishment, conduct and control of facilities for the purpose of disposing of human and animal remains, this includes cemeteries, funeral parlours and crematoria. The municipality committed itself to ensuring that all the towns have at least two decent cemeteries, one being in the town area whilst the other is in the township area. Tariffs for same would also differ with the town area being more than those of the townships. We further endeavor to provide ablution facilities within these areas. In terms of services we render not only burials but cremations, top on top, exhumations, reopening etc.

T 3.11.1

### SERVICE STATISTICS FOR CEMETERIES & CREMATORIUMS

SERVICE & AREA	PARYS	TUMAHOLE	HEILBRON	KOPPIES	VREDEFORT	EDENVILLE
FULL	51	306		259	134	120
HEAD	105	0		0		
REOPENING	56	0		2		
RESERVE	29	17		7		
BABIES	2	40		33		
EXHUMATION	1	0		4	0	T 3.11.2

### CEMETERIES

AREA

Cemetery sites in use

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# Chapter 3

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Parys	2
Tumahole	1
Schonkenville	1
Edenville	1
Ngwathe	1
Vredefort	1
Mokwallo	1
Vredeshoop	1
Heilbron	1( caters for top on top and reserved sites only
Phiritona	3
Sandersville	1
Koppies	1
Kwakwatsi	1
<b>Total</b>	17
	T3.11.3

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# Chapter 3

Employees: Cemeteries and Crematoriums					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0		0	0	
4 - 6	0		0	0	
7 - 9	0		0	0	
10 - 12	0		0	0	
13 - 15	0		0	0	
16 - 18	11		11	0	
19 - 20	0		0	0	
Total	11		11	0	

T 3.11.5

## COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIUMS OVERALL:

Most of the municipal cemeteries are full, land availability appears to be a challenge for grave sites development, and one of the major challenges is burglary to the ablution blocks at the hands of thugs, roaming cattle. During the period under review.

T 3.11.6

## 3.12 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES



# Chapter 3

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## INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

*The municipality is not directly responsible for the above stated services, we only provide a support where needed*

*T 3.12.1*

## COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

## INTRODUCTION TO ENVIRONMENTAL PROTECTION

NLM is reliant on Fezile Dabi District Municipality with regard to most of the environmental issues.

*T3.12.2*

## COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections.

## INTRODUCTION TO HEALTH

Health is mainly the function of the Provincial Health Department and as the municipality ours is to play a supportive role in terms of providing land, and basic services

*T 3.12.3*

## 3.13 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

## INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

The said functions mentioned above, though they happen in our local space they are the competency of the Fezile Dabi District.

*T 3.13.1*

## COMPONENT G: SECURITY AND SAFETY

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# Chapter 3

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This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

## INTRODUCTION TO SECURITY & SAFETY

The department Traffic is tasked with the execution of Traffic Law Enforcement ; including By – laws and Speed-trapping duties, and for the efficient collection on the Warrants of Arrest and Abnormal Load escorts

T 3.13.2

### 3.14 POLICE/TRAFFIC

## INTRODUCTION TO POLICE/TRAFFIC

The Traffic department comprises Nine ( 09 ) Traffic Officers in total ; inclusive of Two ( 02 ) Superintendents , whom have to maintain Law Enforcement duties in the Five ( 05 ) towns that constitute Ngwathe Municipality – namely :- Parys ; Heilbron ; Koppies ; Vredefort and Edenville.

T 3.14.1

## SERVICE STATISTICS FOR THE PERIOD UNDER REPORTING

The number of infringements for ALL Law Enforcement was Four Thousand One Hundred and Eighty-four ( 4184 ) notices at an amount of Two Million Seven Hundred and Nineteen Thousand rand ( R 2 719 000,00 ).

Twenty-five ( 25 ) notices to the amount of Twenty Thousand Nine Hundred rand (R 20 900,00) were Withdrawn.

Eight Hundred and Fifty-seven notices ( 857 ) to the amount of Three Hundred and Sixty-one Thousand Eight Hundred and Thirty rand ( R 361 830,00 ) were Paid.

There are One Thousand Eight Hundred and Ninety-six ( 1896 ) Warrants of Arrest to the amount of One Million Three Hundred and Twenty-two Thousand Five Hundred and fifty rand ( R 1 322 550,00 ) Outstanding.

There are One Thousand Four Hundred and six ( 1406 ) notices Outstanding to the amount of Eight Hundred and Fifty-three Thousand One Hundred and fifty rand ( R 853 150,00 ).

There was an Unequal Payments difference from the courts of One Hundred and Sixty Thousand Five Hundred and Seventy rand ( R 160 570,00 ). This was due to matters whereby case amounts were lessened by the court or prosecutors.

Thirty-four ( 34 ) Abnormal Load vehicles were escorted through Parys at an amount of Forty-five Thousand Nine Hundred and Ninety-seven rand and Ten cents ( R 45 997,10 ) ; of which Four ( 04 ) to the amount of Twenty Thousand Five Hundred and Twelve rand and Fifty-five cents ( R 20 512,55 ) were Collected.

Twenty-eight ( 28 ) kilometres of Road surfacing was repainted and Thirty-seven ( 37 ) Road signs were replaced.

Two Hundred and twenty-six ( 226 ) traffic accidents were attended to by the Traffic department.

T.3.14.2

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# Chapter 3

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Concerning T 3.14.2

There are Two ( 02 ) Superintendents on duty on a daily basis that are office bound.

There is One ( 01 ) Administrator on duty on a daily basis in the Parys office.

For the year from 01 July 2012 till early in January 2013 – there were Seven ( 07 ) Traffic Officers on duty on a daily basis.

Since early January 2013 – one Traffic Officer was “ Seconded “ to the office of the Mayor as the driver. ( This resulted in a significant LOSS in income for the department!! ).

This is on an average day except when on Sick leave or General leave.

T 3.14.3

## EMPLOYEES: TRAFFIC

Job Level	Year -1	Year 0			
Traffic	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Traffic					
Other Officers					
0 - 3	0		0	0	
4 - 6	2		2	0	
7 - 9	7		7	0	
10 - 12	0		0	0	
13 - 15	0		0	0	
16 - 18	4		4	0	
19 - 20	0		0	0	
Total	13		13	0	

T 3.14.4

Town	Offices	Services
Parys	1	Implementation of The traffic

[Type text]

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# Chapter 3

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Heilbron	1	Management Act
Koppies	1	T3.14.5

## COMMENT ON THE PERFORMANCE OF POLICE OVERALL:

This department has a very serious shortage of Personnel and vehicles for the effective maintenance Of Law and Order throughout the five towns of Ngwathe.

Failure to address and rectify this situation will always contribute to the non-effective functioning of the Traffic department as a whole.

The failure to adequately collect monies owing to the Municipality must be taken and treated in a serious light as it is a fruitless exercise to issue tickets / notices; and nothing happens on them at the end of the day.

T 3.14.6

## 3.15 FIRE

### INTRODUCTION TO FIRE SERVICES

*NLM provides Fire & Rescue for its five towns, In terms of the Fire Act we are seriously behind as an institution. Of the five towns only Parys has a 24 hrs functional station, Heilbron we operate a satellite station that is partially functional ( from 7h45 - 16h30) Other towns are without this function.*

T 3.15.1

	Details	Year -1	Year 0	
		Actual No.	Estimate No.	Actual No.
1	Total fires attended in the year			749
2	Total of other incidents attended in			1041

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# Chapter 3

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	the year			
3	Average turnout time - urban areas			7min
4	Average turnout time - rural areas			30 minutes
5	Fire fighters in post at year end			17 minutes
6	Total fire appliances at year end			00
7	Average number of appliance off the road during the year			00 T3.15.2

## Concerning T3.15.2

The Ngwathe local municipality fire department is made up of one chief fire officer and sixteen fire officers. The department is severely understaffed, as per the approved municipal organogram sixty percent (26 out of 43 positions) of the approved positions within the department are vacant. During the 2011/12 financial year the fire department responded to a total of 859 incidents. Thirty four (34 percent or 290 incidents) of the incidents attended to by the fire department were fire related whilst sixty six percent (66 percent or 569 incidents) was in relation to other incidents such as rescues, accidents and inspections

*T 3.15.2.1*

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# Chapter 3

EMPLOYEES: FIRE SERVICES					
Job Level	Year -1	Year 0			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Fire Officer & Deputy					
Other Fire Officers					
0 - 3	1	1	1	0	100%
4 - 6	0		0	0	
7 - 9	17		17	0	
10 - 12	1		1	0	
13 - 15	0		0	0	
16 - 18	1		1	0	
19 - 20	0		0	0	
Total	20		20	0	
T 3.15.3					

3.16 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

# Chapter 3

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## INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

*In terms of National Disaster Management Act of 2002 Disaster is explained as “ Any situation that is beyond the municipal capacity in terms of handling” In order to give effect to the above it is expected of every municipality to develop its own DMP and NLM has subsequently complied though the plan is awaiting Council adoption & approval.*

T 3.16.1

We have one Disaster Coordinator who is also Chief Fire & Rescue

## SERVICE STATISTICS FOR DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

T 3.16.2

## COMMENT ON THE PERFORMANCE OF DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL OF PUBLIC NUISANCES, ETC OVERALL:

One of the major challenges for the Disaster Management unit is human capital as well as the relevant equipment. Funding makes it increasingly difficult for the municipality to address these issues.

T 3.16.3

## COMPONENT H: SPORT AND RECREATION

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# Chapter 3

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This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

## 3.17 SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

### INTRODUCTION TO SPORT AND RECREATION

#### **An active, creative and informed Ngwathe community**

Strategic goals

- To ensure provision of sport and recreation facilities within communities
- To promote Culture of participation in sport and recreation at all level in the community
- To provide performance, sport development and training service to Ngwathe Community

*T 3.17.1*

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# Chapter 3

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Sport and Recreation Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2011/12		2012/13		2012/13	2013/14		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
<i>To upgrade and maintain all the existing sports facilities quarterly (cleaning&amp; general maintenance)</i>	Cleaning and General maintenance of 60 sports fields in the municipal area on a quarterly basis	Clean and maintain all 60 sports facilities atleast once a quarter i.e carry out cleaning operations 60 times in the yaer	The department managed to implement 60 percent (40 cleaning operation were undertaken) of the targeted service level.	Clean and maintain all 60 sports facilities atleast once a quarter i.e carry out cleaning operations 60 times in the yaer	Clean and maintain all 60 sports facilities atleast once a quarter i.e carry out cleaning operations 60 times in the yaer	The department managed to implement 50 percent (30 cleaning operation were undertaken) of the targeted service level.	Clean and maintain all 60 sports facilities atleast once a quarter i.e carry out cleaning operations 60 times in the yaer	Clean and maintain all 60 sports facilities atleast once a quarter i.e carry out cleaning operations 60 times in the yaer	Clean and maintain all 60 sports facilities atleast once a quarter i.e carry out cleaning operations 60 times in the yaer
<i>2.To supply new recreational Facilities where inadequate Facilities exist</i>		N/A	N/A	N/A	Provide five (3) new recreational facilities	One facilities was construted in Koppies	Provide five (3) new recreational facilities	Provide five (3) new recreational facilities	Provide two (2) new recreational facilities
<i>3. Promotion of arts and culture accross the five towns in the municipal area</i>									
<i>(a)Monitoring of Initiation Schools in five towns</i>	Monitor approximately 40 initiation schools in the municipal area semi annually (June and December)	N/A	N/A	N/A	Monitor 40 initiation schools, twice a year.	The department could only monitor 35 initiation schools, twice a year. Some of the initiation schools did not operate either in June or December and others were not in operation at all.	Monitor 40 initiation schools, twice a year.	Monitor 40 initiation schools, twice a year.	Monitor 40 initiation schools, twice a year.
<i>(b)Participation of Ngwathe groups in the following events: Macufe/Tumahole Month/Heritage Celebrations</i>	Facilitate the participation of Ngwathe groups in atleast four annual events	N/A	N/A	N/A	Facilitate the participation of Ngwathe groups in atleast four annual events	75 percent of the targeted output was achieved (Ngwathe groups participated in three annual events)	Facilitate the participation of Ngwathe groups in atleast four annual events	Facilitate the participation of Ngwathe groups in atleast four annual events	Facilitate the participation of Ngwathe groups in atleast four annual events
<i>(4)To promote and Support mass participation in recreational Sporting activities/programmes and events at all community levels</i>	Facilitate and assist in the staging of the below mentioned recreational activities on an annual basis.								
<i>(a)O.R.Tambo Games(local,District &amp;Provincial)</i>		N/A	N/A	N/A	Stage the OR Tambo Games	Local,district and Provincial to be implemented	Local,district and Provincial to be implemented	Local,district and Provincial to be implemented	Local,district and Provincial to be implemented
<i>(c)Phakisa powerboat</i>	Happened last year OCTOBER				Staged the Phakisa Powerboat in Ngwathe	Staged the Phakisa Powerboat in Ngwathe	Staged the Phakisa Powerboat in Ngwathe	Staged the Phakisa Powerboat in Ngwathe	Staged the Phakisa Powerboat in Ngwathe
Amon Nleo Annual Gamea	stage Heilbron in March				Staged the Amon Nleo Annual Games in in Ngwathe	Staged the Amon Nleo Annual Games in in Ngwathe	Staged the Amon Nleo Annual Games in in Ngwathe	Staged the Amon Nleo Annual Games in in Ngwathe	Staged the Amon Nleo Annual Games in in Ngwathe
Pomps Station Festival	Stage in Parys in March				Annual event for all race group in Ngwathe	Annual event for all racegroup in Ngwathe	Annual event for all race group in Ngwathe	Annual event for all race group in Ngwathe	Annual event for all race group in Ngwathe

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# Chapter 3

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## SERVICE STATISTICS FOR SPORT AND RECREATION

The following projects were

- Multipurpose Court in Vredefort
- Multipurpose Court in Heilbron
- Gym in Heilbron
- Swimming Pool in PARYS

T 3.23.1

Job Level	Employees: Sport and Recreation				
	2010/11 Employees	Posts	2011/12 Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 8	1	2	1	1	50%
Total	2	3	2	1	33%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be					

## COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

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# Chapter 3

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# Chapter 3

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

### INTRODUCTION TO CORPORATE POLICY OFFICES, Etc

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services

*T 3.24*

### 3.18 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

#### INTRODUCTION TO EXECUTIVE AND COUNCIL

The municipal Executive consists of Mayor and Chairpersons of Committees who are Councillors including opposition party councillors.

The council consists of ANC councillors who are in majority followed by DA, EFFplus and Cope.

Our main priorities include providing political direction to the municipality and stabilizing administration in the best interest of the municipality to delivery improved service. Provision of quality water remains one of our top priorities. Upgrading of the water purification plant is an indication of another measure taken to deal with the situation. Sewer spillages and networks is one of the priorities undertaken by the municipality.

*T 3.18.1*

#### SERVICE STATISTICS FOR THE EXECUTIVE AND COUNCIL

# Chapter 3

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PROJECT DESCRIPTION	SUM	AREAS	Number/BENEFICIARIES
IDP & Budget Public Participation	R350 000,00	All Units	3810
Local Aids council	R250 000,00	All Units	200
<i>Poverty Alleviation:</i>  Donation of school uniform Groceries Kitchen Soup Blanket distribution Vegetable gardens Orphanage centres Disability centres	R250 000,00	All Units	Less privileged families and school learners  450 learners 600 households/families 100 families 500 families 40 community structures 5 NGO's 2 NGO's
Tumahole Day	R250 000,00	All Units	700
Youth Development Education/registration fees	R250 000,00 R500 000,00	All Units	Funding 12 Youth Development projects  44 Learners from less privileged families
Mandela Day	R200 000,00	All Units	500 (NGO's)
Cleaning campaign		Schonkenville	200  Schonkenville NGO
DISABILITY & AGED PROJECTS & CAMPAIGNS:	R250 000,00	All Units	People living with disability

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# Chapter 3

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Disability Forum			
Co-operative Movement; SMME	R250 000,00	All Units	50 Youth and Women
MATHS & SCIENCE PROGRAMME	R250 000,00	All Units	500 learners
MAYORAL SPORTS GAMES	R500 000,00	All towns	120 youth
COMMUNITY PAUPER BURIALS	R500 000,00	All towns	22 families
POWER BOAT RACING PROGRAMME	R500 000,00	All Units	16 Youth
RECORD DEALS FOR LOCAL ARTISTS	R250 000,00	All Units	8 Youth
Media & Communications	R150 000,00	Parys	1 Lentswe Community Radio 1 Zenzele News (recently introduced community newspaper)
Women's day( Breast Cancer Awareness )	R250 000.00	All units	351 women T3.18.2

[Type text]

[Type text]

# Chapter 3

The Executive and Council Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
<u>POVERTY ALLEVIATION</u>  To identify and implement poverty alleviation projects and programs that will contribute to a significant reduction in the current poverty levels.	- Provide school uniorms;  -Assisting destitute families with groceries  -Supplying toys			-600  -700  -100	-450  -680  -40				
<u>YOUTHS</u> To establish a local youth unit that will promote youth development in creating a vision for the future.	Youth development          Power boat			614	530				

# Chapter 4

Executive and Council		
Job Level	Year 2011/12	
	Employees	Posts
	No.	No.
Mayor	1	1
Speaker	1	1
Executive	7	7
Councillors	30	30
Total	39	39
		T3.18.3

EMPLOYEES: THE EXECUTIVE AND COUNCIL					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	0	2	0	
4 - 6	4	0	4	0	
7 - 9	3	0	3	0	
10 - 12	2	0	2	0	
13 - 15	0	0	0	0	
16 - 18	31	0	31	0	
19 - 20	0	0	0	0	
Total	42	0	42	0	
T 3.18.4					

COMMENT ON THE PERFORMANCE OF THE EXECUTIVE AND COUNCIL:

[Type text]

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# Chapter 4

The municipality is faced with serious backlogs with regard to attaining fully its top priority projects. The situation is further compounded by the poor performance with regard to MIG expenditure which more often than not results in the request for roll over. Our first step therefore is to unlock this impasse and have a guarantee that indeed our projects will be realised moving forward.

*T 3.18.5*

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# Chapter 3

## 3.19 FINANCIAL SERVICES

### INTRODUCTION FINANCIAL SERVICES

The financial services department is made up of four units which are; budget and expenditure unit, the supply chain management unit, the revenue and debt collection unit and the senior finance manager. Three of the four managers have been appointed. There are a number of vacancies within the department, it is envisaged that all vacant positions will be filled during the 2013/14 MTREF. Despite challenges faced by the financial services department, the department has managed to strengthen some key environmental controls and move closer to being MFAM and institutionally functional.

T 3.19.1

Debt Recovery							
R' 000							
Details of the types of account raised and recovered	2010-2011		2011-2012			2012-2013	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	39 244	56%	39 297	39 297	61%	40 125	61%
Electricity - B	2 755	45%	4 356	4 356	48%	4 298	48%
Electricity - C	5 290	51%	4 718	4 718	57%	4 520	57%
Water - B	32 500	21%	32 500	32 500	24%	32 500	24%
Water - C	32 500	19%	32 500	32 500	29%	32 500	29%
Sanitation	32 878	20%	35 631	35 631	25%	36 125	25%
Refuse	29 741	16%	30 531	30 531	21%	36 637	21%
Other	2 580	20%	2 580	2 580	28%	2 580	28%

B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.

T 3.19.2

# Chapter 4

## Concerning T 3.19.2

The proportion of accounts value billed is calculated by taking the total value of the year's revenues collected against the bills raised in the year by the year's billed revenues. Collection rate is still a challenge as the internal resources are limited. The challenges in the electricity have increased due non maintenance of infrastructure and non-replacement of faulty meters. However the municipality has a plan in reducing all the challenges in this regard. T 3.19.2.1

Financial Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2012/13		2013/14		2014/15	2015/16		
		Target	Actual	Target	Actual		Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
To provide Financial Management that enhances viability and compliance with the requirements of the MFMA and other relevant legislation.	Review all finance and budget related policies before the start of the new financial year.	Review and adopt 13 Budget related policies	13 Budget Related policies reviewed and adopted by council on 31/05/2012	Review and adopt 13 Budget related policies	Review and adopt 13 Budget related policies	13 Budget Related policies reviewed and adopted by council on 31/05/2013	Review and adopt 13 Budget related policies	Review and adopt 13 Budget related policies	Review and adopt 13 Budget related policies
	Timely and correct (as per SCM policy and regulations) procurement of quality goods and services	a) Develop SCM procedure manual. b)Complete a set of SCM Committee date for financial year.	SCM policy revised and adopted but procedure manual not yet developed.	a) Develop SCM procedure manual. b)Complete a set of SCM Committee date for financial year.	a) Develop SCM procedure manual. b)Complete a set of SCM Committee date for financial year.	SCM procedure manuals developed and a full set of dates for the SCM committees has been developed	Procure all contracts through the appropriate SCM processes & ensure contracts contain matters specified in s116 of MFMA - all contracts in writing, terms & conditions stipulated	Procure all contracts through the appropriate SCM processes & ensure contracts contain matters specified in s116 of MFMA - all contracts in writing, terms & conditions stipulated	Procure all contracts through the appropriate SCM processes & ensure contracts contain matters specified in s116 of MFMA - all contracts in writing, terms & conditions stipulated
	Effective collection of rates and taxes.	% increase in revenue from payable bills	5% Increase from 2012/13 and in Revenue from payable bills and excluding indigent subsidies paid from equitable shares.	5 % increase in revenue from payable bills	5 % increase in revenue from payable bills	To be gauged at through out the financial year	5 % increase in revenue from payable bills	5 % increase in revenue from payable bills	5 % increase in revenue from payable bills
	Creditor paid within 30 days	All municipal creditors to be paid within 30 days of receipt of invoice	Not all creditors were paid within 30 days. Only 50 percent of the total creditors for the 2012/13 financial year were paid within 30 days.	All municipal creditors to be paid within 30 days of receipt of invoice	All municipal creditors to be paid within 30 days of receipt of invoice	All municipal creditors to be paid within 30 days of receipt of invoice	All municipal creditors to be paid within 30 days of receipt of invoice	All municipal creditors to be paid within 30 days of receipt of invoice	All municipal creditors to be paid within 30 days of receipt of invoice
To account, safeguard, maintain and repair assets of the municipality	Compile a comprehensive asset register linked to the financial system	Compile GRAP compliant asset register	All additions and disposals for the 2012/13 financial year have been updated on the Asset register however the BAUD system is not yet integrated onto the Venus system.	Compile GRAP compliant asset register	Compile GRAP compliant asset register	Compile GRAP compliant asset register	Compile GRAP compliant asset register	Compile GRAP compliant asset register	Compile GRAP compliant asset register
	Investigate the implementation of a fleet management and maintenance system and Substitution and replacement of obsolete and non-reliable municipal assets	Secure vehicles and plant from Government garage	Service Level Agreement (SLA) signed to lease yellow fleet from Free State government garage	Secure vehicles and plant from Government garage	Introduce effective and efficient fleet management and maintenance system	Introduce effective and efficient fleet management and maintenance system	Introduce effective and efficient fleet management and maintenance system	Introduce effective and efficient fleet management and maintenance system	Introduce effective and efficient fleet management and maintenance system
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round. 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									

T.3.25.3

T 3.25.3

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# Chapter 4

Financial Performance 2012/13: Financial Services					
Details	2011/12	2012/13			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	221383	204297	199362	250752	19%
Expenditure:					
Employees	18415	17425	18006	20312	14%
Repairs and Maintenance	617	590	590	547	-8%
Other	69076	65007	57961	76594	15%
Total Operational Expenditure	88108	83022	76557	97453	15%
Net Operational Expenditure	-133275	-121275	-122805	-153299	21%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.25.5

EMPLOYEES: FINANCIAL SERVICES					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1		1	0	
4 - 6	3		3	0	
7 - 9	6		6	0	
10 - 12	7		7	0	
13 - 15	9		9	0	
16 - 18	11		11	0	
19 - 20	18		18	0	
Total	55		55	0	
T 3.19.2					

## COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

The finance department did not have any capital projects for the 2012/12 financial year.

As set out in the revised IDP, the strategic objectives for the financial services department are as follows;

1. To provide Financial Management that enhances viability and compliance with the requirements of the MFMA and other relevant legislation.
2. To account, safeguard, maintain and repair assets of the municipality

As shown on table 3.25.3 above the financial service department has achieved the majority of its outlined service targets.

T3.19.3

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# Chapter 4

## 3.20 HUMAN RESOURCE SERVICES

### INTRODUCTION TO HUMAN RESOURCE SERVICES

The department deals with the recruitment of staff, promotions, demotions, transfers, terminations, leave management, occupational health and safety and employee wellness.

During the period under review the municipality managed to appoint the following critical positions,

1. CFO
2. Director Corporate Services
3. Director Community Services
4. Supply Chain Manager

T 3.20.1

SERVICE OBJECTIVES	OUTLINE SERVICE TARGETS	YEAR 2012-2013	
		TARGET	ACTUAL
		PREVIOUS YEAR	
To enhance human capacity & productivity within the municipality	Ensure that the organizational structure is fully implemented	Only 703 positions from the organizational structure were filled	937 positions are filled which is a difference of 234 positions from the previous year
Ensure that employees are fit for work and well informed	Ensure that induction workshops are conducted for the employees and also prepare employee wellness programs	Inductions were conducted for new employees	There was an employee wellness program established but it was postponed to the new financial year
To implement compliance in an organizational structure that will be efficient, effective and transparency	Completion of the review of the existing and approved structure	The approved structure was implemented as approved by Council	A strategic session was conducted to deal with the review of the existing structure and a deadlock was reached. COGTA has been requested to assist with the review of the structure and a workshop is planned to take place on the 06 September 2013.

[Type text]

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# Chapter 4

			T.3.20.2
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EMPLOYEES: CORPORATE SERVICES/HUMAN RESOURCE SERVICES/IT					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	1	4	0	0%
4 - 6	2	3	2	0	0%
7 - 9	11	8	11	2	25%
10 - 12	34	15	34	8	53%
13 - 15	14	15	14	6	40%
16 - 18	82	21	82	10	48%
19 - 20	0	30	0	12	40%
Total	147	93	147	38	41%
T3.20.3					

	Year 2011/2012	Year 2012/2013			
Job Level	Employees	Posts	Employees	Vacancies (full time equivalents)	Vacancies as a % of total posts
	No	No	No	No	%
-0 - 0	1	1	1	1	0
0-3	1	1	1	1	0
4-6					
7-9	3	3	3	3	0
TOTAL	5	5	5	5	0
T3.20.4					

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# Chapter 4

## 3.21 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The Section works with ensuring proper communication within and outside of the municipality in ensuring that,

1. Telephone systems are properly operational
2. Website of the municipality encompasses all the required information
3. Computer systems are properly functioning and updated and maintained from time to time
4. Network infrastructure is continuously upgraded

T 3.21.1

SERVICE OBJECTIVES	OUTLINE SERVICE TARGETS	YEAR 2012-2013	
		TARGET	ACTUAL
		PREVIOUS YEAR	
To render effective and efficient IT Services	<ol style="list-style-type: none"> <li>1. To develop the municipal ICT Policy</li> <li>2. To upgrade the internal telecommunication systems.</li> <li>3. To develop adequate IT infrastructure to service all towns.</li> <li>4. Operationalize the municipal website</li> </ol>	<p>Development of the ICT policy</p> <p>Improve our internal telephone lines to link with all Regions</p> <p>Upgrading of the website</p>	<p>Draft ICT policy developed and awaiting Council approval</p> <p>Quotations received to improve the telephone lines but awaiting SCM procedures to be completed</p> <p>Website upgraded but there is information that must still be uploaded</p>

Job Level	Year 2011/2012	Year 2012/2013			
	Employees	Posts	Employees	Vacancies (full time equivalents)	Vacancies as a % of total posts %
	No	No	No	No	
0	0	1	0	1	100
0-3					
4-6					
7-9	5	5	5		0
TOTAL	5		5	1	T3.21.2

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[Type text]

# Chapter 4

Capital Projects	Year 2012/2013				
	Budget	Adjustment Budget	Actual Budget	Variance from original budget	Total Project Value
Upgrading of ICT infrastructure	R2m	R2m	R2m	0	R2m
T.3.21.3					

## COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:

*The municipality is planning to embark on the installation of a new and effective network to improve the internet service.*

T3.21.4

[Type text]

[Type text]



# Chapter 4

## 3.22 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes: property; legal; risk management and procurement services.

### INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

The Section works with ensuring that discipline is maintained and negotiations and representation on litigations are adhered to, and also ensure day to day administration of Council section 80 committees, EXCO, LLF and Council items and agendas are prepared

T.3.22.1

SERVICE OBJECTIVES	OUTLINE SERVICE TARGETS	YEAR 2012-2013	
		TARGET	ACTUAL
		PREVIOUS YEAR	
1.To provide information on legal claims brought against the municipality	1.To ensure that all legal claims against the municipality are attended to	Settlement and payment of litigations against the municipality	Out of 27 cases 9 were finalised and there are still 18 litigations to be finalised
2.To provide monthly statics on disciplinary cases	2.Finalise DC matters within required three months period	7 Disciplinary tribunals to be resolved	3 of the 7 Disciplinary Tribunal have been resolved and the other 4 have still to be resolved
3.To provide information on conciliation & arbitration matters that has been referred to bargaining council	3.Finalising & dealing with all B/C matters effectively without resorting to expensive legal route	14 Matters at the Bargaining Council and 1 matter in the CCMA to be resolved	All 14 Bargaining Council matters have been resolved and only 1 in the CCMA must be resolved and the case has been scheduled to take place from the 2 <sup>nd</sup> – 06 September 2013
			T3.22.2

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# Chapter 4

	Year 2011/2012	Year 2012/2013			
Job Level	Employees	Posts	Employees	Vacancies (full time equivalents)	Vacancies as a % of total posts
	No	No	No	No	%
0	1	1	1	0	0
0-3					
4-6	2	3	2	1	25
7-9					
10-12	5	5	5	0	0
16-18	19	19	19	0	0
TOTAL	27	28	27	1	25

Details	Year	Year			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Litigations	-1 710 907.64	2 117 747.00	200 000.00	2 317 747.00	200 000.00

## COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, Municipal Courts and Forestry as municipal enterprises.

### INTRODUCTION TO MISCELLANEOUS

*Municipality has only one airport in Parys that is leased to the Hangar owners Abattoirs which is privately owned.*

T 3.23

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# Chapter 4

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

### INTRODUCTION

The Municipal Council needs to ensure that the municipality performs effectively within its administrative and financial capacity by creating relevant and adequate number of posts at various levels.

T 4.0.1

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Designation	IT Vacancy Rate:Year		
	Total Approved Posts	Vacancies (Total time that vacancies existing full time equivalents)	Vacancies (as a proportion of total posts in each category)
	No	No	%
Records keeper (Mayor)	1	1	100
Audit Officer	3	1	75
4 x IDP/PMS Officers	4	4	100
GIS Officer	1	1	100
2 x Public Relations and Governance Support	2	2	100
Chief Operations Officer	1	1	100
IT Manager	1	1	100
Disaster Management Snr Officer	1	1	100
Traffic Officers	36	29	80
Station Officers	8	7	87.5
Firemen	30	14	46.6
Control Room Attendants	4	3	75
Electricity Technicians	4	3	75
Senior Marketing Officer	1	1	100
Senior Tourism Officers	2	2	100
Economic Research and Info Snr Officer	1	1	100

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# Chapter 4

Senior SMME and Business Support Officer	2	1	50
Housing and Planning Manager	1	1	100
Senior Planning Officers	2	2	100
Senior Environmental Officers	2	2	100
Building Control Supervisors	5	3	
CAD Operator	1	1	100
Housing Clerks	5	2	60
Total	118	84	71
			T4.1.1

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Year -2	50	18	36%
Year -1	50	12	24%
Year 0	50	10	20%
* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year			T 4.1.3

## COMMENT ON VACANCIES AND TURNOVER:

The positions for the section 57 were all filled at the beginning of the financial year

T 4.1.3

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

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# Chapter 4

## INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

All HR policies have been developed and from time to time the collective agreements are amended we also amend the policies and submit them to council for adoption.

T 4.2.0

### 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by Council or comment on failure to adopt
		%	%	
	1. Ngwathe Working Hours Policy	100	0	01/04/2008
	2. Ngwathe Voluntary Separation Policy	100	0	01/04/2008
	3. Ngwathe Use of Policy Manual	100	0	01/04/2008
	4. Ngwathe Use of Mayoral Vehicle and Official Journeys Policy	100	0	01/04/2008
	5. Ngwathe Use of Internet, Computer software and hardware and	100	0	01/04/2008
	6. Ngwathe use of external recruitment agencies Policy	100	0	01/04/2008
	7. Ngwathe Theft and Loss Policy	100	0	01/04/2008
	8. Ngwathe Succession Planning Policy	100	0	01/04/2008
	9. Ngwathe Substance Abuse (Alcohol and Drugs) Policy	100	0	01/04/2008
	10. Ngwathe Subsistence and Travelling Policy	100	0	01/04/2008
	11. Ngwathe Smoking Policy	100	0	01/04/2008
	12. Ngwathe Skills Development Policy	100	0	01/04/2008
	13. Ngwathe Sexual and Racial Harassment Policy	100	0	01/04/2008
	14. Ngwathe Salary advances Policy	100	0	01/04/2008
	15. Ngwathe Resignation Policy	100	0	01/04/2008
	16. Ngwathe Relocation Expenditure Policy	100	0	01/04/2008
	17. Ngwathe Recruitment and Selection Policy	100	0	01/04/2008
	18. Ngwathe Protective Clothing and Uniforms Policy	100	0	01/04/2008
	19. Ngwathe Protected Disclosure Policy	100	0	01/04/2008
	20. Ngwathe Promotion Policy	100	0	01/04/2008
	21. Ngwathe Policy Manual Index	100	0	01/04/2008
	22. Ngwathe Policy Manual Front cover	100	0	01/04/2008
	23. Ngwathe Placement Policy	100	0	01/04/2008
	24. Ngwathe Performance Management Policy	100	0	01/04/2008
	25. Ngwathe Payroll Deductions Policy	100	100	28/02/2013
	26. Ngwathe Overtime Template	100	0	01/04/2008
	27. Ngwathe Organisational Rights Policy	100	0	01/04/2008

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# Chapter 4

28. Ngwathe Operational Requirements Policy	100	0	01/04/2008
29. Ngwathe Official Housing Policy	100	0	01/04/2008
30. Ngwathe Occupational Health and Safety Policy	100	0	01/04/2008
31. Ngwathe Membership of Professional Societies Policy	100	100	28/02/2013
32. Ngwathe Medical Examination Policy	100	0	01/04/2008
33. Ngwathe Medical Aid Policy	100	0	01/04/2008
34. Ngwathe Long Service Policy	100	0	01/04/2008
35. Ngwathe Leave policy	100	0	01/04/2008
36. Ngwathe Leave Encashment Policy	100	0	01/04/2008
37. Ngwathe Language Policy	100	0	01/04/2008
38. Ngwathe Job Evaluation Policy	100	0	01/04/2008
39. Ngwathe Induction Policy	100	0	01/04/2008
40. Ngwathe Incapacity Policy	100	0	01/04/2008
41. Ngwathe Housing and Rental Allowance Policy	100	0	01/04/2008
42. Ngwathe Home Owners Policy	100	0	01/04/2008
43. Ngwathe HIV AIDS Policy	100	0	01/04/2008
44. Ngwathe Group Life Policy	100	0	01/04/2008
45. Ngwathe Grievances Policy	100	0	01/04/2008
46. Ngwathe Firearms and Dangerous Weapons Policy	100	0	01/04/2008
47. Ngwathe Extraneous Employment (Moonlighting) Policy	100	100	28/02/2013
48. Ngwathe Exit Management and Staff Retention Policy			
49. Ngwathe Entertainment Policy			
50. Ngwathe Employment Equity Policy			
51. Ngwathe Employee Use of Assets Policy			
52. Ngwathe Employee Assistance and Wellness Policy			
53. Ngwathe Disciplinary Code Policy			
54. Ngwathe Conflict of Interest Policy			
55. Ngwathe Confidentiality of Information Policy			
56. Ngwathe Code of Conduct Policy			
57. Ngwathe Cellular Phone Policy			
58. Ngwathe Career Pathing Policy			
59. Ngwathe Bursaries Policies			
60. Ngwathe Appointment in an Acting Position Policy			
61. Ngwathe Allowances Policy			T4.2.1

## COMMENT ON WORKFORCE POLICY DEVELOPMENT:

The municipality has the contracts with different medical practitioners who treat our employees in line with the programme agreed with them from time to time. Employees who are injured on duty are sent to private hospitals and the relevant forms are completed for the Compensation Commissioner. T4.2.2

## 4.3 INJURIES, SICKNESS AND SUSPENSIONS

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# Chapter 4

Types of injuries	Number and cost of injuries on duty				
	Injury Leave taken	Employees using injury Leave	Proportion employees using sick leave	Average injury Leave per employee	Total Estimated Cost
	Days	No	%	Days	R
Required basic medical attention only	180	6		80	R15 000.00
Temporal total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal		1			
Total	180	7	0	80	R15 000.00
Number and period of suspension					
Position	Nature of suspension	Days of suspension	Details of disciplinary action taken or status of case and reasons why not finalised	Date finalised	
Assistant HR Manager	Insubordination	165	Getting into unprotected strike and refused to return back to work even though the municipality has obtained a court order	In process	
2 x General Worker	Using rude and abusive language at workplace	14 days	Using rude and abusive language at workplace	7 January 2013	
Team Leader	Using rude and abusive language at workplace	14 days	Using rude and abusive language at workplace	T4.3.1	

COMMENT ON INJURY AND SICK LEAVE:	T 4.3.2
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Disciplinary action taken on cases of financial misconduct			
Position	Nature of alleged	Disciplinary action taken	Date finalised

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# Chapter 4

	misconduct and rand value of any loss to the municipality		
FORMER CFO	Mismanagement of funds	Suspended and terminated	20 April 2012 but the CCMA case is still in progress T4.3.3

## COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

There is one case that took more than 4 months where an employee was suspended and this was due to the request of the Trade Union that we should finish the pending case at Arbitration. The arbitration case has been finished and we are now handling the internal hearing.

T 4.3.4

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

*We had a problem whereby learning and development was done haphazardly by departments and the Manager could not account and report for all the training interventions that took place. We have since centralized training to be implemented by the Learning and Development Manager and this made accountability and reporting easier than before.*

T 4.5.0

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# Chapter 3

## SKILLS DEVELOPMENT AND TRAINING SKILLS DEVELOPMENT

Management Level	Gender	Employees in posts as at 30 June 2012/13	SKILLS MATRIX											
			Number of skilled employees required											
			Learnerships			Skills programmes and other short courses			Other forms of training			Total		
MM & S56		No	Actual End of 2011/12	Actual End of 2012/13	Year Target	Actual End of 2011/12	Actual End of 2012/13	Year Target	Actual End of 2011/12	Actual End of 2012/13	Year Target	Actual End of 2011/12	Actual End of 2012/13	Year Target
	Female	01	0	0	0	0	0	0	1	1	2014	1	1	2014
	Male	04	0	0	0	0	0	0	4	4	2014	4	4	2014
Councillors, senior officials and managers	Female	17	1	1	2013				3	3	2014	5	5	2013/14
	Male	41							3	3	2014			
Technicians and associate professionals	Female	7	1			3		2013				4		
	Male	17	1			4		2013				5		
Professionals	Female	42	4	4	2013	31	31	2012/13				35	35	2012/13
	Male	20	1	1	2013	9	9	2012				10	10	2012/13

# Chapter 4

<b>Sub total</b>	Female	67	06	05		34	31		04	04		45	41	
	Male	82	02	01		13	09		07	07		19	15	
<b>Total</b>		149	08	06		47	40		11	11		64	56	T4.5.1

Management Level	SKILLS DEVELOPMENT EXPENDITURE									
	Gender	Employees in posts as at 30 June	Original Budget and actual expenditure on skills development :							
			Learnerships		Skills programmes and other short courses		Other forms of training		Total	
		No	Original Budget	Actual Budget	Original Budget	Actual Budget	Original Budget	Actual Budget	Original Budget	Actual Budget
MM & S56	Female	1						R50 000.00		
	Male	4						R200 000.00		
Councillors, senior officials and managers	Female	17		R16 000.00		R22 000.00		R150 000.00		
	Male	41				R22 000.00		R150 000.00		
Technicians and associate professionals	Female	7				R55 000.00				
	Male	17				R45 000.00				
Professionals	Female	42	R64 000.00			R39 270.00				

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# Chapter 4

	Male	20	R16 000.00			R117 450.00				
Sub total	Female	67	R64 000.00	R16 000.00		R116 000.00		R200 000.00		R396 000.00
	Male	82	R16 000.00			R184 720.00		R350 000.00		R550 720.00
TOTAL		149	R80.00	R16 000.00		R300 720.00		R550 000.00		R1 046 720.00

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# Chapter 4

## COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

The municipality is utilising all the grants issued for training for the purpose intended for.

*T 4.5.4*

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### DISCLOSURES OF FINANCIAL INTERESTS

Refer to disclosures made by officials and councillors concerning their financial interests as required by PM Regulations 805 of 2006 are set out in **Appendix J**. Make other comments as appropriate.

*T 4.6.0*

## CHAPTER 5 – FINANCIAL PERFORMANCE

# Chapter 5

#

## INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

During the current financial year the municipality was faced with number of challenges which include but not limited to high outstanding Eskom account, increased backlogs but decreasing financial basket, extra ordinarily high over time claims, low revenue collection. The municipality was able to navigate through the above mentioned challenges. The municipality is currently making strides in meeting its current account to Eskom, council has taken a resolution that overtime expenditure should be cut by fifty percent, this will be assisted by the fact that the municipality has approached the provincial CoGTA to assist with reviewing of the Municipal organ gram and providing clearly defined job descriptions for each post on the organ gram.

The municipality sought to contain inflationary pressures by ensuring that the expenditure items on the 2012/13 municipal budget were not increased by more than six (6) percent. Salaries, costs of services to community were increased as per the guidelines provide by National treasury, NERSA and Rand Water.

During the course of the 2012/13 financial year the municipality had to appoint some consultants to assist the municipality and to transfer valuable skills that will in the future ensure that the municipality gradually moves away from appointing consultants. The five most expensive consultancy engagements for the municipality were as follows:

**Isintu projects** – Paid a total of R 7.7 million – Isintu projects was appointed to assist the municipality with meter reading and jet blasting.

**Dinatla Advisory Services** – Paid a total of R 2 million – Dinatla advisory services was appointed to assist the municipality with getting internal systems in place that will enable the municipality to carry out its debt collection exercises adequately.

**Business connection** – Paid a total of R 1.9 million – Business connection is the Venus (Financial system) administrators.

**Altimax** – To be paid a total of R1.1 million for the compilation of 2012/13 AFS

**Payday** – Paid a total of R 250 878.22 for assistance with the payday system.

T 5.0.1

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

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# Chapter 5

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*Note: Statements of Revenue Collection Performance by vote and by source are included at Appendix K.*

T 5.1.0

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Reconciliation of Table A1 Budget Summary													
Description	2012/13											2011/12	
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA
R thousands	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Financial Performance</b>													
Property rates	41 150	-	41 150	-	-	41 150	77 688	-	36 539	189%	189%	-	-
Service charges	201 174	940	202 113	-	-	202 113	255 223	-	53 109	126%	127%	-	-
Investment revenue	9 972	(4 999)	4 973	-	-	4 973	21 437	-	16 463	431%	215%	-	-
Transfers recognised - operational	157 276	-	157 276	-	-	157 276	151 401	-	(5 875)	96%	96%	-	-
Other own revenue	6 982	(543)	6 438	-	-	6 438	6 127	-	(312)	95%	88%	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>416 553</b>	<b>(4 602)</b>	<b>411 951</b>			<b>411 951</b>	<b>511 875</b>		<b>99 925</b>				
Employee costs	127 735	510	128 245	-	-	128 245	142 054	13 809	13 809	111%	111%	-	-
Remuneration of councillors	9 738	(600)	9 138	-	-	9 138	8 796	-	(342)	96%	90%	-	-
Debt impairment	-	-	-	-	-	-	49 263	49 263	49 263	#DIV/0!	#DIV/0!	-	-
Depreciation & asset impairment	2 118	-	2 118	-	-	2 118	-	-	(2 118)	0%	0%	-	-
Finance charges	3 707	-	3 707	-	-	3 707	4 304	598	598	116%	116%	-	-
Materials and bulk purchases	142 203	-	142 203	-	-	142 203	128 866	-	(13 337)	91%	91%	-	-
Transfers and grants	36 006	-	36 006	-	-	36 006	10 198	-	(25 808)	28%	28%	-	-
Other expenditure	102 537	(3 621)	98 916	-	-	98 916	78 801	-	(20 115)	80%	77%	-	-
<b>Total Expenditure</b>	<b>424 044</b>	<b>(3 712)</b>	<b>420 332</b>			<b>420 332</b>	<b>422 281</b>	<b>1 949</b>	<b>1 949</b>				
<b>Surplus/(Deficit)</b>	<b>(7 491)</b>	<b>(891)</b>	<b>(8 381)</b>			<b>(8 381)</b>	<b>89 594</b>						
Transfers recognised - capital	50 441	-	50 441	-	-	50 441	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>42 950</b>	<b>(891)</b>	<b>42 060</b>			<b>42 060</b>							
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>42 950</b>	<b>(891)</b>	<b>42 060</b>			<b>42 060</b>							
<b>Capital expenditure &amp; funds sources</b>													
<b>Capital expenditure</b>	<b>52 191</b>	<b>15 663</b>	<b>67 854</b>			<b>67 854</b>							
Transfers recognised - capital	50 441	13 413	63 854	-	-	63 854	-	-	-	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	1 750	2 250	4 000	-	-	4 000	-	-	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>52 191</b>	<b>15 663</b>	<b>67 854</b>			<b>67 854</b>							
<b>Cash flows</b>													
Net cash from (used) operating	59 522	(890)	58 632	-	-	58 632	16 730	-	-	-	-	-	-
Net cash from (used) investing	(50 613)	(15 663)	(66 276)	-	-	(66 276)	-	-	-	-	-	-	-
Net cash from (used) financing	(3 707)	-	(3 707)	-	-	(3 707)	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>5 202</b>	<b>(16 553)</b>	<b>(11 351)</b>			<b>(11 351)</b>	<b>46 630</b>						

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# Chapter 5

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Financial Performance of Operational Services						
R '000						
Description	2011/12	2012/13		2012/13 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	24 552	24 558	24 490	25 223	2.63%	2.90%
Waste Water (Sanitation)	6 969	20 184	19 774	16 922	-19.28%	-16.85%
Electricity	110 519	154 723	155 608	136 282	-13.53%	-14.18%
Waste Management	9 487	14 092	14 123	11 824	-19.18%	-19.44%
Housing	920	1 236	1 171	860	-43.82%	-36.26%
Component A: sub-total	152 448	214 793	215 166	191 110	-12.39%	-12.59%
Waste Water (Stormwater Drainage)		-	-		#DIV/0!	#DIV/0!
Roads	4 130	10 272	10 568	7 672	-33.89%	-37.75%
Transport		-	-		#DIV/0!	#DIV/0!
Component B: sub-total	4 130	10 272	10 568	7 672	-33.89%	-37.75%
Planning	14 064	10 653	12 345	590	-1706.99%	-1993.99%
Local Economic Development	12 679	5 176	5 601	4 070	-27.17%	-37.61%
Component B: sub-total	26 743	15 829	17 946	4 660	-239.69%	-285.12%
Planning (Strategic & Regulatory)					#DIV/0!	#DIV/0!
Local Economic Development					#DIV/0!	#DIV/0!
Component C: sub-total	-	-	-	-	#DIV/0!	#DIV/0!
Community & Social Services	10 705	16 813	17 332	21 453	21.63%	19.21%
Environmental Protection	-	-	-	-	#DIV/0!	#DIV/0!
Health	-	-	-	-	#DIV/0!	#DIV/0!
Security and Safety	8 131	11 686	11 241	9 312	-25.48%	-20.71%
Sport and Recreation	8 290	11 839	13 420	14 598	18.90%	8.07%
Corporate Policy Offices and Other	294 914	142 813	134 371	173 476	17.68%	22.54%
Component D: sub-total	322 040	183 150	176 363	218 839	16.31%	19.41%
<b>Total Expenditure</b>	<b>505 361</b>	<b>424 044</b>	<b>420 043</b>	<b>422 281</b>	<b>-0.42%</b>	<b>0.53%</b>

## COMMENT ON FINANCIAL PERFORMANCE:

The municipality had an adjusted budget of R 19.8 million for the waste water department. At year end the department had only spent R15.9 million on waste water, thus resulting in a negative variance of 24.1 percent. The variance was largely due to savings realised on the salaries and wages vote under the waste water department.

T5.1.2

The 37.8 percent variance reflected for the roads department is due to no expenditure or journals being passed on the system for depreciation. Depreciation had a budget amount of R 2.2 million.

# Chapter 5

The total variance reflected under component D (Planning and LED) is mainly due to the misallocation between the two departments and the corporate services and Municipal Managers office. This is due to the LED department being under the MM's office.

T5.1.3

## 5.2 GRANTS

Grant Performance						
Description	2011/12	2012/13		2012/13 Variance		
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	136 279	156 283	156 283	149 922		
Equitable share	134 039	153 983	153 983	148 108	-3.97%	-3.97%
Municipal Systems Improvement	790	800	800	239	-234.73%	-234.73%
Department of Water Affairs						
Levy replacement						
Finance Management Grant	1 450	1 500	1 500	1 575	4.76%	4.76%
<b>Provincial Government:</b>	-	-	-	-		
Health subsidy						
Housing						
Ambulance subsidy						
Sports and Recreation						
Finance Management Grant						
<b>District Municipality:</b>	-	-	-	-		
<i>[insert description]</i>						
<b>Other grant providers:</b>	-	993	993	202		
EPWP	-	993	993	202	-391.58%	-391.58%
<b>Total Operating Transfers and Grants</b>	136 279	157 276	157 276	150 124		

### COMMENT ON OPERATING TRANSFERS AND GRANTS:

*Note: For Municipal Infrastructure Grant (MIG) see T5.8.3. For other conditional transfers including Neighborhood Development Partnership Grant (NDPG); Public Transport Infrastructure and Systems Grant (PITS) see **Appendix L**.*

T5.2.0

For the 2012/13 financial year, the municipality was allocated and received R 800 000 for the MSIG. Unfortunately the Municipality only spent R 239 000. This was due to the municipality not implementing the adopted MSIG expenditure plan.

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# Chapter 5

The municipality received its full FMG allocation for the 2012/13 financial year. From the R 1.5 million received the municipality was able to spend the entire allocation as per the FMG expenditure plan.

The municipality received an amount of R 993 000 in respect of EPWP. Unfortunately the municipality could only spend R 202 000 of its total allocation. This was largely due to the program not being structured from the municipality's side. The municipality has since established an EPWP steering committee that will monitor the EPWP program.

*T 5.2.1*

## COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality did not receive any grants from other organs of state other than those that were on the DoRA.

*T 5.2.2*

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

An asset manager has not been appointed in the municipality, there is only one asset controller in asset management. The municipality is currently using the BAUD system from PWC as the main asset management software. Deloitte Consultancy was appointed to do the financial statements for the 2011/2012 financial year, in this regard Deloitte sub-appointed two companies to deal with assets in order to compile a fixed asset register. TAT I-Chain was appointed to do the movable assets and Marked Demand appointed to the infrastructure assets. This exercise was completed by end of November 2012. Assets Management falls directly under the Supply Chain Management unit in Ngwathe Local Municipality therefore asset management is not a section on its own.

For the 2012/13 the asset controller was able to update the asset register with all additions and disposals. It is envisaged that the vacant positions within the asset Management unit will be filled once the provincial CoGTA has concluded with its review of the Municipal organogram.

The asset Management policy was reviewed, updated and subsequently adopted by council on 31 May 2013 for implementation in the 2013/14 financial year.

*T 5.3.1*

# Chapter 5

Repair and Maintenance Expenditure: 2012/13				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	20976	20976	18582	11%
T 5.3.4				

## COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The original *repairs and maintenance* budget for the 2012/13 financial year amounted to R20.9 million. The *repairs and maintenance* budget was 4.9 percent of both the total original and adjustment expenditure budgets. Total *repairs and maintenance* made up of repairs and maintenance of Buildings, Equipment, Furniture and equipment, infrastructure, Radio equipment, refuse dump, plant and equipment and vehicles.

Expenditure on Repairs and maintenance for the 2012/13 financial year amounted to R 18.6 million or 88.6 percent of the adjusted budget.

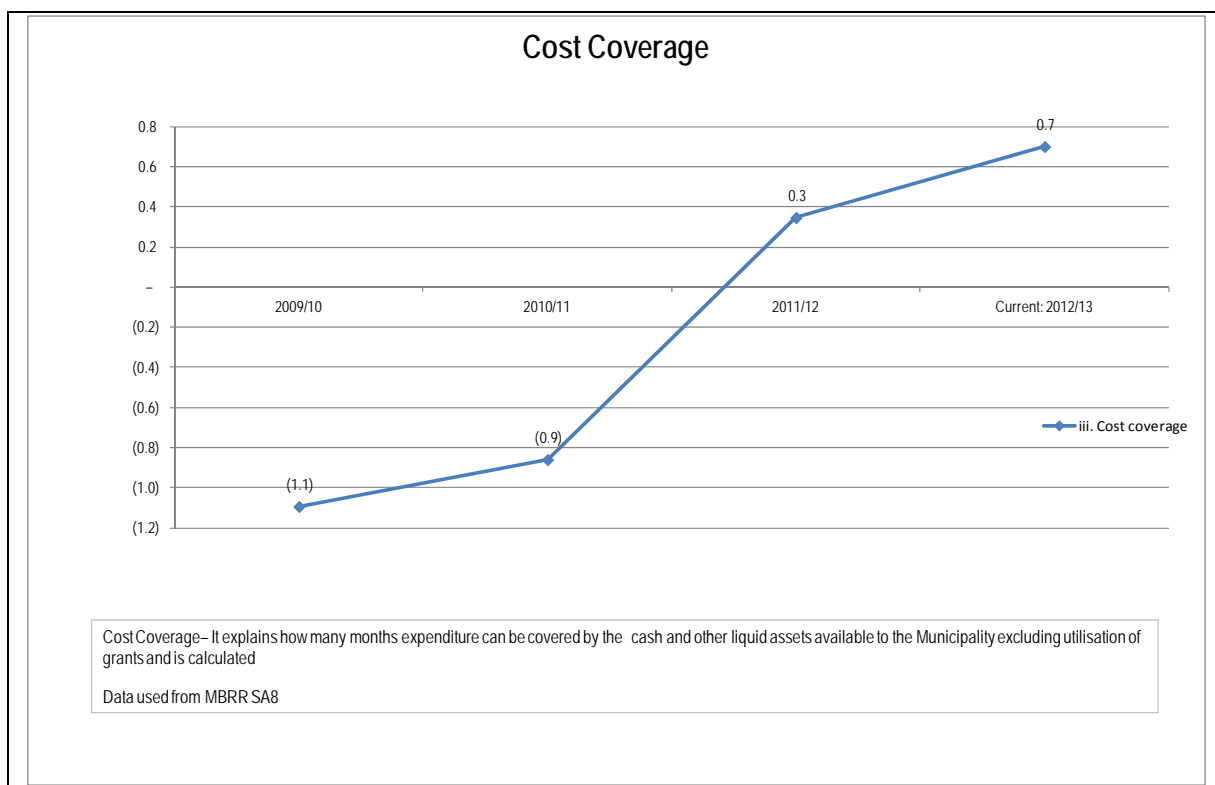
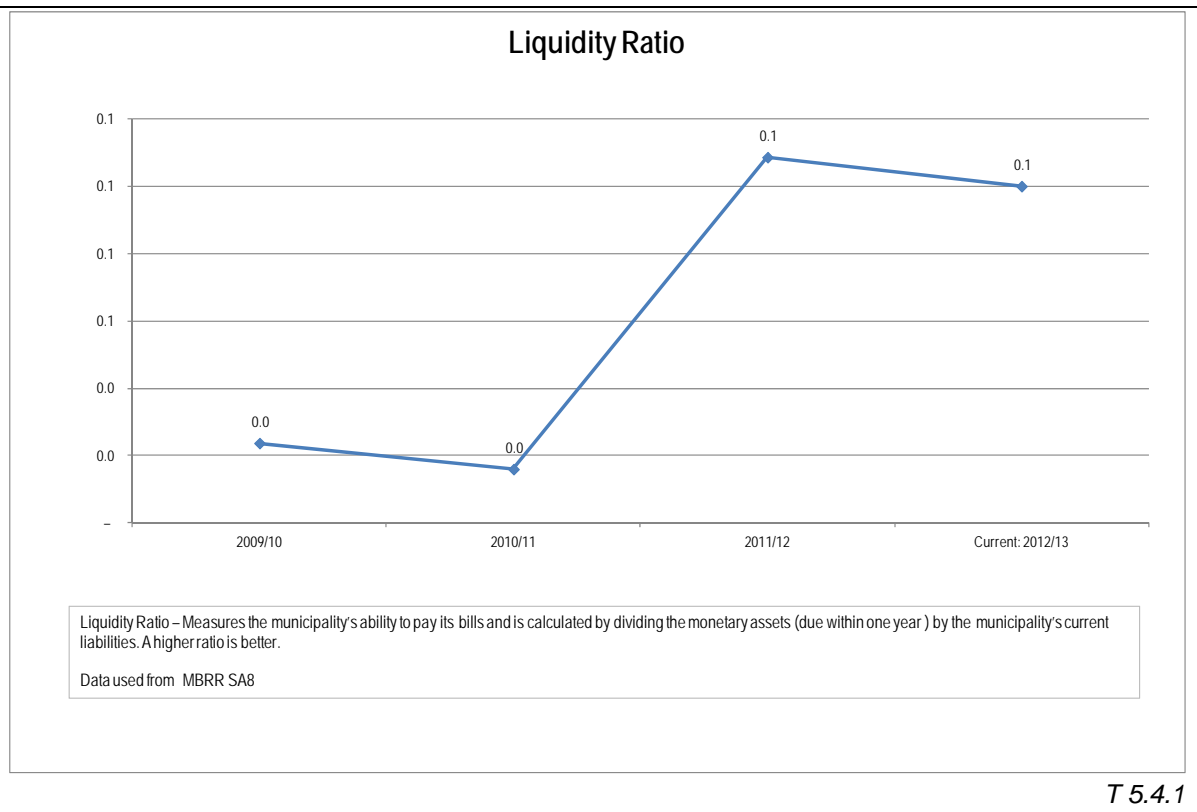
T 5.3.3

## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

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# Chapter 5



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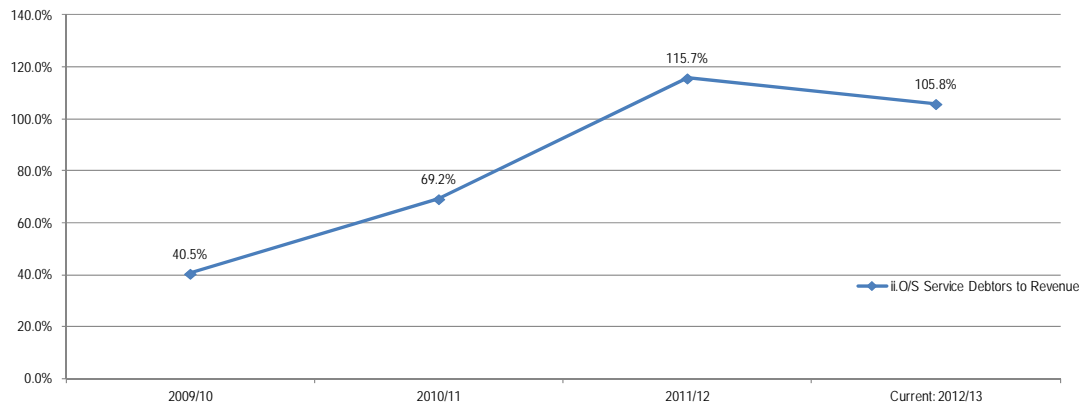
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# Chapter 5

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T 5.4.2

Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

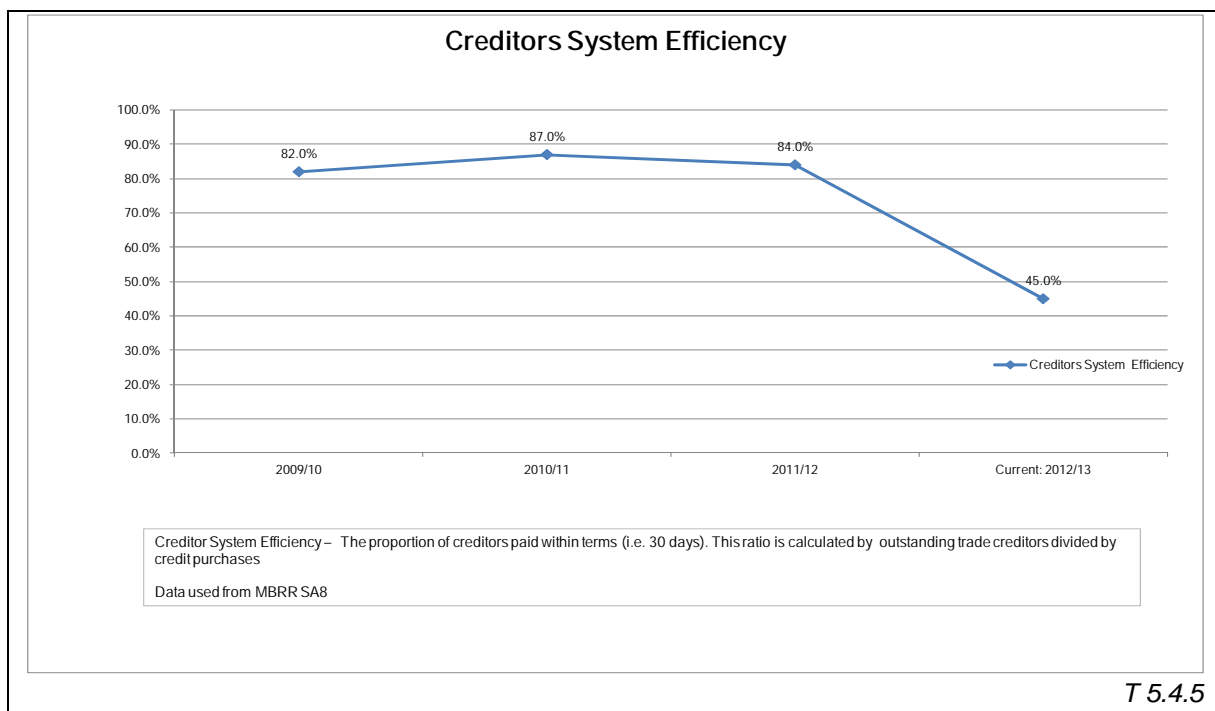
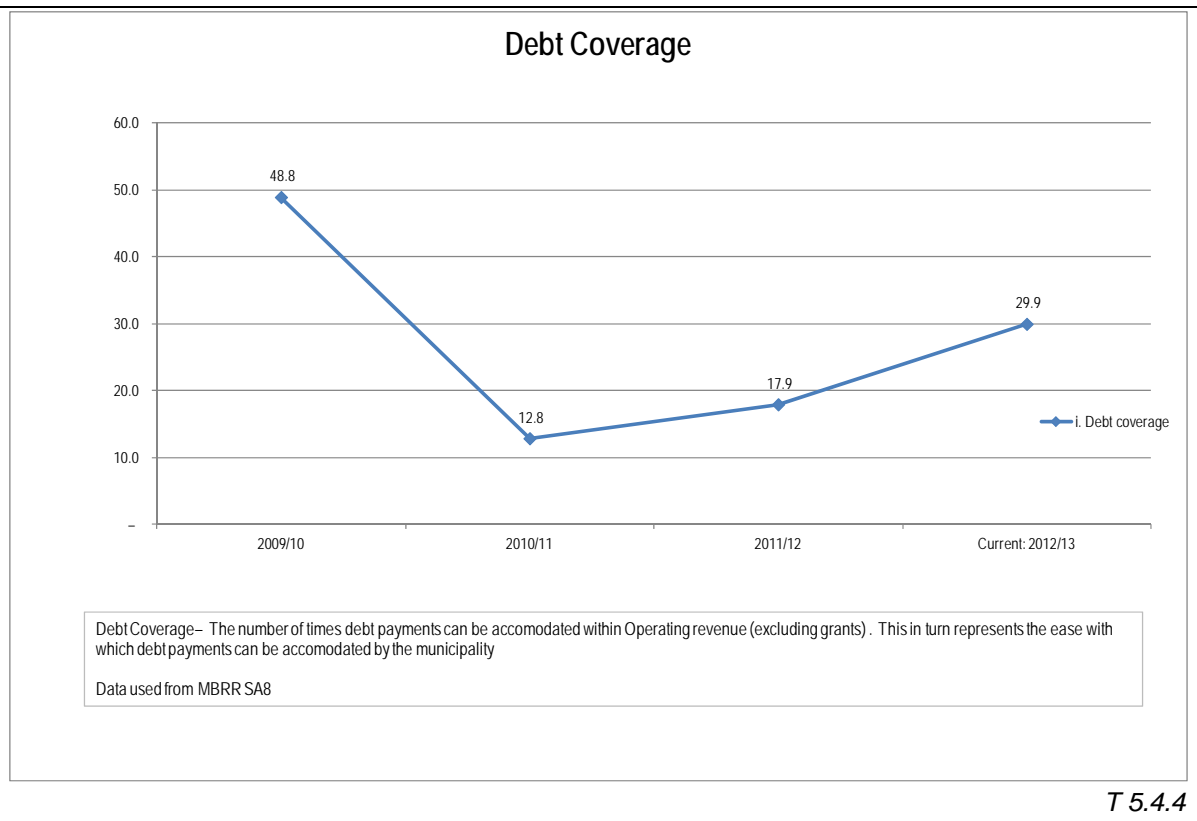
Data used from MBRR SA8

T 5.4.3

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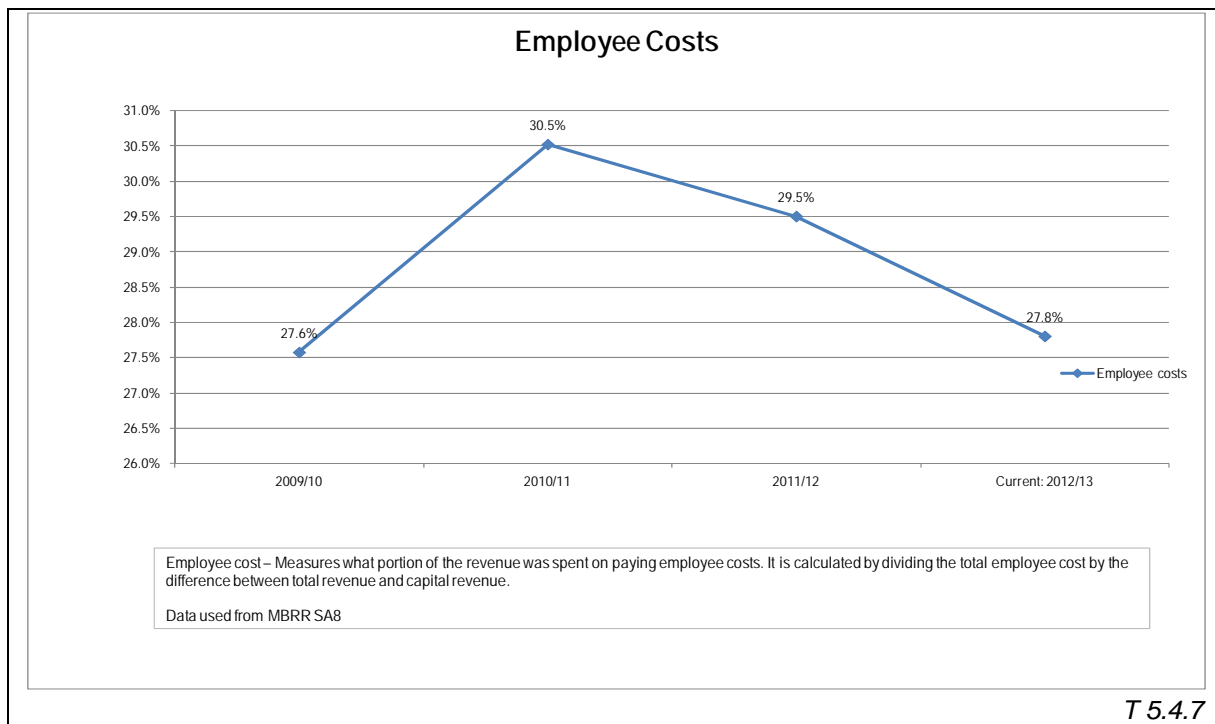
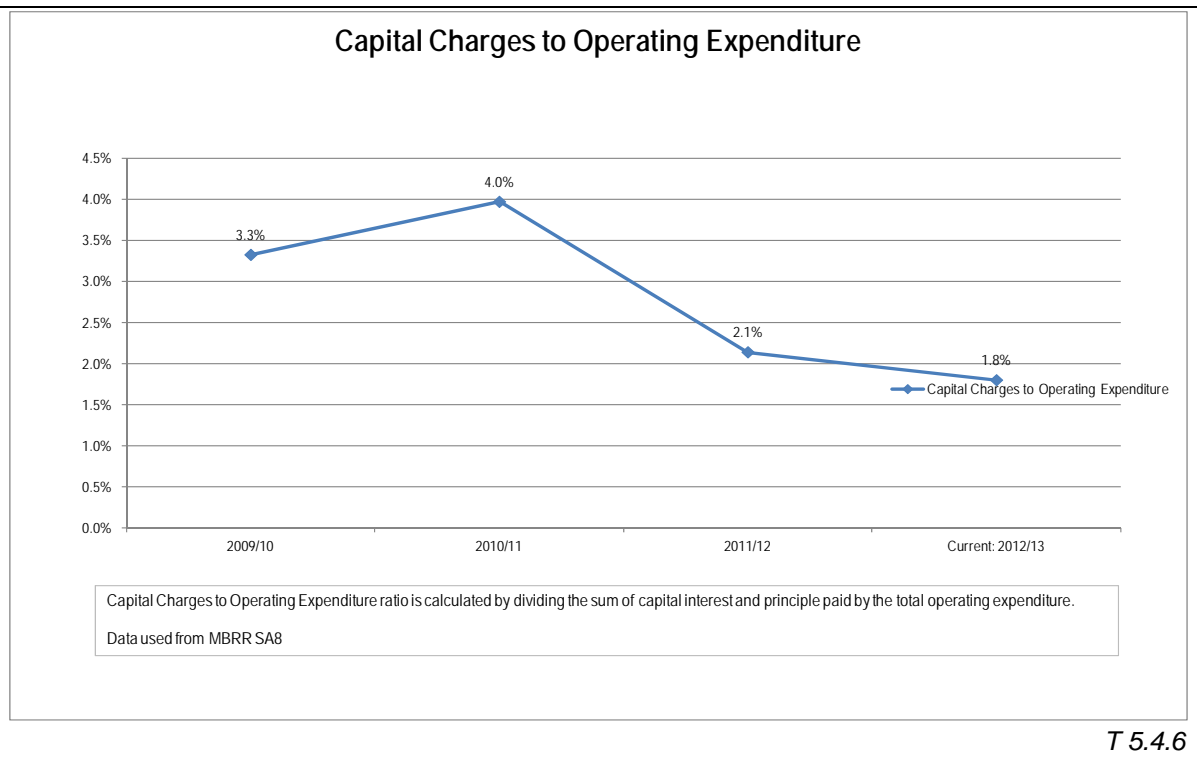
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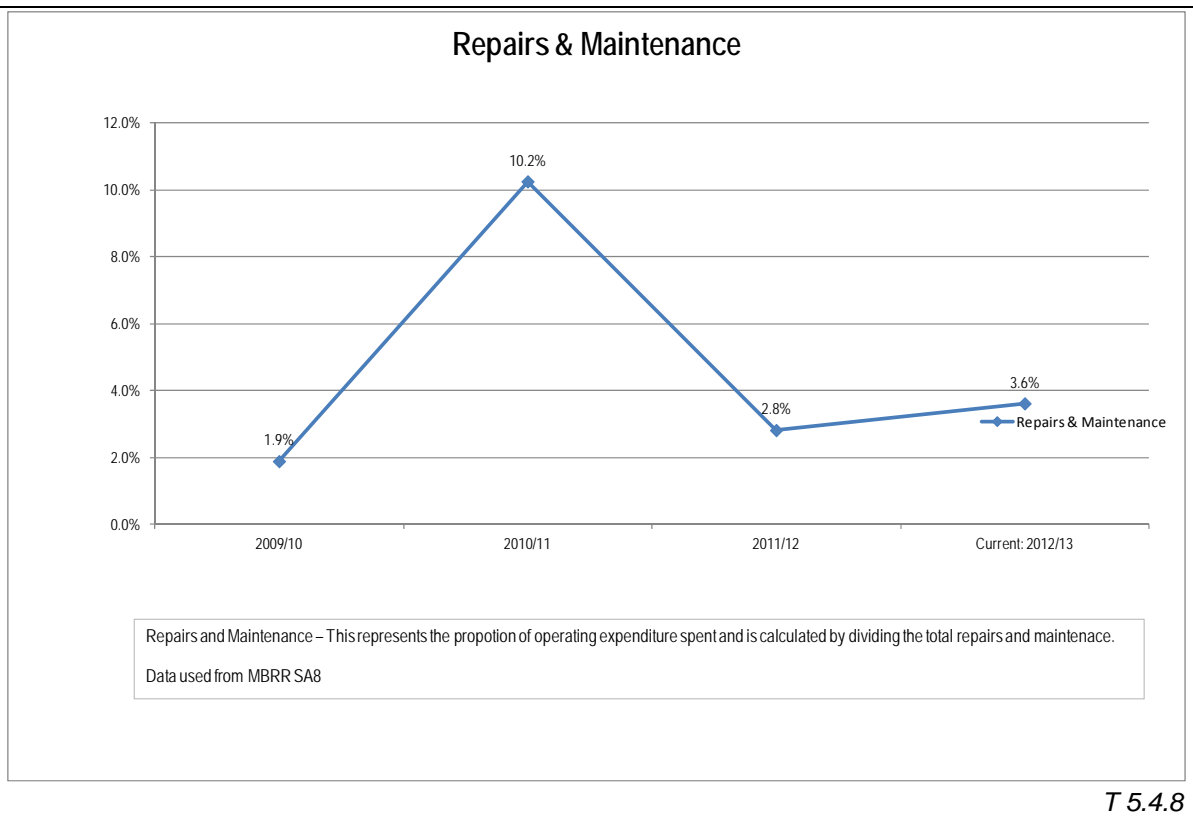
# Chapter 5



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# Chapter 5



## COMMENT ON FINANCIAL RATIOS:

**Liquidity Ratio** - Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year ) by the municipality's current liabilities. A higher ratio is better. The liquidity graph indicates that the municipality is not liquid enough to meet its current liabilities. At the very least the municipality should have a ratio of 1:1 but currently the graph indicates that the municipality has a ratio of 0.1:1.

**Cost Coverage** - explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated. As per the cost coverage ratio graph shows that the municipality has a cost coverage ratio of 0.7. This is very concerning as it effectively means that the municipality does not have enough cash to cover one month's expenditure, this clearly indicates that the municipality is heavily reliant on grants.

**Total outstanding service debtors** - Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better. The graph clearly shows that the municipality has a challenge in terms of collecting outstanding debt from consumers. For the 2012/13 financial year, the municipality had total outstanding service debtors amounting to 105.8 percent of the total annual revenue.

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# Chapter 5

**Debt coverage** - The number of times debt payments can be accommodated within Operating revenue (excluding grants). This in turn represents the ease with which debt payments can be accommodated by the municipality. The graph indicates that the municipality can manage the debt payment but it must be noted that the municipality did not raise any new loans during the past two financial years.

**Creditor's system efficiency** - The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases. At this point in time the municipality is only able to pay 45 percent of its creditors within 30 days as per the MFMA. The municipality has developed a demand management system that will assist the municipality in tracking all requisitions and payments and will further align the requisitions to money available for a particular month.

**Capital charges to operating expenditure** - Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure. As mentioned above the municipality has not raised any new loans in the past two financial year and therefore do not have large capital amounts outstanding. The graph indicates that the capital charges to operating expenditure ratio for the municipality are at 1.8 percent.

**Employee Costs** - Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue. The employee cost ratio suggests that 27.8 percent of revenue for the 2012/13 financial year was used to pay employee costs.

**Repairs and Maintenance** - This represents the proportion of operating expenditure spent. Repairs and Maintenance actual expenditure for the 2012/13 financial year amounted to R 18.9 million or 3.6 percent of the actual operating expenditure.

T 5.4.9

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend. Highlight the 5 largest projects (see T5.7.1) and indicate what portion of the capital budget they use. In the introduction briefly refer to these key aspects of capital expenditure (usually relating to new works and renewal projects) and to **Appendices M** (relating to the new works and renewal programmes), **N** (relating to the full programme of full capital projects, and **O** (relating to the alignment of projects to wards).

T 5.5.0

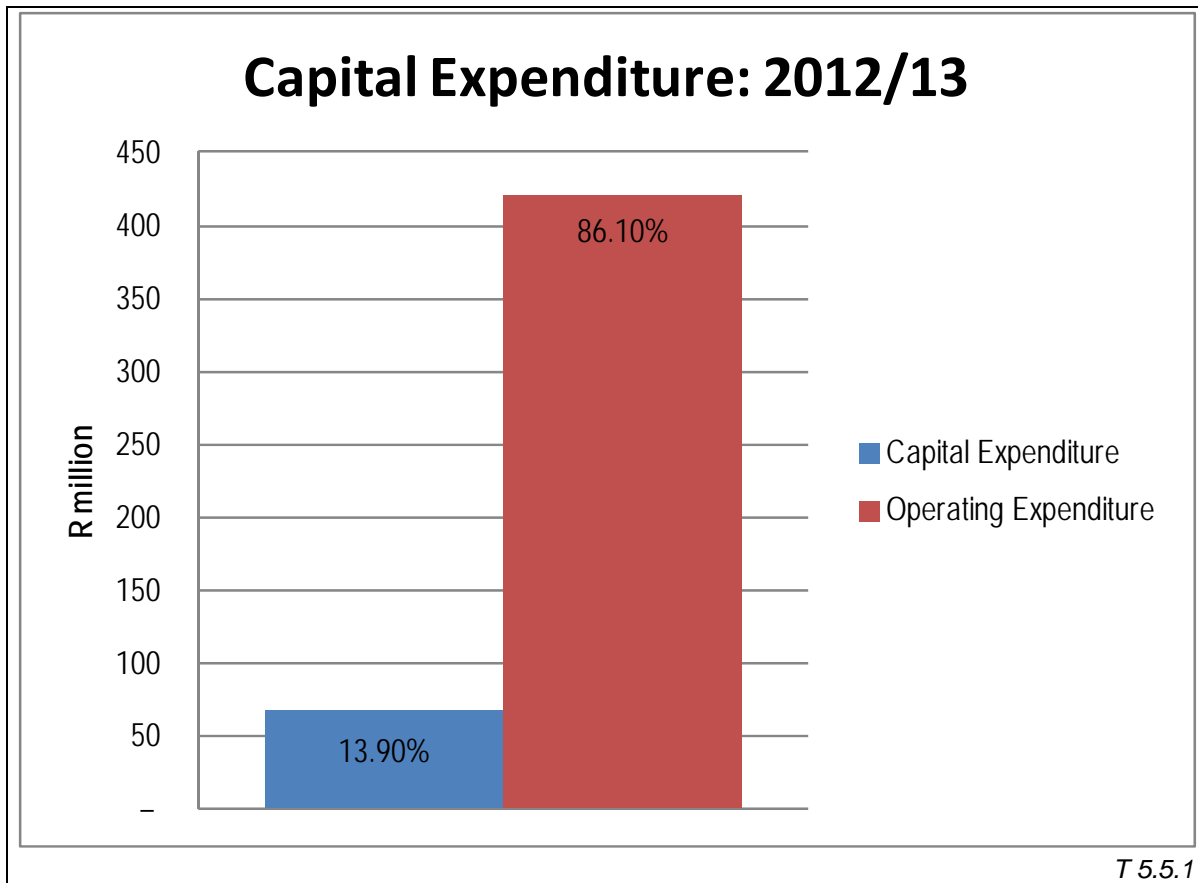
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# Chapter 5

## 5.5 CAPITAL EXPENDITURE



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# Chapter 5

## 5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2011/12 to 2012/13						
R' 000						
Details	2011/12	2012/13				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
<b>Source of finance</b>						
External loans		0	0		#DIV/0!	#DIV/0!
Public contributions and donations		0	0		#DIV/0!	#DIV/0!
Grants and subsidies		50441	63854	26343	26.59%	-47.77%
Other		1750	4000	0	128.57%	-100.00%
<b>Total</b>	<b>0</b>	<b>52191</b>	<b>67854</b>	<b>26343</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
<b>Percentage of finance</b>						
External loans	#DIV/0!	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!
Public contributions and donations	#DIV/0!	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!
Grants and subsidies	#DIV/0!	96.6%	94.1%	100.0%	#DIV/0!	#DIV/0!
Other	#DIV/0!	3.4%	5.9%	0.0%	#DIV/0!	#DIV/0!
<b>Capital expenditure</b>						
Water and sanitation		47913	41007		-14.41%	-100.00%
Electricity		0	12500		#DIV/0!	#DIV/0!
Housing					#DIV/0!	#DIV/0!
Roads and storm water					#DIV/0!	#DIV/0!
Other	0	4278	14347	26343	235.37%	515.78%
<b>Total</b>	<b>0</b>	<b>52191</b>	<b>67854</b>	<b>26343</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
<b>Percentage of expenditure</b>						
Water and sanitation	#DIV/0!	91.8%	60.4%	0.0%	#DIV/0!	#DIV/0!
Electricity	#DIV/0!	0.0%	18.4%	0.0%	#DIV/0!	#DIV/0!
Housing	#DIV/0!	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!
Roads and storm water	#DIV/0!	0.0%	0.0%	0.0%	#DIV/0!	#DIV/0!
Other	#DIV/0!	8.2%	21.1%	100.0%	#DIV/0!	#DIV/0!

T 5.6.1

### COMMENT ON SOURCES OF FUNDING:

Ngwathe local municipality is heavily dependent on grants for the implementation of capital projects.

Major grants utilized during the 2012/13 financial year were the MIG and The DME grants. The municipality applied for a rollover of MIG funds from the 2012/13 financial year to the 2013/14 financial year, the National Treasury approved the application (R24.1 million)

T 5.6.1.1

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# Chapter 5

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	Current: 2012/13			Variance: Current 2012/13	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Upgrade of Parys waste water treatment works (MIG)	25 000.00	23 181.00		100%	7%
B - Upgrade of bulk electricity Heilbron (DME)	0	12 500		# DIV/0!	# DIV/0!
C - Upgrade of Heilbron waste water treatment works (MIG)	12 000	8 913		100%	26%
D - Upgrading Parys water PLANT (MIG)	8 000	8 000		100%	0%
E - Upgrading of Schonkenville sports complex (MIG)	0	3 000		# DIV/0!	# DIV/0!
* Projects with the highest capital expenditure in Year 0					
A - Upgrade of Parys waste water treatment works (MIG)					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
B - Upgrade of bulk electricity Heilbron (DME)					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
C - Upgrade of Heilbron waste water treatment works (MIG)					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
D - Upgrading Parys water PLANT (MIG)					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
E - Upgrading of Schonkenville sports complex (MIG)					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
T 5.7.1					

COMMENT ON CAPITAL PROJECTS:

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# Chapter 5

To be completed once AFS figures are completed

T 5.7.1.1

## 5.8 CASHFLOW

Cash Flow Outcomes				
R'000				
Description	2011/12	Current: 2012/13		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	182 928	247 727	248 125	228 633
Government - operating	160 385	157 276	157 276	203 137
Government - capital	(338)	50 441	50 441	
Interest	17 678	9 972	4 972	21 443
Dividends	1	-	-	-
<b>Payments</b>				
Suppliers and employees	(325 487)	(369 888)	(366 176)	(429 748)
Finance charges	-	-	-	(2 032)
Transfers and Grants	-	(36 006)	(36 006)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>35 167</b>	<b>59 522</b>	<b>58 632</b>	<b>21 433</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	-	1 578	1 578	
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				(65)
<b>Payments</b>				
Capital assets	(8 281)	(52 191)	(67 854)	(1 342)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(8 281)</b>	<b>(50 613)</b>	<b>(66 276)</b>	<b>(1 407)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
<b>Payments</b>				
Repayment of borrowing	(424)	(3 707)	(3 707)	(3 274)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(424)</b>	<b>(3 707)</b>	<b>(3 707)</b>	<b>(3 274)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>26 462</b>	<b>5 202</b>	<b>(11 351)</b>	<b>16 753</b>
Cash/cash equivalents at the year begin:	3 099	29 563	29 563	29 563
Cash/cash equivalents at the year end:	29 563	34 765	18 212	46 315
Source: MBRR A7				T 5.9.1

COMMENT ON CASH FLOW OUTCOMES:

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# Chapter 5

Municipal and Entity Investments			
Investment* type	Year -2	Year -1	Year 0
	Actual	Actual	Actual
<b>Municipality</b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
<b>Municipality sub-total</b>	0	0	0
<b>Municipal Entities</b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
<b>Entities sub-total</b>	0	0	0
<b>Consolidated total:</b>	0	0	0
			<i>T 5.10.4</i>

## COMPONENT D: OTHER FINANCIAL MATTERS

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# Chapter 5

## 5.9 SUPPLY CHAIN MANAGEMENT

### SUPPLY CHAIN MANAGEMENT

The current SCM unit consists of two sections; that is the fleet and Asset management Section.

1. Assets and fleet subsection: which consist of four personnel, including the Acting Assets and Fleet Assistant Manager, reporting directly to the SCM Manager.

- Assets: consist of two Assets Officers
- Fleet: consist of one Fleet officer

The SCM unit consists of (6) six personnel, including the SCM Manager

2. The municipality sent all SCM staff to SCM and Fleet training /courses and SCM is in the process with the preparations to send the rest of the Admin staff to training including all sections within the NLM.

3. There are no councilors involved in the SCM processes

4. Action undertaken in order to undertake training and workshop for all the SCM officials

5. the MM, CFO and Learning and Development Manager were made aware of the newly required minimum competency levels, which all the SCM personnel must attain before a due period, the matter is still pending.

6. the municipality appointed external service provider and received a support from MFIP in order to assist the municipality on the issue of compliance and implementation of all the SCM processes and the is a huge impact at the moment as far as the SCM in concern.

Provide a brief narrative that describes the progress made by your municipality in developing and implementing policies and practices in compliance with the guidelines set out in SCM Regulations 2005. State the number of Supply Chain officials that have reached the prescribed levels required for their positions (See MFMA Competency Regulation Guidelines) and state the number of prescribed officials that are yet to reach the necessary competency levels; and set out any remarks made in the previous Auditor-General's report or the report for year 0 concerning the quality of Supply Chain Management and detail the remedial action taken. Note comments made in Chapter 2, under section 2.8.

*T 5.9.1*

## 5.10 GRAP COMPLIANCE

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# Chapter 5

GRAP COMPLIANCE	
<p>GRAP is the acronym for <b>G</b>enerally <b>R</b>ecognized <b>A</b>ccounting <b>P</b>ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.</p>	
<i>T 5.10.1</i>	

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# Chapter 6

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

1. Auditor General was engaged to audit the 2011-2012 financial statements of the Ngwathe Local Municipality as set out which comprise the statement of financial position as at 30 June 2012, the statements of financial performance, changes in net assets and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Auditor-General's responsibility

3. His responsibility was to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, AG was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*T 6.0.1*

## COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR 2012/13

### 6.1 AUDITOR GENERAL REPORTS 2011/12 (PREVIOUS YEAR)



# Chapter 6

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Auditor-General Report on Financial Performance: Year -2011-2012	
Non-Compliance Issues	Remedial Action Taken
Basis for disclaimer of opinion	
<p><b><u>Internal audit</u></b>  68. The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, the annual DoRA and any other applicable legislation, as required by section 165(2)(b) of the MFMA.</p>	<ul style="list-style-type: none"> <li>- The new internal audit manager was appointed from the 01 June 2012. The 2011-2012 activities or projects in the audit plan compiled by the former internal auditor were not completed. As a result, due to the 2011-2012 audits that were going to take place from 01 November 2012 for 2011-2012, the newly appointed internal audit manager had to finalise the 2011-2012 audit plan for compliance purpose to cover the work not done and managed to finalize it by the 26 November 2012.</li> <li>- The municipality formed an audit steering committee that facilitated the 2011-2012 audit of Auditor-General. The audit unit was tasked to monitor progress during the audit that was finalized in March 2013. During this time of the year the internal audit was not fully functional, it was only the internal audit manager and two interns that were newly appointed to assist in the unit.</li> <li>- The Municipal Council resolved to appoint an Audit committee that will serve as an over-side committee for internal audit unit, performance audit committee and risk management unit. Currently, the municipality is making use of the District Audit Committee while in the process of appointing its own audit committee.</li> <li>- Due to backlog, the audit unit managed to have their first meeting with the audit committee in June 2013 to discuss way forward, review or note the internal audit plan and charter for 2012-2013 and review and approve the 2013-14 audit plans.</li> <li>-The internal audit unit reported to the committee on matters relating to non-compliance with the MFMA, the annual DoRA and any other applicable legislations, as required by the section 165(2)9b0 of the MFMA.</li> </ul>
<p><b><u>Audit committee</u></b>  66. An audit committee was not in place, as required by section 166(1) of the MFMA.  67. A performance audit committee was not in place, as required by MPPM regulation 14(2)(a).</p>	

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# Chapter 6

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<p><b><u>Property, plant and equipment</u></b></p> <p>4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment as the municipality did not provide me with a complete and updated fixed asset register. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment relating to property, plant and equipment stated at R1 125 971 550 (2011: R1 215 835 314) in note 8 to the financial statements was necessary.</p>	<p>- Consultants from Deloitte were appointed to compile an assets register, including immovable assets. The internal audit unit has performed audit procedures on fixed assets and identified risks and made recommendations to management.</p>
<p><b><u>Unspent conditional grants and receipts</u></b></p> <p>9. The municipality did not correctly account for government grant and subsidy income in accordance with GRAP 1. Grant income was incorrectly offset against unspent conditional grants and receipts, which resulted in unspent conditional grants and receipts being overstated and government grant and subsidy income being understated by R3 272 000. Consequently, there is an impact on the deficit for the period and accumulated surplus. In addition, I was unable to obtain sufficient appropriate audit evidence for the unspent balance, as the municipality was unable to provide me with supporting documentation relating to expenditure funded from government grants and subsidies. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments to unspent conditional grants and receipts, stated at R37 965 774 (2011: R15 193 434) in note 15 to the financial statements, were necessary.</p>	<p>- The Municipality has appointed the budget and expenditure manager to do a monthly reconciliation with supporting documents and reporting monthly.</p>

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# Chapter 6

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## **Fruitless and wasteful expenditure**

30. The municipality did not include particulars of all the fruitless and wasteful expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality made payments which could have been avoided had reasonable care been taken, resulting in fruitless and wasteful expenditure being understated by R437 458. In addition, I was unable to obtain sufficient appropriate audit evidence that all instances of fruitless and wasteful expenditure had been disclosed, as supporting documentation was not submitted for some of the expenditure transactions selected and differences between the financial statements and supporting schedules could not be explained. I was unable to confirm the completeness by alternative means. Consequently, I was unable to determine whether any further adjustments relating to fruitless and wasteful expenditure, stated at R25 057 249 (2011: R11 773 482) in note 42 to the financial statements, were necessary.

- The internal audit unit has performed audit procedures on expenditure and identified risks and made recommendations to management.

## **Unauthorised expenditure**

32. The municipality did not include particulars of unauthorised expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality overspent on its approved budget, resulting in unauthorised expenditure being understated by R116 060 646. In addition, I was unable to obtain sufficient appropriate audit evidence that all instances of unauthorised expenditure had been disclosed, as the municipality had not provided me with a breakdown of the surplus/deficit per vote and supporting documentation was not submitted for some of the expenditure transactions selected. I was unable to confirm the completeness by alternative means. Consequently, I was unable to determine whether any further adjustments relating to unauthorised expenditure, stated at R0 (2011: R0) in the financial statements, were necessary.

- The internal audit unit also performed audit procedures on expenditure and identified risks and made recommendations to management.  
- The internal audit units of Municipalities have been given a task to performing a special audit procedures and advice on how this cycle of unauthorised expenditure should be addressed. They should identify root cause, risks and also make recommendations on how they should be attended to.

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# Chapter 6

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## **Councillors' arrear consumer accounts**

34. The municipality did not include particulars of all the councillors' arrear consumer accounts in the notes to the financial statements, as required by section 124(1)(b) of the MFMA. I have identified councillors with consumer accounts outstanding for more than 90 days which were not disclosed in the note, resulting in the total councillor arrear consumer accounts being understated by R52 799. In addition, I was unable to obtain sufficient appropriate audit evidence that all the councillors' arrear consumer accounts were disclosed, as sufficient documentation regarding some of the councillors' consumer account details was not submitted. I was unable to confirm the completeness by alternative means. Consequently, I was unable to determine whether any further adjustments relating to councillors' arrear consumer accounts, stated at R181 550 (2011: R90 696) in note 40 to the financial statements, were necessary.

- The municipality made verbal agreements with councillors which have not been met. Nothing has been done at this stage.

## **Material under spending of the conditional grant**

42. As disclosed in note 15 to the financial statements, the municipality has materially underspent the budget on municipal infrastructure grant to the amount of R21 150 904. As a consequence, the municipality has not achieved its objective of providing infrastructure for service delivery.

- The municipality has a plan in place of attending to all issues of backlog with regard to under spending of the conditional grant for the 2011-2012 financial year. - Application was submitted and the rollover was approved by the provincial treasury to roll into 2012-2013 (Municipal Infrastructure Grants).

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# Chapter 6

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## Strategic planning and performance management

49. The municipal council did not consult with the local community in the drafting and implementation of the municipality's IDP by means of a municipal-wide structure for community participation, as required by section 28 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and Local Government: Municipal Planning and Performance Management (MPPM) regulation 15(1)(a)(i).

50. The municipality did not afford the local community at least 21 days to comment on the final draft of its IDP before the plan was submitted to council for adoption, as required by MPPM regulation 15(3).

51. The municipality did not establish a performance management system, as required by section 38(a) of the MSA and MPPM regulation 7(2)(c), (e), (f) and (g).

52. The municipality did not set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan; set measurable performance targets with regard to each development priority and objective; monitor performance, with regard to each of those development priorities and objectives and against the key performance indicators and targets set; measure and review performance at least once per year with regard to each of those development priorities and objectives and against the key performance indicators and targets set; and take steps to improve performance with regard to those development priorities and objectives where performance targets are not met. as required by section 41 of the MSA.

- The municipality made consultation with the local community in the drafting and implementation of the municipality's IDP by means of a municipal-wide structure for community participation and afforded them 21 days to comment. The municipality has appointed an audit committee that will monitor and over see that all these issues are attended to.

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# Chapter 6

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## **Expenditure management**

69. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

70. Sufficient appropriate audit evidence could not be obtained that payments had been approved by the accounting officer or a properly authorised official, as required by section 11(1) of the MFMA.

71. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.

72. The accounting officer did not take effective steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

73. Unauthorised, irregular and fruitless and wasteful expenditure was not recovered from the liable person, as required by section 32(2) of the MFMA.

74. Sufficient appropriate audit evidence could not be obtained that the accounting officer reported to the South African Police Service cases of alleged irregular expenditure that constituted a criminal offence, theft and fraud that occurred in the municipality and losses suffered as a result of criminal conduct, as required by section 32(6) of the MFMA.

- The municipality is in a process of compiling an action plan to address findings raised by the Auditor-General in the 2011-2012 and other previous financial years.

## **Human resource management and compensation**

106. Sufficient appropriate audit evidence could not be obtained that the municipal manager and senior managers directly accountable to the municipal manager had signed performance agreements, as required by section 57(2)(a) MSA.

107. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by section 66(1) (b) of MSA.

- The Municipality has prepared performance agreements for the municipal manager and senior managers directly accountable to the municipal manager and they have been signed by them to the - National Treasury tother with SALGA have been assigned to address all issues around municipal officials job-description and they are still in the proccess.

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# Chapter 6

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<p><b><u>Leadership</u></b></p> <p>110. Key management positions were vacant during the year under review.</p> <p>113. Leadership of the municipality did not ensure that internal control procedures were developed, implemented and monitored to ensure that daily disciplines were performed and reviewed. 115. Leadership of the municipality failed to implement adequate controls to ensure compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were revealed.</p>	<ul style="list-style-type: none"> <li>- The municipality has filled key management positions of four senior managers e.g. Chief Financial Officer, Director Community Services, Director Corporate Services and Director Technical Services. The municipality is also in a process of filling other critical post of managers reporting to seniors.</li> <li>- Municipality Council has resolved to appoint an Audit committee that will serve as an oversee committee for monitoring and ensuring that the risks identified by the risks unit are prevented and recommendations made by the internal audit unit on lack of implementation internal controls, internally designed policies and procedures, other legislations are adhered to.</li> </ul>
<p><b><u>Financial and performance management</u></b></p> <p>118. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure or non-disclosure in the financial statements.</p> <p>119. The municipality did not have the capacity to address backlog issues and financial system problems, resulting in the need to appoint consultants. Consultants assisted with the preparation of an asset register and financial statements. After the compilation of the financial statements the consultants left the municipality, failing to supply supporting evidence, caused by the non-payment of the consultants by the municipality.</p>	<ul style="list-style-type: none"> <li>- Preparation of Annual Financial Statement of 2012-2013, the Municipality has appointed a service provider who managed to compile AFS and</li> <li>- Municipality Council has resolved to appoint an Audit committee that will serve as an oversee committee for monitoring municipal progress and ensuring the credibility of the 2012-2013 annual financial statement by reviewing it before submission to the Provincial Treasury.</li> </ul>

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# Chapter 6

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## **VAT Payable**

14. The municipality has not accounted for expenditure in accordance with GRAP 1. The municipality did not claim VAT on all the bulk purchases. Consequently, bulk purchases as well as VAT payable are overstated by R8 091 953. Consequently, there is an impact on the deficit for the period and accumulated surplus. In addition, I was unable to obtain sufficient appropriate audit evidence regarding VAT payable, as the municipality had not performed sufficient reconciliations between the returns and the general ledger while supporting documentation for journals processed could not be submitted. I was unable to confirm the outstanding balance by alternative means. Consequently, I was unable to determine whether any further adjustments relating to VAT payable, stated at R4 099 230 (2011: R3 552 803) in the financial statements, were necessary.

- The municipality has appointed consultant from maximum profit to do vat reconciliation. The internal audit unit has performed an audit procedures on expenditure, identified risks relating to vat and also made recommendations to management.

## **Commitments**

37. I was unable to obtain sufficient appropriate audit evidence regarding capital commitments due to an inadequate contract management system and incomplete contract register. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment relating to capital commitments, stated at R193 516 763 (2011: R212 215 587) in note 36 to the financial statements, was necessary.

- The municipality has started with the process of compiling a contract register.

*Note: \*The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)*

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## COMMENTS ON AUDITOR-GENERAL'S OPINION 2012/13:

The report of the Auditor-General on the financial statements and other legal and regulatory requirements of Ngwathe local municipality for the year ended 30 June 2013 indicates that after auditing the 2012/13 financial statements and other legal and regulatory requirement, the AG could not provide a basis for an audit opinion (Disclaimer of opinion).

The above essentially means that the AG did not obtain sufficient appropriate audit evidence to provide a basis for an opinion.

As per the attached report, the disclaimer of opinion was mainly due to shortcomings from the municipality's side in the following areas;

- Property, plant and equipment,
- Payables from exchange transactions,
- Service charges,
- Consumer receivables from exchange transactions;
- Consumer receivables from non- exchange transactions;
- Unauthorised expenditure;
- Employee related cost
- General expenses;
- Investment property;
- Bulk purchases;
- Depreciation and amortization;
- Impairment loss;
- Irregular expenditure;
- Commitments;
- Finance cost;
- Prior period errors;
- Cash flow statement;
- Distribution losses and;
- Inventories

Management has drafted a comprehensive action plan to address the findings on the AG report and management letter.

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## REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE NGWATHE LOCAL MUNICIPALITY

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I was engaged to audit the financial statements of the Ngwathe Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets, cash flows for the year then ended and statement of comparison of budget and actual amounts, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with 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, 2012 (Act No. 5 of 2012) (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.

#### Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### Basis for disclaimer of opinion

##### Property, plant and equipment

4. The municipality did not correctly account for capital projects as property, plant and equipment in accordance with SA Standards of GRAP, GRAP 17, *Property, plant and equipment*, due to lack of adequate systems in place for capital projects. Consequently, property, plant and equipment is understated by R148 335 462 (2012: R104 923 237) and general expenses and sundry debtors are overstated by R43 412 225 and R104 923 237 (2012: R104 923 237), respectively. Additionally, there is a consequential impact on the surplus for the period and the accumulated surplus. I was also unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment, as the municipality did not provide me with a complete and updated fixed asset register, documentation to support the cost prices/valuations of assets and evidence that all the requirements outlined in SA Standards of GRAP, GRAP 17 *Property, plant and equipment* were complied with. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any further adjustment relating to property, plant and equipment stated at R1 030 118 359 (2012: R1 125 971 550) in note 11 to the financial statements was necessary.

##### Payables from exchange transactions

5. The municipality did not recognise all outstanding amounts meeting the definition of a liability in accordance with SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. As the municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid at year-end and retention monies paid on capital projects, I was not able to determine the full extent of the misstatement in payables from exchange transactions as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding payables from exchange transactions as the municipality was unable to provide me

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with detailed listings of accrued leave pay, unallocated receipts and trade payables and supporting documentation for journals. I was unable to confirm payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustments relating to payables from exchange transactions stated at R260 091 983 (2012: R204 718 316) in note 12 to the financial statements were necessary.

## Service charges

6. I was unable to obtain sufficient appropriate audit evidence regarding service charges income, as meter reading books, reports on pre-paid electricity sold and documentation to support journals were not submitted for audit purposes and significant fluctuations in the monthly billing amounts that could not be explained. I was unable to confirm service charges income by alternative means. Consequently, I was unable to determine whether any adjustment relating to service charges income stated at R256 157 344 (2012: R180 329 892) in note 22 to the financial statements was necessary.

## Consumer receivables from exchange transactions

7. The municipality did not assess its consumer receivables from exchange transactions for impairment as required by SA Standard of GRAP, GRAP 104, *Financial instruments*. I was not able to determine the correct value of consumer receivables from exchange transactions as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding consumer receivables from exchange transactions, as the municipality was not able to provide me with indigent applications, proof of subsequent payments by debtors and supporting documentation for journal entries. I was unable to confirm consumer receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments relating to consumer receivables from exchange transactions stated at R140 450 950 (2012: R74 048 573) in note 8 to the financial statements were necessary.

## Consumer receivables from non-exchange transactions

8. The municipality did not assess its consumer receivables from non-exchange transactions for impairment as required by SA Standard of GRAP, GRAP 104, *Financial instruments*. I was not able to determine the correct value of consumer receivables from non-exchange transactions as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding consumer receivables from non-exchange transactions, as the municipality was not able to provide me with indigent applications, proof of subsequent payments by debtors and supporting documentation for journal entries. I was unable to confirm consumer receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments relating to consumer receivables from non-exchange transactions stated at R65 557 568 (2012: R50 705 363) in note 7 to the financial statements were necessary.

## Unauthorised expenditure

9. The municipality did not include particulars of unauthorised expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality overspent on its approved budget, resulting in unauthorised expenditure being understated by R187 185 223 (2012: R116 060 646). In addition, I was unable to obtain sufficient appropriate audit evidence that all instances of unauthorised expenditure had been disclosed, as the municipality did not provide me with a breakdown of the surplus/deficit per vote and supporting documentation was not submitted for all the relevant expenditure transactions. I was unable to confirm unauthorised expenditure by alternative means. Consequently, I was unable to determine the full extent of the understatement for the current and corresponding financial years.

## Employee related cost

10. I was unable to obtain sufficient appropriate audit evidence regarding employee related cost due to unexplained differences between the financial system, the financial statements and the salary

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system. I was unable to confirm employee related cost by alternative means. Consequently, I was unable to determine whether any adjustment relating to employee related cost stated at R177 184 026 (2012: R119 272 827) in note 27 to the financial statements was necessary.

## General expenses

11. The municipality did not record general expenses transactions in the correct financial year and against the correct expense type as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. Consequently, general expenses are overstated by R9 756 452, repairs and maintenance understated by R7 920 985, contracted services overstated by R489 737 and accumulated surplus overstated by R2 325 204. In addition, I was unable to obtain sufficient appropriate audit evidence regarding general expenses as the municipality could not submit all the relevant expenditure vouchers and journals. I could not confirm general expenses by alternative means. Consequently, I was unable to determine whether any further adjustments to general expenses stated at R164 575 396 (2012: R83 511 330) in note 35 to the financial statements were necessary.

## Investment property

12. The municipality did not assess the fair value of investment property, as required by SA Standards of GRAP, GRAP 16 *Investment property*, due to adequate controls not being implemented to perform the fair value evaluation. I was not able to determine the correct value of investment property as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding investment property, as the municipality did not provide me with a complete and updated investment property register and support for valuations and classification as an investment property. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustment relating to investment property stated at R152 718 000 (2012: R152 718 000) in note 10 to the financial statements was necessary.

## Bulk purchases

13. The municipality did not recognise expenses in the correct financial year as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. Consequently, bulk purchases are overstated by R31 847 145, property, plant and equipment are understated by R1 117 900 and accumulated surplus is overstated by R30 729 245. In addition, I was unable to obtain sufficient appropriate audit evidence regarding bulk purchases as the municipality could not provide me with the relevant payment vouchers and invoices. I could not confirm these expenses by alternative means. Consequently, I was unable to determine whether any further adjustments to bulk purchases stated at R128 865 523 in note 33 to the financial statements were necessary.

## Depreciation and amortisation

14. I was unable to obtain sufficient appropriate audit evidence regarding depreciation and amortisation due to the limitation placed on my audit of property, plant and equipment. I was unable to confirm depreciation and amortisation by alternative means. Consequently, I was unable to determine whether any adjustments relating to depreciation and amortisation stated at R97 194 922 (2012: R98 144 384) in note 30 to the financial statements were necessary.

## Impairment loss

15. The municipality did not assess items of property, plant and equipment for impairment indicators as required by SA Standards of GRAP, GRAP 21, *Impairment of non-cash-generating assets* and SA Standards of GRAP, GRAP 26, *Impairment of cash-generating assets*. The municipality also did not subject its receivables to an impairment review as required by SA Standard of GRAP, GRAP 104, *Financial instruments*. As the municipality did not maintain an adequate asset register and records regarding receivables, I was unable to determine the full extent of the understatement in impairment loss in note 31 to the financial statements as it was impracticable

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to do so.

## **Irregular expenditure**

16. The municipality did not include particulars of irregular expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the municipal supply chain management (SCM) regulations, resulting in irregular expenditure being understated by R8 802 976 (2012: R8 073 107). In addition, I was unable to obtain sufficient appropriate audit evidence that procurement requirements were adhered to for all relevant awards, as the municipality did not provide me with the tender documents. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments to irregular expenditure stated at R15 417 665 (2012: R13 979 366) in note 43 to the financial statements were necessary.

## **Commitments**

17. I was unable to obtain sufficient appropriate audit evidence regarding commitments due to an inadequate contract management system, an incomplete contract register and contracts that could not be submitted. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any further adjustments relating to capital commitments stated at R0 (2012: R146 826 763) and R40 872 092 (2012: R46 690 000) in note 39 to the financial statements were necessary.

## **Finance cost**

18. The municipality did not correctly classify finance cost expenditure in accordance with SA Standards of GRAP, GRAP 1, *Presentation of financial statements*, as these expenses were incorrectly allocated to other expense items. Consequently, finance cost expenditure as disclosed in note 32 is understated by R31 116 832 (2012: R10 721 372), bulk purchases as disclosed in note 33 are overstated by R17 979 711 (2012: R11 598 331), general expenses as disclosed in note 35 are overstated by R12 849 376 (understated by 2012: R5 014 478), contracted services as disclosed in note 34 are overstated by R255 342, employee related cost as disclosed in note 27 is overstated by R32 403 (2012: R243 209) and the corresponding accumulated surplus is overstated by R3 894 310.

## **Prior period errors**

19. The municipality did not disclose adjustments made to prior year balances correctly in the statement of changes in net assets as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements*. The effect of prior period errors was not split between the effect on the current year's balances and the prior year opening balance. Consequently, the balance as at 1 July 2011 is understated by R17 540 296. In addition, I was unable to obtain sufficient appropriate audit evidence regarding adjustments made to corresponding balances. I was unable to confirm prior period errors by alternative means. Consequently, I was unable to determine whether any further adjustments relating to prior period errors disclosed in note 40 to the financial statements were necessary.

## **Cash flow statement**

20. I was unable to obtain sufficient appropriate audit evidence regarding the cash flow statement due to the limitations placed on my audit of various components of the financial statements as well as differences between my calculations and amounts disclosed in the cash flow statement. I was unable to confirm the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustment relating to the cash flow statement in the financial statements was necessary.

## **Distribution losses**

21. The municipality did not include particulars of material losses in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. As the municipality did not maintain

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adequate records of water and electricity consumption and purchases, I was unable to determine the full extent of the understatement for the current and corresponding financial years as it was impracticable to do so.

## Inventories

22. The municipality did not disclose water inventory and vacant residential stands as inventory as required by SA Standards of GRAP, GRAP 12 *Inventory*. As the municipality did not maintain a complete and accurate fixed asset register, I was not able to determine the full extent of the misstatement in inventories, stated at R503 577 (2012: R597 195) in note 5 to the financial statements, as it was impracticable to do so.

## Aggregation of immaterial uncorrected misstatements

23. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position and the statement of financial performance and the notes to the financial statements:
- Repairs and maintenance expenditure reflected as R18 581 748 (2012: R11 325 826) in the statement of financial performance are overstated by R7 740 986 (2012: R6 739 297).
  - Non-current portion of other financial liabilities reflected as R15 919 863 (2012: R17 951 719) in the statement of financial position is overstated by R8 051 676 (2012: R8 055 301).
  - Taxes paid as disclosed in note 44 to the financial statements are understated by R8 777 579.
  - Property rates income reflected as R48 722 964 in note 25 to the financial statements are understated by R8 888 712.

In addition, I was unable to obtain sufficient appropriate audit evidence and I was unable to confirm or verify the following elements by alternative means:

- Other financial liabilities reflected as R15 919 863 in note 18.
- VAT receivable reflected as R6 406 867 in note 9.
- Provisions reflected as R35 846 598 (2012: R22 754 810) in note 17.
- Contingent liabilities disclosed in note 41.

As a result, I was unable to determine whether any further adjustments to these elements were necessary.

## Disclaimer of opinion

24. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

## Emphasis of matters

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

## Restatement of corresponding figures

26. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2013 in the annual financial statements of the municipality at, and for the year ended, 30 June 2012.

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## Going concern

27. Note 48 to the financial statements indicates that the Ngwathe Local Municipality incurred a net loss of R73 486 561 (2012: R103 083 432) during the year ended 30 June 2013. This, along with the other matters as set forth in note 48, indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

## Material losses and impairments

28. As disclosed in note 35 to the financial statements, material losses to the amount of R59 460 672 (2012: R31 055 364) were incurred as a result of bad debts written off.

## Additional matter

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

## Unaudited supplementary schedules

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

31. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### Predetermined objectives

32. I performed procedures to obtain evidence about the usefulness and reliability of the information in the service delivery performance report as set out on pages xx to xx of the annual report.
33. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
34. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
35. The material findings are as follows:

### Usefulness of information

36. The Municipal Systems Act (MSA), section 41(c) requires that the actual achievements against all planned indicators and targets be reported annually. The service delivery performance report submitted for audit purposes did not include the actual performance of 100% of all planned indicators and targets specified in the service delivery and budget implementation plan for the year under review. This was due to a lack of monitoring and review of the completeness of the

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reporting documents by management.

37. The National Treasury's FMPPi requires that performance targets be measurable. The required performance could not be measured for a total of 64% of the planned targets. This was due to a lack of supporting source documentation relating to performance targets.
38. The National Treasury's FMPPi requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 79% of the planned indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to management not applying the requirements of the FMPPi and a lack of monitoring and review of the completeness of the planned documents by management.
39. The National Treasury's FMPPi requires that it must be possible to validate the processes and systems that produce the indicator. A total of 64% of the planned indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to lack of effective mechanisms, systems and processes for the collecting, recording, processing, monitoring and reviewing of the actual performance information.
40. The National Treasury's FMPPi requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 21% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to a lack of monitoring and review of the planning documents by management.

## **Reliability of information**

41. The National Treasury's FMPPi requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. For all the indicators and targets in respect of the development priorities water, sanitation, electricity, roads and storm water the actual reported performance was not reported on as the prescribed tables were not included in the service delivery performance report. This was due to a lack of monitoring and review of the completeness of the reporting documents by management.

## **Compliance with laws and regulations**

42. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the general notice issued in terms of the PAA, are as follows:

## **Strategic planning and performance management**

43. The municipality did not establish a performance management system, as required by section 38(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
44. The municipality did not have and maintain effective, efficient and transparent systems of internal control, as required by section 62(1)(c)(i) of the MFMA.

## **Budget**

45. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

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46. Quarterly reports were not submitted to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
47. Sufficient appropriate audit evidence could not be obtained that monthly budget statements were submitted to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA.

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

48. 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 identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
49. The annual report for the year under review does not include an assessment by the accounting officer of any arrears on municipal taxes and service charges, the accounting officer's assessment of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each budget vote and particulars of any corrective action taken or to be taken in response to issues raised in the audit report, as required by section 121(3)(e), (f) and (g) of the MFMA.
50. An oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2011-12 annual report was tabled, as required by section 129(1) of the MFMA.
51. The council's oversight report on the 2011-12 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.
52. The annual performance report for the financial year under review was not prepared as required by section 46 of the MSA and section 121(3)(c) of the MFMA.
53. The annual performance report for the year under review does not include the performance of the municipality, a comparison of the performance with set targets, a comparison with the previous financial year and measures taken to improve performance, as required by section 46(1)(a)(b)(c) of the MSA.

## **Audit committee**

54. The audit committee did not advise the accounting officer on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
55. The audit committee did not advise the accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
56. The audit committee did not advise the accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
57. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and

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- effectiveness and its overall level of compliance with legislation, as required by section 166(2)(b) of the MFMA.
58. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.
  59. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
  60. The audit committee, which also performed the duties of the performance audit committee, did not meet at least twice during the financial year, as required by Municipal Planning and Performance Management (MPPM) Regulation 14(3)(a).
  61. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by MPPM Regulation 14(4)(a)(ii).
  62. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by MPPM Regulation 14(4)(a)(i).
  63. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPM Regulation 14(4)(a)(iii).

## Internal audit

64. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
  - it did not report to the audit committee on the implementation of the internal audit plan.
  - it did not report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

## Procurement and contract management

65. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, due to management not being able to timeously provide me with all the supporting documentation.
66. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA) and SCM Regulation 28(1)(a).
67. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to and quotations were only accepted from providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43.
68. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to and quotations were accepted only from bidders who had submitted 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).
69. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

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70. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by SCM regulation 17(a) and (c).
71. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by the code of conduct for staff members issued in terms of the MSA.
72. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(b).
73. Awards were made to providers who are in the service of other state institutions or whose directors/ principal shareholders are in the service of other state institutions, in contravention of MFMA section 112(j) and SCM Regulation 44.

## **Human resource management and compensation**

74. The senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) of the MSA.
75. Sufficient appropriate audit evidence could not be obtained that appointments were only made in posts which were provided for in the approved staff establishment of the municipality, as required by section 66(3) of the MSA.
76. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by section 66(1)(b) of the MSA.
77. The competencies of financial and SCM officials were not assessed in a timely manner in order to identify and address gaps in competency levels, as required by the Municipal Regulations on Minimum Competency Levels Regulation 13.
78. Sufficient appropriate audit evidence could not be obtained that the municipality developed and adopted appropriate systems (policies) and procedures to monitor, measure and evaluate the performance of staff, as required by section 67(d) of the MSA.

## **Expenditure management**

79. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
80. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.
81. Reasonable steps were not taken to prevent unauthorised, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

## **Conditional grants**

82. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Systems Infrastructure Grant (MSIG), Finance Management Grant and Integrated

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National Electrification Programme Grant and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of DoRA.

83. The municipality did not submitted, within 10 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No.35399 with regard to the MSIG.
84. The municipality did not register its master plans for bulk infrastructure with the Integrated National Electrification Programme, as required by the Division of Revenue Grant Framework, Gazette No.35399.
85. The municipality did not timeously submit to the department of Local Government project registration forms for projects it intended to implement in the financial year 2013-14, as required by the Division of Revenue Grant Framework, Gazette No.35399.
86. The municipality did not submit quarterly performance reports to the transferring national officer, the relevant provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.

## **Revenue management**

87. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.
88. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.
89. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

## **Assets management and liability management**

90. 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.
91. 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.
92. 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.
93. 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.

## **Consequence management**

94. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
95. Irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

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# Chapter 6

96. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.
97. The condoning of irregular expenditure was not approved by the appropriate relevant authority, in accordance with the requirements of sections 1 and 170 of the MFMA.

## **Internal control**

98. I considered internal control relevant to my audit of the financial statements, the service delivery performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the service delivery performance report and the findings on compliance with laws and regulations included in this report.

## **Leadership**

99. The leadership did not always take timeous and adequate action to address weaknesses in the finance and SCM directorate, which resulted in non-compliance with applicable legislation and gave rise to unauthorised, fruitless and wasteful and irregular expenditure. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in the audit findings in the prior year report recurring in the current year.

## **Financial and performance management**

100. Effective performance systems, processes and procedures, as well as the management thereof, had not been adequately developed and implemented. Inadequate filing procedures at the municipality resulted in limitations of scope during the current and previous year's audits. As a result significant difficulties were experienced in respect of the availability of information. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure or non-disclosure. The municipality did not have the capacity to address backlog issues and financial system problems, resulting in the need to appoint a consultant to draw up the financial statements. In certain instances, staff members in the finance department had an inadequate understanding of the accounting framework, which contributed to the numerous qualifications in the municipality's financial statements.

## **Governance**

101. Internal control deficiencies identified by internal audit were not corrected in a timely manner. The implementation of external audit recommendations was not prioritised and also not monitored. This resulted in the prior year audit findings not being substantially addressed. Although the municipality had an internal audit division, it was not adequately resourced and functioning.

Bloemfontein

29 November 2013

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# Chapter 6

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AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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## ANNUAL FINANCIAL STATEMENTS

Provide the Annual Financial Statements (AFS) to the respective financial year as submitted to the Auditor-General. The completed AFS will be Volume II of the Annual Report.





Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

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Appendix A: Schedule of External loans	75
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Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance	84
Management Act	
Abbreviations	
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)

# CHAPTER 6

Ngwathe Local Municipality  
Annual Financial Statements for the year ended 30 June 2013

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 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 accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on his behalf by:

Municipal Manager  
Mokoena TS (Adv)

31 August 2013

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Financial Position as at 30 June 2013

Figures in Rand

2013

2012

#### Assets

##### Current assets

Cash and cash equivalents	3	46 652 605	29 900 012
Other financial assets	4	430 776	410 532
Inventories	5	503 577	597 195
Sundry debtors	6	106 193 419	106 065 251
Receivables from non-exchange transactions	7	65 557 568	50 705 363
Consumer receivables from exchange transactions	8	140 450 950	74 048 573
VAT receivable	9	6 406 867	-
		<b>366 195 762</b>	<b>261 726 926</b>

##### Non-Current assets

Investment property	10	152 718 000	152 718 000
Property, plant and equipment	11	1 030 118 359	1 125 971 550
Other financial assets	4	809 402	724 308
		<b>1 183 645 761</b>	<b>1 279 413 858</b>

#### Total assets

**1 549 841 523**      **1 541 140 784**

#### Liabilities

##### Current liabilities

Payables from exchange transactions	12	260 091 983	204 718 316
VAT payable	13	-	4 099 230
Consumer deposits	14	4 077 106	3 778 459
Retirement benefit obligation	15	1 709 350	1 709 350
Unspent conditional grants and receipts	16	35 632 115	34 693 774
Provisions	17	4 889 158	1 388 421
		<b>306 399 712</b>	<b>250 387 550</b>

##### Non-Current liabilities

Other financial liabilities	18	15 919 863	17 951 719
Retirement benefit obligation	15	56 103 650	40 796 650
Provisions	17	30 957 440	21 366 389
Long service awards	19	10 478 000	7 173 000
		<b>113 458 953</b>	<b>87 287 758</b>

#### Total liabilities

**419 858 665**      **337 675 308**

#### Net assets

**1 129 982 858**      **1 203 465 476**

Accumulated surplus		1 129 982 858	1 203 465 476
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# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Financial Performance

Figures in Rand

2013

2012

#### Revenue

Service charges	22	256 157 344	180 329 892
Rental of facilities and equipment		2 290 614	252 285
Other income	23	1 727 771	2 136 544
Interest received	24	21 442 747	17 678 084
Property rates	25	48 722 964	43 098 273
Government grants & subsidies	26	202 198 672	163 319 177
Fines		1 096 771	774 907
<b>Total revenue</b>		<b>533 636 883</b>	<b>407 589 162</b>

#### Expenditure

Employee related costs	27	(177 184 026)	(119 272 827)
Remuneration of councillors	28	(9 046 834)	(8 615 034)
Depreciation and amortisation	30	(97 194 922)	(98 144 384)
Impairment loss	31	-	(49 058 191)
Finance costs	32	(3 273 815)	(8 994 567)
Repairs and maintenance		(18 581 748)	(11 325 826)
Bulk purchases	33	(128 865 523)	(114 069 463)
Contracted services	34	(8 506 519)	(9 880 093)
General expenses	35	(164 575 396)	(83 511 330)
<b>Total expenditure</b>		<b>(607 228 783)</b>	<b>(502 871 715)</b>
<b>Operating deficit</b>		<b>(73 591 900)</b>	<b>(95 282 553)</b>
Fair value adjustments	29	105 339	(7 800 879)
<b>Deficit for the year</b>		<b>(73 486 561)</b>	<b>(103 083 432)</b>

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Changes in Net Assets

	Accumulated	Total net
Figures in Rand	surplus	assets
Opening balance as previously reported	1 290 260 888	1 290 260 888
Adjustments		
Correction of errors	17 268 503	17 268 503
<b>Balance at 01 July 2011 as restated</b>	<b>1 307 529 391</b>	<b>1 307 529 391</b>
Changes in net assets		
Fair value gains, net of tax: Land and buildings	(980 483)	(980 483)
Net surpluses (deficits) recognised directly in net assets	(980 483)	(980 483)
Surplus for the year	(103 083 432)	(103 083 432)
Total recognised income and expenses for the year	(104 063 915)	(104 063 915)
Total changes	(104 063 915)	(104 063 915)
Opening balance as previously reported	1 204 648 964	1 204 648 964
Adjustments		
Prior year adjustments	(1 183 491)	(1 183 491)
<b>Balance at 01 July 2012 as restated</b>	<b>1 203 465 473</b>	<b>1 203 465 473</b>
Changes in net assets		
Surplus for the year	(73 482 615)	(73 482 615)
Total changes	(73 482 615)	(73 482 615)
<b>Balance at 30 June 2013</b>	<b>1 129 982 858</b>	<b>1 129 982 858</b>

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Cash Flow Statement

Figures in Rand

2013

2012

#### Cash flows from operating activities

##### Receipts

Grants	203 137 013	182 819 517
Interest income	21 442 747	17 678 084
Services	223 625 726	155 398 966
Other receipts	5 007 232	(5 259 017)
	453 212 718	350 637 550

##### Payments

Employee costs	(154 798 866)	(166 169 163)
Suppliers	(274 949 004)	(170 209 962)
Finance costs	(3 273 815)	(8 994 567)
	(433 021 685)	(345 373 692)

#### Net cash flows from operating activities

20 191 033 5 263 858

#### Cash flows from investing activities

Purchase of property, plant and equipment	(1 341 734)	(9 256 607)
Proceeds from sale of financial assets	(64 850)	7 842 094
Net cash flows from investing activities	(1 406 584)	(1 414 513)

#### Cash flows from financing activities

Repayment of other financial liabilities	(2 031 856)	22 951 719
Net cash flows from financing activities	(2 031 856)	22 951 719

#### Net increase / (decrease) in cash and cash equivalents

16 752 593 26 801 064

Cash and cash equivalents at the beginning of the year

29 900 012 3 098 948

#### Cash and cash equivalents at the end of the year

46 652 605 29 900 012

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	195 777 699	886 000	<b>196 663 699</b>	256 157 344	<b>59 493 645</b>
Rental of facilities and equipment	3 898 380	(243 181)	<b>3 655 199</b>	2 290 614	<b>(1 364 585)</b>
Other income	5 794 050	36 816	<b>5 830 866</b>	1 727 771	<b>(4 103 095)</b>
Interest received	10 480 947	(4 999 000)	<b>5 481 947</b>	21 442 747	<b>15 960 800</b>
<b>Total revenue from exchange transactions</b>	<b>215 951 076</b>	<b>(4 319 365)</b>	<b>211 631 711</b>	<b>281 618 476</b>	<b>69 986 765</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	41 149 507	-	<b>41 149 507</b>	48 722 964	<b>7 573 457</b>
Government grants & subsidies	152 233 973	50 000	<b>152 283 973</b>	202 198 672	<b>49 914 699</b>

##### Transfer revenue

Fines	1 500 000	(300 000)	<b>1 200 000</b>	1 096 771	<b>(103 229)</b>
<b>Total revenue from non-exchange transactions</b>	<b>194 883 480</b>	<b>(250 000)</b>	<b>194 633 480</b>	<b>252 018 407</b>	<b>57 384 927</b>

##### transactions

<b>Total revenue</b>	<b>410 834 556</b>	<b>(4 569 365)</b>	<b>406 265 191</b>	<b>533 636 883</b>	<b>127 371 692</b>
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#### Expenditure

Personnel	(125 646 019)	(621 421)	<b>(126 267 440)</b>	(177 184 026)	<b>(50 916 586)</b>
Remuneration of councillors	(9 666 428)	600 000	<b>(9 066 428)</b>	(9 046 834)	<b>19 594</b>
Depreciation and amortisation	(2 118 000)	-	<b>(2 118 000)</b>	(97 194 922)	<b>(95 076 922)</b>
Finance costs	(3 759 450)	-	<b>(3 759 450)</b>	(3 273 815)	<b>485 635</b>
Repairs and maintenance	(16 976 927)	(3 091 137)	<b>(20 068 064)</b>	(18 581 748)	<b>1 486 316</b>
Bulk purchases	(142 202 622)	-	<b>(142 202 622)</b>	(128 865 523)	<b>13 337 099</b>
Contracted services	(13 037 597)	3 100 000	<b>(9 937 597)</b>	(8 506 519)	<b>1 431 078</b>
General expenses	(103 585 657)	3 853 460	<b>(99 732 197)</b>	(164 575 396)	<b>(64 843 199)</b>
<b>Total expenditure</b>	<b>(416 992 700)</b>	<b>3 840 902</b>	<b>(413 151 798)</b>	<b>(607 228 783)</b>	<b>(194 076 985)</b>
<b>Operating deficit</b>	<b>(6 158 144)</b>	<b>(728 463)</b>	<b>(6 886 607)</b>	<b>(73 591 900)</b>	<b>(66 705 293)</b>
Fair value adjustments	-	-	-	105 339	<b>105 339</b>
<b>Surplus</b>	<b>(6 158 144)</b>	<b>(728 463)</b>	<b>(6 886 607)</b>	<b>(73 486 561)</b>	<b>(66 599 954)</b>
<b>Actual Amount on Comparable Basis as</b>	<b>(6 158 144)</b>	<b>(728 463)</b>	<b>(6 886 607)</b>	<b>(73 486 561)</b>	<b>(66 599 954)</b>

Presented in the Budget and Actual  
Comparative Statement Reconciliation

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

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

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual 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 annual financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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 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 balances in the portfolio and scaled to the estimated loss emergence period.

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

An allowance for inventory to write inventory 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.

##### Impairment testing

The recoverable (service) amounts or recoverable service 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.

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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand together with economic factors.



**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

**Useful lives of property, plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

**Post retirement benefits**

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

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

---

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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15 - Employee benefit obligations.

#### Effective interest rate

The municipality used the government bond rate to discount future cash flows.

#### Allowance for impairment

On receivables 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 receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### 1.2 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
- administrative purposes; or
- sale in the ordinary course of operations.

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 at no cost or for a nominal cost, 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.

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

# CHAPTER 6

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

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.

## 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current 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.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

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

---

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 or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the 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 municipality 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.

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

Subsequent to initial measurement 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.

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

Item	Average useful life
Land	
Buildings	5 to 30
Plant and machinery	3 to 30
Furniture and fixtures	3 to 15
Motor vehicles	4 to 15
Office equipment	3 to 15
Landfill site	30
Infrastructure	5 to 100
Equipment	5 to 10
Airport	5 to 20
Computer equipment	3 to 15

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

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

---

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss 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. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### 1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

#### 1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, excluding rights granted by statute, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

# CHAPTER 6

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.5 Intangible assets (continued)

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

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

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

Item	Useful life
Computer software	3 years

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

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

#### 1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

##### Recognition

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

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note - Heritage assets.



## **Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

## **Subsequent measurement**

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.6 Heritage assets (continued)

##### Impairment

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

##### Derecognition

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

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

#### 1.7 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.

##### Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at fair value

The municipality 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
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

## **Initial recognition**

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

The municipality recognises financial assets using trade date accounting.

## **Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, 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 municipality measures all other financial assets and financial liabilities initially at its fair value.

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

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.7 Financial instruments (continued)

- 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 municipality 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.

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 rate 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 uncollectability in the case of a financial asset.

#### 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 municipality 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, the 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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

# CHAPTER 6

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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.

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.7 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.~~

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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.

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.

##### Financial liabilities

The municipality 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).

## 1.8 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 municipality assesses the classification of each element separately.

### Finance leases - lessee

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.8 Leases (continued)

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

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

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

#### 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.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term. Any contingent rents are recognised separately as an expense in the period in which they are incurred.

#### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, 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.



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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## **1.10 Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.10 Non-current assets held for sale and disposal groups (continued)

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Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

#### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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.

#### 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. The recoverable amount of a cash generating asset or cash generating unit is the highest of its fair value less cost to sell and its fair value.

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

#### Value in use

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

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

#### Discount rate

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

# CHAPTER 6

## **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.

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.

## **Cash-generating units**

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.11 Impairment of cash-generating assets (continued)

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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

#### Reversal of impairment loss

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

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

# CHAPTER 6

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

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

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

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

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.11 Impairment of cash-generating assets (continued)

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

#### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

##### 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. The recoverable service amount of a non-cash-generating asset is the higher of its fair value less cost to sell and its in use.

Irrespective of whether there is any indication of impairment, the municipality also tests 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.

##### 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:

##### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

## 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.

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.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.12 Impairment of non-cash-generating assets (continued) Reversal

##### of an impairment loss

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

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

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

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the 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.

#### 1.13 Share capital / contributed capital

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

#### 1.14 Employee benefits

##### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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 services to the municipality during a reporting period, the municipality recognises 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 municipality recognises 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality has no realistic alternative but to make the payments.

## **Post-employment benefits**

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.14 Employee benefits (continued)

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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 the municipality 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.

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

Defined contribution plans are post-employment benefit plans under which the municipality 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 services to the municipality during a reporting period, the municipality recognises 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, the municipality recognises 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 12 months after the end of the reporting period in which the employees render the related services, they are discounted.

##### 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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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.

# CHAPTER 6

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 municipality recognises 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.

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

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.14 Employee benefits (continued)

- 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 municipality measures 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 municipality determines 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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises 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, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality 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, the municipality attributes 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, the municipality attributes 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.

# CHAPTER 6

The municipality recognises 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 municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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 presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.14 Employee benefits (continued)

##### Actuarial assumptions

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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) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are 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.

##### Long term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards 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 municipality recognises 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 is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

## Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality 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 municipality is demonstrably committed to a termination when the municipality 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.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.14 Employee benefits (continued)

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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.

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

#### 1.15 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 finance cost.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are

not recognised for future operating expenditure.

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



A constructive obligation to restructure arises only when the municipality:

- 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.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.15 Provisions and contingencies (continued)

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A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

## 1.16 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.

### Measurement

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

### Sale of goods

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.16 Revenue from exchange transactions (continued)

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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.

#### 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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest

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

#### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the 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.

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

# CHAPTER 6

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 municipality.

**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.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

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

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

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.

#### 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 recognises an asset, it also recognises 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 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 recognised, the municipality recognises 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 recognised 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 municipality.

#### Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised 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 the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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

Gifts and donations, including goods in kind, are recognised 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.

## **Services in-kind**

Services in-kind are not recognised.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.18 Borrowing costs

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Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

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

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

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.19 Comparative figures

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

#### 1.20 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.



## 1.21 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.

## 1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Accounting Policies

#### 1.22 Irregular expenditure (continued)

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All expenditure relating to irregular 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.

#### 1.23 Budget information

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

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

#### 1.24 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 local sphere of government are considered to be related parties.

Management is 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.

#### 1.25 Commitments

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

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; and
- where disclosure is required by a specific standard of GRAP.

# CHAPTER 6

## 1.26 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

## 1.27 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand

2013

2012

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## 2. New standards and interpretations

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

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

#### GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when the municipality receives value from another party without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for 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 will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements. The impact of

the standard is not material.

#### GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;

# CHAPTER 6

- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

## **GRAP 103: Heritage Assets**

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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A heritage asset should be recognised as an asset only if:

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

The standard requires judgement in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the notes to the financial statements.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the municipality applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

# CHAPTER 6

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements. The impact of

the standard is set out in note - Changes in accounting policy.

## **GRAP 21: Impairment of Non-cash-generating Assets**

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

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.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach; or
- Service units approach.

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.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements. The impact of the standard is set out in note - Changes in accounting policy.

#### GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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. 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.

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.

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and



# CHAPTER 6

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements. The impact of the standard is set out in note - Changes in Accounting Policy.

#### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other

assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as nonexchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Nonexchange Revenue Transactions (Taxes and Transfers), and using the Framework

for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, the municipality can however designate such an instrument to be measured at fair value.

The municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements. The impact of the standard is set out in note - Changes in accounting policy.

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

##### GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets. All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

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The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

**GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

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## **Ngwathe Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

### **Notes to the Annual Financial Statements**

#### **2. New standards and interpretations (continued)**

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The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

#### **GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

#### **GRAP 12 (as revised 2012): Inventories**

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

#### **GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

#### **GRAP 16 (as revised 2012): Investment Property**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

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The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

**GRAP 17 (as revised 2012): Property, Plant and Equipment**

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

#### **GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)**

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements. The impact of the standard is not material.

#### **GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements. The impact of the standard is not material.



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## IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements. The impact of the interpretation is not material.

#### 2.3 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 2013 or later periods:

#### GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are

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ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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The municipality expects to adopt the standard for the first time once it becomes effective. The impact of the standard is currently being assessed.

##### **GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective. The impact of the standard is currently being assessed.

##### **GRAP 107: Mergers**

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective. The impact of

the standard is currently being assessed.

**GRAP 20: Related Parties**

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures

necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

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

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

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

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

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### 2.4 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 2013 or later periods but are not relevant to its operations:

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing

performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a

distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the

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municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

**IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue**

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and

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

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements. The impact of this interpretation is currently being assessed.

#### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14 603	14 603
Bank balances	46 638 002	29 885 409
	<b>46 652 605</b>	<b>29 900 012</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA Bank LTD - Cheque account - 4052707733	814 727	757 648	1 475 468	(94 508)	645 543	(3 283 114)
ABSA BANK LTD - CALL ACCOUNT - 9253832988	482 959	465 907	1 531 151	482 959	465 907	1 531 151
ABSA BANK LTD - CALL ACCOUNT - 9253833502	36 365 971	20 212 013	4 953 439	36 365 971	20 212 013	4 953 439
ABSA BANK LTD - CALL ACCOUNT - 9253833764	2 083 941	1 045 669	1 008 650	2 083 941	1 045 669	1 008 650
ABSA BANK LTD - CALL ACCOUNT - 9253535643	3 652 279	33 745	44 766	3 652 279	33 745	44 766
ABSA BANK LTD - CHEQUE ACCOUNT - 1130000041	4 147 360	7 482 532	603 389	4 147 360	7 482 532	603 389
<b>Total</b>	<b>47 547 237</b>	<b>29 997 514</b>	<b>9 616 863</b>	<b>46 638 002</b>	<b>29 885 409</b>	<b>4 858 281</b>

#### 4. Other financial assets

##### At fair value

Senwes shares	45 455	38 961
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4 329 shares @ R10.50 trading value (2012: R9)



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Senwesbel shares	33 200	33 200
6 640 shares @ R5 trading value (2012: R5)		
Sanlam shares	307 372	236 209
6 682 shares at R46 trading value (R35.35)		
	<b>386 027</b>	<b>308 370</b>

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>At amortised cost</b>		
Heilbron Sanlam policy - 040571573X1	291 924	291 924
Heilbron Sanlam policy - 11209914X8	76 698	72 704
FNB Parys	39 761	37 791
FNB investment serves as guarantee for Saambou Bank.		
FNB deposit	14 992	13 519
The investment bears interest at 5.1% per annum.		
FNB investment serves as guarantee for BJ Monyamara.		
	<b>423 375</b>	<b>415 938</b>
<b>Total other financial assets</b>	<b>809 402</b>	<b>724 308</b>
<b>Non-current assets</b>		
At fair value	386 027	308 370
At amortised cost	423 375	415 938
	<b>809 402</b>	<b>724 308</b>
<b>Current assets</b>		
At amortised cost	430 776	410 532
<b>5. Inventories</b>		
Fuel	48 895	48 895
Stores and materials	454 682	548 300
	<b>503 577</b>	<b>597 195</b>
<b>6. Sundry debtors</b>		
Sundry debtors	106 193 419	106 065 251
<b>7. Consumer receivables from non-exchange transactions</b>		
Rates	65 557 568	50 705 363
<b>Credit quality of receivables from non-exchange transactions</b>		

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.

**Consumer receivables from non-exchange transactions**

Current (0-30 days)	3 668 595	2 225 423
31 - 60 days	2 942 563	1 898 147
61 - 90 days	2 227 354	1 702 674
91 - 120 days	56 719 056	44 879 119
	<b>65 557 568</b>	<b>50 705 363</b>

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand

2013

2012

#### 8. Consumer receivables from exchange transactions

##### Gross balances

Electricity	78 576 447	55 305 609
Water	115 265 027	80 236 698
Sewerage	54 240 402	48 821 685
Refuse	47 878 340	45 193 847
	<b>295 960 216</b>	<b>229 557 839</b>

##### Less: Allowance for impairment

Electricity	(24 733 165)	(24 733 165)
Water	(58 589 413)	(58 589 413)
Sewerage	(36 664 404)	(36 664 404)
Refuse	(35 522 284)	(35 522 284)
	<b>(155 509 266)</b>	<b>(155 509 266)</b>

##### Net balance

Electricity	53 843 282	30 572 444
Water	56 675 614	21 647 285
Sewerage	17 575 998	12 157 281
Refuse	12 356 056	9 671 563
	<b>140 450 950</b>	<b>74 048 573</b>

##### Electricity

Current (0-30 days)	5 745 362	3 051 670
31 - 60 days	8 922 229	2 515 721
61 - 90 days	2 142 130	1 894 238
91 - 120 days	37 033 561	23 110 815
	<b>53 843 282</b>	<b>30 572 444</b>

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Water

Current (0-30 days)	3 642 292	1 306 044
31 - 60 days	13 709 142	635 980
61 - 90 days	1 377 760	536 332
91 - 120 days	37 946 420	19 168 929
	<b>56 675 614</b>	<b>21 647 285</b>

Sewerage

Current (0-30 days)	766 620	619 937
31 - 60 days	698 339	533 525
61 - 90 days	630 349	491 853
91 - 120 days	15 480 690	10 511 966
	<b>17 575 998</b>	<b>12 157 281</b>

Refuse

Current (0-30 days)	480 804	460 442
31 - 60 days	491 638	409 264
61 - 90 days	441 738	391 962
91 - 120 days	10 941 876	8 409 895
	<b>12 356 056</b>	<b>9 671 563</b>

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand

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2012

#### 8. Consumer receivables from exchange transactions (continued)

##### Summary of receivables by customer classification

##### Total

Current (0-30 days)	10 635 077	5 438 093
31 - 60 days	23 821 348	4 094 490
61 - 90 days	4 591 978	3 314 385
91 - 120 days	101 402 547	61 201 605
	<b>140 450 950</b>	<b>74 048 573</b>

##### Less: Allowance for impairment

31 - 60 days	(9 385 906)	(9 385 906)
61 - 90 days	(21 140 709)	(21 140 709)
91 - 120 days	(4 993 170)	(4 993 170)
121 - 365 days	(119 989 481)	(119 989 481)
	<b>(155 509 266)</b>	<b>(155 509 266)</b>

##### Reconciliation of allowance for impairment of receivables from exchange

##### transactions

Balance at beginning of the year	(155 509 266)	(119 412 095)
Contributions to allowance	-	(36 097 171)
	<b>(155 509 266)</b>	<b>(155 509 266)</b>

##### Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.

##### Receivables from exchange transactions

#### 9. VAT receivable

VAT	6 406 867	-
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# CHAPTER 6

## 10. Investment property

		2013			2012		
	Cost /	Accumulated	Carrying value	Cost /	Accumulated	Carrying value	
	Valuation	depreciation		Valuation	depreciation		
		and			and		
		accumulated			accumulated		
		impairment			impairment		
Investment property	152 718 000	-	152 718 000	152 718 000	-	152 718 000	

### Reconciliation of investment property - 2013

		Opening balance	Total
Investment property		152 718 000	152 718 000

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#### 10. Investment property (continued)

##### Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	152 718 000	152 718 000

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

#### 11. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Airports	2 093 000	(684 000)	1 409 000	2 264 000	(684 000)	1 580 000
Buildings	47 636 982	(11 314 570)	36 322 412	50 466 529	(11 314 570)	39 151 959
Furniture and fixtures	7 827 729	(5 609 446)	2 218 283	8 746 266	(5 609 446)	3 136 820
Infrastructure	1 340 670 774	(363 390 467)	977 280 307	1 431 173 310	(363 390 467)	1 067 782 843
IT equipment	3 356 421	(1 758 466)	1 597 955	3 410 169	(1 758 466)	1 651 703
Land	4 370 075	-	4 370 075	4 370 075	-	4 370 075
Motor vehicles	10 630 021	(5 987 488)	4 642 533	11 998 761	(5 987 488)	6 011 273
Office equipment	884 024	(539 956)	344 068	912 314	(539 956)	372 358
Plant and machinery	3 651 470	(1 717 744)	1 933 726	3 632 263	(1 717 744)	1 914 519
<b>Total</b>	<b>1 421 120 496</b>	<b>(391 002 137)</b>	<b>1 030 118 359</b>	<b>1 516 973 687</b>	<b>(391 002 137)</b>	<b>1 125 971 550</b>

##### Reconciliation of property, plant and equipment - 2013

Opening balance	Additions	Depreciation	Total
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# CHAPTER 6

Airport	1 580 000	-	(171 000)	1 409 000
Buildings	39 151 959	-	(2 829 547)	36 322 412
Furniture and fixtures	3 136 820	342 216	(1 260 753)	2 218 283
Infrastructure	1 067 782 843	-	(90 502 536)	977 280 307
IT equipment	1 651 703	443 066	(496 814)	1 597 955
Land	4 370 075	-	-	4 370 075
Motor vehicles	6 011 273	-	(1 368 740)	4 642 533
Office equipment	372 358	96 703	(124 993)	344 068
Plant and machinery	1 914 519	459 749	(440 542)	1 933 726
	<b>1 125 971 550</b>	<b>1 341 734</b>	<b>(97 194 925)</b>	<b>1 030 118 359</b>

## Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Airports	1 751 351	-	(171 351)	1 580 000
Buildings	41 986 584	-	(2 834 625)	39 151 959
Furniture and fixtures	4 524 254	22 000	(1 409 434)	3 136 820
Infrastructure	1 151 934 491	6 741 473	(90 893 121)	1 067 782 843
IT equipment	1 359 237	780 224	(487 758)	1 651 703
Land	4 370 075	-	-	4 370 075
Motor vehicles	7 470 955	279 036	(1 738 718)	6 011 273
Office equipment	405 195	120 965	(153 802)	372 358
Plant and machinery	2 033 172	336 922	(455 575)	1 914 519

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

1 215 835 314      8 280 620      (98 144 384)1 125 971 550

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

#### 12. Payables from exchange transactions

Audit fees	1 017 969	1 017 970
Accrued expenses	204 816	204 815
Accrued leave pay	16 503 033	11 920 990
Deposits received	406 491	401 777
Electricity prepaid	3 988 449	-
Other payables	4 690 198	8 678 524
Payments in advance	14 606 730	28 346 318
Sundry payables	6 338	6 338
Salary suspense account	7 011 343	6 347 635
Trade payables	178 757 536	126 745 558
Unallocated receipts	21 056 118	21 048 391
Accrued bonus	11 842 962	-
	<b>260 091 983</b>	<b>204 718 316</b>

#### 13. VAT payable

VAT	-	4 099 230
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#### 14. Consumer deposits

Electricity	4 077 106	3 778 459
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#### 15. Retirement benefit obligations

##### Defined benefit plan

The defined benefit plan, to which -% (2012: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

# CHAPTER 6

## Post retirement benefit plan

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

### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(42 506 000)	(39 070 000)
Actuarial loss / (gain)	(10 951 000)	491 000
Plus service cost	(2 384 000)	(2 145 000)
Plus interest cost	(3 446 000)	(3 258 000)
Less benefits paid	1 474 000	1 476 000
	<b>(57 813 000)</b>	<b>(42 506 000)</b>
Non-current liabilities	(56 103 650)	(40 796 650)
Current liabilities	(1 709 350)	(1 709 350)
	<b>(57 813 000)</b>	<b>(42 506 000)</b>

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## Ngwathe Local Municipality

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#### 15. Retirement benefit obligations (continued)

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

Opening balance	43 982 000	39 070 000
Net expense recognised in the statement of financial performance	16 781 000	4 912 000
	<b>60 763 000</b>	<b>43 982 000</b>

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

Current service cost	2 384 000	2 145 000
Interest cost	3 446 000	3 258 000
Benefits paid	10 951 000	(491 000)
	<b>16 781 000</b>	<b>4 912 000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Real discount rate	7.25 %	8.25 %
Consumer price inflation	6.25 %	6.00 %
Salary inflation	7.15 %	7.00 %
Health care cost inflation	6.75 %	6.75 %
Net discount rate	0.47 %	1.41 %

#### Other Assumptions

The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on the following would be:

	<b>1% Increase</b>	<b>1% Decrease</b>
Total accrued liability	(R68 981 000)	(R49 012 000)
Interest cost	(R 4 941 000)	(R 3 494 000)
Service cost	(R 4 931 000)	(R 3 109 000)

Present value of retirement benefit obligation for current and previous years - 30 June 2013: (R57 813 000)

- 30 June 2012: (R42 506 000)
- 30 June 2011: (R39 070 000)
- 30 June 2010: (R28 974 497)

**16. Unspent conditional grants and receipts****Unspent conditional grants and receipts comprises of:****Unspent conditional grants and receipts**

Department of Mineral and Energy grant	-	7 436 062
Other grants	4 563 104	3 211 236
MIG grant	24 097 626	17 878 904
Department of Water Affairs grant	3 762 503	3 762 503
LGSETA grant	2 199 345	1 120 057
FMG	1 009 537	1 285 012
	<b>35 632 115</b>	<b>34 693 774</b>

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#### 16. Unspent conditional grants and receipts (continued)

##### Movement during the year

Balance at the beginning of the year	34 693 774	15 193 434
Additions during the year	203 137 014	182 819 517
Income recognition during the year	(202 198 673)	(163 319 177)
	<b>35 632 115</b>	<b>34 693 774</b>

See note 26 - Government grants and subsidies for reconciliation of grants from National / Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

#### 17. Provisions

##### Reconciliation of provisions - 2013

	Opening	Additions	Total
	<b>Balance</b>		
Environmental rehabilitation	21 366 389	9 591 051	30 957 440
Provision for legal claim	1 388 421	3 500 737	4 889 158
	<b>22 754 810</b>	<b>13 091 788</b>	<b>35 846 598</b>

##### Reconciliation of provisions - 2012

	Opening	Additions	Total
	<b>Balance</b>		
Environmental rehabilitation	20 156 971	1 209 418	21 366 389
Legal proceedings	-	1 388 421	1 388 421
	<b>20 156 971</b>	<b>2 597 839</b>	<b>22 754 810</b>

Non-current liabilities	30 957 440	21 366 389
Current liabilities	4 889 158	1 388 421
	<b>35 846 598</b>	<b>22 754 810</b>

## Environmental rehabilitation provision

In terms of licensing of the landfill refuse sites, the municipality will incur licensing and rehabiltion costs of R30 957 441 (2012: R30 957 441) to restore the site at the end of its useful life. Provision has been made for the net present value of this cost, using the average cost of borrowings. The landfill sites are not licensed and the municipality could incur penalties for not being licensed.

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## Ngwathe Local Municipality

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#### 17. Provisions (continued)

##### Legal proceedings provisions

Party:	Telkom
Nature/description:	Municipal employees allegedly damaged infrastructure whilst digging the ground where Telkom wires lies.
Instituting Attorneys:	Du Toit Mandelstam Attorneys
Prospects of success:	There are no prospects of success as the municipality defaulted
Estimated costs:	R2 000 000
Party:	Zemdock t/a Sedgars
Nature/description:	Zemdock allegedly sold and delivered certain properties to the municipality and the municipality failed to effect payment for delivered items. Original payments was affected of R192 000 and the outstanding payment of R24 000 remains which resulted from interest charged thereon hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no grounds to defend the matter except to effect payment.
Estimated costs:	R144 007.33
Party:	Agri Aqua solutions
Nature/description:	Agri Aqua solutions supplied and delivered cleaning material to the municipality and the municipality failed to honour payment hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R134 315.30
Party:	New team construction
Nature/description:	New team construction rendered excavation services to the municipality in 2011 and the municipality has not paid them for services rendered hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process of negotiating for a settlement of the matter.
Estimated costs:	R1 356 000
Party:	AAS kitso t/a SF cc
Nature/description:	AAS kitso t/a SF cc supplied and delivered cleaning material to the municipality and the municipality failed to honour payment hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process



# CHAPTER 6

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	of negotiating for a settlement of the matter.
Estimated costs:	R30 000
Party:	V Mokgosi
Nature/description:	Vincent Mokgosi was appointed by the municipality as the Manager in the office of the Mayor. The employee's contract of employment was terminated when the Mayor vacated his office in 2011. He alleges that he was unfairly dismissed hence instituted a labour dispute with the labour court.
Instituting Attorneys:	JC Burger Attorneys
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality is in the process
Estimated costs:	of negotiating for a settlement of the matter. R600 000
Party:	B Mcdermott
Nature/description:	B Mcdermott lodged a dispute with SALGBC after municipality failed to encash his leave days despite having given another employee during same period leave encashment hence he is suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter and payment has not been effected.
Estimated costs:	R120 000

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#### 17. Provisions (continued)

Party:	Clover SA vs NLM
Nature/description:	Clover SA paid the municipality for transfer of certain land in their name. Excess payment was made and the municipality failed to refund them hence they are suing the municipality.
Instituting Attorneys:	Cornelius & Vennote Inc
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R23 000
Party:	Isintu Projects CC
Nature/description:	Isintu projects rendered meter reading services to the municipality in 2011 and the Municipality has not paid them for services rendered hence they are suing the municipality.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R233 869.98
Party:	A Vosloo
Nature/description:	Adriaan Vosloo applied for the clearance certificates after he sold his property and the municipality failed to provide the certificates.
Instituting Attorneys:	ADW van den Berg attorneys
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R38 000
Party:	Phonebook Company
Nature/description:	Phonebook company rendered advertisement services on behalf of the municipality and the municipality failed to pay as agreed.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and payment has not been effected yet.
Estimated costs:	R68 000
Party:	EG Majiedt Inc
Nature/description:	EG Majiedt Inc effected transfers on behalf of their clients. They erroneously paid the municipality twice for one transaction of clearance certificates. Municipality allegedly neglected to refund them the said erroneously paid amount.
Instituting Attorneys:	EG Majiedt Inc
Prospects of success:	There are no prospects of successfully defending the matter.

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Estimated costs:	R73 000
Party:	DDP Valuers
Nature/description:	The municipality effected payment on previous settlement, but allegedly did not pay for the interest on this amount.
Instituting Attorneys:	Symington, De Kock, Coetzer & Partners
Prospects of success:	There are no prospects of defending the matter
Estimated costs:	R36 736
Party:	Stolen Believes
Nature/description:	Stolen Believes sold and delivered certain properties to the municipality and the municipality failed to effect payment.
Instituting Attorneys:	In-house
Prospects of success:	There are no prospects of successfully defending the matter, hence the municipality settled the matter and effected payment.
Estimated costs:	R32 229.16

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## Ngwathe Local Municipality

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### Notes to the Annual Financial Statements

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<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
DWA loan	30 544	30 544
Loans DBSA	15 182 705	15 182 705
INCA loan 1	671 534	2 703 390
INCA loan (2)	35 080	35 080
	<b>15 919 863</b>	<b>17 951 719</b>
<b>Total other financial liabilities</b>	<b>15 919 863</b>	<b>17 951 719</b>

The municipality defaulted on the repayments of its loans held with INCA (LOAN: VDF-111Z-SS-778 & LOAN: PARY-00-0001-417) as well as with DWA (Department of Water Affairs).]

### Non-current liabilities

At amortised cost	15 919 863	17 951 719
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### Loans INCA

Opening balance	2 703 390	2 703 390
Payment	(2 070 000)	-
Fines and interest	38 144	-
	<b>671 534</b>	<b>2 703 390</b>

### 19. Long service awards

Movement for the year	10 478 000	7 173 000
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Ngwathe offers bonuses for every 5 years of completed service from 5 years to 45 years. Below we outline the benefits awarded to qualifying employees.

#### Completed service (Years)

5

#### Long Service Bonus Awards

5 days accumulative leave + 2% of

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# CHAPTER 6

	al salary	
10	10 days accumulative leave + 3% of annual salary	<b>Determination of cash bonus</b>
15	15 days accumulative leave + 4% of annual salary	
	annual salary	
20	15 days accumulative leave + 5% of annual salary	
25, 30, 35, 40, 45	15 days accumulative leave + 6% of annual salary	
		$(5/250^* + 2\%) \times \text{annual salary}$
		$(10/250^* + 3\%) \times \text{annual salary}$
		$(15/250^* + 4\%) \times \text{annual salary}$
		$(15/250^* + 5\%) \times \text{annual salary}$
		$(15/250^* + 6\%) \times \text{annual salary}$

\*A day of accumulated leave worth leave is worth 1/250 of annual salary

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Ngwathe advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

The portion of the bonus that is a percentage of annual salary is awarded within the month following the employee attaining the qualifying completed years of service.

## Valuation of assets

# CHAPTER 6

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#### 19. Long service awards (continued)

The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

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

Present value of the defined benefit obligation	2 113 000	8 640 000
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#### Changes in the present value of the defined benefit obligation are as follows:

Balance at beginning of year	8 640 000	7 173 000
Current-service cost	1 206 000	1 001 000
Interest cost	681 000	582 000
Actuarial (Gain)/Loss	(762 000)	(646 000)
Employer Benefit Payments	1 418 000	530 000
<b>Balance at end of year</b>	<b>11 183 000</b>	<b>8 640 000</b>

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

Total liability	1 206 000	1 001 000
Value of asset	681 000	582 000
Value of asset	1 418 000	530 000
<b>Unfunded liability</b>	<b>3 305 000</b>	<b>2 113 000</b>

#### Key Assumptions Used

Assumptions used at the reporting date:

Discount Rate	7.25%	8.25%
Consumer price inflation	6.25%	6.00%
Salary increase rate	7.15%	6.90%
Net Effective Discount rate	0.09%	1.26%

The effect of 1% p.a. change in the normal salary inflation assumption as follows:

	One percentage increase	One percentage decrease
Total accrued liability	12 092 000	10 377 000
Current service cost	2 790 000	2 338 000

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

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The amounts for the current annual reporting period and previous reporting period:

	30-Jun-13	30-Jun-12
Present value of obligation	11 183 000	8 640 000

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#### 20. Financial instruments disclosure

##### Categories of financial instruments

##### 2013

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	386 027	854 151	1 240 178
Receivables from exchange transactions	-	140 450 950	140 450 950
Cash and cash equivalents	-	46 646 412	46 646 412
	<b>386 027</b>	<b>187 951 513</b>	<b>188 337 540</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	20 919 863	20 919 863
Trade and other payables from exchange transactions	240 549 961	240 549 961
	<b>261 469 824</b>	<b>261 469 824</b>

##### 2012

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	308 370	826 470	1 134 840
Receivables from exchange transactions	-	74 048 573	74 048 573
Cash and cash equivalents	-	29 900 012	29 900 012
	<b>308 370</b>	<b>104 775 055</b>	<b>105 083 425</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	22 951 719	22 951 719
Trade and other payables from non-exchange transactions	204 718 315	204 718 315



227 670 034

227 670 034

**21. Revenue**

Interest received	21 442 747	17 678 084
Other income	1 727 771	2 136 544
Property rates	48 722 964	43 098 273
Rental of facilities and equipment	2 290 614	252 285
Service charges	256 157 344	180 329 892
Government grants & subsidies	202 198 672	163 319 177
Fines	1 096 771	774 907
	<b>533 636 883</b>	<b>407 589 162</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	256 157 344	180 329 892
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## Ngwathe Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>21. Revenue (continued)</b>		
Rental of facilities and equipment	2 290 614	252 285
Other income	1 727 771	2 136 544
Interest received - investment	21 442 747	17 678 084
	<b>281 618 476</b>	<b>200 396 805</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	48 722 964	43 098 273
<b>Transfer revenue</b>		
Government grants	202 198 672	163 319 177
Fines	1 096 771	774 907
	<b>252 018 407</b>	<b>207 192 357</b>
<b>22. Service charges</b>		
Sale of electricity	132 623 632	95 931 861
Sale of water	67 637 565	31 207 589
Sewerage and sanitation charges	30 204 555	28 432 968
Refuse removal	25 691 592	24 757 474
	<b>256 157 344</b>	<b>180 329 892</b>
<b>23. Other income</b>		
Auction fees	84 421	62 725
Administration fees	2 272	2 884
Building plans and inspections	86 336	65 841
Clearance certificates	68 157	53 890
Grave plots	629 323	560 832
Reconnection / connection fees	288 358	253 488
Sundry income	568 904	1 136 734
Sale of redundant stock	-	150
	<b>1 727 771</b>	<b>2 136 544</b>
<b>24. Interest received</b>		

# CHAPTER 6

## Interest revenue

Other financial asset	1 434 724	574 824
Interest charged on trade and other receivables	20 008 023	17 103 260
	<b>21 442 747</b>	<b>17 678 084</b>

The amount included in Investment revenue arising from exchange transactions amounted to R 20 008 023. (2012: R17 103 260)

The amount included in Investment revenue arising from non-exchange transactions amounted to Rnil.(2012: Rnil)

## 25. Property rates

### Rates received

Residential	28 134 546	28 147 936
Business / Industrial / Commercial	8 231 008	7 233 435
Government	6 161 477	7 427 464
Public Benefit Organisations	464 209	218 542
Agriculture	27 450 265	19 347 387
Public Service Infrastructure	45 404	24 713

# CHAPTER 6

## Ngwathe Local Municipality

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<b>25. Property rates (continued)</b>		
Schools	1 066 247	526 976
Vacant stands - residential	3 818 517	2 059 504
Other	2 316 338	3 576 361
Customer incentive	(28 965 047)	(25 464 045)
	<b>48 722 964</b>	<b>43 098 273</b>

### Valuations

Agriculture	3 023 046 501	2 475 833 501
Business / Industrial / Commercial	473 538 571	479 565 133
Government	259 293 001	258 633 000
Public Benefit Organisations	49 166 000	49 166 000
Public Service Infrastructure	4 560 000	5 560 000
Residential	2 949 214 814	3 179 172 489
Schools	45 164 000	45 164 000
Vacant stands residential	419 292 100	422 132 100
	<b>7 223 274 987</b>	<b>6 915 226 223</b>

	2012	2013
Parys	Cents per Rand	Cents per Rand
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094

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Agriculture	0.0089	0.0094
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Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
<b>Vredefort</b>		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
<b>Koppies</b>		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
<b>Edenville</b>		
Agriculture	0.0089	0.0094
Business / Industrial / Commercial	0.0167	0.0176
Government	0.0222	0.0235

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>25. Property rates (continued)</b>		
Public Service Infrastructure	0.0089	0.0094
Residential	0.0089	0.0094
Schools	0.0222	0.0235
Vacant Stands Residential	0.0089	0.0094
<b>26. Government grants and subsidies</b>		
Equitable share	153 983 000	137 311 000
Other grants	385 182	997 310
Municipal Infrastructure grant (MIG)	41 551 382	23 890 143
Integrated national electrification programme (INEG)	4 387 958	795 042
Local government SETA (LGSETA)	275 675	694
Financial Management Grant (FMG)	1 615 475	324 988
	<b>202 198 672</b>	<b>163 319 177</b>
<b>Conditional and unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	48 215 672	26 008 177
Unconditional grants received	153 983 000	137 311 000
	<b>202 198 672</b>	<b>163 319 177</b>
<b>Equitable share</b>		
Equitable share was received in terms of section 214(1) of the Constitution (Act no 108 of 1996). Households receive 6kl water, 50kWh electricity and basic sewer per month plus 4 kl water, additional sewer, refuse and R60 per month on rates to approved indigents.		
<b>INEG</b>		
Balance unspent at beginning of year	7 436 062	3 048 104
Current-year receipts	-	5 183 000
Conditions met - transferred to revenue	(4 387 958)	(795 042)
Other	(3 048 104)	-

Conditions still to be met - remain liabilities (see note 16).

In terms of the Constitution, the purpose of the grant is the electrification of municipal infrastructure.

**Other grants (including MSIG and EPWG)**

Balance unspent at beginning of year	3 211 236	3 820 054
Current-year receipts	1 737 050	4 252 000
Conditions met - transferred to revenue	(385 182)	(997 310)
Other	-	(3 863 508)
	<b>4 563 104</b>	<b>3 211 236</b>

Other grants consist of various grants, received in the previous years and current. (see note 16).

**MIG**

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## Ngwathe Local Municipality

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Figures in Rand	2013	2012
<b>26. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	17 878 904	3 459 047
Current-year receipts	50 441 000	41 582 000
Conditions met - transferred to revenue	(41 551 382)	(23 890 143)
Other	(2 670 896)	(3 272 000)
	<b>24 097 626</b>	<b>17 878 904</b>

Conditions still to be met - remain liabilities (see note 16).

The grant is received for the purpose of improving the infrastructure of assets within the municipality.

#### Department of Water Affairs and Forestry

Balance unspent at beginning of year	3 762 503	3 762 503
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Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to subsidise and build capacity in water schemes operated within the municipality..

#### LGSETA

Balance unspent at beginning of year	1 120 057	1 033 726
Current-year receipts	1 354 964	87 025
Conditions met - transferred to revenue	(275 676)	(694)
	<b>2 199 345</b>	<b>1 120 057</b>

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to provide training for all employees at the Municipality through an accredited service provider.

#### FMG

Balance unspent at beginning of year	1 285 012	160 000
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 615 475)	(324 988)
Other	(160 000)	-
	<b>1 009 537</b>	<b>1 285 012</b>

Conditions still to be met - remain liabilities (see note 16).

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.



# CHAPTER 6

## 27. Employee related costs

Basic salary	82 169 702	66 035 969
Bonus	15 542 740	7 382 527
Car allowance	4 698 027	5 042 608
Housing benefits and allowances	275 616	245 340
Leave pay provision charge	9 148 146	4 127 174
Medical aid - company contributions	5 967 138	4 163 768
Other allowances	6 668 654	6 594 165
Other payroll levies	2 287 523	1 585 057
Overtime payments	16 161 176	7 045 060
Post-employment benefits - Pension	29 824 164	12 327 754
UIF	964 441	732 045
	<b>173 707 327</b>	<b>115 281 467</b>

# CHAPTER 6

## Ngwathe Local Municipality

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#### 27. Employee related costs (continued)

##### Remuneration of Adv TS Mokoena - Municipal Manager (01/07/2012 - 30/06/2013)

Annual remuneration	680 002	-
Car allowance	167 106	-
Contributions to UIF, medical and pension funds	1 713	-
	<b>848 821</b>	<b>-</b>

##### Remuneration of Adv TS Mokoena - Municipal Manager (01/04/2012 - 30/06/2012)

Annual remuneration	-	171 379
Car allowance	-	42 125
Contributions to UIF, medical and pension funds	-	374
	<b>-</b>	<b>213 878</b>

##### Remuneration of Mr MM Selai - Acting Municipal Manager (01/07/2011 - 30/11/2011)

Annual remuneration	-	246 457
Car allowance	-	89 828
Contributions to UIF, medical and pension funds	-	64 962
Leave pay-out	-	274 238
	<b>-</b>	<b>675 485</b>

##### Remuneration of Mr OL Leeuw - Chief Finance Officer (01/03/2013 - 30/06/2013)

Annual remuneration	246 875	-
Car allowance	79 689	-
Contributions to UIF, medical and pension funds	3 226	-
	<b>329 790</b>	<b>-</b>

##### Remuneration of Mr TG Mkhuma - Acting Chief Financial Officer (01/07/2012 - 28/02/2013)

Annual remuneration	178 779	-
Car allowance	118 796	-
Contributions to UIF, medical and pension funds	44 971	-
	<b>342 546</b>	<b>-</b>

##### Remuneration of Mr TJ Mokoena - Chief Financial Officer (01/07/2011 - 30/04/2012)

Annual remuneration	-	621 248
Acting allowance	-	33 966
Car allowance	-	217 638
Contributions to UIF, medical and pension funds	-	1 281
	<b>-</b>	<b>874 133</b>

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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## Notes to the Annual Financial Statements

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### 27. Employee related costs (continued)

#### Remuneration of Mr KT Malebane - Director Technical services (01/09/2011 - 30/06/2013)

Annual remuneration	580 079	500 000
Car allowance	106 162	123 125
Contributions to UIF, medical and pension funds	62 683	2 998
	<b>748 924</b>	<b>626 123</b>

#### Remuneration of Mr HW Coetzer - Director Technical Services (01/07/2011 - 31/08/2011)

Acting allowance	-	28 065
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#### Remuneration of Mr LD Kamolane - Director Community Services (01/04/2013 - 30/06/2013)

Annual remuneration	197 054	-
Contributions to UIF, medical and pension funds	1 760	-
	<b>198 814</b>	<b>-</b>

#### Remuneration of Mr PS Moroe - Director of Community Services (01/07/2011 - 30/04/2012)

Annual remuneration	-	426 962
Car allowance	-	139 548
Leave pay-out	-	188 384
Settlement payment	-	114 390
Contribution to UIF, medical and pension funds	-	1 413
	-	<b>870 697</b>

#### Remuneration of Director Corporate Services

Annual remuneration	628 504	522 843
Acting allowance	30 803	-
Car allowance	120 410	96 694
Contributions to UIF, medical and pension funds	66 087	83 442
Leave payout	162 000	-
	<b>1 007 804</b>	<b>702 979</b>

The salaries paid for the year are within the upper limits of the SALGA Bargaining Council determinations.

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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### 28. Remuneration of Councillors

Executive Major	757 297	812 579
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# CHAPTER 6

Mayoral Committee Members	832 126	931 545
Speaker	333 422	369 340
Councillors	7 123 989	6 501 570
	<b>9 046 834</b>	<b>8 615 034</b>

## Remuneration of Councillors

2013	Appointment date - Resignation date (if applicable)	Annual remuneration	Allowances	Company contribution	Total
Bocibo CN	02/06/2011	143 596	55 923	10 142	209 661
Choni PS	02/06/2011	143 596	55 923	10 142	209 661
De Beer VE	02/06/2011	149 199	60 462	-	209 661
Hlapane ML	02/06/2011	1 491 984	60 462	-	209 661
Khumalo KJ	02/06/2011	149 199	60 462	-	209 661
Kruger S	02/06/2011 - 16/05/2012	15 826	6 184	-	22 011
La Cock PJ	02/06/2011 - 27/06/2013	138 809	67 184	-	205 993
Mafume MJ	02/06/2011 - 08/03/2013	119 388	47 003	8 327	174 717
Magashule ME	02/06/2011	143 596	55 923	10 142	209 661
Mankoe MS	01/11/2011 - 20/07/2012	45 892	19 213	-	65 105
Mareletse LZ	02/06/2011 - 01/11/2011	26 848	11 911	-	40 360
Masooa MJ	02/06/2011	137 342	62 646	9 673	209 661

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#### 28. Remuneration of Councillors (continued)

Mbele MA	02/06/2011	143 596	55 923	10 142	209 661
Mehlo LR	02/06/2011	143 596	55 923	10 142	209 661
Modiko DV	02/06/2011	143 596	55 923	10 142	209 661
Mofokeng DM	02/06/2011	149 199	60 459	-	209 659
Mofokeng ML	02/06/2011	143 596	55 923	10 142	209 661
Mofokeng MM	02/06/2011	143 599	55 919	10 142	209 661
Molaphene PP	10/12/2012	123 862	50 855	-	174 717
Molotsane RJ	02/06/2011 - 25/07/2012	10 673	4 803	800	16 276
Motsumi ME	02/06/2011	103 307	41 249	-	144 555
Mvulane LS	02/06/2011	137 342	62 646	9 673	209 661
Ndlovu NA	02/06/2011	143 596	55 923	10 142	209 661
Oliphant AM	02/06/2011	143 596	55 923	10 142	209 661
Radebe DM	02/06/2011	137 342	62 646	9 673	209 661
Ramabitsa IM	02/06/2011	137 342	62 646	9 673	209 661
Renthako MC	02/06/2011	143 596	55 923	10 142	209 661
Seabi IM	01/08/2012	123 862	50 855	-	174 717
Sehume NA	08/03/2013	24 208	8 620	-	32 828
Spence D	02/06/2011	143 596	55 923	10 142	209 661
Swart AP	02/06/2011	149 199	60 462	-	209 661
Tlali LL	02/06/2011	143 596	55 923	10 142	209 661
Van der Merwe PP	02/06/2011	149 199	60 459	-	209 657
Vermaak SM	02/06/2011	147 478	55 923	10 562	213 963
Vothoane EC	02/06/2011	142 027	60 459	-	202 485
Other		-	-	-	834 065
		-	-	-	-
		-	-	-	-
		5 676 360	5 676 360	1 764 604	190 227
					7 123 989

#### 2012

Bocibo CN	125 670	57 226	14 416	197 312
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## CHAPTER 6

Choni PS	120 097	55 786	14 012	189 895
De Beer VE	133 852	61 465	209 661	195 317
Hamsa D	13 109	5 890	1 966	20 965
Hlapane ML	133 852	61 465	-	195 317
Khumalo J	133 852	61 465	22 011	195 317
La Cock PJ	125 683	66 267	-	191 650
Mafuma MJ	120 097	61 208	14 012	195 317
Kruger S	176 743	76 395	-	253 138
Magashule ME	81 963	194 152	23 546	299 661
Mandelstam GP	184 656	79 485	-	264 141
Mankoe MS	90 145	40 066	-	130 211
Mareletse LZ	120 097	61 304	14 012	195 413
Masike RI	47 667	22 692	7 150	77 509
Masooa MJ	115 630	66 010	13 677	195 317
Mbele MA	120 097	61 208	14 012	195 317
Mehlo LR	120 097	61 208	14 012	195 317
Mochela MJ	284 149	113 003	23 338	420 490
Modiko LR	120 097	61 208	14 012	195 317
Mofokeng MD	133 852	61 463	-	195 315
Mofokeng ML	120 097	61 208	14 012	195 317
Mofokeng MM	128 456	61 428	5 432	195 317
Molotsane RJ	120 097	61 208	14 012	195 317
Mopedi NP	165 371	79 487	19 285	264 144
Mvulane L	115 630	64 909	13 677	194 215
Ndayi PR	38 133	333 546	27 330	404 010
Ndlovu NA	120 097	61 208	14 012	195 317
Oliphant AM	120 097	61 208	14 012	195 317
Radebe DM	115 630	66 010	13 677	195 317

**Ngwathe Local Municipality**

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**28. Remuneration of Councillors (continued)**

Ramabitsa NA	115 630	66 010	13 677	195 317
Ramakoase TRJE	109 668	15 096	-	124 764
Ranthako MC	120 097	61 208	14 012	195 317
Schoonwinkel AM	165 371	79 487	19 285	264 144
Serathi J	151 072	72 987	17 140	241 199
Serfontein C	133 852	61 465	-	195 317
Sothoane EC	101 072	42 318	-	143 389
Spence D	120 097	61 208	14 012	195 317
Swart AP	133 852	61 465	-	195 317
Tlali MA	120 097	61 208	14 012	195 317
Van der Merwe JM	133 852	61 465	-	195 317
Vandisi TL	165 371	79 487	19 285	264 144
Vermaak SM	133 852	61 465	1 721	197 038
Other	-	-	-	(2 132 834)
	<b>5 248 896</b>	<b>5 248 896</b>	<b>2 964 047</b>	<b>648 430</b>
				<b>6 501 570</b>

**29. Fair value adjustments**

Investments	105 339	(7 800 879)
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**30. Depreciation and amortisation**

Property, plant and equipment	97 194 922	98 144 384
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**31. Impairment of assets****Impairments**

# CHAPTER 6

Long term receivable	-	41 217
Trade and other receivables	-	49 016 974
	-	<b>49 058 191</b>

## 32. Finance costs

Interest on loans	3 272 364	3 626 579
Finance leases	-	4 686
Bank interest	1 451	685
Interest expenses on landfill site	-	3 655 453
Other interest paid	-	1 707 164
	<b>3 273 815</b>	<b>8 994 567</b>

## 33. Bulk purchases

Electricity	118 254 342	104 505 530
Water	10 611 181	9 563 933
	<b>128 865 523</b>	<b>114 069 463</b>

## 34. Contracted services

Security services	1 320 238	739 142
Specialist Services	5 694 054	7 996 512
Other Contractors	1 492 227	1 144 439
	<b>8 506 519</b>	<b>9 880 093</b>

### Specialist services

Security services	5 694 054	7 996 512
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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>34. Contracted services (continued)</b>		
<b>Other contractors</b>		
Cash security	6 000	365 281
Cleaning services	1 738 229	1 451 853
Electricity pre paid service	4 924 394	3 230 361
Disconnection and re-connection of services	117 567	237 335
Printing services	1 326 704	1 180 148
Delivery of summonses/traffic fines	1 847 977	2 234 782
	9 960 871	8 699 760
<b>35. General expenses</b>		
Advertising	369 591	327 010
Arts and culture markets	31 614	235 744
Auditors remuneration	1 398 701	3 680 998
Bank charges	868 174	717 818
Cleaning	492 382	586 614
Commission paid	76 067	6 499
Consulting and professional fees	3 500 736	1 388 421
Delivery expenses	436 661	969 663
Discount allowed	41 182	36 867
Donations	595 111	304 827
Entertainment	188 416	370 519
Fines and penalties	-	12 512 234
Hire	914 394	2 291 039
Insurance	2 691 944	5 486 266
Community development and training	3 098 321	1 540 681
IT expenses	42 500	499 880
Lease rentals on operating lease	2 215 695	950 144
Marketing	4 089	38 908
Horticulture	1 295 735	1 268 393
Promotions and sponsorships	305 693	364 346
Packaging	148 680	-
Fuel and oil	3 234 169	3 255 333
Postage and courier	1 166 730	2 215 858
Printing and stationery	1 899 208	1 172 348
Protective clothing	814 373	311 797
Project maintenance costs	19 130	12 632

# CHAPTER 6

Security (Guarding of municipal property)	4 380 851	6 646 266
Software expenses	147 814	328 829
Staff welfare	137 701	74 565
Subscriptions and membership fees	882 450	719 343
Telephone and fax	2 882 290	2 184 647
Transport and freight	475 720	299 390
Training	1 527 462	664 752
Refuse	8 218 441	-
Title deed search fees	(370)	88 764
Accommodation cost	492 392	398 889
Upgrading of pump station	34 133 647	-
Rehabilitation cost - landfill	9 591 051	(6 340 343)
Youth development	282 853	55 662
Employee wellness	224 239	68 782
Water losses	233 717	-
Billing charges	-	8 771
Chemicals	5 964 421	3 913 378
Bad debts	59 460 672	31 055 364
Other expenses	9 690 749	2 799 432
	<b>164 575 396</b>	<b>83 511 330</b>

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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#### 36. Auditors' remuneration

Fees

1 398 701

3 680 998

#### 37. Rental of facilities and equipment

##### Facilities and equipment

Rental of facilities

2 290 614

252 285

#### 38. Cash generated from operations

Deficit

(73 482 615)

(103 083 432)

##### Adjustments for:

Depreciation and amortisation

97 194 922

98 144 384

Fair value adjustments

(105 539)

7 800 879

Impairment deficit

-

49 058 191

Movements in provisions

13 091 788

(63 909 022)

##### Changes in working capital:

Inventories

93 618

158 724

Sundry debtors

(128 168)

(8 175 353)

Receivables from non-exchange transactions

(81 254 582)

(68 029 199)

Other non-cash items

(275 540)

-

Payables from exchange transactions

55 694 014

50 783 234

VAT

(10 506 097)

547 427

Unspent conditional grants and receipts

938 341

19 500 340

Consumer deposits

298 647

(2 912 635)

Other financial assets

20 244

(247 400)

Long service awards

18 612 000

25 627 720

**20 191 033**

**5 263 858**

#### 39. Commitments

##### Authorised capital expenditure

**Already contracted for but not provided for**

• Infrastructure	-	146 826 763
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**Not yet contracted for and authorised by accounting officer**

• Infrastructure	40 872 092	40 452 700
• Community	-	6 237 300
	<b>40 872 092</b>	<b>46 690 000</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

**40. Prior period errors**

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

**1. Provision for landfill closure**

Item were not accounted for as provision prior to the 2011/2012 reporting period. The effect of

this adjustment on the prior year is as follows:

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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

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#### 40. Prior period errors (continued)

##### Adjustments affecting the statement of

##### financial position

Increase in landfill closure provision

- 6 340 343  
- 6 340 343

##### Adjustments affecting the statement of financial performance

Increase in general expenses

- 6 340 343

#### 2. Finance charges not accrued for in the prior year

The interest on the loan from Inca, was erroneously calculated in the prior year. The corrections were processed and the effect of the changes was as follows.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated

- 633 390

##### Surplus 1 July 2011

##### Adjustments affecting the statement of

##### financial position

Increase in loan payables

- (633 390)  
- (5 707 795)

##### Adjustments affecting the statement of

##### financial performance

Increase in finance charges

- 633 390  
- 633 390

#### 3. Grant roll-overs denied in the prior year

National treasury denied the application of roll-over requests for Ngwathe municipality. The amounts were withheld from the equitable share payments during the year.

The effect of this adjustment on the prior year is as follows:

Adjustment against opening Accumulated

- -

##### Surplus 1 July 2011

# CHAPTER 6

## Adjustments affecting the statement of

### financial position

Decrease in unspent conditional grants

- 3 272 000

- (3 272 000)

### Adjustments affecting the statement of financial performance

- (3 272 000)

## 4. Investments impaired during the 2012 year

During the year the municipality reviewed its investments for impairment. The following adjustments were required: The effect of this

adjustment on the prior year is as follows:

Adjustment against opening Accumulated  
Surplus 1 July 2011

- (1 462 860)

# CHAPTER 6

## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>40. Prior period errors (continued)</b>		
<b>Adjustments affecting the statement of financial position</b>		
Increase in VAT receivable	-	1 475 953
	-	1 475 953
<b>Adjustments affecting the statement of financial performance</b>		
Decrease in general expenses	-	(43 614)
Increase in other income	-	30 521
	-	(13 093)
<b>5. Correction of Insurance expenses</b>		
Correcting of insurance premiums incorrectly allocated to a sundry debtor in the 2012 year.		
The effect of this adjustment on the prior year is as follows:		
<b>Adjustment against opening Accumulated</b>	-	-
<b>Surplus 1 July 2011</b>		
<b>Adjustments affecting the statement of financial position</b>		
Increase in Trade and other receivables	-	(3 217 644)
	-	(3 217 644)
<b>Adjustments affecting the statement of financial performance</b>		
Increase in Insurance	-	3 217 644
<b>6. Provision for Long service benefits</b>		
The municipality had actuarial valuations performed on the long service awards as at 30 June 2012. The municipality raised the liability in this report.		
The effect of this adjustment on the prior year is as follows:		
<b>Adjustment against opening Accumulated</b>	-	7 173 000
<b>Surplus 1 July 2011</b>		
<b>Adjustments affecting the statement of financial position</b>		
Increase in Long service Liability	-	(7 173 000)
	-	(7 173 000)
<b>Adjustments affecting the statement of</b>		

**7. Post retirement medical aid benefit**

The municipality had an actuarial valuation performed on the post retirement medical aid benefit as at 30 June 2012. The provision was captured in the accounting records.

The effect of this adjustment on the prior year is as follows:

<b>Adjustment against opening Accumulated Surplus 1 July 2011</b>	-	10 367 298
<b>Adjustments affecting the statement of financial position</b>		



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## Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>40. Prior period errors (continued)</b>		
Increase in post retirement medical aid benefit	-	(10 367 298)
	-	(10 367 298)
<b>Adjustments affecting the statement of financial performance</b>	-	-

Reclassifications	Balance as previously reported	Reclassification	Restated balance
<b>Revenue</b>			
Service Charges	154 865 847	25 464 045	180 329 892
Property rates	68 562 318	(25 464 045)	43 098 273
Total revenue	223 428 165	-	223 428 165
	<b>223 428 165</b>	-	<b>223 428 165</b>
<b>Expenditure</b>			
Finance costs	10 388 608	(2 027 431)	8 361 177
General expenses	92 603 110	2 027 431	94 630 541
Total expenditure	102 991 718	-	102 991 718
	<b>102 991 718</b>	-	<b>102 991 718</b>

### 41. Contingencies

#### SALGA Wage Curve Agreement

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

#### Contingent liabilities

##### Department of Water Affairs

The municipality was summonsed for the payment on outstanding invoices for water supplied. The municipality do not agree

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with the outstanding amount due to the department and noted that some of the debt should have lapsed as it related debt from ten years ago. The municipality lodged a formal dispute which will require necessary investigations by both parties.

## Department of Environmental Affairs and Tourism

The contingency disclosed for the Department of Environmental Affairs and Tourism pertains the possible fines that can be imposed on the municipality if it is found to have contravened or failed to comply with the National Environmental Management: Waste Act, 2008 as a result of the municipality having managed landfill sites without required permits. Consequently, the municipality will be liable to a fine not exceeding R10 000 000 (2012: R10 000 000) in terms of Section 68 (1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) or to imprisonment for a period not exceeding 10 years for any person convicted of the offence, in addition to any other penalty or award that may be imposed or made in terms of the National Environmental Management Act.

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#### 41. (continued)

##### Legal contingencies

Party:	Anquest Construction Friedself joint Venture
Nature:	Anquest Construction joint venture is suing the municipality for breach of contract as a result of terminating the contract on erection of the Fezile stadium.
Instituting attorneys:	Werksmans attorneys
Reason:	
Party:	Vaal River Business Forum
Nature:	Vaal River Business Forum is suing the municipality for failing to provide basic water service as provided for in terms of s152 of the constitution of the RSA.
Instituting attorneys:	Rampai attorneys
Reason:	Despite the municipality's flaws to provide basic services a valid defence is in place.
Party:	Mispha
Nature:	Mispha applied for Emolument Attachment Order (EAO) to be implemented on certain employees of the municipality's salaries in their personal capacities. The municipality did not want to effect deductions as per the court order hence they sue the municipality to implement the court order.
Instituting attorneys:	Du Toit Mandelstam Attorneys
Reason:	The municipality's defence is based on the flawed procedures in obtaining the EOA.
Party:	Nashua t/a Siemens
Nature:	Nashua t/a Siemens is suing the municipality as a result of the municipality failing to effect payment for alleged rendered services.
Instituting attorneys:	Moroka attorneys
Reason:	No basis for this action as the municipality is of the opinion that payment of services has been effected.
Party:	Leshota
Nature:	Mr Leshota was allegedly involved in a motor vehicle accident which allegedly caused by the failure of the municipality to put up stop signs.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held delictually liable for such accident.
Party:	GC van Zyl
Nature:	There have been power failures at complainants place and as a result certain properties of the complainant were damaged when power was restored.
Instituting attorneys:	ADW van Den Berg Attorneys
Reason:	The municipality cannot be held delictually liable for failure of plaintiff to insure his movable

properties.

Party:	Masilela
Nature:	Masilela rendered legal services on behalf of the municipality until 2011 and the municipality allegedly failed to effect payment for such legal services hence he is suing the municipality.
Instituting attorneys:	In-house
Reason:	The attorney made unsubstantiated claims in previous law suits, resulting in rejection of claims and in some instances the claims had already been paid.
Party:	P Du Plessis
Nature:	The allegation is that the municipaltiy neglected to secure a trench dug by them, the complainant fel into it and suffered damages.
Instituting attorneys:	In-house
Reason:	
Party:	Coetzer AM
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes.
Instituting attorneys:	In-house

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#### 41. (continued)

Reason:	Due to contributory negligence the municipality cannot be held liable for any losses.
Party:	LR Grobler
Nature:	Power failures at the complainants proeprty occurred, as a result certain items on the property were damaged when power was restored.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held liable du to the plaintiffs failure to insure his movable properties.
Party:	T Swart
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes.
Instituting attorneys:	In-house
Reason:	Due to contributory negligence the municipality cannot be held liable for any losses.
Party:	Erica Scotton
Nature:	As a result of allegedly non-availability of a stop sign, the plaintiff had a motor vehicle accident.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held delictually liable for such accident.
Party:	JB Muller
Nature:	Due to underground waterpipes which burst allegedly causing complainant's house to flood resulted in damages to her furnisher, hence she is claiming from the municipality for her losses.
Instituting attorneys:	Kriek & Van Wyk Attorneys
Reason:	The municipality cannot be held delictually liable for such accident.
Party:	CJ de la Rey
Nature:	Power failures at the complainants property occurred, as a result certain items on the property were damaged when power was restored.
Instituting attorneys:	In-house
Reason:	The municipality cannot be held liable du to the plaintiffs failure to insure his movable properties.
Party:	Smadondo & J Sinaomadi
Nature:	The plaintiffs alleged that they were unfairly dismissed from the municipality, after being appointed as officials in the PMU section of Technical services on a fixed term, which ended by effluxion of time.

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Instituting attorneys:	Ponoane attorneys
Reason:	The employment was on contract base and ended on effluxion of time.
Party:	Busiwe Mthimkulu
Nature:	The plaintiff allege that she was unfairly dismissed from the municipality after being appointed in the office of the Speaker on a fixed term. The term of contracts ended by effluxion of time.
Instituting attorneys:	JC Burger attorneys
Reason:	The employment was on contract base and ended on effluxion of time.
Party:	SAMWU obo Hlapane & others
Nature:	The municipality allegedly failed to honour collective agreement, hence SAMWE declared a dispute to the labour court to compel the municipality to comply with the order.
Instituting attorneys:	ADW van den Berg attorneys
Reason:	The municpaltiy partially complied with the award.
Party:	SAMWU obo Mabona & Mothebe
Nature:	The municipaltiy allegedly failed to comply with the arbitration award to reimburse the plaintiffs for damages suffered as a result of unlawful suspensions, hence the plaintiffs referred the matter to the labour court to compel the municipality to comply with the award.
Instituting attorneys:	ADW van den Berg attorneys

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## Ngwathe Local Municipality

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#### 41. (continued)

Reason:	The municipality partially complies with the award.
Party:	SAMWU obo DTR Mosai
Nature:	SAMWU
Instituting attorneys:	Shongwe Attorneys
Reason:	The municipality based the suspension on several acts of misconducts.
Party:	Mapetla church congregations
Nature:	The municipality allegedly transferred land to splinter church of Mapetla. Mapetla approached high court to reverse the decision of the municipality to transfer land to the splinter church.
Instituting attorneys:	Cengcan and Associates
Reason:	The transparent during the disposal of the said land.
Party:	Mafunyane Wildlife CC
Nature:	The complainants vehicle was badly damaged after driving into an urban area road allegedly full of potholes. Hence he is suing the municipality for neglecting to maintain and repair the roads.
Instituting attorneys:	JC Burger attorneys
Reason:	Due to contributory negligence the municipalti cannot be held liable for any losses.

#### 42. Related parties

##### Relationships

Councillor's interest:

Sothoane EC

Sothoane Funeral Services

Key Management:

Kamolane LD

Thabonkululeko (Pty) Ltd

Magashule ME

ME Construction

##### Key management information

#### 43. Irregular expenditure

Opening balance

13 979 366

13 979 366

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Less: Amounts condoned	(7 120 624)	-
Plus: Amounts not condoned	8 558 923	-
	<b>15 417 665</b>	<b>13 979 366</b>

## Details of irregular expenditure condoned

Deviated from SCM requirement (3 quotes and advertisement), due to costs involved in obtaining additional quotes	Repair of municipal vehicle - have to strip vehicle before a quotation can be obtained. Practically impossible to get other quotations.	1 479 944	-
			-



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**43. Irregular expenditure (continued)**

Deviated from SCM requirement (3 quotes and advertisement), due to urgency of expense	Purchase of laundry equipment for Mimosa – the employees were boycotting demanding new machines	4 004 736
	Repair and installation of burned or broken motor pumps at water or sewer pumps.	
	Repair of burned transformers du to bad weather conditions.	
	Repair and installation of pumps at water/sewer pumps whenever the motor pump has burned or broken.	
	Purchase of plumbing material on emergency whenever there is a pipe burst.	
	Security services to secure municipal property during the industrial action.	
	Unable to advertise because the water needs to be purified immediately and supplied to the community.	
Deviated from SCM requirement - rental of equipment as municipality does not own required asset for operations.	Rental of heavy duty vehicle - the municipality does not have heavy vehicle to perform task	1 635 944

**Details of irregular expenditure recoverable (not condoned)**

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#

Deviated from SCM requirement (3 quotes and advertisement), due to costs involved in obtaining additional quotes.	Repair of municipal vehicle - have to strip vehicle before a quotation can be obtained. Practically impossible to get other quotations	1 027 236
Deviated from SCM requirement (3 quotes and advertisement), due to urgency of expense	Water / chemicals - unable to advertise because the water needs to be purified immediately and supplied to the community. Repair and installation of burned or broken motor pumps at water or sewer pumps. Training of EPWP labour - the service was requested late and needed immediately. Purchase of electrical material on emergency – material was urgently needed to fix power failure.	4 934 145
Deviated from SCM requirement - rental of equipment as municipality does not own required asset for operation	Rental of heavy duty vehicles	1 113 155
		<b>7 074 536</b>

## Details of irregular expenditure not recoverable (not condoned)

-

## 44. Additional disclosure in terms of Municipal Finance Management Act Audit fees

### PAYE and UIF

### VAT

## 44. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT receivable	6 406 867	-
VAT payable	-	4 099 230
	<b>6 406 867</b>	<b>4 099 230</b>

VAT output payables and VAT input receivables are shown in note 913.

All VAT returns have been submitted by the due date throughout the year.

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Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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## Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bocibo CN	2 630	14 302	16 932
Choni PS	722	2 349	3 071
De Beer VE	817	2 749	3 566
Magashule	2 381	2 541	4 922
Mafuma MJ	1 403	2 782	4 185
Masike IR	1 274	18 010	19 284
Masooa MJ	1 282	2 109	3 391
Mbele MA	691	1 978	2 669
Mofokeng DM	664	2 221	2 885
Mofokeng LM	1 024	3 629	4 653
Moliko LR	757	9 662	10 419
Molotsane AM	2 617	21 895	24 512
Mopeli NP	664	1 972	2 636
Mvulane SL	672	2 950	3 622
Ndayi PR	8 575	2 094	10 669
Ndlovu NA	1 266	2 449	3 715
Ramabitsa IM	579	10 276	10 855
Seabi M	907	4 225	5 132
Ranthako MC	728	2 284	3 012
Serathi KM	3 905	2 671	6 576
Sothoane EC	6 854	14 787	21 641
Tladi LL	845	3 371	4 216
Vandisi TL	722	2 570	3 292
	<b>41 979</b>	<b>133 876</b>	<b>175 855</b>

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Bocibo	698	13 194	13 892
Choni	928	8 653	9 581
Hansa D	5 174	31 718	36 892
Khumalo J	549	3 221	3 770
Magashula ME	564	46	610

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Mbele MA	194	-	194
Mafuma MJ	828	12 906	13 734
Mandelstam GP	1 812	23 803	25 615
Mochela MJ	198	-	198
Masike RI	606	5 475	6 081
Mareletse LZ	24	1 581	1 605
Mofokeng J	757	3 270	4 027
Mofokeng ML	697	8 333	9 030

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## Ngwathe Local Municipality

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#### 44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Mofokeng RS	25	1 435	1 460
Moliko LR	691	6 671	7 362
Molotsane AM	2 167	10 806	12 973
Mopedi NP	641	516	1 157
Motloung S	619	8 689	9 308
Motsumi MB	640	3 728	4 368
Mvulane K & A	561	374	935
Nhlapo MA	346	835	1 181
Ndlovu NA	797	392	1 189
Oliphant AM	187	-	187
Radebe B	502	1 671	2 173
Ramabitsa NA	18	127	145
Ranthako MC	713	6 707	7 420
Schoonwinkel HJ	4 940	2 831	7 771
Sefako	580	976	1 556
Serathi J	861	1 547	2 408
Spence D	526	-	526
Tlali MA	613	2 532	3 145
Van Der Merwe JM	48 340	-	48 340
Vandisi TL & MM	129	551	680
	<b>76 925</b>	<b>162 588</b>	<b>239 513</b>

During the year the above Councillors' had arrear accounts outstanding for more than 90 days.

#### Supply chain management regulations

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

#### 45. 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 annual financial statements.

#### 46. Fruitless and wasteful expenditure

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Opening balance	25 057 249	11 773 482
Bank account not in use but still incurs service fees	866	807
Eskom interest on overdue account	15 893 896	9 570 900
Employees tax - penalty and interest	2 085 815	2 027 431
Rand Water interest on overdue account	6 824	1 364
Telkom - settlement	-	73 392
VAT - penalty and interest	112 490	40 799
Data M - interest paid on overdue on account	-	791
Urban Econ - interest paid on overdue account	-	121 168
Pension fund - interest paid on overdue account	13 639	179 080
Provident fund - interest paid on overdue account	-	64 129
WAMESA - interest paid on overdue account	-	546 591
Proper Consulting - interest paid on overdue account	-	584 319
Friedshelf 863 (Pty) Ltd - interest paid on overdue account	-	33 646
CHM Vuwani (Pty) Ltd - interest paid on overdue account	-	39 350
INCA loan - penalty interest on loan	759 901	-
The phone book company - interest paid on overdue account	68 332	-
Ponoane Attorneys, Notaries & Conveyancers - interest paid on overdue account	77 442	-
Jansen Prokureurs - interest paid on overdue account	2 032	-

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## Ngwathe Local Municipality

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#### 46. Fruitless and wasteful expenditure (continued)

Symington De Kock Attorneys - interest paid on overdue account	53 650	-
Gous Vertue & Ass Ing - interest paid on overdue account	29 702	-
ADW Van Den Berg Attorneys - interest paid on overdue account	87 973	-
Shongwe Attorneys - interest paid on overdue account	83 085	-
L Mnguni & Associates - interest paid on overdue account	38 451	-
Rampai Attorneys - interest paid on overdue account	440 662	-
Steyn Lyell Maeyane - interest paid on overdue account	192 000	-
Cengcani & Associates - interest paid on overdue account	97 440	-
Lebea & Associates Attorneys - interest paid on overdue account	385 745	-
Cornelius & Partners - interest paid on overdue account	25 000	-
Lomas Walker Attorneys - interest paid on overdue account	83 237	-
JC Burger Attorneys - interest paid on overdue account	20 395	-
SALGA - interest paid on overdue account	18 764	-
Data M - interest paid on overdue account	420	-
Isintu Projects - interest paid on overdue account	255 342	-
Telkom - interest paid on overdue account	641	-
Water Affairs & Forestry - interest paid on overdue account	34 221	-
Kriek Van Wyk Inc - interest paid on overdue account	98 118	-
	<b>46 023 332</b>	<b>25 057 249</b>

#### 47. Risk management

##### Financial risk management

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

##### 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.

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 2013

Less than 1

Between 1

Between 2 Over 5 years

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	year	and 2 years	and 5 years	
Trade and other payables	248 249 026	-	-	-
<b>At 30 June 2012</b>	<b>Less than 1</b>	<b>Between 1</b>	<b>Between 2</b>	<b>Over 5 years</b>
	year	and 2 years	and 5 years	
Trade and other payables	204 718 315	-	-	-

## Credit risk

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

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.

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

Financial instrument	2013	2012
Receivables from exchange transactions	140 450 950	74 048 573



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## Ngwathe Local Municipality

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### Notes to the Annual Financial Statements

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<b>47. Risk management (continued)</b>		
Receivables from non-exchange transactions	65 557 568	50 705 363
Cash and cash equivalents	46 652 605	29 900 012
Trade and other payables	(248 249 020)	(204 718 315)

### 48. Going concern

We draw attention to the fact that the municipality incurred a loss of R 73 486 561 (2012: R 103 083 432) for the year ended 30 June 2013. The municipality were unable to collect all outstanding debtors in a timely manner, resulting in the debtors days outstanding being much longer than the norm. The municipality were also not able to pay its outstanding creditors within the legislative timeframe of 30 days. The cash flow constraints experienced by the municipality together with the fact that the municipality incurred a loss for the year under review may be an indication that the municipality will not be able to meet its current liabilities and may cast doubt on the entity's ability to continue as a going concern.

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

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 should ensure that the municipality recovers its outstanding debtors and continue to receive government grants.

### 49. Budget differences

#### Material differences between budget and actual amounts

44.1 Incorrect budgeting for service charges resulted in the identified variance.

44.2 The under performance to budget is directly attributable to rental of the Mimosa resort and town hall facilities.

44.3 The budget was exceeded as more consumers were in arrears than originally anticipated.

44.4 Property rates levied exceed the budget due to duplication of some accounts.

44.5 Under estimation of grants to be received resulted.

44.6 The salary budget was over spent due to the absorption of temporary staff which were not budgeted for and excessive overtime.

44.7 Municipality made extra payments on the INCA loan to cover interest incurred and legal costs.

44.8 The actual expenditure versus the budget is 78.4% and is a result of cash flow problems experienced.

44.9 Short spending on budget directly related to supply chain constraints.

44.10 The municipality had to pay suppliers from the previous years in the current year thus resulting in over expenditure of general expenses budget.

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## Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages to in the annual report.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

Appendix A  
June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012  Rand	Received during the period  Rand	Redeemed written off during the period  Rand	Balance at 30 June 2013  Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
----------------	------------	---	--	---	---	---	---

Loan Stock

-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Structured loans

-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

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		-	-	-	-	-	-
Funding facility							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South							
Africa							
Long term loan	15 182 705	-	-	15 182 705	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

# # CHAPTER 6

## Appendix A June 2013

### Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012  Rand	Received during the period  Rand	Redeemed written off during the period  Rand	Balance at 30 June 2013  Rand	Carrying Value of Property,  Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		-	-	-	-	-	-
		15 182 705	-	-	15 182 705	-	-
<b>Bonds</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>							
Loan 144		30 544	-	-	30 544	-	-
Loan INCA		2 703 390	(2 070 000)	(38 144)	671 534	-	-
Loan COGTA		5 000 000	-	-	5 000 000	-	-
Loan 73 IFC		35 080	-	-	35 080	-	-

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	-	-	-	-	-	-
	7 769 014	(2 070 000)	(38 144)	5 737 158	-	-
Lease liability						
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Annuity loans						
	-	-	-	-	-	-
	-	-	-	-	-	-

Appendix A  
June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012  Rand	Received during the period  Rand	Redeemed written off during the period  Rand	Balance at 30 June 2013  Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Government loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Total external loans							
Loan Stock		-	-	-	-	-	-

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Appendix B  
June 2013

## Analysis of property, plant and equipment as at 30 June 2012

### Cost/Revaluation

### Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>															
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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**Appendix B**  
June 2013

**Analysis of property, plant and equipment as at 30 June 2012**

**Cost/Revaluation**

**Accumulated depreciation**

	Opening	Additions	Disposals	Transfers	Revaluations	Other changes, Closing	Opening	Disposals	Transfers	Depreciation	Impairment loss	Closing	Carrying
	Balance					movements	Balance					Balance	value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>													
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>													
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>													
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-

# CHAPTER 6

#

Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# CHAPTER 6

June 2013

## Analysis of property, plant and equipment as at 30 June 2012

### Cost/Revaluation

### Accumulated depreciation

	Opening	Additions	Disposals	Transfers	Revaluations	Other changes,	Closing	Opening	Disposals	Transfers	Depreciation	Impairment loss	Closing	Carrying
	Balance Rand	Rand	Rand	Rand	Rand	movements Rand	Balance Rand	Balance Rand	Rand	Rand	Rand	Rand	Balance Rand	value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														

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Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total															
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

# CHAPTER 6

#

## Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation								Accumulated depreciation						
Opening	Additions	Disposals	Transfers	Revaluations	Other changes,	Closing		Opening	Disposals	Transfers	Depreciation	Impairment loss	Closing	Carrying
Balance					movements	Balance		Balance					Balance	value
Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand	Rand

### Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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# CHAPTER 6

Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastruc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets															
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



**Appendix B**  
June 2013

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation				
	Opening	Additions	Disposals	Transfers	Revaluations	Other changes,	Closing	Opening	Disposals	Transfers		
	Balance	Depreciation		Impairment	loss	Closing	Carrying					
	Rand	Rand	Rand	Rand	Rand	movements	Balance	Balance	Rand	Rand	Rand	Rand
						Rand	Rand	Rand				
<b>Heritage assets</b>												
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>												
Refuse	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>												
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-

#

# CHAPTER 6

Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-

**Appendix B**  
June 2013

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## Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation				
	Opening	Additions	Disposals	Transfers	Revaluations	Other changes,	Closing	Opening	Disposals	Transfers		
	Balance Rand	Rand	Rand	Rand	Rand	movements Rand	Balance Rand	Balance Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>												
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Agricultural/Biological assets</b>												
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>												
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>												

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Investment property	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>												
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003  
June 2013

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Name of Grants	Name of organ of state or municipal entity the grant	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with	Reason for noncompliance
		Jul	Sep	Dec	Mar	Jul	Sep	Dec	Mar	Jul	Sep	Dec	Mar		Yes/ No	
FMG	Ngwathe	1 500	-	-	-	126	194	120	1 176	-	-	(160)	-	Unspent roll over	Yes	
MIG	Ngwathe	24 475	19 124	6 842	-	2 784	11 978	5 773	21 016	-	-	(2 700)	-	denied Unspent roll over denied	Yes	
INEG	Ngwathe	-	-	-	-	-	1 372	1 255	2 381	-	-	(3 048)	-	Unspent roll over denied	Yes	
MSIG	Ngwathe	800	-	-	-	-	-	161	78	-	-	-	-		Yes	
Public works	Ngwathe	397	298	298	-	-	49	138	16	-	-	-	-		Yes	
LG Seta	Ngwathe	266	-	939	150	65	11	55	144	-	-	-	-		Yes	
Equitable share	Ngwathe	64 160	10 656	73 288	-	-	-	-	-	-	-	-	-			
		91 598	30 078	81 367	150	2 975	13 604	7 502	24 811	-	-	(5 908)	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share. Note: The above figures have been rounded to the nearest one thousand rands (R'000).

Page	Audit Finding	Classification	Root Cause	Intervention	Responsible	
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No	Identifier			(AG)	Strategy	official	Time Frame
1	<b>Borrowing and long Term loans</b>	Short term portion not disclosed as current liabilities (CoA 2)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level	The General Ledger entries will be monitored and reviewed by a senior official. Loan schedules will be obtained from the relevant creditors and the short term portions of these loans will be correctly accounted for in the General Ledger.	Office Of the Snr Fin Manager	31-Mar-14
208	<b>Borrowing s and Long Term Loans</b>	External loans - Loan agreements could not be obtained (CoA 2)	Internal control deficiency	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level	Individual Separate Files will be created for all External Loans which the municipality has. A senior/supervisor y official will review these files on a monthly basis.	Office Of the Snr Fin Manager	31-Mar-14
209	<b>Borrowing s and Long Term Loans</b>	External loans - Differences noted (CoA 2)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that	The General Ledger entries will be monitored and reviewed by a senior official. Loan schedules	Office Of the Snr Fin Manager	31-Mar-14

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213	<b>Borrowing s and Long Term Loans</b>	Prior year journals not submitted (CoA 58)	Financial - Misstatement in financial statements	<p>contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p> <p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p> <p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p>	<p>will be obtained from the relevant creditors and the activities of these loans will be correctly accounted for in the General Ledger.</p> <p>Supporting documentation relating to Journals will be reviewed by a senior finance official for accuracy and validity. Journals will be filed separately along with their relevant supporting documentation.</p> <p>Supporting documentation relating to Journals will be reviewed by a senior finance official for accuracy and validity. Journals will be filed separately along with their relevant</p>	Office Of the Snr Fin Manager	31-Mar-14
214	<b>Borrowing s and Long Term Loans</b>	Journals not obtained (CoA 58)	Financial - Misstatement in financial statements	<p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p>	<p>Supporting documentation relating to Journals will be reviewed by a senior finance official for accuracy and validity. Journals will be filed separately along with their relevant</p>	Office Of the Snr Fin Manager	31-Mar-14

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# # CHAPTER 6

215	<b>Borrowing s and Long Term Loans</b>	Deficiencies identified (CoA 2)	Non compliance with laws and regulations	<p>The municipality do not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p>	<p>supporting documentation.</p> <p>The existing loans will be investigated and a list drafted of all the loans owed by the municipality.</p> <p>All the confirmed loans will be recorded in the loan register.</p> <p>The loans recorded in the loan register will be reconciled on a monthly basis to the loan statements and appropriate details recorded in the loan register.</p>	Office Of the Snr Fin Manager	31-Mar-14
216	<b>Borrowing s and Long Term Loans</b>	Default on repayments not disclosed (CoA 2)	Non compliance with laws and regulations	<p>The municipality do not select and develop control activities over processes and transactions that contribute to the mitigation of risks to</p>	<p>Management will ensure that the financial statements are adjusted to include all details on defaults and breaches</p>	CFO, Consultants, Tseleng and Mpindo	31-Mar-14

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# # CHAPTER 6

				the achievement of the objectives, to an acceptable level.	regarding long term loans as required by GRAP 104.		
218	<b>Cash and Cash Equivalents</b>	Recording of petty cash transactions (CoA 39)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions	<p>Petty Cash transactions will be recorded in general ledger as they occur. A senior/supervisory official will review the entries in the Petty Cash general ledger entries to ensure validity, accuracy and completeness.</p> <p>Monthly reconciliations will be performed between the Petty Cash register and the general ledger. A senior/supervisory official will review the monthly reconciliations for validity, accuracy and completeness.</p>	Office Of the Snr Fin Manager	31-Mar-14

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# # CHAPTER 6

404	<b>Cash and Cash Equivalents</b>	Unidentified deposits (CoA 39)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions	<p>A register of unidentified deposits will be kept.</p> <p>Customer queries will continually be tested against the Unidentified deposits register.</p> <p>A senior/supervisory official will review the register on a weekly basis.</p>	Office Of the Snr Fin Manager	31-Mar-14
405	<b>Cash and Cash Equivalents</b>	Banking details not submitted to National Treasury (CoA 39)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	The banking details of the municipality were submitted to National Treasury for the 2013/14 financial period.	Office Of the Snr Fin Manager	31-Mar-14
4	<b>Cash Flow Statements</b>	Adjustments to the corresponding balances (CoA 33)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and	Comparative financial information will be presented as audited in the prior financial period. The Snr	Office of the Snr Fin Manager	31-Mar-14

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# # CHAPTER 6

6	<b>Cash Flow Statements</b>	Misstatements identified (CoA 33)	Financial - Misstatement in financial statements	related internal controls.  Management did not review and monitor compliance with applicable laws and regulations.	Finance Manager will review the annual financial statements for accuracy of presentation and disclosure.  The cash flow statement will be reviewed by the Snr Finance Manager prior to finalisation and presentation in the annual financial statements	Office of the Snr Fin Manager	31-Mar-14
8	<b>Commitments</b>	Documentation not submitted (CoA 66)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	The Project Management Unit will keep sufficient, and appropriate documentation for each project, including Service Level Agreements with the relevant Contractors and Consultants.	SCM/PMU	31-Mar-14

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# # CHAPTER 6

10	<b>Commitments</b>	Contracts not submitted (CoA 40)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	The Project Management Unit will keep sufficient, and appropriate documentation for each project, including Service Level Agreements with the relevant Contractors and Consultants.	SCM/PMU	31-Mar-14
11	<b>Commitments</b>	Contract register incomplete (CoA 40)	Internal control deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should keep the register up to date by documenting all contracts, tenders and quotes within the contract register	SCM/PMU/Legal	31-Mar-14

# # CHAPTER 6

13	<b>Commitments</b>	Deficiency in commitment register (CoA 40)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	<p>Management should compile a complete contractual commitment register, which is supported by sufficient supporting documentation (eg appropriate approval of commitments and contracts entered into).The register should include the following:</p> <ul style="list-style-type: none"> <li>- The amount contracted for the project</li> <li>- The amount not yet contracted for the project</li> <li>- The expenditure for the current financial year incurred</li> </ul> <p>The commitment register should split the total commitment between:</p> <ul style="list-style-type: none"> <li>- Total</li> </ul>	Budget and Expenditure and PMU	31-Mar-14
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# # CHAPTER 6

14	<b>Commitments</b>	Commitments not complete (CoA 40)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	commitment contracted - Total commitment not yet contracted  Management should compile a complete contractual commitment register, which is supported by sufficient supporting documentation (e.g. appropriate approval of commitments and contracts entered into). Management will adjust the financial	Budget and Expenditure and PMU	31-Mar-14
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# # CHAPTER 6

					statements in order to reflect all contractual commitments at year-end. Management has already established a contract management team to ensure accurate and complete contract and tender registers.		
16	<b>Contingent Liabilities</b>	External confirmations not obtained (CoA 50)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	<p>Management will hold meetings with all the Attorneys as noted by the office of the Auditor General. Management will ensure that the attorneys provide required responses to the auditors as and when required to.</p> <p>The Legal Manager will be involved in future interactions between the</p>	Legal and Admin; Municipal Manager	31-Mar-14

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# # CHAPTER 6

17	<b>Contingent Liabilities</b>	Disclosure not complete (CoA 50)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	<p>Auditors and the Attorneys who will have provided services to the municipality in the year under review.</p> <p>Management will ensure that only liabilities meeting the following definitions will be recognised as Contingent:</p> <p>(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or</p> <p>(b) a present obligation that arises from past</p>	Legal and Admin; Office of the Snr Fin Manager	31-Mar-14
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# # CHAPTER 6

					<p>events but is not recognised because:</p> <p>(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or</p> <p>(ii) the amount of the obligation cannot be measured with sufficient reliability.</p>		
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# # CHAPTER 6

219	<b>Contingent Liabilities</b>	Claims are disclosed that are already closed (CoA 50)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	<p>Management will ensure that only liabilities meeting the following definitions will be recognised as Contingent:</p> <p>(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or</p> <p>(b) a present obligation that arises from past events but is not recognised because:</p> <p>(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required</p>	Legal and Admin; Office of the Snr Fin Manager	31-Mar-14
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# # CHAPTER 6

to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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# # CHAPTER 6

220	<b>Contingent Liabilities</b>	No amounts disclosed (CoA 50)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	<p>Management will ensure that only liabilities meeting the following definitions will be recognised as Contingent:</p> <p>(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or</p> <p>(b) a present obligation that arises from past events but is not recognised because:</p> <p>(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required</p>	Legal and Admin; Office of the Snr Fin Manager	31-Mar-14
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# # CHAPTER 6

406	<b>Contingent Liabilities</b>	Incorrect details disclosed regarding claims (CoA 50)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	<p>to settle the obligation; or</p> <p>(ii) the amount of the obligation cannot be measured with sufficient reliability.</p> <p>Management will ensure that all disclosure requirements of the relevant accounting framework is adhered to and correctly disclosed. The necessary adjustments will be made to the financial statements.</p>	31-Mar-14
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# # CHAPTER 6

19	<b>Employee related Costs</b>	Supporting documentation for leave taken not in files (CoA 51)	Internal control deficiency	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	<p>Management will implement a proper leave management system.</p> <p>Leave will be approved prior to the person taking leave.</p> <p>All leave records will kept separately in files by the Human Resources Department.</p> <p>Management will implement proper record keeping for all Employee related matters.</p>	Corporate Services; SCM	31-Mar-14
20	<b>Employee related Costs</b>	Information not submitted (CoA 59)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p>	<p>Separate employee files will be maintained.</p> <p>All documentation relating to payments will be kept in SCM files.</p> <p>Signed</p>	Corporate Services; HR	31-Mar-14

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# # CHAPTER 6

22	<b>Employee related Costs</b>	Prior year matters not resolved (CoA 59)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	<p>Agreements for Section 57 Managers will be kept and approved by Council.</p> <p>Management will implement proper record keeping for all Employee related matters.</p> <p>Separate employee files will be maintained.</p> <p>All documentation relating to payments will be kept in SCM files.</p> <p>Signed Agreements for Section 57 Managers will be kept and approved by Council.</p>	Corporate Services; HR	31-Mar-14
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# # CHAPTER 6

25	<b>Employee related Costs</b>	Inadequate records on file (CoA 83)	Internal control deficiency	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p> <p>Management will improve the general record keeping in the Corporate Services Division of the municipality.</p> <p>Management will assess the current status of records in the division and implement corrective measures</p>	Corporate Services; HR	31-Mar-14
28	<b>Employee related Costs</b>	Differences between ledger and financial statements (CoA 32)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p> <p>Management will review the reconciliation between the general ledger and amounts disclosed in the annual financial statements (Trial Balance)</p>	HR; Snr Manager Finance	31-Mar-14



# # CHAPTER 6

222	<b>Employee related Costs</b>	Authorisation and accuracy of leave taken (CoA 51)	Internal control deficiency	Management did not exercise oversight responsibility regarding financial reporting and compliance and related internal controls	<p>Management will implement a proper leave management system.</p> <p>Leave will be approved prior to the person taking leave.</p> <p>A senior/supervisor y employee will review the leave taken/authorised against that which has been recorded on the system.</p>	Corporate Services; HR	31-Mar-14
223	<b>Employee related Costs</b>	Number of leave days paid out (CoA 51)	Non-compliance with laws & regulations	The accounting officer does not exercise oversight for the development and performance of internal controls.	<p>Management will only encash leave to the maximum of 48 days. Leave in excess of 48 days will only be encashed if the employee was unable to take such leave as a result of operational requirements.</p>	Corporate Services; Snr Manager Finance	31-Mar-14

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# # CHAPTER 6

224	<b>Employee related Costs</b>	Lack of proper record keeping regarding unpaid leave (CoA 32)	Internal control deficiency	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	<p>Management will implement a proper leave management system.</p> <p>Leave will be approved prior to the person taking leave.</p> <p>All leave records will kept separately in files by the Human Resources Department.</p>	Corporate Services; HR	31-Mar-14
225	<b>Employee related Costs</b>	Shortcomings noted with promotions (CoA 32)	Internal control deficiency	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p> <p>Management did not properly oversee and implement proper internal controls over employee costs to ensure accurate and valid entries.</p>	<p>Management will implement proper record keeping for all Employee related matters.</p> <p>Separate employee files will be maintained.</p> <p>All documentation relating to payments outside of the Payroll system will be kept in SCM files.</p>	Corporate Services; HR	31-Mar-14

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# # CHAPTER 6

					Changes to employee standing data will have to matched to approved documentation prior to been effected on the Salary system.		
					All changes made to employee standing data will be reviewed by management.		
226	<b>Employee related Costs</b>	No reconciliation regarding third party payments (CoA 51)	Internal control deficiency	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management in discussion with the system administrators (BCX) to create links between the different 3rd party account payments.	Corporate Services; HR	31-Mar-14
227	<b>Employee related Costs</b>	Overtime authorisation (CoA 51)	Internal control deficiency	Management did not implement and oversee the controls regarding authorisation of overtime to be worked	Management will issue communication to all staff members that overtime will not be paid unless specifically pre-authorised by the employees' direct heads.	Corporate Services; HR	31-Mar-14

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# # CHAPTER 6

					Management will not pay overtime which has not been pre-arranged with the reasons for the overtime clearly been stated.		
229	<b>Employee related Costs</b>	Physical verification (CoA 59)	Internal control deficiency	Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.	Management will ensure that employees selected for physical verification present themselves to the auditors.	Corporate Services; Municipal Manager	31-Mar-14
230	<b>Employee related Costs</b>	Documentation regarding resignations (CoA 32)	Non-compliance with laws & regulations	Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	Management will implement proper record keeping for all Employee related matters.  Separate employee files will be maintained.	Corporate Services; HR	31-Mar-14
231	<b>Employee related Costs</b>	Differences regarding disclosure of allowances (CoA 51)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and	Management will apply Allowance as directed by the Ministerial determination on Upper Limits for Councillors.	Corporate Services; HR; Snr Manager Finance	31-Mar-14

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# # CHAPTER 6

				available to support financial and performance reporting.	There will be a senior/supervisory review over the amounts recorded in the Trial Balance to ensure that it agrees to the payments made to the Councillors.		
232	<b>Employee related Costs</b>	March salary run does not agree with the GL (CoA 20)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	There will be a senior/supervisory review over the amounts recorded in the Trial Balance to ensure that it agrees to the payments made to the employees.	Corporate Services; HR; Snr Manager Finance	31-Mar-14
233	<b>Employee related Costs</b>	Monthly report not generated for master file changes (CoA 20)	Internal control deficiency	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will print out Monthly exception reports detailing changes to the master file data. The exception report will be reviewed by an independent senior official.	Corporate Services; HR; Snr Manager Finance	31-Mar-14

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# # CHAPTER 6

234	<b>Employee related Costs</b>	PAYE was paid late to SARS (CoA 32)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations	Management will prepare a schedule of all 3rd party payments to be made immediately after salary payments have been made. These 3rd parties will be paid before the 7th of every month.	Corporate Services; HR; Snr Manager Finance	31-Mar-14
407	<b>Employee related Costs</b>	Differences regarding key management remuneration disclosure (CoA 32)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management accounts will be prepared on a monthly basis. A senior/supervisory employee will review the management accounts against the municipality's system data. A reconciliation of accounting records will be performed and reviewed by an independent person.	Corporate Services; HR; Snr Manager Finance	31-Mar-14
408	<b>Employee related Costs</b>	Overpayments not raised as debt (CoA 32)	Financial - Misstatement in financial statements	Management did not implement and exercise proper control over the validity and accuracy	Management will ensure that salary calculations done outside of the	Corporate Services; HR; Snr Manager Finance	31-Mar-14

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# # CHAPTER 6

				of the payroll function.	Payday system are reviewed by a Senior/Supervisory employee		
409	<b>Employee related Costs</b>	Incorrect classification (CoA 20)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management accounts will be prepared on a monthly basis. A senior/supervisory employee will review the management accounts against the municipality's system data. A reconciliation of accounting records will be performed and reviewed by an independent person.	Corporate Services; HR; Snr Manager Finance	31-Mar-14
411	<b>Employee related Costs</b>	No EFT printout available to trace salary payments to (CoA 20)	Internal control deficiency	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will ensure that EFT Payments made are printed and filed in a monthly sequence. A senior/supervisory employee will review the file of EFT payments made on a monthly basis.	Snr Manager Finance	31-Mar-14

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# # CHAPTER 6

412	<b>Employee related Costs</b>	Journals not submitted (CoA 32)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Supporting documentation relating to Journals will be reviewed by a senior finance official for accuracy and validity. Journals will be filed separately along with their relevant supporting documentation.	Office Of the Snr Fin Manager	31-Mar-14
413	<b>Employee related Costs</b>	Payments at termination of service (CoA 32)	Internal control deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will ensure that salary calculations done outside of the Payday system are reviewed by a Senior/Supervisory employee	Corporate Services; HR; Snr Manager Finance	31-Mar-14
30	<b>Control environment</b>	Lack of reporting by the internal audit section (CoA 1)	Non-compliance with laws & regulations	The municipality did not ensure that the internal audit promotes accountability and service delivery through evaluating and monitoring responses to risks	Management will ensure that the internal audit functions in accordance with the Internal Audit Plan as determined.	Office of the Municipal Manager	31-Mar-14

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# # CHAPTER 6

31	<b>Control environment</b>	Audit committee not fully functional for the year under review (CoA 1)	Non-compliance with laws & regulations	<p>and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.</p> <p>The municipality did not ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.</p>	<p>Management will ensure that the internal audit unit reports administratively to the Municipal Manager on their activities and to the audit committee on their implementation of the internal audit plan.</p> <p>The Council of the municipality appointed a task team to deal with the appointment of an Audit Committee.</p> <p>Prospective candidates have been shortlisted and are due for appointment.</p>	Office of the Municipal Manager	31-Mar-14
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# # CHAPTER 6

236	<b>Control environment</b>	Weaknesses identified on water and sanitation services	Service delivery	<p>Management did not review and monitor compliance with applicable laws and regulations.</p>	<p>The municipality has a draft Water Services Development Plan which will be taken to Council for approval.</p> <p>The remaining backlogs of basic water and basic sanitations will be corrected in the 2013/14 to be in line with the Government's delivery agreement for outcome 9.</p>	Office of the Municipal Manager	31-Mar-14
238	<b>Control environment</b>	Weaknesses identified on road infrastructure	Service delivery	<p>Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management will incorporate Road Infrastructure development in the 2013/14 Service Delivery and Budget Implementation Plan.</p>	Office of the Municipal Manager	31-Mar-14

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# # CHAPTER 6

239	<b>Control environment</b>	Internal control deficiencies identified (CoA 80)	Internal control deficiency	<p>1. Control environment</p> <ul style="list-style-type: none"> <li>The municipality does not demonstrate commitment to integrity and ethical values (tone at the top and throughout the organisation).</li> <li>The accounting officer does not exercise oversight for the development and performance of internal controls.</li> <li>Management did not review delegations of authority when a new council was elected. <ul style="list-style-type: none"> <li>The municipality does not demonstrate commitment to attract, develop and retain competent individuals in alignment with objectives.</li> <li>The municipality does not hold individuals accountable for their internal control responsibilities.</li> </ul> </li> </ul>	<p>Management will investigate listed control weaknesses identified. The municipality has finalized the appointment of all senior managers with the exception of the Director: Technical Services who resigned in the 2013-14 financial year. This process will ensure that the top management of the municipality is enhanced and proper decision making and the control environment is stabilized. Management accepts the deficiency and will implement the recommendation as outlined.</p>	31-Mar-14
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# # CHAPTER 6

				<div>2. Monitoring activities</div> <div><div><div>The municipality did not select, develop and perform ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</div><div>The municipality did not evaluate and communicate internal control deficiencies in a timely manner to the parties responsible for taking corrective action.</div></div></div>			

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# # CHAPTER 6

35	<b>Compliance</b>	Failure to prevent unauthorised, irregular and fruitless and wasteful expenditure (CoA 67)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations	<p>Management will maintain a register of Fruitless, Wasteful, Irregular and Unauthorised Expenditure. A senior/supervisory employee will review this register for validity, accuracy and completeness</p> <p>Expenditure transactions recorded will be reviewed by a senior official on a daily basis.</p>	Office Of the Snr Fin Manager	31-Mar-14
36	<b>Compliance</b>	Management and accounting system regarding expenditure (CoA 67)	Non-compliance with laws & regulations	<p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p>	<p>Expenditure transactions will be reviewed against supporting documentation on a daily basis.</p> <p>The expenditure department will compile a weekly schedule of payments to be made to suppliers which</p>	Office Of the Snr Fin Manager	31-Mar-14

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# # CHAPTER 6

					will prioritise payments to be made within 30 days as per legislation		
					Creditor reconciliations will be performed on a monthly basis. A senior/supervisory employee will review the creditor reconciliations on a monthly basis.		
					The competencies of financial and supply chain management officials will be assessed as per the requirements of circular no.60 of National Treasury		
37	<b>Compliance</b>	No competency assessments performed (CoA 82)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations		Office of the Municipal Manager	31-Mar-14
37	<b>Compliance</b>	Performance management (CoA 82)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations	Management will implement a Performance Management system in line with the requirements of GRN 805 OF 01 August 2006:	Mayor/ Mayoral Committee/ Municipal Manager	31-Mar-14

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# # CHAPTER 6

					Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager.		
					Monthly management accounts will be prepared and reviewed by a senior/supervisory official.		
39	<b>Compliance</b>	Accuracy of the financial statements (CoA 45)	Non-compliance with laws & regulations	The municipality did not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	The annual financial statements for the 2013/14 have been put out on tender. The Chief Financial Officer will review the completed annual financial statements for accuracy and validity.	Office of the Municipal Manager	31-Mar-14
40	<b>Compliance</b>	Shortcomings noted with the budget process (CoA 82)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and	The municipality has obtained approval for the 2013/14 budget	Budget and Reporting / Senior Manager	31-Mar-14

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# # CHAPTER 6

				regulations	process plan. This plan will assist the municipality in avoiding the shortcomings as noted by the office of the Auditor General.	Finance	
42	<b>Compliance</b>	Oversight committee not functioning (CoA 67)	Non-compliance with laws & regulations	The municipality did not ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.	The municipality will submit the annual report for Council approval, through the Mayor, before the 31 January 2014. The draft annual report has already served in the Finance and Mayoral Committees.	CFO/ Municipal Manager/ Mayor	31-Mar-14
42	<b>Compliance</b>	Shortcomings noted with the draft annual report for 2013 (CoA 11)	Non-compliance with laws & regulations	The municipality did not ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing	Management will ensure that the above-mentioned matters are corrected in the annual report, before finalisation thereof. A proper review process	Strategic and Executive Support Manager/ Municipal Manager/Mayor	31-Mar-14

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# # CHAPTER 6

				oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.	will be implemented as to ensure that all the required information is included in the annual report and that all the sections are properly completed.		
245	<b>Compliance</b>	Investment portfolio not submitted (CoA 45)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations	The municipality will report on their investment portfolio when submitting Section 71 reports. The section 71 reports submitted by the Budget clerk will be reviewed to ensure that it includes reporting on the performance of the municipality's investment portfolio.	CFO/ Municipal Manager/ Mayor	31-Mar-14
245	<b>Compliance</b>	Disclosure of budget differences (CoA 67)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the	Management will ensure that the council approved budget is submitted to the chief financial officer who will	CFO/Senior Finance Manager	31-Mar-14

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# # CHAPTER 6

247	<b>Compliance</b>	Information regarding performance bonuses outstanding (CoA 73)	Financial - Misstatement in financial statements	<p>mitigation of risks to the achievement of the objectives, to an acceptable level.</p> <p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p>	<p>then further on submit this to the consultants preparing the annual financial statements.</p> <p>Management will implement proper record keeping for all Employee related matters.</p> <p>Separate employee files will be maintained.</p> <p>All documentation relating to payments will be kept in SCM files.</p> <p>Signed Agreements for Section 57 Managers will be kept and approved by Council.</p>	Corporate Services; HR	31-Mar-14
248	<b>Compliance</b>	MEC local government not informed within 14 days (CoA 82)	Non-compliance with laws & regulations	<p>Management did not review and monitor compliance with applicable laws and regulations</p>	<p>Management will ensure that the municipal council must inform the MEC for local government of</p>	Office of the Speaker	31-Mar-14

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# # CHAPTER 6

					the appointment process and outcome, as may be prescribed. The communication to the MEC will be done through the office of the Speaker.		
248	<b>Compliance</b>	Vacancies (CoA 82)	Non-compliance with laws & regulations	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	The municipality has an approved organisational structure. The Director: Corporate Services will ensure that the department presents an overall vacancy rate for the current and prior periods	Director: Corporate Services	31-Mar-14
249	<b>Compliance</b>	Inadequate budgeting for certain revenue and expenditure items (CoA 11)	Non-compliance with laws & regulations	Actions are not taken to address risks to the achievement of financial reporting objectives.	The items which were noted in the finding have been corrected in the 2013/14 annual budget.	CFO/Senior Finance Manager	31-Mar-14

# # CHAPTER 6

251	<b>Compliance</b>	Unfavourable ratios (CoA 11)	Financial - Misstatement in financial statements	<p>Actions are not taken to address risks to the achievement of financial reporting objectives with respect to identifying unfavourable key financial ratios and ensuring that they are appropriately addressed.</p>	<p>The municipality is currently installing new split meters that will curb the electricity theft problem.</p> <p>The abnormal ration of Fruitless and wasteful expenditure is due to poor financial planning. The municipality has started to implement a cash flow management process where monthly expenditure is planned for a month in advance.</p>	Technical Director /CFO/Senior Finance Manager	31-Mar-14
45	<b>Unauthorized, irregular and Fruitless and wasteful expenditure</b>	Irregular expenditure incorrectly condoned by council (CoA 55)	Financial - Misstatement in financial statements	<p>Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls</p>	<p>Management will comply with the Municipal Finance Act. Irregular expenditure will be sent to national treasury to be condoned.</p>	MM	31-Mar-14

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45	<b>Unauthorised, irregular and Fruitless and wasteful expenditure</b>	Deficiencies noted (CoA 55)	Financial - Misstatement in financial statements	The municipality did not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	A complete and accurate irregular expenditure register will be maintained by the municipality throughout the year and disclosed in the financial statements.	MM	31-Mar-14
51	<b>Unauthorised, irregular and Fruitless and wasteful expenditure</b>	No proof of investigations or recovery from liable person (CoA 55)	Non-compliance with laws & regulations	The municipality did not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Management will ensure that supporting documentation to proof investigations or recovery from liable person is kept and submitted.	MM	31-Mar-14
52	<b>Unauthorised, irregular and Fruitless and wasteful expenditure</b>	Prior year items not included (CoA 55)	Financial - Misstatement in financial statements	The municipality does not develop and monitor the implementation of action plans to address internal control deficiencies. Ongoing monitoring and supervision are not undertaken to enable management to determine whether internal control over financial reporting is	Management will ensure that complete and accurate financial statements are prepared.	MM	31-Mar-14

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# # CHAPTER 6

				present and functioning.			
53	Unauthorized, irregular and Fruitless and wasteful expenditure	Investigations not conducted (CoA 80)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Proper investigations will be conducted and necessary action is taken to comply with Section 32 of the MFMA.	MM	31-Mar-14
54	Unauthorized, irregular and Fruitless and wasteful expenditure	Completeness (CoA 27)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Proper investigations will be conducted and necessary action is taken to comply with Section 32 of the MFMA and disclosed in the financial statements.	MM	31-Mar-14

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254	<b>Unauthorised, irregular and Fruitless and wasteful expenditure</b>	Deficiencies noted (CoA 13)	Financial - Misstatement in financial statements	The municipality did not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Proper investigations will be conducted and necessary action is taken to comply with Section 32 of the MFMA and disclosed in the financial statements.	MM	31-Mar-14
256	<b>Unauthorised, irregular and Fruitless and wasteful expenditure</b>	Required reports not submitted (CoA 13)	Non-compliance with laws & regulations	The municipality did not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Management will maintain a fruitless and wasteful register throughout the year and all instances identified will be reported as per section 32(4) to the mayor, the MEC for local government in the province and the Auditor-General.	MM	31-Mar-14
257	<b>Unauthorised, irregular and Fruitless and wasteful expenditure</b>	Submission of section 32(4) reports (CoA 55)	Non-compliance with laws & regulations	The municipality did not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of	Management will report all instances identified as per section 32(4) to the mayor, the MEC for local government in the province and	MM	31-Mar-14

# # CHAPTER 6

				the objectives, to an acceptable level.	the Auditor-General.		
							31-Mar-14
56	<b>Long Service Award</b>	Journals not processed and understatement (CoA 62)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will ensure that the long service accrual is recorded at its present value per the actuarial report and also ensure that all journals are processed in the general ledger as well as at a financial statement level.	CFO, Tseleng and Mpindo	31-Mar-14
259	<b>Long Service Award</b>	Incomplete disclosure (CoA 62)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management will correct the incorrect line item and ensure that the financial statements are correctly represented.		31-Mar-14

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# # CHAPTER 6

58	<b>Procurement and Contract management</b>	Listing requirements not complied with (R10 000 - R30 000) (CoA 34)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Management will ensure that all quotations sourced from suppliers registered and/or not registered on the suppliers database comply with the listing requirements as per the vendor application form to be registered as suppliers on the municipality's database as per the municipal supply chain management policy.	Supply chain management department.	31-Mar-14
60	<b>Procurement and Contract management</b>	Suppliers with interest by persons in service of the state (CoA 64)	Non-compliance with laws & regulations	Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls.	Management will ensure that all suppliers who provide services for the municipality complete the declaration of interest forms and these forms are properly filled in order to be readily accessible and available to support financial	Supply chain management department.	31-Mar-14

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# # CHAPTER 6

					and performance reporting.		
61	<b>Procurement and Contract management</b>	Deficiencies identified (R30 000 - R200 000) (CoA 52)	Financial - Misstatement in financial statements	Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls.	Internal controls measures will be put in place to ensure that all requirements of the municipal supply chain management policy are implemented.	Supply chain management department.	31-Mar-14
68	<b>Procurement and Contract management</b>	Vendor applications could not be obtained (R30 000 - R200 000) (CoA 52)	Non-compliance with laws & regulations	Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls	A new filling system will be implemented by management to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Supply chain management department.	31-Mar-14
69	<b>Procurement and Contract management</b>	Bid documentation not submitted (CoA 64)	Financial - Misstatement in financial statements	Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and	A new filling system will be implemented by management to ensure that complete,	Supply chain management department.	31-Mar-14

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71	<b>Procurement and Contract management</b>	Contract management (CoA 72)	Non-compliance with laws & regulations	internal controls  Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	relevant and accurate information is accessible and available to support financial and performance reporting.  A new filing system will be implemented by management to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Supply chain management department.	31-Mar-14
73	<b>Procurement and Contract management</b>	Interest in suppliers (CoA 52)	Non-compliance with laws & regulations	Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls.	Management will ensure that all employees and suppliers of the municipality complete the declaration of interest forms and these forms.	Supply chain management department.	31-Mar-14
260	<b>Procurement and Contract management</b>	SCM policy (CoA 22)	Non-compliance with laws & regulations	The municipality does not select and develop control activities over processes and	The Supply chain management policy will be evaluate against all the legislative	Supply chain management department.	31-Mar-14

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# # CHAPTER 6

262	<b>Procurement and Contract management</b>	Performance of other remunerative work by employees (CoA 22)	Non-compliance with laws & regulations	<p>transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p> <p>Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls.</p>	<p>requirements(i.e. Supply chain management regulations and Municipal Finance management Act) and reviewed before being tabled to council for approval.</p> <p>Management will ensure that all employees complete and sign the declaration of interest forms in order to comply with the required legislative requirements(i.e S4(2)(c) of schedcule 2 to the Systems Act.</p>	Supply chain management department.	31-Mar-14
263	<b>Procurement and Contract management</b>	Shortcomings with the supplier database (CoA 34)	Non-compliance with laws & regulations	<p>Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls.</p>	<p>A new supplier database will be implemented which will comply with Section 14(3) of the Municipal Supply chain regulation which states that: "The list must be compiled per</p>	Supply chain management department.	31-Mar-14

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264	<b>Procurement and Contract management</b>	Not complying with listing requirements (R2 000 - R10 000) (CoA 34)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	commodity and per type of services."  Management will ensure that all quotations sourced from suppliers registered and/or not registered on the suppliers database comply with the listing requirements as per the vendor application form to be registered as suppliers on the municipality's database as per the municipal supply chain management policy.	Supply chain management department.	31-Mar-14
268	<b>Procurement and Contract management</b>	Incorrect classification (R2 000 - R10 000) (CoA 34)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Management will ensure that payment vouchers are approved by the relevant officials as per the approved delegation of authority by council to ensure	Supply chain management department.	31-Mar-14

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270	<b>Procurement and Contract management</b>	Incorrect classification (R10 000 - R30 000) (CoA 34)	Financial - Misstatement in financial statements	<p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p>	<p>the accuracy of amounts as well as the correct allocation in the general ledger.</p> <p>Management will ensure that payment vouchers are approved by the relevant officials as per the approved delegation of authority by council to ensure the accuracy of amounts as well as the correct allocation in the general ledger.</p>	Supply chain management department.	31-Mar-14
271	<b>Procurement and Contract management</b>	Vendor applications not obtained (R10 000 - R30 000) (CoA 52)	Non-compliance with laws & regulations	<p>Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls.</p>	<p>A new filling system will be implemented by management to ensure that complete, relevant and accurate information is accessible and available to support financial and performance</p>	Supply chain management department.	31-Mar-14

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# # CHAPTER 6

272	<b>Procurement and Contract management</b>	Classification errors (R30 000 - R200 000) (CoA 52)	Financial - Misstatement in financial statements	<p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p> <p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p>	<p>reporting.</p> <p>Management will ensure that payment vouchers are approved by the relevant officials as per the approved delegation of authority by council to ensure the accuracy of amounts as well as the correct allocation in the general ledger.</p> <p>Management will ensure that payment vouchers are approved by the relevant officials as per the approved delegation of authority by council to ensure the accuracy of amounts as well as the correct allocation in the general ledger.</p>	Supply chain management department.	31-Mar-14
275	<b>Procurement and Contract management</b>	Incorrect classifications (awards above R200 000) (CoA 64)	Financial - Misstatement in financial statements	<p>The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.</p>	<p>Management will ensure that payment vouchers are approved by the relevant officials as per the approved delegation of authority by council to ensure the accuracy of amounts as well as the correct allocation in the general ledger.</p>	Supply chain management department.	31-Mar-14

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280	<b>Procurement and Contract management</b>	Information relating to consultants not submitted (CoA 64)	Internal Control Deficiency	Control activities are not selected and developed to mitigate risks over financial reporting. The municipality does not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	A new filing system will be implemented by management to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Supply chain management department.	31-Mar-14
282	<b>Procurement and Contract management</b>	Deviations disclosure note (CoA 64)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	The details included in the note to the financial statements will be investigated and corrected	Supply chain management department.	31-Mar-14
415	<b>Procurement and Contract management</b>	Suppliers with shared information (CoA 34)	Internal Control Deficiency	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to	A new supplier database will be implemented which will comply with Section 14(3) of the Municipal Supply chain	Supply chain management department.	31-Mar-14

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				the achievement of the objectives, to an acceptable level.	regulation.All duplications and/or errors in the current database will be corrected with the implementation of the new supplier database.		
75	<b>Post Retirement Benefits</b>	Disclosure not complete (CoA 78)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations	Disclosure checklist to be drafted to ensure that all the financial disclosures are appropriately disclosed and completed in the financial statements in terms of applicable laws and regulations.	Senior Manager Finance	31-Mar-14
284	<b>Post Retirement Benefits</b>	Classification in Financials incorrect (CoA 78)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations	Management to ensure that accurate post retirement benefit classification to be included in the financial statement and review to be conducted by the	Chief Financial Officer	31-Mar-14

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# # CHAPTER 6

					financial accountant to ensure validity, accuracy and completeness.		
77	<b>Disclosure</b>	Assessment of going concern (CoA 80)	Non-compliance with laws & regulations	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Financial disclosure checklist to be drafted to ensure that financial accounts that need to be disclosed are disclosed according to the required laws and regulations.	Senior Manager Finance	31-Mar-14
286	<b>Disclosure</b>	Other disclosures required in terms of the MFMA (CoA 76)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations	A full financial disclosure checklist to be drafted to ensure that all financial accounts that need to be disclosed are disclosed according to the required laws and regulations and that they are reviewed by the Chief Financial Officer	Senior Manager Finance/ Chief Financial Officer	31-Mar-14

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289	<b>Disclosure</b>	Risk management not disclosed in accordance with GRAP104 (CoA 76)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	All risk related financial documentation to be kept and maintained by the Risk Management Officer and the the financial disclosure in relation to risk management to be drafted by the Risk Officer and reviewed by the Chief Financial Officer. All risk management documentation to be made available by the risk officer upon request.	Risk Officer	31-Mar-14
78	<b>Inventory</b>	Completeness of amount disclosed (CoA 60)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance	Management to implement controls as to ensure that all inventory is accounted for on the financial records of the municipality. The necessary adjustments to	Senior Manager Finance	31-Mar-14

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# # CHAPTER 6

				reporting.	be processed timeously. Inventory list to be maintained for each office and kept at the back door of each office and updated on a regular basis.		
79	<b>Investment Property</b>	Support for classification not provided (CoA 24)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	An investment property registered to be maintained with the supporting title deeds. Should management be unable to supply the information requested in the time specified, they will indicate the reasons for the failure to submit information or the delay in providing the information within reasonable time.	Senior Manager Finance/ Asset Controller	31-Mar-14
80	<b>Investment Property</b>	Change in accounting policy (CoA 3)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable accounting	Management to ensure that the change in accounting	Senior Manager Finance/ Chief Financial	31-Mar-14

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# # CHAPTER 6

				standards.	policies and disclosed in accordance to GRAP and reviewed by the Chief Financial Officer.	Officer	
81	<b>Investment Property</b>	Not measured at fair value (CoA 24)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations.	Investment to be determined at fair value yearly	Senior Manager Finance/ Chief Financial Officer	31-Mar-14
82	<b>Investment Property</b>	Information not submitted (CoA 24)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Asset controller to ensure that all the supporting documentation with regard to investment property to be maintained in the investment property e.g title deeds	Asset Controller/ Senior Manager Finance	31-Mar-14
83	<b>Investment Property</b>	Completeness (CoA 46)	Financial - Misstatement in financial statements	Management should also perform timely physical verification of assets and ensure that the verification process is overseen by a independent senior official, and that the fixed asset register is appropriately updated.	Asset controller in conjunction with the town planner to ensure that all investment properties are included in the investment asset register.	Asset Controller/ Senior Manager Finance	31-Mar-14

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# # CHAPTER 6

85	<b>Investment Property</b>	Duplication and valuation of assets (CoA 24)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Investment property to be reviewed by the senior manager finance to ensure that duplicated assets are removed and recorded correctly.	Senior Manager Finance	31-Mar-14
292	<b>Investment Property</b>	Disclosures not made (CoA 3)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Disclosure checklist to be compiled to ensure that complete and accurate disclosure in made in the financial statements in terms of GRAP.	Senior Manager Finance/ Chief Financial Officer	31-Mar-14
294	<b>Investments</b>	Prior period error incorrectly disclosed (CoA 61)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Prior period errors to be prepared by the Senior Manager Finance and reviewed the Chief Financial Officer and all supporting documentation in relation to prior period error adjustments to	Senior Manager Finance/ Chief Financial Officer	31-Mar-14

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# # CHAPTER 6

					be maintained and presented upon request.		
294	<b>Investments</b>	Differences identified (CoA 8)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Monthly review of the trial balance and the general ledger to be conducted by the senior manager to ensure timely adjustments in relation to differences identified between the trial balance, general ledger and fixed asset register.	Senior Manager Finance/ Asset Controller	31-Mar-14
417	<b>Investments</b>	All disclosures not included in the financial statements (CoA 8)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Disclosure checklist to be compiled to ensure that complete and accurate disclosure in made in the financial statements in terms of GRAP.	Senior Manager Finance/ Chief Financial Officer	31-Mar-14

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# # CHAPTER 6

418	<b>Investments</b>	Control weaknesses noted (CoA 8)	Internal Control Deficiency	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	The senior manager finance to review the general ledger and the investment certificates on a bi-annual basis to ensure accuracy and completeness of investments.	Senior Manager Finance/ Chief Financial Officer	31-Mar-14
299	<b>Leases</b>	Inadequate lease register (CoA 16)	Internal Control Deficiency	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Asset controller to ensure that all new leases are included in the lease register which will be reviewed by the Senior Manager Finance, valid, accurate and complete supporting documentation to be maintained in the lease register and reviewed bi-annually.	Senior Manager Finance/ Asset Controller	31-Mar-14

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# # CHAPTER 6

300	<b>Leases</b>	Completeness of operating leases (CoA 44)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Asset controller to ensure that all new leases are included in the lease register which will be reviewed by the Senior Manager Finance	Senior Manager Finance/ Asset Controller	31-Mar-14
301	<b>Leases</b>	Information not submitted (CoA 44)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Asset controller to ensure that all new leases are included in the lease register which will be reviewed by the Senior Manager Finance and that all the information and supporting documentation is adequately completed and filled and available upon request.	Senior Manager Finance/ Asset Controller	31-Mar-14
420	<b>Leases</b>	Incomplete disclosure (CoA 16)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that	Disclosure checklist to be compiled to ensure that complete and accurate	Senior Manager Finance/ Chief Financial Officer	31-Mar-14

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# # CHAPTER 6

				contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	disclosure in made in the financial statements in terms of GRAP.		
87	<b>Movable Assets</b>	Completeness of property on the fixed asset register (CoA 17)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will ensure that a reconciliation of assets is compiled and maintained on monthly basis, an updated valuation roll will be available in the new financial year and however all assets as reflected in the valuation roll will reconciled to the asset register also ensuring that their fair / market value on investment property are investigated and adjusted.	Asset Manager	31-Mar-14

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88	<b>Movable Assets</b>	Assets duplicated on the fixed asset register (CoA 17)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Asset Management Unit has been established whereby verifications will be done quarterly, management will also ensure that asset register is corrected and all assets duplicated are investigated and adjusted accordingly.	Asset Manager	31-Mar-14
91	<b>Movable Assets</b>	No review of residual values and useful lives (CoA 4)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations	Management will review the residual values, depreciation methods and useful lives at year end and keep proof of such to ensure compliance with the requirements of GRAP 17.	Asset Manager	31-Mar-14

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92	<b>Movable Assets</b>	Register does not agree to the financial statements and trial balance (CoA 4)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	<p>Management have established an asset management unit that is tasked with the responsibility of ensuring that additions and disposals are correctly accounted for in the general ledger. Management will ensure that reconciliations are performed and reviewed monthly through this section.</p>	Asset Manager and CFO	31-Mar-14
93	<b>Movable Assets</b>	Disclosure not in accordance with GRAP (CoA 4)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	<p>Management has established the assets unit, whereby they will ensure that all assets and additions are recorded on the asset register, also ensure that verification takes place quarterly. Management will also ensure that all the disclosures meet</p>	Asset Manager and CFO	31-Mar-14

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# # CHAPTER 6

					the GRAP requirements.		
94	<b>Movable Assets</b>	Understatement of work-in-progress (CoA 31)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management will ensure proper reviewing over the processing of capital expenditure on a timely basis throughout the financial year under review.	Asset Manager and CFO	31-Mar-14
95	<b>Movable Assets</b>	Work-in-progress not updated (CoA 41)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management will ensure that both the asset office and the PMU reconciles their assets to ensure that progress made by PMU is also registered or captured and reviewed on the asset register.	Asset Manager and CFO	31-Mar-14

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# # CHAPTER 6

97	<b>Movable Assets</b>	Lack of control over the fixed asset register (CoA 4)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management has established the assets unit and movable assets verification is conducted quarterly while the municipality will ensure that fixed assets are verified twice a year, Management will ensure that all damaged assets are removed from the asset register and disposed of according to the asset management policy and be approved by the council.	Asset Manager and CFO	31-Mar-14
98	<b>Movable Assets</b>	Classification of projects (CoA 31)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will ensure correct allocations of vote, acting assets officers with the supervision of senior management will ensure a proper reconciliation of assets is	Asset Manager and CFO	31-Mar-14

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# # CHAPTER 6

99	<b>Movable Assets</b>	Error in disclosure (CoA 31)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	<p>performed and integrated to the financial system. The municipality will also ensure that the asset register is linked to the financial system and reviewed on monthly basis.</p> <p>Management will ensure that after the completion of the asset register, physical verification is made, reconciliation is performed on monthly basis to ensure that the asset register reconciles with the monthly trial balance.</p>	Asset Manager and CFO	31-Mar-14
100	<b>Movable Assets</b>	Documentation to support values not submitted (CoA 31)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance</p>	<p>Management will ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof</p>	Asset Manager and CFO	31-Mar-14

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# # CHAPTER 6

					reporting.			
107	<b>Movable Assets</b>	Assets that could not be verified (CoA 79)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will ensure complete and accurate fixed assets register is maintained throughout the year.	Asset Manager and CFO	31-Mar-14	
111	<b>Movable Assets</b>	Impairment indicators identified (CoA 79)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions	Management has established the assets unit and movable assets verification is conducted quarterly while the municipality will ensure that fixed assets are verified twice a year, Management will ensure that all damaged assets are removed from the asset register and disposed of	Asset Manager and CFO	31-Mar-14	

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					according to the asset management policy and be approved by the council.		
112	<b>Movable Assets</b>	Useful lives not considered to be reasonable (CoA 4)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management will review the residual values, depreciation methods and useful lives at year end and keep proof of such to ensure compliance with the requirements of GRAP 17.	Asset Manager and CFO	31-Mar-14
114	<b>Movable Assets</b>	Completeness of the fixed asset register (CoA 4)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management has established the assets unit and movable assets verification is conducted quarterly while the municipality will ensure that fixed assets are verified twice a year, Management will ensure that all damaged assets are removed from the asset	Asset Manager and CFO	31-Mar-14

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					register and disposed of according to the asset management policy and be approved by the council.		
116	<b>Movable Assets</b>	No assessment of impairment (CoA 4)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will perform impairment assessments after the review and correction of the weaknesses identified with the current fixed assets register.	Asset Manager and CFO	31-Mar-14
118	<b>Movable Assets</b>	Disclosure of WIP (CoA 17)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations.	Management will review the financial statements to ensure that all the disclosure requirements of GRAP are met.	Asset Manager and CFO	31-Mar-14
118	<b>Movable Assets</b>	Impaired assets identified (CoA 17)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management will ensure that verification of assets is performed on quarterly basis and half yearly for fixed assets,	Asset Manager and CFO	31-Mar-14

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303	<b>Movable Assets</b>	Location of asset not included in detailed asset register (CoA 4)	Internal Control Deficiency	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	whereby the conditions of the assets together with the life span will be reviewed and adjusted accordingly.  Management will perform a review of the fixed assets register to ensure that it is compliance with the requirements of GRAP 17.	Asset Manager and CFO	31-Mar-14
304	<b>Movable Assets</b>	Difference between 2011/12 depreciation on the AFS and FAR (CoA 17)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will ensure that monthly reconciliations between the detailed asset register and the trail balance is performed and reviewed by an independent senior official and follow-up work performed on variances.	Finance Department - CFO and Tseleng Mkhuma	31-Mar-14

# # CHAPTER 6

305	<b>Movable Assets</b>	Assets not adequately insured (CoA 31)	Internal Control Deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management was in a process of finalizing the infrastructure assets through a service provider (Market Demand. We will prioritise this matter to ensure that on completion of the assets register, a complete schedule of all assets that needs to be insured will be sent to Walton Alexander or any other company appointed for insurance.	Finance Department - CFO, Tseleng Mkhuma and Supply Chain Manager	31-Mar-14
306	<b>Movable Assets</b>	Leased assets not accounted for (CoA 31)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	In future management will ensure that motor vehicles are recognised as part of the property, plant and equipment, as well as the relating liability. In addition, also recognise the entire transaction in accordance with GRAP.	Finance Department - CFO, Tseleng Mkhuma and Consultants	31-Mar-14

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# # CHAPTER 6

307	<b>Movable Assets</b>	Duplicate asset numbers (CoA 4)	Internal Control Deficiency	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will investigate the matter and will however start with the process of verifying the assets also ensuring that what is on the asset register has been verified with its unique asset number	Finance Department - Tseleng Mkhuma and Officials in the assets unit	31-Mar-14
422	<b>Movable Assets</b>	Additions not accurately recorded (CoA 17)	Internal Control Deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	In future management will ensure that additions are recognised in accordance with GRAP 17, at the cost of the asset. Will also ensure that fixed assets is reviewed on weekly to ensure its accuracy and completeness.	Finance Department - Tseleng Mkhuma and Officials in the assets unit	31-Mar-14
423	<b>Movable Assets</b>	Error in depreciation calculation (CoA 4)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support	Management will start with the process of verifying all the assets as contained in the asset register and ensuring that all additions are	Finance Department - CFO, Tseleng Mkhuma and Officials in the assets unit	31-Mar-14

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				financial and performance reporting.	coded and included in the assets register. We will further verify the accuracy of the lifespan of the assets to enabling the municipality to calculate the depreciation as and when required.		
120	<b>Operating Expenditure</b>	Interest incurred on late payments (CoA 18)	Financial - Misstatement in financial statements	The municipality do not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	From this time forth management will ensure that all interest incurred on late and outstanding payments to suppliers under finance costs in the financial statements is disclose	Finance Department - CFO, Tseleng Mkhuma and Consultants	31-Mar-14
121	<b>Operating Expenditure</b>	Payments not made within 30 days (CoA 7)	Non-compliance with laws & regulations	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and	Hence forth management will ensure that relevant controls are in place and properly implemented to ensure that	Finance Department - CFO, Tseleng Mkhuma Tilly and Themba Mpindo	31-Mar-14

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122	<b>Operating Expenditure</b>	Prior year matters not resolved (CoA 35)	Financial - Misstatement in financial statements	<p>available to support financial and performance reporting.</p> <p>Management did not implement controls over daily and monthly processing and reconciling of transactions</p>	<p>money owing by the municipality is paid within 30 days after receiving the invoice or statement.</p> <p>From this time forth management will ensure that controls over daily and monthly processing and reconciling of transactions are implemented to ensure that bulk purchases are recognised in the general ledger on the date which the risk and rewards transfer to the municipality, and not the date of payment. And also implement the necessary controls to ensure that supplier reconciliations are performed on a monthly basis, and that differences</p>	Finance Department - CFO, Tseleng Mkhuma Tilly and Themba Mpindo	31-Mar-14
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# # CHAPTER 6

					identified are followed up on a timely basis and be reviewed by a senior independent official.		
125	<b>Operating Expenditure</b>	Classification of bad debts (CoA 48)	Financial - Misstatement in financial statements	Management should disclose expenses either by nature or by function within the municipality. The necessary adjustments should be made to the disclosure in the financial statements.	Hence forth management will ensure that expenses either by nature or by function within the municipality are disclosed. The necessary adjustments will be made to the disclosure in the financial statements.	Finance Department - CFO and Tseleng Mkhuma and Daphny	31-Mar-14
126	<b>Operating Expenditure</b>	Incorrect classifications (CoA 14)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable	Management will inspect the entire population as to identify all instances of expenses not correctly classified. The	Finance Department - CFO and Tseleng Mkhuma and Themba	31-Mar-14

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# # CHAPTER 6

127	<b>Operating Expenditure</b>	Overstatement of bulk purchases (CoA 129)	Financial - Misstatement in financial statements	information  Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	necessary correcting journals will then be processed.  Hence forth management will perform a reconciliation between the capital purchases made and the fixed asset register to ensure that the fixed asset register is accurate and complete. Management will monitor to ensure that all invoices are captured in the correct financial period and also ensure that the accrual basis of accounting and not cash basis is enforced. The necessary adjustments will be processed as well.	Finance Department - CFO and Tseleng Mkhuma and Themba	31-Mar-14
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# # CHAPTER 6

129	<b>Operating Expenditure</b>	Payments not made within 30 days (CoA 38)	Non-compliance with laws & regulations	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will ensure that relevant controls are in place and properly implemented to ensure that money owing by the municipality is paid within 30 days after receiving the invoice or statement.	Finance Department - CFO and Tseleng Mkhuma and Themba	31-Mar-14
129	<b>Operating Expenditure</b>	Incorrect classification of finance cost on landfill closure liability (CoA 63)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will ensure that from this time forth classify interest on landfill closure liability as finance cost, and also review all adjustments processed to ensure accuracy and classification.	Finance Department - CFO and Tseleng Mkhuma and Themba	31-Mar-14
130	<b>Operating Expenditure</b>	Difference between TB and ledger (CoA 63)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial reports.	Management will ensure that from this time forth the general ledger agrees with the trial balance and the financial statements by performing a	Finance Department - CFO and Tseleng Mkhuma and Themba	31-Mar-14

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# # CHAPTER 6

					recon. In future, management will also ensure that general ledger is updated with all adjustment journals (not only process these journals on caseware).		
131	<b>Operating Expenditure</b>	Prior period exceptions not resolved (CoA 71)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof.	Finance Department - CFO and Tseleng Mkhuma, Themba and Tilly	31-Mar-14
135	<b>Operating Expenditure</b>	Outstanding information (CoA 129)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-mentioned information are not available,	Finance Department - CFO and Tseleng Mkhuma, and Themba	31-Mar-14

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136	Operating Expenditure	Prior year exceptions not addressed (CoA 7)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	then it will be indicated in management's response to this communication.  Hence forth management will ensure that proper controls are implemented to correct prior period matters and also ensure that supporting documents are readily available for users thereof.	Finance Department - CFO, Tseleng and Themba	31-Mar-14
138	Operating Expenditure	Incorrect classification regarding assets (CoA 7)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management will inspect the entire population for repairs and maintenance and ensure that all the incorrect classifications are corrected.	Finance Department - CFO, Tseleng and Themba	31-Mar-14
139	Operating Expenditure	Payments not made within 30 days (CoA 63)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations.	From this time forth management will implement controls to ensure that outstanding creditors are followed up	Finance Department - CFO, Tseleng, Themba and Tilly	31-Mar-14

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309	<b>Operating Expenditure</b>	Documentation not submitted (CoA 38)	Non-compliance with laws & regulations	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	before the 30 days payment regulation as stated in MFMA 65 (2).  Management will ensure that from this time forth all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof.	Finance Department - CFO, Tseleng, Mpindo and Tilly	31-Mar-14
310	<b>Operating Expenditure</b>	Prior period adjustment (CoA 38)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	From this time forth Management will ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof.	Finance Department - Tseleng, Themba and CFO	31-Mar-14
311	<b>Operating Expenditure</b>	Understatement of general expenses (CoA 63)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management will ensure that internal controls are implemented with regard to the reviewing	Finance Department - Tseleng, Themba and CFO	31-Mar-14

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312	Operating Expenditure	Invoices not submitted (CoA 7)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	process over the classification of expenditure.  Management will ensure that from this time forth all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. The above-mentioned invoices will be submitted for audit purposes as soon as possible. If management is not able to submit these documents, management will clearly indicate in the response to this communication.	Finance Department - Tseleng, Themba and CFO	31-Mar-14
312	Operating Expenditure	Incorrect VAT treatment (CoA 63)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations	Management will ensure that incorrect VAT claimed on these payment vouchers is	Finance Department - Tseleng, Themba and CFO	31-Mar-14

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# # CHAPTER 6

314	<b>Operating Expenditure</b>	Information not submitted (CoA 14)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p>	<p>corrected. In future, we will ensure that we only claim input VAT on valid tax invoices.</p> <p>Management will ensure from this time forth that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.</p>	Finance Department - Tseleng, Themba and CFO	31-Mar-14
316	<b>Operating Expenditure</b>	Incorrect classification regarding VAT and interest (CoA 7)	Financial - Misstatement in financial statements	<p>Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>Management will inspect the entire population as to identify all the transactions that were not correctly calculated. An adjustment journal will be</p>	Finance Department - Tseleng, Themba and CFO	31-Mar-14

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					processed to correct all these transactions.		
316	<b>Operating Expenditure</b>	Difference between ledger and financial statements (CoA 10)	Financial - Misstatement in financial statements	Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities	Management will investigate the above-mentioned difference and provide reasons/supporting documentation for the difference.	Finance Department - Tseleng, Themba and CFO	31-Mar-14
317	<b>Operating Expenditure</b>	Incorrect classifications within general expenses (CoA 63)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions	From this time forth Management will ensure that controls over daily and monthly processing and reconciling of transactions are implemented and review process over the classification of expenditure is done.	Finance Department - Tseleng, Themba and CFO	31-Mar-14
318	<b>Operating Expenditure</b>	Expenditure incorrectly classified (CoA 63)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	From this time forth management will ensure that they implement a review process	Finance Department - Tseleng, Themba and CFO	31-Mar-14

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319	<b>Operating Expenditure</b>	Expenses not correctly accrued (CoA 63)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions	over the classification of expenditure.  Management will determine the total extent of the expenses not correctly accrued and process the necessary correcting journals.	Finance Department - Tseleng, Themba and CFO	31-Mar-14
320	<b>Operating Expenditure</b>	Three quotations not obtained (CoA 63)	Non-compliance with laws & regulations	Management does not exercise sufficient oversight responsibility over compliance with laws and regulations and internal controls.	Hence forth management will ensure that they implement sufficient procedures and processes that will monitor and enforce compliance with the supply chain management policy	Finance Department - Tilly, Tseleng, Themba and CFO	31-Mar-14
321	<b>Operating Expenditure</b>	Limitation misstatement (CoA 10)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and	Management will ensure that that all information supporting the financial records is safeguarded, properly managed and readily available for the users	Finance Department - Tseleng, Themba and CFO	31-Mar-14

# # CHAPTER 6

322	Operating Expenditure	Incorrect classification (CoA 10)	Financial - Misstatement in financial statements	<p>performance reporting</p> <p>Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>thereof. If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.</p> <p>Management will ensure that they implement the necessary controls to ensure the following:</p> <ul style="list-style-type: none"> <li>- the correct classification of the Repairs and Maintenance, Property, Plant and Equipment and Contracted Services and Collection Costs;</li> <li>- that expenses are capitalised when it meets the definition of an asset.</li> </ul> <p>Management will also investigate the entire population of contracted services as to</p>	Finance Department - Tilly, Tseleng, Themba and CFO	31-Mar-14
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# # CHAPTER 6

324	<b>Operating Expenditure</b>	Expense recognised in incorrect period (CoA 10)	Financial - Misstatement in financial statements	<p>Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities.</p>	<p>Management will ensure that the accrual basis of accounting is applied and that expenses are recognised in the correct financial periods. Management will also inspect the entire population of expenses for contracted services as to identify all transactions that were processed in the incorrect financial year, and will then process correcting journals.</p>	Finance Department - Tseleng, Themba and CFO	31-Mar-14
424	<b>Operating Expenditure</b>	Expenses not recorded in the correct period (CoA 71)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	<p>Proper controls over safe guarding of information will be implemented to ensure all creditors are accounted for at year end. The necessary adjustment journals will be processed to</p>	Finance Department - Pinky, Tseleng, Themba and CFO	31-Mar-14

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# # CHAPTER 6

					correct these matters.		
140	<b>Payables</b>	Supplier statements do not reconcile to creditors' age analysis (CoA 54)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	From this time forth management will ensure that all supporting documents used to compile the AFS are accurate and complete by reviewing work performed of junior employees. Management will also perform a reconciliation between the financial statements and supporting schedules. Hence forth management will also ensure thaa detailed reconciliation between the creditor age analyses and the	Finance Department - Pinky, Tseleng, Themba and CFO	31-Mar-14

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# # CHAPTER 6

					creditor statements is performed. The necessary correcting journals will also be processed to correct the matters referred to above.		
142	<b>Payables</b>	Creditors not paid within 30 days (CoA 81)	Non-compliance with laws & regulations	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management ensure that they implement controls over the payment of creditors to ensure creditors are paid on time.	Finance Department - Pinky, Tseleng, Themba and CFO	31-Mar-14
143	<b>Payables</b>	Liability not raised at year-end (CoA 54)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will investigate the entire population as to determine other unrecorded liabilities at year-end. The necessary correcting journals will be processed to account for all these payables.	Finance Department - Pinky, Tseleng, Themba and CFO	31-Mar-14

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# # CHAPTER 6

144	<b>Payables</b>	Invoices not recorded in the correct period (CoA 54)	Financial - Misstatement in financial statements	Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will investigate the entire population as to determine other unrecorded liabilities at year-end. The necessary correcting journals will then be processed to account for all these payables.	Finance Department - Pinky, Tseleng, Themba and CFO	31-Mar-14
144	<b>Payables</b>	Substantive evidence for journals not received (CoA 54)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.	Finance Department - Pinky, Tseleng, Themba and CFO	31-Mar-14

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# # CHAPTER 6

146	<b>Payables</b>	Unidentified deposits (CoA 81)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Hence forth management will implement procedures to ensure that this account is cleared on a timely basis.	Finance Department - Thami, Tseleng, Themba and CFO	31-Mar-14
147	<b>Payables</b>	Retention money not accounted for (CoA 54)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management will determine the total extent of retention money on payments which were already made. The necessary correcting journals will be process to account for these.	Finance Department - Tseleng, Themba and CFO	31-Mar-14
148	<b>Payables</b>	Accounts with no movements (CoA 81)	Financial - Misstatement in financial statements	Management did not implement proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will follow up on accounts which did not have any movements during the year to ensure the existence of payables.	Finance Department - Thami, Tseleng, Themba and CFO	31-Mar-14

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# # CHAPTER 6

149	<b>Payables</b>	Misstatement in corresponding balance (CoA 81)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	<p>Financial statements will be corrected with the understatement. Management will ensure that supplier statements are received monthly that creditor reconciliations is performed to ensure Trade Payables in the financial statements are complete, and accurate.</p>	Finance Department - Pinky, Tseleng, Themba and CFO	31-Mar-14
326	<b>Payables</b>	Expense transaction classified incorrectly (CoA 54)	Financial - Misstatement in financial statements	<p>Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p>	<p>Corrections to the above mentioned findings will be made as follows:  a) The expense of R619 080 will be correctly classified as Staff Training.  b) The Eskom invoice will be correctly accounted for as follow:</p>	Finance Department - CFO and consultants	31-Mar-14
					<p>Debit Amt Credit Amt</p>		

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# # CHAPTER 6

327	<b>Payables</b>	Suspense accounts not cleared (CoA 54)	Financial - Misstatement in financial statements	The municipality did not implement proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support financial reporting .	Payables: Eskom 9,997,166.61 Interest on overdue account 1,191,936.43 Purchase Of Electricity 7,723,886.13 VAT 1,081,344.05  Management will investigate suspense accounts and follow up on long outstanding items in order to clear suspense accounts in a timely manner. Suspense accounts will must be cleared by the end of the financial year. Each transactions will be transferred back to the original documents and corrections processed with sufficient and	Finance Department - Tseleng, Themba and CFO	31-Mar-14
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# # CHAPTER 6

					appropriate supporting documentation attached.		
328	<b>Payables</b>	Differences between the debtors age analysis and Venus (CoA 54)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will investigate the above-mentioned differences and provide reasons for these differences for audit purposes (and where applicable, documentation to support these differences).	Finance Department - Daphny, Tau, and CFO	31-Mar-14
329	<b>Payables</b>	Monthly reconciliations not performed and reviewed (CoA 54)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions	Management will ensure that controls over daily and monthly processing and reconciling of transactions, which includes performing monthly creditors reconciliations as well as the review thereof	Finance Department - Pinky, Themba, Tseleng and CFO	31-Mar-14

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# # CHAPTER 6

					are implemented.		
329	<b>Payables</b>	Prior year SARS statement balance (CoA 54)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will investigate the above-mentioned difference and provide supporting evidence/explanations for the difference.	Finance Department - Themba and CFO	31-Mar-14
425	<b>Payables</b>	Use of suspense accounts (CoA 54)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will investigate suspense accounts and follow up on long outstanding items in order to clear suspense accounts in a timely manner. Suspense accounts will be cleared by the end of the financial year. Each transactions will be transferred back to the original	Finance Department - Themba and CFO	31-Mar-14

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# # CHAPTER 6

					documents and corrections processed with sufficient and appropriate supporting documentation attached.		
151	<b>Predetermined Objectives</b>	No performance agreements for section 57 managers (CoA 19)	Misstatements in Annual Performance Report	<p>The municipality did not promote accountability and service delivery through providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.</p>	<p>Management will ensure that employment contracts and performance agreements are signed by all senior managers.</p>	<p>Municipal Manager's and Corporate service Department - Municipal Manager and Director Bopalamo</p>	31-Mar-14
152	<b>Predetermined Objectives</b>	Lack of effective, efficient and transparent systems and internal controls (CoA 53)	Misstatements in Annual Performance Report	<p>The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>From this time forth the accounting officer will ensure that he exercise oversight responsibility regarding financial and performance reporting and</p>	<p>Municipal Department - Municipal Manager and Tshekedi</p>	31-Mar-14

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# # CHAPTER 6

154	<b>Predetermined Objectives</b>	Performance targets were not specific and measurable (CoA 53)	Misstatements in Annual Performance Report	Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over non-financial reporting.	compliance and related internal controls.  From this time forth management will ensure that the set targets are specific so that the nature and the required level of performance can be clearly identified and be measurable so that the required performance can be measured.	Municipal Department - Municipal Manager and Tshekedi	31-Mar-14
156	<b>Predetermined Objectives</b>	Measurable indicators were not set (CoA 53)	Misstatements in Annual Performance Report	The accounting officer does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	(a) Management should ensure that indicators are well-defined which are clear, have an unambiguous definition so that data will be collected consistently and be easy to understand and used.  (b) Management	Municipal Managers Department - Strategic and Executive Support Manager	31-Mar-14

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# # CHAPTER 6

158	<b>Predetermined Objectives</b>	Inconsistencies between planned and reported objectives, indicators and targets (CoA 53)	Misstatements in Annual Performance Report	The municipality does not review and monitor compliance with applicable laws and regulations.	<p>should ensure that indicators are verifiable so that it will be possible to validate the processes and systems that produce the indicators.</p> <p>(a) Management should ensure that all the planned objectives, indicators and targets as stated in the SDBIP are reported on in the Annual Report.</p> <p>(b) Management should ensure that all the information reported in the Annual Report is reported consistently throughout the Annual Report.</p>	Municipal Managers Department - Strategic and Executive Support Manager	31-Mar-14
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# # CHAPTER 6

160	<b>Predetermined Objectives</b>	Reported performance not reported in Annual Report (CoA 53)	Misstatements in Annual Performance Report	The municipality does not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.	Management should ensure that the performance of the municipality are reported in the annual report as prescribe by the relevant laws and regulations.	Municipal Managers Department - Strategic and Executive Support Manager	31-Mar-14
163	<b>Predetermined Objectives</b>	Performance Management Framework not approved (CoA 19)	Misstatements in Annual Performance Report	Management did not establish, with oversight by the accounting authority, structures, reporting lines and appropriate delegations of authority and responsibilities in pursuit of objectives.	An institutional performance management system will be compiled and approved by the Council to ensure compliance with the relevant laws and regulations.	Municipal Managers Department - Strategic and Executive Support Manager	31-Mar-14
331	<b>Predetermined Objectives</b>	Inconsistencies between IDP and SDBIP (CoA 53)	Misstatements in Annual Performance Report	The municipality does not review and monitor compliance with applicable laws and regulations.	Management agree. Management will put in place controls to ensure that all the development priorities/focus areas and objectives stated in the IDP are address in the SDBIP of the municipality.	Municipal Managers Department - Strategic and Executive Support Manager	31-Mar-14



333	<b>Predetermined Objectives</b>	Non-compliance with laws and regulations (Mid-year report) (CoA 19)	Misstatements in Annual Performance Report	Management did not review and monitor compliance with applicable laws and regulations.	From this time forth management will ensure that the requirements of the relevant laws and regulations are adhere to.	Municipal Manangers Department - Strategic and Executive Support Manager	31-Mar-14
335	<b>Predetermined Objectives</b>	Planned indicator and target not relevant (CoA 53)	Misstatements in Annual Performance Report	Management did not review and monitor compliance with applicable laws and regulations	Hence forth management will ensure that the planned indicators and targets set in the SDBIP have a direct link to the mandate of the municipality as recommended.	Municipal Manangers Department - Strategic and Executive Support Manager	31-Mar-14
336	<b>Predetermined Objectives</b>	Development priorities/focus areas without budget allocations (CoA 19)	Misstatements in Annual Performance Report	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	From this time forth management will ensure that resources are allocated to each of the development priorities/focus areas stated in the IDP.	Municipal Manangers Department - Strategic and Executive Support Manager	31-Mar-14
338	<b>Predetermined Objectives</b>	Planned indicators and targets not set (CoA 53)	Misstatements in Annual Performance Report	The municipality does not review and monitor compliance with applicable laws and regulations.	From this time forth management will ensure that proper controls are developed to	Municipal Manangers Department - Strategic and Executive Support	31-Mar-14

# # CHAPTER 6

					ensure that adherence to the provisions of the act is maintained.	Manager	
339	<b>Predetermined Objectives</b>	Non-compliance with laws and regulations (IDP) (CoA 19)	Misstatements in Annual Performance Report	Management did not review and monitor compliance with applicable laws and regulations	Hence forth management will ensure that the IDP is compiled as required by the acts and regulations.	Municipal Managers Department - Strategic and Executive Support Manager	31-Mar-14
341	<b>Predetermined Objectives</b>	Non-compliance with laws and regulations (Budget process) (CoA 19)	Misstatements in Annual Performance Report	The municipality does not review and monitor compliance with applicable laws and regulations	From this time forth measures will be implemented to ensure the adherence to the provisions of the laws and regulations.	Finance Department - Themba and CFO	31-Mar-14
							31-Mar-14
344	<b>Prepayments</b>	Deposit not paid by consumers (CoA 25)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Hence forth management will ensure that consumers pay the deposit before they receive the services from the municipality to enable the municipality to	Finance Department - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

426	<b>Prepayments</b>	No reconciliation performed between the register and AFS (CoA 25)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions	recover any debt from the consumer.  Management will must ensure that the monthly reconciliations between the deposit register and the deposit control account are performed.	Finance Department - CFO and Daphny	31-Mar-14
166	<b>Provisions</b>	Incorrect presentation and disclosure (CoA 28)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management will correct the incorrect line item and ensure that the financial statements are correctly represented	Finance Department - CFO and Consultant	31-Mar-14
166	<b>Provisions</b>	Incorrect disclosure in the statement of financial performance (CoA 28)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management will correct the incorrect line item and ensure that the financial statements are correctly represented	Finance Department - CFO and Consultant	31-Mar-14

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# # CHAPTER 6

167	<b>Provisions</b>	Overstatement of site to be rehabilitated (CoA 28)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will ensure that provisions are calculated accurately and correctly recorded in the financial statements. The necessary adjustments will be made to ensure that provisions are accounted for at the correct value.	Community service Department and - CFO, Director Kamolane, Mr Mrumo	31-Mar-14
168	<b>Provisions</b>	Non-compliance with legislation (CoA 28)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations	Management will implement the necessary controls to ensure that it complies with the requirements of the Environment Conservation Act 73 of 1989, and that future compliance with the relevant laws and regulations are monitored by management on an ongoing basis.	Community service Department and - CFO, Director Kamolane, Mr Mrumo	31-Mar-14

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# # CHAPTER 6

169	<b>Provisions</b>	Contingent liability not raised (CoA 42)	Financial - Misstatement in financial statements	<p>Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p> <p>Management will ensure that they follow the required processes in terms of the act to ensure that licenses are obtained for the mentioned landfill sites. If licenses are obtained proof will be submitted for audit purposes. Management will also consider the possible impact of fines that can be imposed and will raise a contingent liability accordingly.</p>	Community service Department and - CFO and Director Kamolane	31-Mar-14
169	<b>Provisions</b>	Leave pay accrual information outstanding (CoA 42)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p> <p>Management will ensure that a debt collection policy is implemented to ensure recoverability of debtors. Long outstanding debt will be evaluated at year-end and impaired if it is not recoverable.</p>	Finance Department and - CFO and themba	31-Mar-14

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# # CHAPTER 6

346	<b>Provisions</b>	Incorrect classification (CoA 80)	Financial - Misstatement in financial statements	The municipality does not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	<p>If management has any information to substantiate the existence of the above-mentioned debtors, then this will also be submitted for audit purposes.</p> <p>Management will investigate the above items and make the necessary adjustments to the financial statements</p>	Finance Department and - CFO, Tseleng and themba	31-Mar-14
171	<b>Receivables</b>	Valuation of debtors (CoA 12)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management is in the process of analyzing the municipal debtors' book. After this has been completed, adequate impairment will be provided for going forward.	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

172	<b>Receivables</b>	Debt collection policy not adequately implemented (CoA 21)	Internal control deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will ensure that a debt collection policy is implemented. Recoverability of long outstanding debt will be evaluated at year end and impaired if the debt will not be recovered.	Finance Department and - CFO and Daphny	31-Mar-14
173	<b>Receivables</b>	Existence of trade receivables (CoA 21)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will ensure that a debt collection policy is implemented to ensure recoverability of debtors. Long outstanding debt will be evaluated at year-end and impaired if it is not recoverable. If management has any information to substantiate the existence of the above-mentioned debtors, then this will also be submitted for audit purposes.	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

175	<b>Receivables</b>	Incorrect classification of work-in-progress (CoA 21)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	From this time forth management will reclassify projects-in-progress to property, plant and equipment.	Finance Department and - CFO and tseleng and themba	31-Mar-14
175	<b>Receivables</b>	Prior year exceptions not resolved (CoA 69)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.	Finance Department and - CFO and tseleng and themba	31-Mar-14
348	<b>Receivables</b>	Inconsistent accounting policies (CoA 12)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations.	Management will make the necessary disclosures with regards to the inconsistent accounting policy	Finance Department and - CFO, tseleng, themba, tilly and Daphny	31-Mar-14

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# # CHAPTER 6

352	<b>Recievables</b>	Debtors in the name of the municipality (CoA 12)	Financial - Misstatement in financial statements	<p>Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p>	<p>and also ensure in future that the financial statements are compiled in accordance with GRAP.</p> <p>Management will ensure they comply with the requirements of GRAP 1 and not recognise debtors in the name of the municipality. The necessary adjustments will be made to correct this matter.</p>	Finance Department and - CFO and Daphny	31-Mar-14
354	<b>Recievables</b>	Shortcomings regarding indigent debtors (CoA 12)	Internal control deficiency	<p>Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.</p>	<p>Management will develop internal controls to ensure that all documents and information is filed in a manner that allows easy access thereto and is readily available for audit purposes. Management will ensure that the application forms for indigent</p>	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

356	<b>Receivables</b>	No controls regarding consumption of indigent debtors (CoA 21)	Internal control deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	<p>debtors are authorised by an authorised official. Management will review the list of indigent debtors to ensure that the consumers indicated on the list meet the requirements for indigence and that these debtors are correctly captured on the system as indigent. Explanations for the above-mentioned will be submitted for audit purposes.</p> <p>Management will monitor the water usage of indigent debtors on a regular basis. Action plans will be implemented where the consumption is more than the prescribed subsidy.</p>	Finance Department and - CFO and Daphny	31-Mar-14
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# # CHAPTER 6

357	<b>Receivables</b>	Difference between the debtors age analysis and the AFS (CoA 21)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Hence forth management will ensure that following are performed: a) A reconciliation between the debtors age analysis and the trial balance on a monthly basis. All differences will be identified, investigated and resolved timeously. b) be reviewed by an independent senior official and signed as evidence of the review. c) The financial statements is reviewed for accuracy prior to submission for review.	Finance Department and - CFO and Daphny	31-Mar-14
358	<b>Receivables</b>	Existence of sundry debtor (CoA 21)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management will assess the recoverability of the above-mentioned amount. Any documentation to	Finance Department and - CFO, themba and Tilly	31-Mar-14

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# # CHAPTER 6

359	<b>Receivables</b>	Recovery of government accounts (CoA 69)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	support the existence of this debtor wil; be submitted for audit purposes.  Management will re-assess this appointment and consider if the work performed by the consultants cannot be performed in-house by the municipality. Management will also respond to the concerns we have highlighted above as requested.	Finance Department and - CFO and Tilly	31-Mar-14
361	<b>Related Parties</b>	Declarations not obtained (CoA 56)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management should implement internal controls as to ensure that all declarations are obtained and that all possible related party transactions are identified and properly	Municipal Manager, Corporate service Department and Speaker's office - Director Bopalamo and Manager in the office of speaker	31-Mar-14

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# # CHAPTER 6

					disclosed.		
180	<b>Reserves</b>	Unexplained prior period adjustments (CoA 30)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations.	From this time forth management ensure that all prior period adjustment as part of note 39, Prior period errors are disclose and also provide supporting documents for all prior period adjustments.	Finance Department and - CFO and Tseleng and Themba	31-Mar-14
182	<b>Reserves</b>	Statement of changes in net assets (CoA 47)	Financial - Misstatement in financial statements	Management did not exercise oversight regarding financial and performance reporting and compliance and related internal controls.	Management will adjust the Statement of Changes in Net Assets to ensure that the disclosure agrees with the requirement of GRAP 1. And also ensure that all prior period adjustment are	Finance Department and - CFO and Tseleng and Themba	31-Mar-14

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# # CHAPTER 6

362	<b>Reserves</b>	Errors in disclosure (CoA 30)	Financial - Misstatement in financial statements	Management did not review and monitor compliance with applicable laws and regulations.	presented in the correct period.  Management will ensure that from this time forth all prior period adjustment as part of note 39, Prior period errors are disclosed and also provide supporting documents for all prior period adjustments	Finance Department and - CFO and Tseleng and Themba	31-Mar-14
184	<b>Revenue</b>	Service charges - Overstatement of service income (CoA 9)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management will ensure that proper internal controls are implemented to prevent, detect and correct incorrect meter readings and also provide supporting documentation/explanations for the above	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

184	<b>Revenue</b>	Property rates - Discounts incorrectly accounted for (CoA 26)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	finding.  From this time forth management will ensure that financial statements are reviwd in detail, prior to submission for audit purposes. The necessary adjustments will also be made to ensure that all the information is disclosed in the financial statements.	Finance Department and - CFO and Daphny	31-Mar-14
185	<b>Revenue</b>	Service charges - Limitation regarding completeness (CoA 36)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

187	<b>Revenue</b>	Grants income - Prior year issues still unresolved (CoA 74)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	mentioned information are not available, then it will be indicated in management's response to this communication.  Management will ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.	Finance Department and - CFO and Themba	31-Mar-14
190	<b>Revenue</b>	Grants income - Outstanding compliance information (CoA 74)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate	Management will ensure that all information supporting the financial records is safeguarded,	Finance Department and - CFO and Themba	31-Mar-14

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# # CHAPTER 6

193	Revenue	Service charges - Information regarding pre-paid electricity not submitted (CoA 65)	Financial - Misstatement in financial statements	<p>information is accessible and available to support financial and performance reporting</p> <p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p>	<p>properly managed and readily available for the users thereof.</p> <p>If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.</p> <p>Management should ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.</p>	Finance Department and - CFO and Daphny	31-Mar-14
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# # CHAPTER 6

194	Revenue	Service charges - Prior year exceptions not resolved (CoA 70)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting</p>	<p>Management should ensure that all information supporting the financial records is safeguarded, properly managed and readily available for the users thereof. If some (or all) of the above-mentioned information are not available, then it will be indicated in management's response to this communication.</p>	Finance Department and - CFO and Daphny	31-Mar-14
199	Revenue	Property rates - Prior year disclosure misstatements not corrected (CoA 5)	Financial - Misstatement in financial statements	<p>Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls</p>	<p>Management will correct the corresponding balance in the financial statements, and where necessary, ensure that the correct tariffs are levied with regard to property rates.</p>	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

201	Revenue	Service charges - Meter readings could not be verified (CoA 6)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will ensure that all meter reading books are available for audit purposes. The above-mentioned will be obtained and submitted for audit purposes.	Finance Department and - CFO and Daphny	31-Mar-14
363	Revenue	Property rates - Monthly reconciliation not performed (CoA 5)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	From this time forth management will ensure that the reconciliation is performed on a monthly basis, reviewed and follow-up work are done on variances noted.	Finance Department and - CFO and Daphny	31-Mar-14
363	Revenue	Service charges - Completeness (CoA 9)	Financial - Misstatement in financial statements	Management did not prepare accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management will ensure all meters are captured on the meter reading books as well as the system. Management will also perform a monthly reconciliation of services billed to identify	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

366	Revenue	Property rates - Differences identified with regard to the amount billed (CoA 68)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	decreases in revenue. Decreases will be investigated to ensure the completeness of revenue. Management will further provide explanations/supporting evidence for the matters raised above.  Hence forth management will ensure that the property rates is correctly billed using the approved tariffs for 2012/13. Explanations for the above-mentioned will be submitted for audit purposes and the required adjustments will be made.	Finance Department and - CFO and Daphny	31-Mar-14
367	Revenue	Property rates - Discrepancies identified for completeness (CoA 26)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable	Management will ensure that the information on the valuation roll agrees with the information of the accounting system of the	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

370	Revenue	Property rates - Improvements not updated on the supplementary valuation roll (CoA 26)	Internal control deficiency	information  Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	municipality. Management will also ensure that the property rates is correctly billed using the approved tariffs for 2012/13.  Management will ensure that adequate controls are put in place as a measuring tool to ensure that supplementary valuation roll is updated with the improvement made on the property.  Management will ensure that estimates are revised from time to time during the year compared to the increase/decrease in actual consumption to ensure more reasonable estimates  Error reports will	Finance Department and - CFO and Daphny	31-Mar-14
371	Revenue	Service charges - Understatement due to incorrect estimations (CoA 15)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.		Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

					be generated to identify accounts with no consumption during the year for follow-up of possible broken or unused meters.		
373	<b>Revenue</b>	Service charges - Estimate for unmetered consumption not made (CoA 15)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management will ensure that estimates of unmetered consumption at year end and accrue for the consumption at year end are done.	Finance Department and - CFO and Daphny	31-Mar-14
375	<b>Revenue</b>	Interest received - Interest rate not adjusted timeously (CoA 37)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	The interest over levied will be corrected and from this time forth management will ensure that the interest rate levied on debtors accounts is in accordance with the credit control policy.	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

376	Revenue	Interest received - Interest not charged on outstanding debt (CoA 23)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will review the debtor accounts on a monthly basis and ensure all balances that are outstanding for more than 60 days are charged with interest at the correct interest rate according to the credit control policy. If there are specific reasons why interest were not levied on these accounts submission will be made for auditing.	Finance Department and - CFO and Daphny	31-Mar-14
377	Revenue	Interest received - Accrued interest not provided for (CoA 23)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	From this time forth management will ensure that they perform calculation at year end to accrue for the interest on outstanding debtors up until the last day of the financial year.	Finance Department and - CFO and Daphny	31-Mar-14

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# # CHAPTER 6

379	<b>Revenue</b>	Property rates - Part B not included in the property register (CoA 5)	Non-compliance with laws & regulations	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will ensure that proper controls are implemented to ensure compliance with the legislative requirements with reagrd to municipality's property register which do not include Part B which specify properties that are subject to exemptions, rebates, phasing in of rates or exclusions referred to in section 17 (1)(a), (e),(g),(h) and (i) of the Property Rates Act. (sect 23(1))..	Finance Department and - CFO and Daphny	31-Mar-14
380	<b>Revenue</b>	Rental income - Understatement of rental income (CoA 57)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management have established a committee to deal with all mimosa matters. This process is intended to ensure that matters related to Mimosa are resolved	Finance and Community service Department and - CFO, Director Community Services and Daphny	31-Mar-14

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# # CHAPTER 6

381	Revenue	Rental income - Information not submitted (CoA 57)	Internal control deficiency	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	correctly, including the above mentioned adjustments to the mimosa account.  Henceforth management will ensure that proper record keeping with regard to rental lease agreements, is improved in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Finance and Community service Department and - CFO and Director Community Services	31-Mar-14
381	Revenue	Service charges - Inaccurate meter readings (CoA 6)	Internal control deficiency	Management did not develop and monitor the implementation of action plans to address internal control deficiencies.	The Municipality has started with the process of reading meters without using consultants to ensure that meter readings	Finance Department - CFO and Revenue Manager	31-Mar-14

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# # CHAPTER 6

384	<b>Revenue</b>	Rental income - Municipality did not accrue rental income (CoA 57)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	are done on a timely basis, accurate and complete.  Management will ensure that municipality accrue rentals are paid by tenant for municipal properties and if these accounts have been billed evidence will be provided or made available for audit purposes. If these accounts have not been billed, then management will also determine the total extent thereof, and process the necessary correcting journals as to rectify this matter and ensure that the financial statements are correct.	Finance Department - CFO and Revenue Manager	31-Mar-14
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# # CHAPTER 6

385	Revenue	Property rates - Tariffs disclosed differs from the approved tariff list (CoA 68)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Henceforth management will ensure that financial statements are fairly presented to the users thereof and the necessary corrections are made to the financial statements to ensure that the correct tariffs are disclosed.	Finance Department - CFO and Revenue Manager	31-Mar-14
387	Revenue	Property rates - Difference between consumer incentive and recalculated amount (CoA 68)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Henceforth Management will ensure that the consumers are correctly billed according to the approved tariff list and will be submitted for audit purposes.	Finance Department - CFO and Revenue Manager	31-Mar-14
388	Revenue	Property rates - Recalculation of the journal amount (CoA 75)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	Management will ensure that internal control procedures are fully implemented with regard to maintaining proper record keeping and ensuring that	Finance Department - CFO and Revenue Manager	31-Mar-14

# # CHAPTER 6

390	Revenue	Fines - Understatement of fines (CoA 77)	Financial - Misstatement in financial statements	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	supporting documents are attached to journals.  Management will ensure that corrective measures are put in place to address this situation by ensuring that estimates on fines are made at year end.	Finance Department - CFO and Revenue Manager	31-Mar-14
391	Revenue	Service charges - Review of exception report for services charges (CoA 6)	Internal control deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management will ensure that BP421 exception report is generated on a monthly basis and reviewed by an independent senior official to ensure its accuracy, completeness and that record keeping regarding service charges is improved.	Finance Department - CFO and Revenue Manager	31-Mar-14

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# # CHAPTER 6

392	<b>Revenue</b>	Service charges - Differences between e-Venus and meter reading books (CoA 6)	Financial - Misstatement in financial statements	<p>Management did not implement controls over daily and monthly processing and reconciling of transactions</p> <p>Management will ensure that proper record keeping is implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p>	Finance Department - CFO and Themba Mpindo	31-Mar-14
394	<b>Revenue</b>	Service charges - Information not submitted (CoA 6)	Financial - Misstatement in financial statements	<p>Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.</p> <p>Management will ensure that henceforth internal controls on application forms are improved by making sure that all forms are signed by the responsible officials and are accessible and readily available for auditing including those that were outstanding during the 2012/2013</p>	Finance Department - CFO and Revenue Manager	31-Mar-14

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# # CHAPTER 6

					annual audit.		
397	<b>Revenue</b>	Service charges - Distribution losses not monitored (CoA 6)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management will ensure that reconciliations between electricity and water sold to consumers, and electricity and water purchased from Rand Water and Eskom on a monthly basis are performed to ensure that units lost when distributed are monitored	Finance and Technical Department - CFO and Technical Director and Revenue Manager	31-Mar-14
427	<b>Revenue</b>	Service charges - Incorrect tariff charged (CoA 9)	Financial - Misstatement in financial statements	Management did not implement controls over daily and monthly processing and reconciling of transactions.	From this time forth management will ensure that proper controls are implemented with regard to controls over the updating of the debtor master file to ensure that the correct tariffs are allocated to the	Finance Department - CFO and Revenue Manager	31-Mar-14

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# # CHAPTER 6

					correct type of debtor.		
428	Revenue	Interest received - Deficiencies noted (CoA 23)	Financial - Misstatement in financial statements	The municipality do not select and develop control activities over processes and transactions that contribute to the mitigation of risks to the achievement of the objectives, to an acceptable level.	Management will ensure that investigations are conducted and all necessary adjustments are done and henceforth will ensure that financial statements are proper reviewed before submission.	Finance Department - CFO and Revenue Manager	31-Mar-14
429	Revenue	Service charges - Shortcomings regarding new connections (CoA 6)	Internal control deficiency	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will ensure that henceforth internal controls on new application forms is improved, by ensuring that forms are signed by the responsible official as indication that the form was captured on e-Venus and on monthly basis	Finance Department - CFO and Revenue Manager	31-Mar-14

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# # CHAPTER 6

					investigate on a weekly basis that all new application forms have been uploaded on e-Venus.		
204	<b>Taxes</b>	VAT - Difference between movement in VAT receivable account and VAT 201s (CoA 49)	Financial - Misstatement in financial statements	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will ensure that proper internal controls are implemented with regard to completion and submission of accurate VAT 201's; and the reconciliation between the VAT 201's and the VAT general ledger accounts.	Finance Department - CFO, Themba Mpindo and Tseleng Mkhuma	31-Mar-14
205	<b>Taxes</b>	VAT - No monthly reconciliations performed (CoA 49)	Financial - Misstatement in financial statements	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management will ensure that monthly reconciliations between the general ledger and VAT 201 returns and a year end reconciliation between the trail balance and the	Finance Department - CFO and Themba Mpindo	31-Mar-14

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# # CHAPTER 6

206	<b>Taxes</b>	VAT - VAT 201 incorrectly completed (CoA 49)	Non-compliance with laws & regulations	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	<p>outstanding balance per the VAT 201 returns are performed and reviewed by senior officials on monthly basis.</p> <p>Management will ensure that vat returns are reviewed and monitored on monthly basis by independent senior official to ensure that they are complete, accurate and compliance is adhered to. And also ensure that all income received and all expenditure is correctly declared on the VAT 201 returns.</p>	Finance Department - CFO, Themba Mpindo and Tseleng Mkhuma	31-Mar-14
399	<b>Taxes</b>	VAT - Non-compliance with the VAT Act (CoA 49)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations	<p>Management will ensure that internal control procedures are fully implemented with regard to maintaining proper record keeping and the required</p>	Finance Department - CFO, Themba Mpindo and Tseleng Mkhuma	31-Mar-14

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# # CHAPTER 6

					information is readily available for auditing		
400	<b>Taxes</b>	VAT - VAT 201 submitted late (CoA 49)	Non-compliance with laws & regulations	Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will ensure that going forward submission of reports vat 201 is made on time on monthly basis and safekeeping of documents is improved	Accounting Officer and Themba Mpindo	31-Mar-14
401	<b>Taxes</b>	VAT - VAT claimed on exempt rated supplies (CoA 49)	Non-compliance with laws & regulations	Management did not review and monitor compliance with applicable laws and regulations	Henceforth management will ensure that proper controls over the recording of transactions are properly implemented to certify that the municipality complies with applicable laws and regulations .	Finance Department - CFO, Themba Mpindo and Tseleng Mkhuma	31-Mar-14
402	<b>Taxes</b>	VAT - Capital assets (CoA 49)	Non-compliance with laws & regulations	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is	Henceforth the municipality will ensure that during its annual audit key management officials are	Accounting Officer and Directors	31-Mar-14

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# # CHAPTER 6

				accessible and available to support financial and performance reporting.	available to address any query raised by Auditor-General		
				Management did not implement proper record keeping in a timely manner to ensure the complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will ensure that internal control procedures are fully implemented with regard to maintaining proper record keeping and the required information is readily available for auditing		
402	<b>Taxes</b>	VAT - Statement of Accounts not obtained (CoA 49)	Financial - Misstatement in financial statements			Finance Department - CFO and Themba Mpindo	31-Mar-14
431	<b>Taxes</b>	VAT - VAT 103 form not submitted (CoA 49)	Non-compliance with laws & regulations	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will ensure that internal control procedures are fully implemented with regard to maintaining proper record keeping and the required information is readily available for auditing	Finance Department - CFO and Themba Mpindo	31-Mar-14

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# # CHAPTER 6

## COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated

T 6.2.5

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General performance indicators</b> <b>Key</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.

# GLOSSARY

<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided</i></p>

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# GLOSSARY

	<i>for the appropriation of money for the different departments or functional areas of the municipality; and b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>
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# APPENDICES

## APPENDICES

### APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Magashule, M.E.	PT		Party Represented	85%	15%
Mochela, M.J.	FT	Executive	Party Represented	85%	15%
Ndlovu, N.	PT	Urban,Rural,Planning & Housing	Ward Represented (6)	100%	0%
Vandisi, T.L.	PT	Executive	Ward Represented (8)	66%	33%
Mbele, M.S.	PT	Public Safety	Ward Represented (9)	100%	0%
Mofokeng, M.L.	PT	Social & Community Development	Ward Represented (10)	85%	15%
Molotsane	PT	LLF	Ward Represented (11)	0%	0%
Modiko, D.V.	PT	Infrastructure & LED	Ward Represented (12)	100%	100%
Spence, D.	PT	Corporate Services	Ward Represented (13)	85%	15%
De Beer, V.	PT	Finance & Budget	Ward Represented (14)	100%	100%
La Cock, P.J.	PT	Infrastructure & LED	Party Represented	66%	34%
Oliphant, M.A.	PT		Party Represented	85%	15%
Mopedi, N.	PT	Executive	Party Represented	85%	15%
Sothoane,C.E.	PT		Party Represented	66%	34%
Mandelstam, G.P.	PT	Executive	Party Represented	100%	0%
Vermaak, S.M.	PT	Corporate Services	Party Represented	100%	0%
Schoonwinkel, A.	PT	Executive; Finance & Budget	Party Represented	85%	15%
Sehume	PT		Party Represented	100%	0%
Bocibo, C.	PT		Ward Represented (1))	85%	15%
Ndayi, P.R.	FT		Ward Represented (3)	100%	0%
Mofokeng, M.D.	PT	Infrastructure & LED	Ward Represented (4)	66%	34%



# # Appendices

Radebe, D.M.	PT	Corporate Services	Ward Represented (5)	100%	0%
Mvulane, L.	PT	Public Safety	Ward Represented (7)	85%	15%
Swart, A.P.	PT	Public Safety	Party Represented	66%	34%
Seabi, I.M.	PT	Corporate Services	Party Represented	100%	0%
Serathi, M.	PT	Executive	Party Represented	85%	15%
Van der Merwe, P.P.	PT	Finance & Budget	Party Represented	100%	0%
Mehlo, L.R.	PT	Social & Community Development	Ward Represented (15)	66%	34%
Khumalo, K.J.	PT	Infrastructure & LED	Ward Represented (16)	100%	0%
Mofokeng, M.M.	PT	Urban, Rural, Planning & Housing	Party Represented	66%	34%
Tladi, L.L.	PT	Corporate Services	Party Represented	100%	0%
Ranthako, M.C.	PT	Finance & Budget	ward Represented (20)	85%	15%
Motsumi, M.E.	PT		Party Represented	100%	0%
Serfontein, C.	PT	Executive	Party Represented	100%	0%
Masooa, M.J.	PT	Urban, Rural, Planning & Housing	Ward Represented (2)	100%	0%
Choni, P.S.	PT	Public Safety	Ward Represented (17)	66%	34%
Hlapane, M.L.	PT	Social & Community Development	Party Represented	85%	15%
Molaphene, P.M.	PT	Urban, Rural, Planning & Housing	Party Represented	0%	0%
Ramabitsa, I.M.	PT	Corporate Services	Ward Represented (19)	100%	0%
Kruger, Sanet	PT	Executive	Ward Represented (18)	100%	0%
Mareletse, Z.	PT		Party Represented		
Mafume	PT		Party Represented		
Mankoe, S.	PT		Party Represented		

Note: \* Councillors appointed on a proportional basis do not have wards allocated to them

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## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

# # Appendices

COMMITTEES ( OTHER THAN EXCO)	
Committee	Purpose
INFRASTRUCTURE & LED	Oversees ( play an oversight role) the areas for which they are responsible
FINANCE & BUDGET	
URBAN, RURAL, PLANNING & HOUSING	
CORPORATE SERVICES	
SOCIAL & COMMUNITY DEVELOPMENT	
PUBLIC SAFETY & TRANSPORT	

## MEMBERS OF THE PORTFOLIO COMMITTEES 2012-2013

### INFRASTRUCTURE & LED COMMITTEE:

- ✚ Cllr TL Vandisi (**Chairperson**) (Parys)
- ✚ Cllr DV Modiko (Parys)
- ✚ Cllr MD Mofokeng (Heilbron)
- ✚ Cllr KJ Khumalo (Vredefort)
- ✚ Cllr C Bocibo (Heilbron)
- ✚ Cllr DI Spence (Parys)

### FINANCE & BUDGET COMMITTEE:

- ✚ Cllr GP Mandelstam (**Chairperson**) (Parys)
- ✚ Cllr PP Van der Merwe (Heilbron)
- ✚ Cllr VE De Beer (Parys)
- ✚ Cllr MC Ranthako (Vredefort)
- ✚ Cllr EC Sothoane (Parys)
- ✚ Cllr A Schoonwinkel (Parys)

### URBAN, RURAL, PLANNING & HOUSING COMMITTEE:

- ✚ Cllr N Mopedi (**Chairperson**) (Parys)
- ✚ Cllr MM Mofokeng (Vredefort)
- ✚ Cllr P Molaphene (Koppies)
- ✚ Cllr NA Sehume (Parys)
- ✚ Cllr Ndlovu (Parys)
- ✚ Cllr MJ Masooa (Koppies)

### CORPORATE SERVICES COMMITTEE:

- ✚ Cllr M Serathi (Heilbron) (**Chairperson**)
- ✚ Cllr SM Vermaak (Parys)
- ✚ Cllr RJ Molotsane (Parys)
- ✚ Cllr LL Tlali (Vredefort)
- ✚ Cllr DM Radebe (Heilbron)
- ✚ Cllr IM Ramabitsa (Edenville)
- ✚ Cllr I Seabi (Heilbron)

# # Appendices

## LLF COMMITTEE:

- ✚ Cllr GP Mandelstam (**Chairperson**)
- ✚ Cllr Van Der Merwe (Heilbron)
- ✚ Cllr M Serathi (Heilbron)

## SOCIAL & COMMUNITY DEVELOPMENT COMMITTEE:

- ✚ Cllr C Serfontein (**Chairperson**) (Koppies)
- ✚ Cllr ML Mofokeng (Parys)
- ✚ Cllr LR Mehlo (Vredefort)
- ✚ Cllr ML Hlapane (Koppies)
- ✚ Cllr PS Choni (Koppies)
- ✚ Cllr AM Oliphant (Parys)

## PUBLIC SAFETY & TRANSPORT:

- ✚ Cllr A Schoonwinkel (**Chairperson**) (Parys)
- ✚ Cllr LS Mvulane (Heilbron)
- ✚ Cllr AP Swart (Heilbron)
- ✚ Cllr ME Magashule (Parys)
- ✚ Cllr AM Mbele (Parys)

## LLF SUB-COMMITTEE:

### 1. BASIC CONDITIONS COMMITTEE

- ✚ D Kamolane
- ✚ G Mandelstam **Cllr**
- ✚ OL Leeuw
- ✚ M Setiloane
- ✚ G Phele
- ✚ B McDermott






### 2. WORK PLACE SERVICE RESTRUCTURING COMMITTEE

- ✚ T Malebane
- ✚ T Kgotlagomang
- ✚ PP van der Merwe **Cllr**
- ✚ S Motsitsi
- ✚ D Kock
- ✚ B McDermott

### 3. HUMAN RESOURCE DEVELOPMENT COMMITTEE

- ✚ M Serathi **Cllr**

# # Appendices

 P Manzi  
 S Motsitsi  
 P Mahase  
 Z Majivolo  
 M Bopalamo  
 B McDermott

# # Appendices

## APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director
Finance	Mr Lucas Leeuw
Corporate	Me Lydia Bopalamo
Community	Mr Lucky Kamolane
Technical	Mr Tebogo Malebane

# # Appendices

## APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

MUNICIPAL FUNCTIONS	Function Applicable to Municipality ✓ = Yes / X = No
Constitution Schedule 4, Part B functions:	✓
Air pollution	✓
Building regulations	✓
Child care facilities	✓
Electricity and gas reticulation	✓
Firefighting services	✓
Local tourism	✓
Municipal airports	✓
Municipal planning	✓
Municipal health services	X
Municipal public transport	X
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	✓
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	X
Stormwater management systems in built-up areas	✓
Trading regulations	✓
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	✓
Beaches and amusement facilities	✓
Billboards and the display of advertisements in public places	✓

# # Appendices

<b>Cemeteries, funeral parlours and crematoria</b>	✓
<b>Cleansing</b>	✓
<b>Control of public nuisances</b>	X
<b>Control of undertakings that sell liquor to the public</b>	X
<b>Facilities for the accommodation, care and burial of animals</b>	✓
<b>Fencing and fences</b>	X
<b>Licensing of dogs</b>	X
<b>Licensing and control of undertakings that sell food to the public</b>	X
<b>Local amenities</b>	✓
<b>Local sport facilities</b>	✓
<b>Markets</b>	X
<b>Municipal abattoirs</b>	X
<b>Municipal parks and recreation</b>	✓
<b>Municipal roads</b>	✓
<b>Noise pollution</b>	X
<b>Pounds</b>	X
<b>Public places</b>	✓
<b>Refuse removal, refuse dumps and solid waste disposal</b>	✓
<b>Street trading</b>	✓
<b>Street lighting</b>	✓
<b>Traffic and parking</b>	✓

## APPENDIX E – WARD REPORTING

### Functionality of Ward Committees

# # Appendices

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Cllr Bocibo	Yes	5	5	5
2	Cllr Masooa	Yes	8	8	8
3	Cllr Ndayi	Yes	4	4	4
4	Cllr Mofokeng	Yes	2	2	2
5	Cllr Radebe	Yes	6	6	6
6	Cllr Ndlovu	Yes	7	7	7
7	Cllr Mvulane	Yes	7	7	7
8	Cllr Vandisi	Yes	1	1	1
9	Cllr Mbele	Yes	10	10	10
10	Cllr Mofokeng	Yes	7	7	7
11	Cllr Molotsane	Yes	1	1	1
12	Cllr Modiko	Yes	1	1	1
13	Cllr Spence	Yes	2	2	2
14	Cllr De Beer	Yes	5	5	5
15	Cllr Mehlo	Yes	7	7	7
16	Cllr Khumalo	Yes	5	5	5
17	Cllr Choni	Yes	7	7	7
18	Cllr Kruger/ Cllr La Cock	Yes	5	5	5
19	Cllr Ramabitsa	Yes	1	1	1
20	Cllr Ranthako	Yes	8	8	8
<i>TE</i>					



# # Appendices

## APPENDIX F – WARD INFORMATION

## APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE YEAR 0

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during Year 0	Recommendations adopted (enter Yes) If not adopted (provide explanation)
26/06/2013 (First Committee Meeting)	To agree on terms of the shared service. Committee put forward their request for information;	

## APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

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# # Appendices

## APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Position	Type of interest	Body in or from which the interest is derived or accrued	Surname & Initials
<b>Exco Member &amp; Councillor respectively</b>	<b>Shares and securities in any Company</b>	Du Toit Mandelstam Inc. Soloprops (Pty) Ltd	Cllr GP Mandelstam
		Phillip Van Der Merwe & Vennote Ingelyf	Cllr PP Van Der Merwe
<b>Councillors</b>	<b>Members of any close corporation</b>	Reebza's Catering Club	Cllrs Mehlo L M
		Molombe Security Services Midzi Artistic Productions	Cllrs R J Molotsane
		Modiko Construction & Project	Cllrs D V Modiko
		E C Sothoane Funerals E C Sothoane Financial Services	Cllr Sothoane

<b>Directorship</b>	Du Toit Mandelstam Inc. Soloprops (Pty)Ltd Phillip Van Der Merwe & Vennote Ingelyf
<b>Partnerships</b>	Sothoane Supermarket
<b>Other financial interest in any business undertaking</b>	K K Cosmetics
<b>Employment and remuneration</b>	Self Employed – Attorney (Du Toit Mandelstam)
<b>Interest in property</b>	Erf 2911 Parys Golf Estate, Parys

# # Appendices

	Erf 382 Heilbron
<b>Pension</b>	Pensioner
<b>Subsidies, grants and sponsorship by any organisation</b>	
<b>Declared but no Interest</b>	

# # Appendices

Capital Programme by Project: Year 0					
					R' 000
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
<b>Water</b>					
"Project A"	82	85	92	8%	11%
"Project B"	82	85	92	8%	11%
"Project C"	85	90	95	5%	11%
<b>Sanitation/Sewerage</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Electricity</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Housing</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Refuse removal</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Stormwater</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Economic development</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Sports, Arts &amp; Culture</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Environment</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Health</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%
<b>Safety and Security</b>					
"Project A"	82	85	92	8%	11%
"Project B"	85	90	95	5%	11%

# # Appendices

## PROGRAMME BY PROJECT YEAR 0

### APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD YEAR 0

Capital Programme by Project by Ward: Year 0		
Capital Project	Ward(s) affected	R' 000 Works completed (Yes/No)
<b>Water</b>		
"Project A"		
"Project B"		
<b>Sanitation/Sewerage</b>		
Heilbron: Upgrading of sewer treatment works (ID-158007)	1,3,4,5 and 7	
Parys: Refurbishment and upgrading of Water Treatment Works Phase 3 (MIS:171059)	6,8,9,10,11,12,13,14, and 18	
Parys: Upgrading of sewer treatment works	6,8,9,10,11,12,13,14, and 18	
<b>Electricity</b>		
Electricity bulk supply in Phiritona Phase II	7	
Electrification of 195 houses in Edenville (Fezile Dabi District)	19	
<b>Housing</b>		
<b>Roads</b>		
Edenville: Paving of internal roads 1km.	19	
Koppies: Paving of internal roads 1km.	2	
<b>Refuse removal</b>		

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<b>Stormwater</b>		
Storm water canals	6,8,9,10,11,12,13,14, and 18	
<b>Economic development</b>		
<b>Sports, Arts &amp; Culture</b>		
Refurbishment of the tennis court in Koppies	2 and 17	
Fencing of the munmec sports facility	15, 16 and 20	
Refurbishment of the Schonkenville sports complex	14	
Construction of the Heilbron Sports Facility	1,3,4,5 and 7	
<b>Environment</b>		
<b>Health</b>		
Completion of the Relebohile health Centre in Heilbron	1,3,4,5 and 7	
<b>Safety and Security</b>		
<b>ICT and Other</b>		

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

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Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
<b>Clinics:</b>		
<b>Housing:</b>	Housing demand Data Base and allocation not correlating.	Failure to meet the need sufficiently.
<b>Licencing and Testing Centre:</b>	Edenville is the only town without the service	Communities have to use either Kroonstad or Heilbron and thus incur travelling costs.
<b>Reseviors</b>		
<b>Schools (Primary and High):</b>		
<b>Sports Fields:</b>		



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## APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services	<ul style="list-style-type: none"> <li>- Mokwallo Water Project registered with MIG at the total cost of <b>R 6 555 997.50</b></li> </ul>	
	<ul style="list-style-type: none"> <li>- Parys waste water treatment work project is already on execution phase to address the problem in Parys funded by MIG</li> <li>- Heilbron Waste water treatment works is also on execution phase to address the waste water and sanitation issues also Funded by MIG</li> <li>- Out fall sewer line project in Heilbron is already on its final execution Phase to address the waste water backlogs in Heilbron and its funded by Water affairs</li> </ul>	
	<ul style="list-style-type: none"> <li>- Heilbron Electrification project on execution for the switchgear and transformer installation</li> </ul>	
	<ul style="list-style-type: none"> <li>- MISA to assist with the registration of the unregistered sites.</li> </ul>	
Output: Implementation of the Community Work Programme	<ul style="list-style-type: none"> <li>- Koppies and Edenville implementing the CWP</li> </ul>	
Output: Deepen democracy through a refined Ward Committee model	<ul style="list-style-type: none"> <li>- All 20 ward committees established during the year under review.</li> </ul>	
Output:	Full staff component at senior management realised through the appointment of Directors for	

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Administrative and financial capability	Community and Corporate Services, Mr Kamolane L and Me Bopalamo L	
	Treasury seconded an MFIP person to assist in improving financial capability Mr. Ntshingila T	
		TS