



The home of harmony, prosperity and growth

DRAFT ANNUAL REPORT 2015/16

Chapter 1: Executive Mayor's Foreword & Executive Summary

1.1 Mayor's Foreword

Let me start first and foremost by expressing my word of gratitude to the people of Ngwathe Local Municipality for their maximum participation at the Local Government Elections for the year 2016.

This is an indication that our people have reached a stage of understanding that, the maturity stage of our democracy needs to be taken to another level as we advance the National Democratic Revolution. This stage of our democracy cannot continue without our people, the motive forces, as beneficiaries thereof.

I am honoured to be still standing once again as the Mayor of this municipality. Let me also send my kindest word of gratitude to the outgoing councillors, men and women of honour who were part of a collective that has improved service delivery that benefited the majority of residents in this municipality. In actual fact, their dedication and hard work has made it simple for the new councillors to pick up where we left off as a collective. No individual was better than the collective itself.

As we pay tribute to the previous Councillors, men and women who kept Ngwathe together against all odds, let us also salute the previous generation that pulled all the strings and placed this municipality on the pedestal of hope, for our residents. Our achievements as a collective, speak volumes. As we move forward, we continue and pick up from where we left off, our collective and fundamental objective shall remain, to improve the lives of our people.

As the previous generation of this council, you have ensured that our people have access to water and sanitation. We have already laid the foundation of tarred roads, paved streets and expanded refuse removal as part of our service delivery developments that are visible to everybody. Our collective generation has already prepared for our administration to maintain and sustain unqualified audit opinion. We have already put in place systems to ensure that our people will be allocated decent human settlement sites with proper infrastructure so as to ensure their human dignity and improve their living conditions. We shall continue working with provincial departments and other relevant stakeholders to ensure that we achieve more.

Sleep cannot come easily when children get permanently disabled, both physically and mentally, because of lack of food. Hence we shall continue with our Poverty Alleviation projects this term of council and provide support to our NGOs and orphanage centres in the interests of community development. As we enter the period for the new council, we are not going to rest until the full meaning of liberation is realised, until our people are freed from poverty, homelessness and joblessness. This is part of the mandate bestowed upon our shoulders by the thousands of our voters.

We are going to be a Council diligently at work, not to start afresh but to continue on our quest to better the life our people, making sure that women and young people remain beneficiaries thereof.

We have to see in the rising light that, our people have voted for us to be here, we have become a government that is fully conscious of the fact that we have entered into a contract with the people once again, to continue our partnership with them to build a winning municipality noting that history and circumstance have given us the possibility to achieve this objective of becoming a winning nation, if we work collectively towards that.

Our achievements as the collective are visible, they can be seen from all walks of the municipality. But beyond that we note that there are still challenges that this Council is going to address. The journey to a fully liberated society has not yet been completed.

One of our unique achievements as the municipality is to work with ex-offenders. These are individuals who are working with the municipality on a number of projects within our communities. We are implementing a number of initiatives such as keep Ngwathe clean, fixing and upgrading our public places as we also ensure that they are amalgamated into the broader society to plough back to the community because they are no longer criminals but community developers. Mayor's Office has assisted them in registering a cooperative to ensure that they participate in the broader economic development of the municipality. We appreciate this partnership with the office of the Correctional supervision.

As we welcome new Councillors, our commitment remains to improve the living conditions of our people.

Mayor: Cllr J Mochela

1.2 Municipal Manager's Foreword

It is again with great sense of pleasure that we present our 2015-2016 Annual Report. The Report represents a true reflection on the work done, challenges and achievements during the period under review

The 2015- 2016 Annual Report reflects on the performance of our various programmes as we endeavour to meet the needs of our people articulated in our IDP and other policies and strategies. It will show significant strides made in:

- Strengthening our structures and consolidating our systems.
- Creating a vibrant organization and accelerating transformation.
- Stabilizing finances and ensuring viability.
- Accelerating the delivery of basic services.
- Stimulating the economy and creating jobs.
- Providing various community services to our people.
- Promoting good governance and deepening democracy.

Important achievements have been made in the above regard. Obviously these could not have been possible without the support of our political leadership and staff. I would therefore like to convey my sincere gratitude to the Mayor, Executive Committee and the entire Council for visionary, incisive leadership and guidance as well as our staff for their unwavering commitment to serve the people of Ngwathe.

As we move forward, we will take note of the weaknesses and challenges identified in our work to ensure all round improvement in the coming year. We owe this to the community we are meant to serve. On behalf of staff, I wish to assure the new Council, of our continued readiness to play our part in the mission to bring a better life to all the people of Ngwathe.

PS Tsekedi: Acting Municipal Manager

1.3 Municipal Overview

1.3.1 Background

Ngwathe Local Municipality is situated in the northern part of the Fezile Dabi District Municipality. The Vaal River forms the northern boundary of the area, which also serves as the boundary between the Free State, Gauteng and North West provinces. The Renoster River also drains through the region and is dammed up in the vicinity of Koppies in a series of dams, namely the Weltevrede, Rooipoort and Koppies Dams. The rivers, together with the respective dams, are prominent water sources for agricultural purposes in the region.

1.3.2 Towns and their history / characteristics

Parys:

Parys has a well-developed airfield that supports commercial and tourism development in the area. It has a strong commercial component and provides a wide range of services regarding health, education and professional services to the district.

The Parys district has unique natural and environmental assets, like the Vaal River, with several islands in the proximity of Parys, and the Vredefort Dome, that present exceptional tourism potential. Other prominent topographical features include the Vredefort Dome in Parys. The form of the dome consists of a central cone of granite surrounded by concentric ridges of quartzite belonging to the Witwatersrand System.

Vredefort:

Vredefort is the only town that formed the former Vredefort District. The former Heilbron District is predominantly an agricultural area, although major manufacturing industries contribute largely to the Gross Geographic Product of the district.

Koppies:

Koppies is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas. The three well-established and developed irrigation schemes subsequently enhance the agricultural character of the area. The strategic location of Koppies between the larger centres of Kroonstad and Sasolburg influence growth and development within the community. The bentonite exploitation near Koppies and the initiative for coal mining in the vicinity of the town provide significant future growth potential. Koppies is becoming known for its tourist attractions. Specific reference is made to the R82 Battlefield Route, which consists of several historical battlefields. These that are envisaged to be further developed along with the Koppies Dam Nature Reserve.

Edenville:

Edenville is also located in an area of agricultural significance. The main road linking Kroonstad and Heilbron runs adjacent to the area.

Heilbron:

Heilbron is a small farming town which services the cattle, dairy, sorghum, sunflower and maize industries. Raw stock beneficiation occurs in leisure foods, dairy products and stock feeds. It also serves as a dormitory town for the Gauteng metropolis.

Game farming in the district grew to the extent that it is believed that game numbers reached an all-time high, evident in visiting tourist numbers. Due to its close proximity to Gauteng Province (60 km) the town became ever more popular to weekend tourists and city dwellers in need of a relaxing weekend filled with peace and quiet with lots of fresh air. Popular activities are horse riding, off road cycling, fishing, game drives, utilizing both motor vehicles and quad bikes, historical tours and affordable sporting facilities.

1.3.3 Economy:

The main economic sectors agricultural, mining, manufacturing and services

Chapter 2: Governance

Component A: Governance Structures

1. Political Governance Structure

1.1 Municipal Council

The municipal council of Ngwathe Local Municipality is the highest decision making body in the area of jurisdiction of the municipality. The council consist of 39 councillors belonging to different political parties represented in council. The Mayor and Speaker also forma part of council and are both fulltime office bearers.



| | | | | | |
|--|---|---|--|---|---|
|  |  |  |  |  |  |
| Cllr M Serathi | Cllr TL Vandisi | Cllr GP Mandelstam | Cllr. N Mopedi | Cllr A Schoonwinkel | Cllr C Serfontein |
| Chair: Corporate Services Committee | Chair: Infrastructure and LED Committee | Chair: Finance and Budget Committee | Chair: Urban, Rural Planning and Housing Committee | Chair: Public Safety and Transport Committee | Chair: Social & Community Development |

Table: Political governance structure

| Composition of the Council | |
|---|------------------------------|
| Name of Political Party | Number of Councillors |
| African national Congress (ANC) | 28 |
| Democratic Alliance (DA) | 09 |
| Congress of the People (COPE) | 01 |
| Freedom Front Plus (FFP) | 01 |
| Total | 39 |
| Political Office-Bearers | |
| Mayor: Councillor Joey Mochela | |
| Speaker: Councillor Phillemon Ndayi | |
| Chief Whip: Councillor TL Vandisi | |
| Controlling/ Governing Political Party | |
| African national Congress (ANC) | |

1.2 Executive Committee

The municipality is composed of the Executive Committee (EXCO) which is chaired by the Mayor and draws membership from the members of the committee who are chairs of the following Portfolio Committees:

Table: Executive Committee

| Executive Committee Members | |
|------------------------------------|-----------------------------------|
| Name | Portfolio Responsible for |
| Councillor M Serathi | Corporate Services |
| Councillor TL Vandisi | Infrastructure and LED |
| Councillor GP Mandelstam | Finance and Budgeting |
| Councillor N Mopedi | Urban, Rural Planning and Housing |
| Councillor A Schoonwinkel | Public Safety and Transport |
| Councillor C Serfontein | Social and Community Development |

1.3 Decision-Making

The political decision making vests with the council. During the period under review, the Council has taken a number of decisions for implementation. The table hereunder provides a summary of key resolutions that were taken by Council during the period under review, with an indication of whether such decisions have been carried out at the administrative level.

2. Administrative Governance Structure

Section 55(1) of Municipal Systems Act 32:2000 section 55 states, amongst others that:






As head of administration the municipal manager of a municipality is, subject to the policy directions of the municipal council, responsible and accountable for:

- 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 45 integrated development plan in accordance with Chapter 5:
 - (ii) operating in accordance with the municipality's performance 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; 50
- b) the management of the municipality's administration in accordance with this Act and other legislation applicable to the municipality.

In line with the above legislative requirement, the administration is led by the Municipal Manager, who is appointed in terms of section 57 of the Local Government: Municipal Systems Act (No.32 of 2000). The Municipal Manager is appointed on a fixed term contract. The conditions of employment for the Municipal Manager included concluding annual performance agreements with the Mayor which contains performance objectives, targets and procedures for evaluating performance. The Municipal Manager is also the Accounting Officer in line with the requirements of the Local Government: Municipal Finance Management Act (No. 56 of 2003).

Together with managers directly accountable to the Municipal Manager, he leads the administration by amongst others implementing council resolutions, advising council and its committees and leading the IDP and Budget planning and implementation processes. Over and above council can delegate some of its responsibilities to the Municipal Manager who in turn can further sub delegate such function to Managers Directly Accountable to him/her.

The senior management team of Ngwathe Local Municipality for the period under review was structured as follows:

| Senior Management Team | | |
|--|--|--|
| |  | |
| | Municipal Manager Mr. PS Tsekedi | |
|  |  |  |
| Director Technical Services Mr. N Shabalala | Chief Financial Officer Me. N Samyala | Director Community Services Mr. AB Netshivhozda |
| |  | |
| | Director Corporate Services Mr. Z Majivolo | |

Component D: Corporate Governance

Chapter 3: Service Delivery Performance (Performance Report Part 1)

3.1. Introduction to Performance Report

This chapter focuses on reporting on service delivery on a service-by-service basis based on the objectives and strategies that were contained in the municipality's IDP and SDBIP and the resources that were deployed as per the approved budget for the reporting period under review.

Therefore this chapter aims at demonstrating what has been achieved and what remains outstanding as initially planned in terms of the municipality's IDP.

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 organizations in the matters of local government.

The service delivery performance of the municipality for the period under review, in accordance with the IDP, Budgets and SDBIP is presented on the table below:

VOTE / DEPARTMENT: MAYOR'S OFFICE

KEY PERFORMANCE AREA : BASIC SERVICE DEILVERY & INFRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|-----------------------------|--|---------------------------------|-----------------------|-----------|---|-----------|---|-----------|---|-----------|--|
| Strategic Objective | Pro-gramme / Key Focus Area | Key Perform-ance Indi-cator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To ensure that awareness, support and education to the community and employees are undertaken | HIV/AIDS programs | <ul style="list-style-type: none"> - Development of schedule of meetings - Development plan of pro-grams - Reporting on progress - Commemora-tion of HIV/AIDS days | HIV/AIDS council is established | 100% | 30% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 20% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 30% | KPI & Target not reported on (Re-reported targets not aligned to SDBIP) | 20% | KPI & Target not reported on (Reported targets not aligned to SDBIP) |
| To ensure that awareness, support and education to the community and employees are undertaken | Disability & aged projects | <ul style="list-style-type: none"> Development of schedule of meetings Develop plan of programs Commemora-tion of disability and aged days Reporting on progress | Desk launched | 100% | 40% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 40% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 20% | KPI & Target not reported on | N/A | KPI & Target not reported on |

KEY PERFORMANCE AREA : BASIC SERVICE DEILVERY & INFRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|-----------------------------|--|---|---|-----------|--|-----------|--|-----------|------------------------------|-----------|------------------------------|
| Strategic Objective | Pro-gramme / Key Focus Area | Key Perfor-mance Indi-cator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To help the community in furthering their studies | Bursaries | -advert for applications -selection per criteria -allocation as per selection list | Registration fees allocated to the benefi-ciaries | 100% | 50% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 50% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | N/A | KPI & Target not reported on | N/A | KPI & Target not reported on |
| To reduce the high rate of poverty among less disadvan-taged commu-nities | Poverty alleviation | | | 100% | 30% | 45 received food parcels | 30% | 700 people received food parcels | 20% | | 20% | |
| To ensure that the youth is developed socially, educa-tionally and economically and morally | Youth devel-opment | Workshops in business, cam-paigns. -camps. | | | 40% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 30% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | N/A | N/A | N/A | N/A |
| | | Executive committee | Number of executive meetings held | 4 scheduled meetings and special meetings | | | | | | | | |

VOTE / DEPARTMENT: SPEAKER'S OFFICE

KEY PERFORMANCE AREA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|--|---|-----------------------|-----------------------|------------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To make meaningful interventions where deemed necessary | Intervention Programme | Identify the need and intervene | N/A | Ongoing | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) |
| To contribute to the building of good relations with different stakeholders | One-day activity | A day during October | N/A | Annually | N/A | N/A | 100% | KPI & Target not reported on | N/A | N/A | N/A | N/A |
| To enhance and promote a sense of service delivery | Reward wards which performing above average | Develop creative programs with incentives | N/A | 4 per annum | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) |
| To encourage councilors to perform optimally | Choose theme that will be incorporated in a wellness programme | A day during October | N/A | Annually | N/A | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 100% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | N/A | KPI & Target not reported on (Reported targets not aligned to SDBIP) | N/A | N/A |
| To highlight the political achievements in the locality | Choose a relevant day for this lec- | During July | N/A | Annually | N/A | KPI & Target not reported on (Reported tar- | 100% | KPI & Target not reported on (Reported tar- | N/A | N/A | N/A | N/A |

KEY PERFORMANCE AREA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|--|--|-----------------------|-----------------------|------------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | ture | | | | | <i>gets not aligned to SDBIP)</i> | | <i>gets not aligned to SDBIP)</i> | | | | |
| To enhance and promote participatory democracy in our communities | Monthly meetings | Monthly schedule of meetings | N/A | 12 per ward | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |
| To enable ward committees to function in the best interest of their community | Identify where skills lack and capacitate as the need arises | Ongoing in collaboration with other stakeholders | N/A | 4 per annum | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |
| To help create an environment within which sport can be used as facilitator of achievement | The games usually occurs during the Easter Holidays | | N/A | Annually | N/A | N/A | N/A | N/A | 100% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | N/A | N/A |

VOTE / DEPARTMENT: MUNICIPAL MANAGER'S OFFICE

KEY PERFORMANCE AREA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|--|---|--|-----------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To ensure the development and review of credible IDP that complies to IDP framework | IDP | IDP adopted by Council | IDP Time-lines adhered to | Credible IDP developed | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |
| | | IDP Ward Profiles developed and adopted | N/A | Implementation of the IDP ward Profiles | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |
| To ensure performance management system for all managers from | PMS | Municipality with approved PMS Framework | PMS not fully functional | 100% implementation of the PMS Framework | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |
| Improvement on Audit Outcome | Audit Unit | Functional Internal audit unit established | The unit consist of (1) one Internal Audit manager, (2) two Internal Auditors and (1) | Permanent filling of one outstanding post (Intern) | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |

KEY PERFORMANCE AREA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|----------------------------|---|---|--------------------------------------|-----------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | one Internal Audit intern. | | | SDBIP) | | SDBIP) | | | | |
| | Audit committee | Functional audit committee established. | The currently uses a shared service with Fezile Dabi District Municipality Audit Committee. The Committee to have (4) four regular meeting as legislated. | To establish our own audit committee | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 25% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |
| | Audit opinion | | Disclaimer | 100% | 100% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 100% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 100% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> | 100% | KPI & Target not reported on <i>(Reported targets not aligned to SDBIP)</i> |

| PERFORMANCE AREA : MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT | | | | | | | | | | | | |
|--|-----------------------------------|---|---------------------------------------|--|------------------|---|------------------|---|------------------|---|------------------|---|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To strengthen the institutional capacity of the Municipality. | Organisational Structure | Organisational Structure developed, approved and reviewed | Organisational structure under review | Approved and funded Organisational structure aligned with the IDP and Budget | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| Finalize work study analysis by August 2014 in effort to reduce high vacancy rate by June 2015 | Vacant Posts | Number of posts filled as per the approved staff establishment | Vacancies in some directorates | Finalize work study analysis by August 2014 | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| Fill critical vacancies by June 2015 | Critical Posts | Number of critical posts filled | Only 4 of 8 critical posts are filled | Fill critical vacancies by June 2015 | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| Develop and align achievable training interventions to respond to the organizational | Employment Equity | Number of employees employed in terms of employment equity targets/Plan | | Build the capacity of the employees | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |

KEY PERFORMANCE AREA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------|---|---------------------------|--|-----------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| needs | | | | | | | | | | | | |
| To ensure the development and or review of credible IDP that complies to IDP framework | IDP | IDP adopted by Council | IDP Time-lines adhered to | Credible IDP developed | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| Pilot performance management system for all managers from level 0 – 3 by December 2015 | PMS | Municipality with approved PMS Framework | PMS not fully functional | 100% implementation of the PMS Framework | 25% | KPI & Target not reported on (<i>Reported targets not aligned to SDBIP</i>) | 25% | KPI & Target not reported on (<i>Reported targets not aligned to SDBIP</i>) | 25% | KPI & Target not reported on (<i>Reported targets not aligned to SDBIP</i>) | 25% | KPI & Target not reported on (<i>Reported targets not aligned to SDBIP</i>) |
| | | Number of quarterly performance reviews conducted | | Performance reviewed per quarter | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| | | Report on annual municipal performance in compliance with | | Section 46 Report compiled, adopted by Council and | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |

KEY PERFORMANCE AREA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|----------------------------|--|-----------------------|---|-----------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | section 46 | | submitted to MEC for Local Government | | | | | | | | |
| | | Municipal Council Oversight Report submitted to MEC for Local Government | | Oversight Report developed, submitted to Council and MEC for Local Government | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| | | Number of signed performance agreements | | All performance agreements signed | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| | | Approved SDBIP, aligned to the IDP & Budget | | | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |

KEY PERFORMANCE AREA : FINANCIAL MANAGEMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|-----------------------------|---|--------------------------------|--------------------------------------|------------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Pro-gramme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Increase revenue collection rate to 85% by June 2015 | Revenue | Effective revenue management | Current collection rate is 65% | Collection rate to reach 85% | 85% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 85% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 85% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 85% | KPI & Target not reported on (Reported targets not aligned to SDBIP) |
| To effectively manage finances and improve financial sustainability | Expenditure | % of operating budget variance terms of SDBIP projections | | 100% Adherence to expenditure budget | 100% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 100% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 100% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 100% | KPI & Target not reported on (Reported targets not aligned to SDBIP) |

KEY PERFORMANCE AREA : LOCAL ECONOMIC DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------|---|------------------------------------|--------------------------|------------|--|-----------|--|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To continuously create an enabling environment that is conducive | LED Strategy | 5 year LED Strategy approved and adopted by | LED Strategy in consultation phase | LED Strategy implemented | 25% | KPI & Target not reported on (Reported targets not aligned) | 25% | KPI & Target not reported on (Reported targets not aligned) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) | 25% | KPI & Target not reported on (Reported targets not aligned to SDBIP) |

KEY PERFORMANCE AREA : LOCAL ECONOMIC DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------|--|--------------------------------|---|------------|---|-----------|---|-----------|---|-----------|---|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| to attract investors for business growth | | Council | | | | to SDBIP) | | to SDBIP) | | | | |
| To identify & introduce 2 LED drivers by December 2015 | Economic Drivers | LED Strategy developed and resourced | Lank of economic drivers | Identified LED drivers effected | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |
| To create job opportunities | Job Creation | Number of work opportunities created through various interventions | 2580 job opportunities created | T create more than 5000 job opportunities | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |

KEY PERFORMANCE AREA : BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------|--|----------------------------------|-----------------------------|----------------------------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To coordinate and monitor infrastructure development for provision and | Basic Services | Number of households with access to basic services | More than 70% access to services | Basic services provided per | Increase access to more than 95% | | | | | | | |

| KEY PERFORMANCE AREA : BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | |
|--|----------------------------|--|-----------------------|-------------------------------------|------------|---|-----------|---|-----------|---|-----------|---|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| access to services | Infrastructure Development | Capacity of bulk infrastructure developed to secure access to basic services | | Infrastructure Projects implemented | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on | | Quarterly targets not set and reported on |

VOTE / DEPARTMENT: CORPORATE SERVICES

KEY PERFORMANCE AREA : GOOD GOVERNANCE & PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------------|--|---|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Compliance with systems Act and standing rules | Council sittings | To ensure that council items and agendas are timeously delivered to the councillors | Approved schedule of meetings for Council and Section 80 Committees | Adherence to council sitting schedule | 25% | Not Achieved | 25% | Not Achieved | 25% | Not Achieved | 25% | Not Achieved |
| Compliance with systems Act and standing rules | Preparations of agenda and items | To ensure that section 80 items and agendas are timeously delivered to the councillors | Approved schedule of meetings for Council and Section 80 Committees | Adherence to section 80 sitting schedule | 25% | Not Achieved | 25% | Not Achieved | 25% | Not Achieved | 25% | Not Achieved |

KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|--------------------------------------|-----------------------|------------------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To enhance human capacity & productivity within | Human resource | EAP Participation in Internal Sports | Annual EAP program | Number of employees assisted | N/A | Not Achieved | 100% | Not Achieved | N/A | Not Achieved | N/A | Not Achieved |

KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|--|---|---|---|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|---------------------------------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| the municipality | Promotion of employee well-ness | | | Number of sporting activities held | | | | | | | | |
| | Review all existing policies and promulgation of new by-laws | Compliance and implementation of policies and by-laws | Labour legislations and Collective Agreements | Adoption of the by-laws and policies | 10% Preparations | Not Achieved | 10% Submissions | Not Achieved | 20% Workshops | Not Achieved | 60% PP and promulgation | Not Achieved |
| | Ensure that the system for Leave Days is continually updated | | Leave policy | Thorough training of HR personnel regarding updating of system | 25% Monthly meetings | Not Achieved | 25% Monthly meetings | Not Achieved | 25% Monthly meetings | Not Achieved | 25% Monthly meetings | Not Achieved |
| Promote sound labour relations | All recognized collective bargaining agreements, applicable legislations and policies be implemented | Conduct workshops with all stakeholders. Prepare EE reports | Approved EE plan | Maintain healthy and conducive working environment by reviewing EE plan and report. | N/A | Not Achieved | N/A | Not Achieved | N/A | Not Achieved | 100% (Preparation & Submission) | Not Achieved |

KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|-------------------------------------|---|---|----------------------------------|------------------------------|-----------------|---------------------------------|-----------------|-----------------------------------|-----------------|------------------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | | Submission of EE report to DoL | | | | | | | | |
| To build capacity informed by Workplace Skills Plan (WSP) | Workplace Skills Plan. Skills Audit | Number of officials capacitated in terms of the workplace Skills Plan Number of councillors trained | Training objectives not fully implemented | 100% compliance with WSP | 20% Planning and submissions | Not Achieved | 20% Compilation of skills audit | Not Achieved | 50% Payment of services providers | Not Achieved | 10% Reporting | Not Achieved |
| To submit the Workplace skills plan LGSETA by 30 April annually | Training committee | Develop the schedule of meeting and adhere to it, compilation of WSP, implementation of the skills plan, reporting and monitoring of progress | Training Committee established but not functional | 100% compliance with legislation | 25% (3 meetings) | Not Achieved | 25% (3 meetings) | Not Achieved | 25% (3 meetings) | Not Achieved | 25% (3 meetings) | Not Achieved |

| KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | | | | | | |
|---|---|--|-----------------------|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To implement the Internship program with the FMG framework conditions | Internships | Number of Internships and learnership opportunities created | Interns are appointed | 100% compliance with Treasury regulations for Internships and implementation of budget on experiential learning | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |
| To ensure legal claims against the municipality are timeously attended | Legal / Administration Development of monthly schedule | Ensuring that monthly statistics of legal claims are kept and provided | Litigations | High court, Magistrate Courts, Arbitrations as well as Labour Court matters are speedily finalized in a less costly manner. Also dealing with settlements outside Court to save costs | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |
| Ensure the avail- | Records man- | Effective im- | Archives | Adherence to | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |

KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|---|---|-----------------------|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| ability of Archives policy | agement Development of the policy | plementation of policy | | the policy Computerized filing system | | | | | | | | |
| | Timeous distribution and collection of mail | Submission of reports for mail | Archives | Update a register for all mails and/or correspondence received/distributed | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |
| | Administration Printing and duplication of documents and advertising | To ensure that there is adequate stationery for the effective and efficient printing , advertising and duplication of documents | Office material | Printing, advertising and purchasing of stationery | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |
| Ensure that employees, custom- | Building Maintenance | Ensuring that buildings are | Maintenance plan | Buildings repainted | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |

| KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | | | | | | |
|---|---|--|----------------------------|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| ers & visitors are safe in municipal buildings | Repairing & renovations of buildings cleaning of buildings | safe and clean | | Walls are refurbished Fencing of main office | | | | | | | | |
| Provision of effective and efficient ICT services | ICT To ensure that all ICT systems are functional and available to users | Update the ICT systems | Information and Technology | Rendering of secure IT environment | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |
| | Compliance to ICT policies with new legislation | Implementation of effective security standards in line with policies | Information and Technology | Review ICT policies | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |
| Ensure safety of fellow employees, Councillors and | Security | Submission of report and alerts on security | Safety and Security | Implement and adhere to the security plan | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |

KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|--|---|-----------------------|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| community members | Develop a comprehensive security plan for the institution Proper and effective access control | ty risk envisaged Provision of safe and secure working environment | | Control access in all premises of NLM | | | | | | | | |
| Compliance with health and safety Act | Occupational Health and Safety Promote safety in a work place | Verification of statistics for allocation purpose | COID | Provision of protective clothing for all categories of employees Training of employees on health and safety issues | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |
| | Ensure the availability of safety file | Safe keeping and Updating | COID | Create safety file | | Not Achieved | | Not Achieved | | Not Achieved | | Not Achieved |

KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|--|---------------------------------|-----------------------|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | Ensure the availability of safety committee and ensure availability of safety reps as well as their capacitation | Ensuring functionality | | Establish safety Committee and appointment of safety reps | | | | | | | | |

VOTE / DEPARTMENT: FINANCE

KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INFRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------|---|--|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Ensure timeous distribution of the bulk municipal accounts | Monthly Billing | Billing be done by 20 th of the month | Billing is currently done after the 20 th due to lack of meter reading management | Monthly billing statements to be sent out to all consumers | 0% | Not Achieved | 30% | Not Achieved | 50% | Not Achieved | 20% | Not Achieved |
| | | Start to issue accounts by utilizing email function on the financial system for consumers | There is no accounts that are send by emails to consumers who require the service | Monthly billing statements to be sent out to all consumers | 20% | Not Achieved | 50% | Not Achieved | 25% | Not Achieved | 5% | Not Achieved |
| To effectively manage finances and improve financial | Revenue Enhancement | % of debtors referred to debt collection company for | Currently only business accounts | 20% of Debtors referred to debt collection company for taking | 1% | Not Achieved | 5% | Not Achieved | 10% | Not Achieved | 4% | Not Achieved |

KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INFRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|----------------------------|---------------------------------|---|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| sustainability | | taking action | above 90days in arrears are handed over. It is about 7% of the total debt | action | | | | | | | | |
| Indigent Support | Revenue Enhancement | Review the indigent policy | Indigent policy is reviewed on a monthly basis | 100% accurate indigent register by June 2016 | 50% | Not Achieved | 30% | Not Achieved | 15% | Not Achieved | 5% | Not Achieved |

KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|--|--|--|--|-----------|--|-----------|--|-----------|--|-----------|--|
|---------------------------------------|--|--|--|--|-----------|--|-----------|--|-----------|--|-----------|--|

| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
|-------------------------|---|--|--|--|------------|-----------------|--------|-----------------|--------|-----------------|--------|-----------------|
| Fleet Management | Manage and monitor the fleet operations | Ensuring that Municipal fleet is well taken care of. | <p>To ensure compliance and strict management on fleet by implementing the following: Regular maintenance on all vehicles.</p> <p>To ensure that all municipal vehicles are in roadworthy and are well taken care of, i.e. The municipal vehi-</p> | 12 monthly reports status of municipal vehicles and repairs and maintenance cost involved are reported to the Accounting Officer and FINCOM monthly. | 3 | Not Achieved | 3 | Not Achieved | 3 | Not Achieved | 3 | Not Achieved |

| KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT | | | | | | | | | | | | |
|---|----------------------------|--|---|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | cles are kept at municipal premises daily after duty. Conduct regular Meetings between drivers and fleet manager Site training and screening of all drivers | | | | | | | | | |
| | Assets Management | Management and monitoring of municipal | Disposal of redundant municipal | To report to the Accounting Officer and | 1 report | Not Achieved | 1report | Not Achieved | 1report | Not Achieved | 1report | Not Achieved |

KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|--|--|--|---|------------|-----------------|-----------|-----------------|------------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | assets | assets | FINCOM quarterly on all identified redundant vehicles | | | | | | | | |
| | | | Updating assets register on Monthly basis for all newly purchased assets | To workshop employees on assets management at start of the financial year – July and January. | 1 workshop | | | | 1 workshop | | | |
| SCM Policy Compliance | Compiling accredited database of suppliers | To procure goods and services through proper and transparent | Monitor and co-ordinate adherence to policy | Review SCM policy for adoption by council Develop and compile an | | | | | | | May 2016 | |

| KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT | | | | | | | | | | | | |
|---|----------------------------|---|--|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | processes in line with the approved SCM Policy. | and legislation as per the requirements of the MFMA, Section 116, by: Updating and review current supply chain policy in line with the new legislation | accredited SCM database Goods and services to be procured only from the list of accredited service providers listed on the SCM Database. | | | | | | | | |
| | | | Develop and compile an accredited SCM data- | | | | | | | | | |

| KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT | | | | | | | | | | | | |
|---|----------------------------|---------------------------------|--|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | base. Verify information of service providers on municipal database. | | | | | | | | | |

| KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT | | | | | | | | | | | | |
|---|----------------------------|---|--|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Increase revenue collection rate to 85% by June 2016 | Revenue Enhancement | % increase in revenue Use the online prepaid system to collect for other services Use the sms messages to communicate with consumers on matters related to their accounts | The current collection is 45% | Collection rate to reach 85% by end of March 2016 | 10% | Not Achieved | 20% | Not Achieved | 25% | Not Achieved | 30% | Not Achieved |
| To effectively manage finances and improve financial sustainability | Revenue Enhancement | Debt impairment and implement the bad debt policy | The debt impairment policy is not implemented in full. | 100% | 30% | Not Achieved | 20% | Not Achieved | 40% | Not Achieved | 10% | Not Achieved |
| To effectively manage finances and improve | Revenue Enhancement | Implement Debt Credit Control by-law | Debt Credit Control by-law is not | 100% | 20% | Not Achieved | 30% | Not Achieved | 30% | Not Achieved | 20% | Not Achieved |

| KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT | | | | | | | | | | | | |
|---|---|--|--|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| financial sustainability | | | implemented in full | | | | | | | | | |
| Ensure that accurate meter reading is managed Ensure that the billing is accurate and credible | Meter Reading Management Data purification | Consistent and accurate monthly meter readings | Meter readings are not accurately read. Monthly meter readings are managed manually. There is no meter devices and system to manage the system. Implement | 100% accurate monthly meter readings by end June 2016 | 20% | Not Achieved | 50% | Not Achieved | 20% | Not Achieved | 10% | Not Achieved |

KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|--|---|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | smart meters for all Ngwathe businesses Implement Time of Use on all Commercials and industrials | | | | | | | | | |
| | | Data purification conducted and credible financial information available for debtors | Data purification was not done for the past 7years | 100% accurate billing data for all types of debtors on the system by 30 June 2016 | 60% | Not Achieved | 20% | Not Achieved | 10% | Not Achieved | 10% | Not Achieved |
| To effectively manage finances and improve financial sustainability | Valuation Roll | % Accuracy of the valuation roll | Comparison between the valuation roll and financial | 100% Accuracy of the valuation roll be implemented by end June 2016. | 30% | Not Achieved | 30% | Not Achieved | 30% | Not Achieved | 10% | Not Achieved |

| KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT | | | | | | | | | | | | |
|--|----------------------------|--|---|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | systems for 2014/15 has been done and are currently correcting the variances identified | | | | | | | | | |
| | | Implement indigent write-offs on a quarterly basis | Indigent write-off are done once a year | Ensure that all the indigent write-off are done by the end of June 2016 | 50% | Not Achieved | N/A | N/A | 100% | Not Achieved | 100% | Not Achieved |
| To effectively manage finances and improve financial Sustainability. Compliance and Reporting: Orders above | Supply chain Management | | To ensure that all projects above R100 000.00 are compliant with the MFMA | 12 SCM monthly reports submitted to The Accounting Officer, FINCOM, Provincial and National Treasury | 3 | Not Achieved | 3 | Not Achieved | 3 | Not Achieved | 3 | Not Achieved |

| KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT | | | | | | | | | | | | |
|---|----------------------------|---------------------------------|--|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| R100 000.00 and Contract entered into/ appointed. Register all construction projects adverts on the CIDB i-tender/website Irregular Expenditure (Deviations) Supply Chain Implementation report | | | SCM reports submitted to monthly to Provincial and National Treasury on all orders above R100 000 and contract entered into. To report to FINCOM all construction projects advertised on CIDB i-tender/ | | | | | | | | | |

| KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT | | | | | | | | | | | | |
|--|----------------------------|---------------------------------|--|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | website To report on deviations to FINCOM, Provincial and National Treasury. To report to the Accounting Officer and Hon. Mayor the Supply Chain Management implementation plan on quarterly | | | | | | | | | |

| KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT | | | | | | | | | | | | |
|---|---|--|--|--|----------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | basis. | | | | | | | | | |
| | To effectively manage finances and improve financial sustainability | Stores Management | Security and stores management Stock taking to be performed quarterly | Submit stock tacking to the Accounting Officer and FINCOM bi-annual. | N/A | N/A | 1 | Not Achieved | N/A | N/A | 1 | Not Achieved |
| To ensure that Financial Statements are accurate and contain credible information | Financial Management | Drafting and submission of AFS AG and PT | Ensure that a 2014/15 AFS are submitted to AG by 31 August 2015 | Ensure timeous submission of AFS | 31 August 2015 | Achieved | N/A | N/A | N/A | N/A | N/A | N/A |

VOTE / DEPARTMENT: COMMUNITY SERVICES

| KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INFRASTRUCTURE INVESTMENT | | | | | | | | | | | | |
|--|----------------------------|---|---|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To ensure accessibility to sports facilities to the Community | Sports and Recreation: | Three sports facility will be ungraded. | Koppies Refurbishment of sports complex Fencing of Munmec Sports Facility Vredefort Phiritona Construction of Sports Complex. | To have refurbished 3 sport facilities in: Phiritona Mokwallo Kwakwatsi. | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |
| To promote sustainable human settlement | Housing : | New Township establishment | Kwakwatsi 1764 Tumahole 890 Phiritona 1368 Mokwallo 327 | To have completed pegging of 5300 erven throughout NLM | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |

KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INFRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|----------------------------|---------------------------------|-----------------------|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | Ngwathe 513 | | | | | | | | | |

KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|--|-------------------------------------|--|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To ensure a coordinated developmental planning and implementation | Spatial Development Plan and Land use Management | SDF aligned with the IDP | Approved SDF | Establishment of Municipal Planning Tribunal (MPT) and implementation of Spluma | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |
| To have sustainable fire and rescue services | Fire and Rescue: | Skills developed for Fire Officers. | Training of Fire Officers on First aid | 10 Fire officer trained | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |

KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------|--|--|------------------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | | | | | | | | | | | |
| To provide sustainable traffic management within Ngwathe Local Municipality | Traffic: | Procurement of portable number plate recognition equipment | Purchasing of portable number plate recognition equipment | One per quarter | 50 | Not Achieved | N/A | N/A | 50 | Not Achieved | N/A | N/A |
| To diversify the agricultural sector by introducing one small scale fishery by November 2014 | Agriculture : | Organise capacity training for emerging farmers | Organise training on common-age by-laws, operation of auction pan and crop farming | 1 Per town | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |
| | Nurseries: | Establishment of nurseries | 1 Parys, 1 Vredefort, 1Koppies, 1Heilbron, 1 Edenville | Establishment of 5 nurseries | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |
| Quarterly bring | SMME's: | Organise ca- | Organise | On-going | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |

| KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT | | | | | | | | | | | | |
|---|--|---|--|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| initiatives to create an enabling environment that is conducive to attract more investors for business growth | | capacity training for emerging farmers | coaching and mentoring for SMME on how to make business sustainable | | | | | | | | | |
| | Re-establishment of Juice factory and Printing Plant Project | Organise training for new beneficiaries on how to operate new project | Juice factory and printing plant re opened & operational | Re-establishment of juice factory and printing plant | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |
| | Establishment of business forum | organise business community | Organise capacity building workshop for effective functionality of the forum | On - going | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |
| To identify and | Tourism: | Organize tour- | Tourism | Launching of | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |

KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION & INSTITUTIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|--|-----------------------|----------------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| implement two events to promote tourism within the jurisdiction of the NLM by December 2015 | | ism stakeholders for purpose of establishing a forum and production of promotional pamphlets and brochures | forum established | Tourism Forum in September | | | | | | | | |

KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|--|--|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To effectively manage sustainability finances and improve financial | Revenue | Contribution towards municipal revenue | Set annual targets for traffic section | | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |

KEY PERFORMANCE AREA: GOOD GOVERNANCE & PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|----------------------------|---------------------------------|-----------------------|--------------------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Improvement on Audit Outcome | | Less Audit queries | Disclaimer | Contribute towards clean audit | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved | 25 | Not Achieved |

VOTE / DEPARTMENT: TECHNICAL SERVICES

| KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION & ORGANISATIONAL DEVELOPMENT | | | | | | | | | | | | |
|--|-------------------------------------|--|---|---|------------|-----------------|-----------|--|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Up-skilling of departmental workers | Skills Development | Cumulative No. of infrastructure related workshops, Forums and training attended by municipal workers per quarter | No. of people to whom skills have been transferred | 50 Employees attending at least two workshops | 3 | Not Achieved | 6 | Not Achieved | 9 | Not Achieved | 12 | Not Achieved |
| Institutional Capacity | Departmental Structure | Development of Work Break down Structures and allocation of clearly defined roles and Responsibilities | Clearly Defined Departmental leadership structures. | -All PMU employees to be with clear roles - All Supervisors and acting leadership to be clearly outlined | 60% | Not Achieved | 75% | Not Achieved | 85% | Not Achieved | 100% | |
| Development Business Plans and mechanisms to seek funding that will enhance infrastructure | Infrastructure Business development | Number of Presentations and Solicited funding on the different available Grants as | 2 Business plans per quarter, and at least 2 Presentations from | 6 Business plans and Technical Reports | 1 | Not Achieved | 2 | Partially Achieved: One business plan has been produced seeking funds from | 2 | Not Achieved | 1 | Not Achieved |

KEY PERFORMANCE AREA: MUNICIPAL TRANSFORMATION & ORGANISATIONAL DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|--|--|---|------------|-----------------|-----------|--|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Development | | well as attempts to create partnerships with private sectors | potential solution providers on Infrastructure | | | | | DWAS for the upgrading of the Parys Purification Plant | | | | |
| Improve Departmental Reporting Systems and structures | Programme Management | Number of Complaints on late reporting and substandard compared to previous Financial Year | Feedback from Fund Managers (Cogta, MIG, DWA, DoE) | Reduce complaints by 60% or requesting for scoring from funders | 35% | Not Achieved | 60% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |

KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|----------------------------|---------------------------------|-----------------------|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Ensure all Grants | Programme | Fruitfully Utilise | Progress on | 100% Fruitful | 20% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |

| KEY PERFORMANCE AREA: MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT | | | | | | | | | | | | |
|--|----------------------------|---------------------------------|-------------------------------|---------------------------|------------|-----------------|-----------|---|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| are spent Fruitfully | Management | all MIG grants | Grant Expenditure | expenditure | | | | | | | | |
| Ensure all Grants are spent Fruitfully | Programme Management | Utilize all ACIP Grants | Progress on Grant Expenditure | 100% Fruitful expenditure | 25% | Not Achieved | 25% | Achieved: 41% Expenditure reported on R 40,637,000 allocation | 50% | Not Achieved | 100% | Not Achieved |
| Ensure all Grants are spent Fruitfully | Programme Management | Utilize all RBIG Grants | Progress on Grant Expenditure | 100% Fruitful expenditure | 25% | Not Achieved | 25% | Achieved | 50% | Not Achieved | 100% | Not Achieved |
| Ensure all Grants are spent Fruitfully | Programme Management | Utilize all DME Grants | Progress on Grant Expenditure | 100% Fruitful expenditure | 25% | Not Achieved | 25% | Not achieved: 0% Expenditure reported on R 14m allocation | 50% | Not Achieved | 100% | Not Achieved |

KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|---------------------------------|---|---|------------|-----------------|-----------|--|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Increase the scale of EPWP works created by the Infrastructure Department | Job Creation | No of New Jobs | To create at least 300 Jobs this Financial Year | To create at least 300 Jobs this Financial Year | | | | Achieved: Cumulative of 333 job opportunities at end of second quarter | | | | |

KEY PERFORMANCE AREA: GOOD GOVERNANCE & PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|--|--|---|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To improve the overall governance and effect of the Technical Services department | Improvement on Audit Outcome | No of suggestion from the Audit that have been addressed | To implement or respond to all issues from the auditors | 100% | | No Achieved | | No Achieved | | No Achieved | | No Achieved |
| | Participatory and inclusive Governance | Number of Council meetings, and Sec- | 3 Meetings Per Quarter | 10 | | No Achieved | | No Achieved | | No Achieved | | No Achieved |

KEY PERFORMANCE AREA: GOOD GOVERNANCE & PUBLIC PARTICIPATION

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---------------------------------------|---|---|--|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | tor Meetings held | | | | | | | | | | |
| | Project Leadership | Number of Disputes resolved | How disputes would have hampered service delivery, and achievement of municipal objectives | To minimize all effects on municipality arising from the disputes on Projects | | No Achieved | | No Achieved | | No Achieved | | No Achieved |
| | Number of Council resolutions implemented | Value discovery on council resolutions implemented by Technical Services Department | Time taken to effect resolutions by the Technical Services Division and portfolio committee Resolution | Effect Council Resolutions Timorously | | No Achieved | | No Achieved | | No Achieved | | No Achieved |

KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INTRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|--|--|--|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| To increase clean water supply in Ngwathe and to improve revenue collection and eliminate water leaks | Water | Parys: Upgrading of the Water Purification plant utilizing a compact plant | Project Progress | Construction and Commissioning of new 10 MI/d plant | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Heilbron: Installation of 511 residential meters and 45 bulk water meters | Number of households provided with water connections | Provide 511 households with water meters and installation of 45 bulk in business sites | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Parys: Design and Construction of Pipeline to Tumahole reservoir No 2 | Project Progress | Complete construction within 12 Months | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Parys: Feasibility Study – Sasolburg- Parys Water Pipeline | Project Stage Progress | Prefeasibility and Feasibility Reports and Designs | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |

KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INTRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|----------------------------|---|---|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | Vredefort: Feasibility Study – Parys-Vredefort Water Pipeline | Project Stage Progress | Prefeasibility and Feasibility Reports and Designs | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Edenville: Feasibility Study – Koppies-Edenville Water Pipeline | Project Stage Progress | Prefeasibility and Feasibility Reports and Designs | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| To provide residents of Ngwathe LM with decent and dignified sanitation that maintains their dignity. | Sanitation | Koppies: Upgrading of sewer treatment plant | Capacity of the works and the green drop status | Refurbish some elements of the Waste Water Treatment Plants | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Edenville: Bucket Eradication | No. of Buckets Eradicated | 200 Houses to be bucket eradicated | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Koppies: Eradication of Spillages in Kwak- | Minimized Spillages | Zero Spillage | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |

KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INTRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|---|---|-----------------------|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | | watsi Section | | | | | | | | | | |
| | | Parys: Eradication of Spillages in Mbeki and Tokoloho Section | Minimized Spillages | Zero Spillage | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| To provide residents of Ngwathe LM with Roads and decent Mobility Access | Roads, Bridges and Storm Water channels | Heilbron: Regravelling of Various Street | %Progress on Project | Length Regravelled | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Edenville: Regravelling of Various Street | %Progress on Project | Length Regravelled | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Koppies: Regravelling of Various Street | %Progress on Project | Length Regravelled | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Vredefort: Regravelling of Various Street | %Progress on Project | Length Regravelled | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Parys: Regravelling of Various Street | %Progress on Project | Length Regravelled | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |

KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INTRASTRUCTURE INVESTMENT

| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|--|----------------------------|---------------------------------|-----------------------|---|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| Providing opportunities for Ngwathe LM's residents to actively participate in sports and recreation. The Municipality also wishes to harness the socio-economic contributions that can create a better life for our residents. | Sports and recreation | Edenville Sports Complex | %Progress on Project | Complete all design and Commence Construction | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Kwakwatsi Sports Complex | %Progress on Project | Complete all design and Commence Construction | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | | Vredefort Sports Complex | %Progress on Project | Complete all design and Commence Construction | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |
| | Electricity & | % Progress on | | | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |

| KEY PERFORMANCE AREA: BASIC SERVICE DELIVERY & INTRASTRUCTURE INVESTMENT | | | | | | | | | | | | |
|--|----------------------------|---|-----------------------|-----------------------|------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|
| PERFORMANCE OBJECTIVES AND INDICATORS | | | | | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
| Strategic Objective | Programme / Key Focus Area | Key Performance Indicator (KPI) | Baseline 30 June 2015 | Annual Target 2015/16 | Set Target | Reported Actual | Target | Reported Actual | Target | Reported Actual | Target | Reported Actual |
| | Energy | Project Stage | | | | | | | | | | |
| | | Refurbishment of electrical Network Koppies Kwakwatsi | %Progress on Project | Commissioning | 25% | Not Achieved | 50% | Not Achieved | 75% | Not Achieved | 100% | Not Achieved |

Chapter 5: Financial Performance

This chapter provides an overview of the financial performance of the municipality thorough measuring of results. It further serves as the basis for future planning so as to ensure that future budgetary allocations are brought in line with IDP and functional area activities and outputs.

Component A: Statement of Financial Performance

| Figures in Rand | Note(s) | 2016 | 2015 Restated |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 19 | 232 788 542 | 224 087 625 |
| Rental of facilities and equipment | 20 | 1 008 755 | 1,434,161 |
| Other income | 22 | 1 695 828 | 2,050,101 |
| Dividends received | 23 | 1,860 | 16,334 |
| Interest received | 23 | 35,839,950 | 34,771,042 |
| Total revenue from exchange transactions | | 271 358 879 | 262 359 263 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Fines | 21 | 762,625 | 905,529 |
| Property rates | 24 | 64 480 845 | 59,991,634 |
| Transfer revenue | | | |
| Government grants & subsidies | 25 | 266,946,630 | 192,320,420 |
| Total revenue from non-exchange transactions | | 332 190 100 | 252 864 746 |
| Total revenue | | 603 548 979 | 515 224 009 |
| Expenditure | | | |
| Employee related costs | 26 | (183 643 274) | (179 107 842) |
| Remuneration of councillors | 27 | (11 478 640) | (10 710 779) |
| Depreciation and amortisation | 28 | (60 763 037) | (65 934 985) |
| Impairment of assets | 29 | (93 312 475) | (42 197 809) |
| Finance costs | 30 | (81 100 334) | (58 711 235) |
| Bad debts written off | 31 | (26 846 582) | (52 333 827) |
| Bulk purchases | 32 | (181 519 870) | (162 495 214) |
| Contracted services | 33 | (1 360 105) | (2 535 946) |
| General expenses | 34 | (98 444 932) | (202 922 443) |
| Repairs and maintenance | 35 | (10 048 009) | (27 739 257) |
| Total expenditure | | (748 517 258) | (804 689 337) |
| Operating deficit | | (144 968 279) | (289 465 328) |
| Property plant and equipment losses/write-offs | 4 | - | (1 113 245) |
| Actuarial gains/(losses) | 7 | (2 489 000) | 7 152 000 |
| Inventories losses/write-downs | 9 | (100 962) | (70 323) |
| Fair value adjustments | 36 | 5 721 773 | 6 928 823 |
| | | 3 131 811 | 12 897 255 |
| Deficit for the year | | (141 836 468) | (276 568 073) |

Component B: Spending against Capital Budget

Component C: Cash Flow Management & Investment

| Figures in Rand | Note(s) | 2016 | 2015 Restated |
|---|-----------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services (exchange and non-exchange) | | 172,127,278 | 179,010,202 |
| Grants | | 267,378,567 | 186,758,117 |
| Interest income | | 35,839,950 | 34,771,042 |
| Dividends received | | 1,860 | 16,334 |
| Other receipts | | 3,799,203 | 3,655,412 |
| | | 479,146,858 | 404,211,107 |
| Payments | | | |
| Employee costs | | (183 748 590) | (178 210 954) |
| Suppliers | | (125 748 276) | (96 375 728) |
| Finance costs | | (81 100 328) | (58 711 234) |
| | | (390 597 194) | (333 297 916) |
| Net cash flows from operating activities | 38 | 88 557 799 | 70 913 191 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (77 811 491) | (68 418 379) |
| Proceeds from sale of property, plant and equipment | 4 | - | 10,500 |
| Additions on investments | | 639,431 | - |
| Net cash flows from investing activities | | (77 196 006) | (68 407 879) |
| Cash flows from financing activities | | | |
| Employee benefit obligation payments | | (2 785 000) | (2 720 000) |
| Finance lease payments | | (561 176) | (1 209 441) |
| Net movement in other financial liabilities | | (2 657 065) | (2 329 701) |
| | | (6 003 241) | (6 259 142) |
| Net increase/(decrease) in cash and cash equivalents | | 5,358,555 | (3 753 828) |
| Cash and cash equivalents at the beginning of the year | | 3,085,216 | 6,839,044 |
| Cash and cash equivalents at the end of the year | | 8,443,771 | 3,085,216 |

Component D: Other Financial Matters

1. Expression on the Auditor General Report

We believe that the opinion expressed by the Auditor-General on the audit of the affairs of the municipality for the reporting period under review is a fair reflection of the state of affairs of the municipality’s financial and non-financial performance for the period ended 30 June 2016.

2. Plans to enhance financial viability

- Consistent application of accounting policies applicable to the financial statements so as to eliminate possibilities of errors and re-statement of financial information during audits.
- Strengthening of controls relating to daily financial management activities so as to ensure accurate recording of financial transactions.
- Ensure compliance with applicable laws and regulations regarding financial management and other related matters.

3. Financial Ratios based on Key Performance Indicators

3.1 Revenue Management

3.1.1 Level of Reliance on Government Grants

Purpose: The purpose of this ratio is to determine what percentage of the municipality’s revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

| | 2015/16 | | | 2014/15 |
|----------------------------------|-------------------|---------------|-----|---------|
| Formula | Government Grants | Total Revenue | % | % |
| Grants & Subsidies/Total Revenue | 266 946 630 | 603 548 979 | 44% | 37% |

Analysis and Interpretation: From the above, it is evident that the municipality is in high proportion reliant on Government Grants and this reliance has grown compared to the previous reporting period. This is largely due to the fact that the municipality has a diminished revenue base from which to generate its own revenue.

3.1.2 Actual Revenue versus Budgeted Revenue

Purpose: The purpose of this ratio seeks to determine deviations between actual and budgeted revenue and to ascertain reasons for the deviations.

| | Actual Revenue | Budgeted | Variance | Variance | |
|-------------------------|----------------|-------------|--------------|----------|---------|
| Formula | 2015/16 | Revenue | R | 2015/16 | 2014/15 |
| | | 2015/16 | | % | % |
| Variance/Actual Revenue | 603 548 979 | 635 301 000 | (31 752 021) | 5% | |

Analysis and Interpretation: The acceptable standard is that the actual revenue for a financial year must equal or exceed the approved budget for the financial year. The municipality’s actual revenue is less than the budget by 5%. The actual revenue includes Government Grants.

3.2 Expenditure Management

3.2.1 Employee Related Costs to Total Operating Expenditure

Purpose: The purpose of this ratio is to indicate Personnel Cost as a percentage of Total Expenditure.

| | 2015/16 | | | 2014/15 |
|---|---------------|----------------------------------|-----|---------|
| Formula | Employee Cost | Total Operating Ex- penditure | % | % |
| Actual Salaries, Wages and Allowances/Total Expenditure | (183 643 274) | (748 517 258) | 25% | 22% |

3.2.2 Remuneration of Councillors

Purpose: The purpose of this ratio is to indicate Remuneration of Councillors as a percentage of Total Expenditure.

| | 2015/16 | | | 2014/15 |
|---|--------------------------------|-------------------|------|---------|
| Formula | Remuneration of Councillors | Total Expenditure | % | % |
| Actual Remuneration of Councillors/ Total Expenditure | (11 478 640) | (748 517 258) | 1.5% | 1.3% |

Analysis and Interpretation: From the above, it can be deduced that remuneration of councillors as a percentage of total operating expenditure remained constant year on year at between 1.3% and 1.5% to total expenditure, and at the same time remuneration of employees to total expenditure proportionately increased from 22% to 25% year on year.

3.2.3 Repairs and Maintenance to Total Expenditure

Purpose: The purpose of this ratio is to indicate Repairs and Maintenance as a percentage of Total Expenditure.

| | 2015/16 | | | 2014/15 |
|---|-----------------------|-------------------|------|---------|
| Formula | Repairs & Maintenance | Total Expenditure | % | % |
| Actual Repairs & Maintenance/ Total Expenditure | (10 048 009) | (748 517 258) | 1.3% | 3.4% |

Analysis and Interpretation: The norm for this ratio is that Repairs and Maintenance should equal at least 10% of Total Operating Expenditure. In this case the expenditure is below 10%, and has declined from 3.4% to 1.3% in the current reporting period. This could signal insufficient maintenance of infrastructure assets.

3.3 Liability Management

3.4.1 Acid Test Ratio

Purpose: To test the extent to which the municipality's current assets can cover the short term obligations.

| | 2015/16 | | | 2014/15 |
|--|----------------------------------|---------------------|--------|---------|
| Formula | Current Assets less Inventory | Current Liabilities | Ratio | Ratio |
| Current Assets less Inventory/Current Liabilities. | 103 108 501 | 818 236 863 | 0.13:1 | 0.13:1 |

Analysis and Interpretation: The norm for this ratio is 1.5:1, i.e. the Current Assets less Inventory must exceed the Current Liabilities by 150%. The above ratio indicates that the municipality had a substantially negative current ratio as at the end of the financial year, which implies that the value of current assets was substantially insufficient to can cover current liabilities. The ratio remained constant year on year.

Chapter 6: Auditor-General’s Findings

Besides the Auditor-Generals Report for the reporting period under review, which cannot be amended by the municipality, information pertaining to the following is also included in this chapter:

- Issues raised during the previous financial year;
- Remedial action taken to address the above and preventative measures.

1. Issues raised during the previous financial year and progress made

| Nr. | Finding | Anticipated measures to correct the findings | Responsible official | Progress made to date |
|--|---|---|------------------------------------|-----------------------|
| Cash and cash equivalents | | | | |
| 1. | Cash and cash equivalents: Bank accounts not submitted annual before the start of new financial year | ▪ Finding to be prevented | CFO | Not reported |
| 2. | {Batch 2} Cash and cash equivalents: No proof of review of bank reconciliation for the month of March 2015 | ▪ Finding to be prevented | Bank reconciliation officer & CFO | Not reported |
| Employee costs | | | | |
| Er ror ! Bo ok m ar k no t de fin ed .. | Employee related costs: Discrepancies identified on travel allowance and stand-by Limitation | Two findings identified: ▪ Supporting doc's of travelling allowance – to be corrected ▪ Stand-by limitation – to be prevented | CFO | Not reported |
| 4. | Employee related costs: PAYE is not remitted by the 7th of the next month | Finding to be prevented | ABEM & CFO | Not reported |
| 5. | Employee related costs: Reconcile PAYE & SITE totals to 12 months' salary and differences were identified | ▪ Finding to be prevented ▪ Finding to be prevented | CFO Skills SA ABEM | Not reported |
| 6. | Employee related costs: Non-compliance with the Regulations on Minimum Competency Levels reg. 14(2)(b)/14(3) | ▪ Finding to be prevented | ASESM – PMS & IDP Manager | Not reported |
| 7. | Employee related costs: Acting period on s57 post more than 3 months and no proof of approval from MEC | ▪ Finding to be prevented | Acting Director Corporate Services | Not reported |
| 8. | Employee related costs: Performance Agreements was not signed one month after the beginning of financial year | ▪ Finding to be prevented | | Not reported |
| 9. | Employee related costs: Senior managers position vacant for more than 12 months | ▪ Finding to be prevented | MM | Done |
| Unauthorised, Irregular, Fruitless and Wasteful Expenditure | | | | |
| 10. | Unauthorised, Irregular, Fruitless and Wasteful Expenditure: Not reported in terms of Section 32 of the MFMA | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 11. | {Batch 30} Procurement and contract management - Total payments exceeding contract value | ▪ Finding to be corrected | CFO /SCM | Not reported |
| 12. | Procurement & Contract Management: Winning bidder did not submit a declaration of interest | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 13. | Procurement & Contract Management: 3 quotations were not submitted | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 14. | Procurement & Contract Management: Deviation not reported to council or disclosed in the register | ▪ Finding to be prevented | CFO /SCM | Not reported |
| 15. | Procurement & Contract Management: No advert attached to the payment voucher | ▪ Finding to be prevented | CFO /SCM | Not reported |
| 16. | Procurement & Contract Management: No evidence that the quotations were evaluated | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 17. | Procurement & Contract Management: Tax Clearance Certificate not submitted | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 18. | Irregular expenditure: Discrepancies identified | ▪ Finding to be prevented | CFO / SCM | Not reported |

| | | | | |
|-------------------------------------|--|---------------------------|--------------------------|--------------|
| 19. | Expenditure: SCM process not followed | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 20. | Procurement & Contract Management: Supply Chain Policy does not comply with SCM regulations | ▪ Finding to be corrected | CFO / SCM | Not reported |
| 21. | Procurement & Contract Management: No performance review of suppliers performed | ▪ Finding to be prevented | CFO Dir. Tech Service | Not reported |
| 22. | Procurement & Contract Management: Bid results not published on municipal website | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 23. | Procurement & Contract Management: Evaluation criteria differs to bid specification | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 24. | Procurement & Contract Management: Supplier did not provide AFS | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 25. | Procurement & Contract Management: Incorrect information captured on Deviation register | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 26. | Irregular expenditure: Items identified is not valid irregular expenditure but deviations and not included in the deviation register | ▪ Finding to be prevented | CFO / SCM | Not reported |
| 27. | ADJUSTED AFS - Unauthorised Expenditure - 2012/13 Unauthorised expenditure not followed up | ▪ Finding to be prevented | CFO | Done |
| Annual Financial Statements | | | | |
| 28. | Annual Financial Statements not submitted within two months as prescribed by section 126 of the MFMA | ▪ Finding to be prevented | MM & CFO | Not reported |
| 29. | Oversight report not presented to council and not made public | ▪ Finding to be prevented | MM & ASES | Not reported |
| Consumer deposits | | | | |
| 30. | Consumer deposits: Consumer deposit not included in register/AFS (Prior year) | ▪ Finding to be prevented | CFO / SCM | Not reported |
| Error ! Book mark not defined.1. | Consumer deposits: Deposit incorrectly included in the amount of the register/AFS | ▪ Finding to be prevented | CFO / SCM | Not reported |
| Governance | | | | |
| Error ! Book mark not defined.2. | Internal Audit: Deficiencies identified on internal audit function | ▪ Finding to be prevented | IAM | Done |
| Error ! Book mark not defined.3. | Internal Control: Fraud and Risk assessment | ▪ Finding to be prevented | ARCM / MM | Not done |
| Error ! Book mark not defined.4. | Governance: Control weaknesses identified | ▪ Finding to be prevented | ARCM / MM | Not done |
| Immovable assets | | | | |
| Error ! Book mark not defined.5. | Property, Plant and Equipment: Incorrect classification of Land and Building | ▪ Finding to be corrected | CFO | Not reported |
| Error ! Book mark not defined.6. | PPE: Existence and completeness of infrastructure assets not confirmed | ▪ Finding to be prevented | CFO | Not reported |
| Error ! Book | PPE: Infrastructure and moveable asset register inconsistencies | ▪ Finding to be prevented | CFO | Not reported |

| | | | | |
|----------------------------------|---|---|-------------------|--------------|
| mark not defined.7. | | | | |
| Error ! Book mark not defined.8. | PPE - Understatement of work in progress | <ul style="list-style-type: none"> Finding to be prevented | CFO | Not reported |
| Error ! Book mark not defined.9. | PPE: Roads and Infrastructure | <ul style="list-style-type: none"> Finding to be corrected | Dir. Tech Service | Not reported |
| Investment property | | | | |
| 40. | Investment property: Incorrect classification of investment property | <ul style="list-style-type: none"> Finding to be prevented | CFO | Not reported |
| 41. | Investment property: Limitation of scope | <ul style="list-style-type: none"> Finding to be corrected | CFO | Not reported |
| Investments | | | | |
| 42. | Investments: Monthly investment reconciliations are not properly reviewed | <ul style="list-style-type: none"> Finding to be prevented | CFO | Not reported |
| 4Error! Book mark not defined.. | Investments: Discrepancies identified during the testing of investments | <ul style="list-style-type: none"> Finding to be prevented | CFO | Not reported |
| Movable assets | | | | |
| 44. | PPE: Existence and completeness of movable assets not confirmed | <ul style="list-style-type: none"> Finding to be prevented | CFO | Not reported |
| 45. | PPE: Movable Assets - Valuation | <ul style="list-style-type: none"> Finding to be prevented | CFO | Not reported |
| Operating expenditure | | | | |
| 46. | Expenditure: Payments not made within 30 days as prescribed by MFMA | <ul style="list-style-type: none"> Finding to be prevented | CFO / MM | Not reported |
| 47. | Expenditure: Remaining Population: Payments not made in 30 days and no proof of authorisation | <ul style="list-style-type: none"> Finding to be prevented | CFO / MM | Not reported |
| 48. | Expenditure: Remaining population: Amount as per invoice does not agree to amount as per the G/L | <ul style="list-style-type: none"> Finding to be prevented | CFO / ABEM | Done |
| 49. | Expenditure: Remaining population: Invoices recorded in the incorrect accounting period | <ul style="list-style-type: none"> Finding to be prevented | CFO / ABEM | Not reported |
| 50. | Expenditure: VAT amount charged on the invoice does not agree to the VAT on the GL | <ul style="list-style-type: none"> Finding to be prevented | CFO / ABEM | Not reported |
| 51. | Expenditure: Invalid tax invoices are submitted to the auditee | <ul style="list-style-type: none"> Finding to be prevented | CFO / ABEM | Not reported |
| 52. | Expenditure: Payment vouchers not approved. | <ul style="list-style-type: none"> Finding to be prevented | CFO / ABEM | Not reported |
| 53. | Expenditure: Remaining Population: Incorrect classification of expenditure | <ul style="list-style-type: none"> Finding to be prevented | CFO / ABEM | Not reported |
| 54. | Expenditure: Repairs and Maintenance incorrectly classified | <ul style="list-style-type: none"> Finding to be prevented | CFO / ABEM | Not reported |
| 55. | Expenditure: Cut-off could not be confirmed. | <ul style="list-style-type: none"> Finding to be prevented | CFO | Not reported |
| Payable | | | | |
| 56. | Trade and other payables: Suspense and Unallocated receipt accounts is not cleared on a timeously basis | <ul style="list-style-type: none"> Finding to be prevented | CFO / RDCM | Not reported |
| 57. | Trade and other payables: Payments after year end could not be traced to creditors listing (completeness and cut-off) | <ul style="list-style-type: none"> Finding to be prevented | CFO / RDCM | Not reported |
| 58. | Trade and other payables: Difference between auditee's records and supporting documents. | <ul style="list-style-type: none"> Finding to be prevented | CFO / RDCM | Not reported |
| 59. | Trade and other payables: Information not submitted | <ul style="list-style-type: none"> Finding to be corrected | CFO / ABEM | Not reported |
| Predetermined objectives | | | | |
| 60. | Internal Control: Deficiencies identified on Performance Management | <ul style="list-style-type: none"> Finding to be prevented | ASESM | Not reported |
| 61. | Predetermined objectives: Deficiencies identified | <ul style="list-style-type: none"> Finding to be prevented | CFO & ASESM | Not reported |

| | | | | |
|-----------------|--|---------------------------|------------|--------------|
| 62. | AOPO - Weaknesses identified | ▪ Finding to be prevented | ASESM | Not reported |
| Provisions | | | | |
| 63. | ADJUSTED AFS {Batch 7} Post Retirement Obligation: Total is incorrectly cast in note and transferred to SOFP | ▪ Finding to be prevented | CFO | Done |
| 64. | Provisions: Landfill Sites have not been added to the asset register | ▪ Finding to be prevented | CFO | Not reported |
| Receivables | | | | |
| 65. | Receivables: Property transfer could not be confirmed | ▪ Finding to be prevented | CFO / RDCM | Not reported |
| 66. | Receivables: Accounts in arrears not disconnected | ▪ Finding to be prevented | CFO / RDCM | Not reported |
| 67. | Receivables: Indigent application forms not duly signed | ▪ Finding to be prevented | CFO / RDCM | Not reported |
| Related parties | | | | |
| 68. | Related parties: Declaration of interest not submitted and also not updated frequently | ▪ Finding to be prevented | MM / MOM | Not reported |
| Revenue | | | | |
| 69. | Revenue: Property Rates- Differences identified on the valuation roll | ▪ Finding to be corrected | CFO / RDCM | Not reported |
| 70. | Revenue: Service estimates not calculated | ▪ Finding to be prevented | CFO / RDCM | Not reported |
| 71. | Property Rates: Non-compliance to Municipal Property Rates Act | ▪ Finding to be prevented | CFO / RDCM | Not reported |
| 72. | Revenue: Differences identified with water meters billed | ▪ Finding to be corrected | CFO / RDCM | Not reported |
| 73. | Revenue: Incorrect tariff charged for refuse removal | ▪ Finding to be prevented | CFO / RDCM | Done |
| 74. | {Batch 30} Revenue - Completeness | ▪ Finding to be prevented | CFO / RDCM | Not reported |
| 75. | {Batch 30} Revenue - Property rates variances. | ▪ Finding to be prevented | CFO / RDCM | Not reported |
| Taxes | | | | |
| 76. | {Batch 30} VAT: Discrepancies identified on value added tax | ▪ Finding to be prevented | CFO / ABEM | Not reported |

2. Report of the Auditor-General

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 have audited the financial statements of the Ngwathe Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, 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 these financial statements in accordance with the South Africa Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA) and the Division of Revenue Act, 2015 (Act No. 1 of 2015) (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 these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ngwathe Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and Dora.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

Material losses

9. As disclosed in note 50 to the financial statements, material electricity losses of R126 752 795 (2015: R64 106 909) were incurred by the municipality mainly due to electricity theft.

Material impairments

10. As disclosed in notes 10 and 11 to the financial statements, management provided for the impairment of consumer and other receivables of R566 444 475 (2015: R473 132 002).

Irregular expenditure

11. As disclosed in note 49 to the financial statements, the municipality incurred irregular expenditure of R60 200 348 (2015: R9 346 751) in 2015-16 due to non-compliance with supply chain management (SCM) requirements.

Fruitless and wasteful expenditure

12. As disclosed in note 48 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R74 252 491 (2015: R51 248 897) in 2015-16 due to interest and penalty charges on the late payment of suppliers.

Unauthorised expenditure

13. As disclosed in note 47 to the financial statements, the municipality incurred unauthorised expenditure of R177 095 143 (2015: R266 727 757) during 2015-16 due to expenditure that exceeded the limits provided for in the main divisions of the approved budget.

Going concern

14. Note 45 to the financial statements indicates that the municipality incurred a net loss of R141 836 468 during the year ended 30 June 2016 and, as of that date, the municipality's current liabilities exceeded its current assets by R714 672 259. In addition, the municipality owed Eskom R544 008 986 (2015: R386 211 700) and the Department of Water Affairs R63 899 036 (2015: R50 086 403) as at 30 June 2016, which was long overdue. These conditions, along with other matters set forth in note 45, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

Additional matter

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

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

17. In accordance with the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on them.

Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance areas presented in the annual performance report of the municipality for the year ended 30 June 2016:
- Key performance area (KPA): Basic service delivery and infrastructure development on pages xx to xx
19. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned key performance areas. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).
20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. The material findings in respect of the selected key performance area are as follows:

KPA: Basic service delivery and infrastructure development

Usefulness of reported performance information

22. The FMPPI requires performance targets to be specific in clearly identifying the nature and required level of performance, and measurable. A total of 66% of the targets were not specific and 83% of the targets were not measurable.
23. The FMPPI requires performance indicators to be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 76% of the indicators were not well defined.
24. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 83% of the indicators were not verifiable.

Reliability of reported performance information

25. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was because of limitations placed on the scope of my work due to the absence of proper systems and processes and the auditee not providing sufficient appropriate evidence in support of the reported performance information. The auditee's records also did not permit the application of alternative audit procedures.

Additional matters

26. I draw attention to the following matters:

Achievement of planned targets

27. Refer to the annual performance report on pages xx to xx for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected key performance area reported in paragraphs 22 to 25 of this report.

Compliance with legislation

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

Strategic planning and performance management

29. The integrated development plan was not drafted by taking into account the integrated development process and proposals submitted by the district municipality as required by section 29(3)(b) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (Municipal Systems Act).
30. The key performance indicators set by the municipality did not include indicators on the percentage of households with access to a basic level of water, sanitation, electricity and solid waste removal as required by section 43(2) of the Municipal Systems Act and the municipal planning and performance management regulation 10(a).

Financial statements, performance and annual reports

31. The annual performance report for 2015-16 did not include the performance of the external services providers, a comparison of the performance with the previous financial year and measures taken to improve performance as required by section 46(1)(a), (b) and (c) of the Municipal Systems Act.
32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, non-current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

33. The 2014-15 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
34. The council failed to adopt an oversight report containing the council's comments on the annual report within the prescribed timelines, as required by section 129(1) of the MFMA.

Procurement and contract management

35. Goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

Expenditure management

36. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA.
37. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.
38. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
39. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Consequence management

40. Unauthorised expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
41. Irregular expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA and municipal budget and reporting regulation 75(1).
42. Fruitless and wasteful expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA and municipal budget and reporting regulation 75(1).

Internal control

43. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

44. Leadership did not always take prompt and adequate action to address weaknesses in performance management, which resulted in non-compliance with applicable legislation. Management failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause.

Financial and performance management

45. Management did not implement proper record keeping and prepare regular, accurate and complete performance reports that were supported and evidenced by reliable information. This was due to the lack of competent staff in the performance information division. The municipality also did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings being reported.
46. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. Audit findings communicated to the municipality during the audit were corrected by management, which resulted in material adjustments to the financial statements.
47. Due to the lack of capacity, the finance division relied heavily on the use of consultants, which is not sustainable in the long term.

Governance

48. The municipality did not promptly initiate steps based on the risk assessment performed to address risks relating to the performance management system.

Bloemfontein

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Appendices

Appendix D: Functions of the Municipality

The appendix covers what constitutes the municipal functions that are constitutionally assigned to Ngwathe Local Municipality. The table below indicate the powers and functions that are applicable to the municipality.

| Function | Definition of function | MDB Prioriti- zation |
|--|---|-------------------------|
| 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 transmis- sion, 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 conser- vation, 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 |
| Cemeteries and crematoria | The establishments conduct and control of facilities for the purpose of disposing of human and animal remains. This includes, 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 imple- mentation of a town planning scheme or land-use management scheme | 1 |
| Local Sport and rec- reation facilities | Provision and maintenance of sports and recreational facilities | 3 |

VOLUME II: ANNUAL FINANCIAL STATEMENTS

Ngwathe Local Municipality
(Registration number FS203)

Financial Statements for the year ended 30 June, 2016
General Information

| | |
|---|---|
| Legal form of entity | Category C municipality in terms of Section 1 of Local Gov- ernment's Municipal Structures Act, 1998 (Act 117 of 1998) read with Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996 |
| Nature of business and principal activities | The primary function of the municipality is to provide basic services ie water, electricity, sewerage, water and sanitation to the Ngwathe jurisdiction |
| Mayoral committee Executive Mayor Councillors | Mochela MJ Ndayi PR (Speaker) Mandelstam GP (Exco member) Mopedi NP (Exco member) Schoonwinkel A (Exco member) Sarathi M (Exco member) Vandisi TL (Exco member) Bocibo C (Deceased) Choni SP De Beer VE De Jager A De Jager SHF (New) Ferendale RS (New) Hlapane ML Khumalo KJ Masooa MJ Mbele AM Mehlo LR Modiko DV Mofokeng MD Mofokeng ML Mofokeng MM Molaphene PM Molotsane RJ Motsumi ME Mthimkulu S (New) Mvulane L Ndlovu NA Oliphant AM Radebe DM Ramabitsa IM Ranthako MC Roos J (Deceased) Scholtz F Seabi IM (Resigned) Sehume AM Serfontein C Sothoane CE Spence DI (New) Swart AP Tladi LL Van Der Merwe PP Vermark SM |

Ngwathe Local Municipality
(Registration number FS203)

Financial Statements for the year ended 30 June, 2016

General Information

| | |
|-----------------------------|--|
| Grading of local authority | Category C |
| Chief Finance Officer (CFO) | Samyala N |
| Accounting Officer | Tsemedi PS |
| Registered office | 12 Liebenbergs Trek Parys 9585 |
| Business address | 12 Liebenbergs Trek 9585 |
| Postal address | PO Box 359 Parys 9585 |
| Bankers | ABSA |
| Attorneys | Utilise attorneys in Municipal areas (Detailed list available at Municipal offices) |
| Contact details | Chief Financial Officer - 051 816 2700 Municipal Manager - 056 816 2700 |

Ngwathe Local Municipality
(Registration number FS203)

Financial Statements for the year ended 30 June, 2016

Index

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

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Abbreviations

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

Ngwathe Local Municipality

(Registration number FS203)

Financial Statements for the year ended 30 June, 2016

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 8 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Tsekedi PS

Acting Municipal Manager

Ngwathe Local Municipality

(Registration number FS203)

Financial Statements for the year ended 30 June, 2016

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2016.

Audit committee members and attendance

All members of the Audit Committee are independent, with no interest in the management or conduct of the business of the Municipality..

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 3 meetings were held..

| Name of member | Number of meetings attended |
|-------------------------|-----------------------------|
| Mokhesi N (Chairperson) | 2 (Apologies - 1) |
| Mogadime JV | 2 (Apologies - 1) |
| Mahlatsi MNG | 2 (Apologies - 1) |
| Mohlahlo ME | 0 (Apologies - 3) |

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Audit, the Audit Report on the Annual Financial Statements and management letter of the Auditor-General. It was noted that there were instances of weaknesses in Internal Financial controls.

Compliance with applicable laws and regulations

The laws and regulations are simply designed to serves as a guide line to ensure a secure sound and sustainable management of the financial affairs of the municipalities. In terms of section 60 (a) and (b) (i)(ii) of the Municipal Finance Management Act, the Municipal Manager of a municipality is the accounting officer, of the municipality for the purposes of this Act, and, as accounting officer, must-

- (a) exercise the functions and powers assigned to an accounting officer in terms of this Act; and
- (b) provide guidance and advice on compliance with this Act to –
 - (i) the political structures, political office-bearers and officials of the municipality; and
 - (ii) any municipal entity under the role or shared control of the municipality.

From the various reports of the Internal Audit, the Audit Report on the Annual Financial Statements and management letter of the Auditor-General, it was noted that there were several instances of weaknesses in material non-

compliance regarding financial matters, financial management and other related matters.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor General and the accounting officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto; reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions; reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits

The Audit Committee had an opportunity to assess the capacity of staff in the Internal Audit Unit and its functionality to fulfil its duties according to the approved annual internal audit plan. For the period under review the Audit Committee approved the following documents for Internal Audit Unit to effectively function:

- (a) Audit Committee Charter;
- (b) Internal Audit Charter; and
- (c) Risk based audit plan and annual internal audit program for the 2015-16 financial year (for compliance with section 165 of the Municipal Finance Management Act).

For the financial year under review, the Internal Audit audited areas according to the Approved Annual Internal Audit Program.

Regrettably issues raised in the reports have not been sufficiently addressed by management. Repeat findings are indicative of lack of commitment by management to address audit findings, as also evidenced by non-responsiveness to the approved action plan.

On the date of issue of these reports, relevant and affected departments were requested by the internal audit unit to submit action plans with comments on the date specified.

Well along the Internal Audit Unit reminded the relevant and affected departments to submit the following information requested, as it was needed for the compilation of a comprehensive report to the Municipal Manager, on the implementation of corrective steps with regard to the findings of the relevant internal audit reports:

- (a) corrective steps already implemented (if any);
- (b) planned corrective steps to be implemented and the envisaged target dates for implementation and;
- (c) relevant manager or official responsible for implementation.

Up-to-date no comments or action plans have been received for the following reports issued:

- (a) Payroll and Human Resource Management;
- (b) Expenditure;
- (c) Income - Receipts, receipts through the post and direct deposits; and

- (d) Creditors (accounts payable)
- (e) Value Added Tax

With exception of response to the following reports:

- a) Income - Rates, General, Trading and Economic services
- b) Debtors (accounts receivable)
- c) Fixed assets; and
- d) Quarterly Performance Information

Auditor-General of South Africa

The committee noted with pleasure that the Auditor-General issued an unqualified of opinion on the financial statements of the municipality for 2014 -15 financial year. The committee further report that it unconditionally accepted the report of the Auditor- General for the financial year ended 30 June 2015.

During the meetings held in 2015/16 financial year, the Committee had an opportunity to discuss Auditor-General audit outcome on the Annual Financial Statement of 2014-15 financial year, and also monitored the progress made in terms of addressing the findings raised.

Risk Management

The Audit Committee had an opportunity to discuss risk assessment report and risk treatment report for the current financial year.

Adequacy of financial reporting

Audit Committee assessed section 52 ((d) required by the MFMA) reports (financial information) for the period under review, as well as revenue strategic on revenue collection presented by management.

Chairperson of the Audit Committee

Date:

NGWATHE LOCAL MUNICIPALITY

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position

| Figures in Rand | Note(s) | 2016 | 2015 Restated* |
|--|---------|---------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Sundry receivables | 8 | 1,374,396 | 1,690,581 |
| Inventories | 9 | 456,103 | 556,893 |
| Receivables from exchange transactions | 10 | 44,823,391 | 39,173,751 |
| Receivables from non-exchange transactions | 11 | 17,758,545 | 18,425,133 |
| Cash and cash equivalents | 12 | 8,443,765 | 3,085,216 |
| VAT receivable | 50 | 30,834,257 | 21,300,126 |
| | | 103,690,457 | 84,231,700 |
| Non-Current Assets | | | |
| Investment property | 3 | 110,445,239 | 104,687,430 |
| Property, plant and equipment | 4 | 735 784 355 | 718 735 897 |
| Intangible assets | 5 | 1,321,200 | 1,321,200 |
| Other financial assets | 6 | 849,591 | 1,501,113 |
| | | 848 400 385 | 826 245 640 |
| Total Assets | | 951 964 989 | 910 477 340 |
| Liabilities | | | |
| Current Liabilities | | | |
| Employee benefit obligation | 7 | 3,361,000 | 2,843,350 |
| Finance lease obligation | 13 | 282,326 | 562,917 |
| Unspent conditional grants and receipts | 14 | 508,116 | 76,179 |
| Other financial liabilities | 15 | 2,181,704 | 2,181,704 |
| Provisions | 16 | 98 928 724 | 94 326 127 |
| Payables from exchange transactions | 17 | 707,607,253 | 554,824,222 |
| Consumer deposits | 18 | 5,367,740 | 5,513,114 |
| | | 818 236 863 | 660 327 613 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 7 | 77,160,000 | 66,499,650 |
| Finance lease obligation | 13 | 353,745 | 634,330 |
| Other financial liabilities | 15 | 1,465,238 | 4,122,303 |
| Provisions | | 114 645 270 | 96 953 094 |
| Total Liabilities | | 193 624 253 | 168 209 377 |
| Net Assets | | (59 896 127) | 81 940 350 |
| Accumulated surplus | | (59 896 127) | 81 940 350 |

NGWATHE LOCAL MUNICIPALITY

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

| Figures in Rand | Note(s) | 2016 | 2015 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 19 | 232 788 542 | 224 087 625 |
| Rental of facilities and equipment | 20 | 1 008 755 | 1,434,161 |
| Other income | 22 | 1 695 828 | 2,050,101 |
| Dividends received | 23 | 1,860 | 16,334 |
| Interest received | 23 | 35,839,950 | 34,771,042 |
| Total revenue from exchange transactions | | 271 358 879 | 262 359 263 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Fines | 21 | 762,625 | 905,529 |
| Property rates | 24 | 64 480 845 | 59,991,634 |
| Transfer revenue | | | |
| Government grants & subsidies | 25 | 266,946,630 | 192,320,420 |
| Total revenue from non-exchange transactions | | 332 190 100 | 252 864 746 |
| Total revenue | | 603 548 979 | 515 224 009 |
| Expenditure | | | |
| Employee related costs | 26 | (183 643 274) | (179 107 842) |
| Remuneration of councillors | 27 | (11 478 640) | (10 710 779) |
| Depreciation and amortisation | 28 | (60 763 037) | (65 934 985) |
| Impairment of assets | 29 | (93 312 475) | (42 197 809) |
| Finance costs | 30 | (81 100 334) | (58 711 235) |
| Bad debts written off | 31 | (26 846 582) | (52 333 827) |
| Bulk purchases | 32 | (181 519 870) | (162 495 214) |
| Contracted services | 33 | (1 360 105) | (2 535 946) |
| General expenses | 34 | (98 444 932) | (202 922 443) |
| Repairs and maintenance | 35 | (10 048 009) | (27 739 257) |
| Total expenditure | | (748 517 258) | (804 689 337) |
| Operating deficit | | (144 968 279) | (289 465 328) |
| Property plant and equipment losses/write-offs | 4 | - | (1 113 245) |
| Actuarial gains/(losses) | 7 | (2 489 000) | 7 152 000 |
| Inventories losses/write-downs | 9 | (100 962) | (70 323) |
| Fair value adjustments | 36 | 5 721 773 | 6 928 823 |
| | | 3 131 811 | 12 897 255 |
| Deficit for the year | | (141 836 468) | (276 568 073) |

NGWATHE LOCAL MUNICIPALITY

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|--|---------------------|------------------|
| Balance at 01 July 2014 | 358 508 424 | 358 508 424 |
| Changes in net assets | | |
| Surplus for the year | (276 568 074) | (276 568 074) |
| Total changes | (276 568 074) | (276 568 074) |
| Restated* Balance at 1 July 2015 as restated * | 81 940 343 | 81 940 343 |
| Changes in net assets | | |
| Surplus for the year | (141 836 470) | (141 836 470) |
| Total changes | (141 836 470) | (141 836 470) |
| Balance at 30 June 2016 | (59 896 127) | (59 896 127) |

NGWATHE LOCAL MUNICIPALITY

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

| Figures in Rand | Note(s) | 2016 | 2015 Restated |
|---|---------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services (exchange and non-exchange) | | 172,127,278 | 179,010,202 |
| Grants | | 267,378,567 | 186,758,117 |
| Interest income | | 35,839,950 | 34,771,042 |
| Dividends received | | 1,860 | 16,334 |
| Other receipts | | 3,799,203 | 3,655,412 |
| | | 479,146,858 | 404,211,107 |
| Payments | | | |
| Employee costs | | (183 748 590) | (178 210 954) |
| Suppliers | | (125 748 276) | (96 375 728) |
| Finance costs | | (81 100 328) | (58 711 234) |
| | | (390 597 194) | (333 297 916) |
| Net cash flows from operating activities | 38 | 88 557 799 | 70 913 191 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (77 811 491) | (68 418 379) |
| Proceeds from sale of property, plant and equipment | 4 | - | 10,500 |
| Additions on investments | | 639,431 | - |
| Net cash flows from investing activities | | (77 196 006) | (68 407 879) |
| Cash flows from financing activities | | | |
| Employee benefit obligation payments | | (2 785 000) | (2 720 000) |
| Finance lease payments | | (561 176) | (1 209 441) |
| Net movement in other financial liabilities | | (2 657 065) | (2 329 701) |
| | | (6 003 241) | (6 259 142) |
| Net increase/(decrease) in cash and cash equivalents | | 5,358,555 | (3 753 828) |
| Cash and cash equivalents at the beginning of the year | | 3,085,216 | 6,839,044 |
| Cash and cash equivalents at the end of the year | | 8,443,771 | 3,085,216 |

NGWATHE LOCAL MUNICIPALITY

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

| | Approved budget | Adjustments | Final Budget | Actual amount on comparable basis | Difference between final budget and actual | Reference (Note 44) |
|--|-----------------|--------------|---------------|-----------------------------------|--|---------------------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 283 149 000 | (11 000 000) | 272 149 000 | 232 788 542 | (39 360 458) | 10% |
| Rental of facilities and equipment | 2 477 000 | 25 000 | 2 502 000 | 1 008 755 | (1 493 245) | Note 52-X1 |
| Dividends received | 7 000 | - | 7 000 | 1 860 | (5 140) | Note 52-X2 |
| Other income | 7 434 000 | 1 823 000 | 9 257 000 | 1 695 828 | (7 561 172) | Note 52-X3 |
| Interest received | 5 257 000 | 14 000 000 | 28 503 000 | 35 863 894 | 7 360 894 | Note52-X4 |
| Total revenue from exchange transactions | 307 570 000 | 4 848 000 | 312 418 000 | 271 358 879 | (41 059 121) | |
| Revenue from non-exchange transaction | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 56 633 000 | 6 000 000 | 62 633 000 | 64 480 845 | 1 847 845 | Note 52-X5 |
| Licences or permits | 1 000 | - | 1 000 | - | (1 000) | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 206 398 000 | 50 000 000 | 256 398 000 | 266 946 630 | 10 548 630 | Note 52 - X24 |
| Fines | 3 846 000 | 5 000 | 3 851 000 | 762 625 | (3 088 375) | Notes 52-X6 |
| Total revenue from non-exchange transactions | 266 878 000 | 56 005 000 | 263 715 000 | 332 190 100 | 9 307 100 | |
| Total revenue | 574 448 000 | 60 853 000 | 635 301 000 | 603 548 979 | (31 752 021) | |
| Expenditure | | | | | | |
| Employee related cost | (156 859 000) | 1 674 000 | (155 185 000) | (179 107 842) | (28 458 274) | Note 52 - X7 |
| Remuneration of councillors | (11 073 000) | (1 709 000) | (12 782 000) | (10 710 779) | 1 303 360 | Note 52 - X26 |
| Depreciation and amortisation | (95 000 000) | 17 000 000 | (78 000 000) | (72 048 380) | 17 236 963 | Note 52-X8 |
| Impairment loss/(Reversal of im-pairments | (42 320 000) | (17 000 000) | (59 320 000) | (62 688 575) | (33 992 475) | Note 52-X9 |
| Finance costs | (1 000 000) | - | (1 000 000) | (58 711 235) | (80 100 334) | Note52-X10 |
| Bad debts written off | - | - | - | (65 369 626) | (26 846 582) | Note 52-X11 |
| Repairs and maintenance | (2 050 000) | (300 000) | (2 350 000) | (26 854 071) | (7 698 009) | Note 52-X12 |
| Bulk purchases | (248 614 000) | - | (248 614 000) | (162 495 214) | 67 094 130 | Note 52 - X40 |
| Contracted Services | (16 260 000) | (1 040 000) | (17 300 000) | (2 520 046) | 15 939 895 | Note 52-X13 |
| Transfers and Subsidies | (44 879 000) | | (44 879 000) | | 44 879 000 | |
| General expenses | (49 977 000) | (9 903 000) | (90 194 000) | (199 683 157) | (38 564 932) | Note 52-X14 |
| Total expenditure | (668 032 000) | (11 278 000) | (679 310 000) | (840 188 925) | (69 207 258) | |
| Operating deficit | (93 584 000) | 49 575 000 | (44 009 000) | (144 968 279) | (100 959 279) | |
| Fair value adjustments | - | - | - | 5 721 773 | 5 721 773 | Note52-X16 |
| Actuarial gains/losses | - | - | - | (2 489 000) | (2 489 000) | Note52- X17 |
| Inventories losses/write-downs | - | - | - | (100 962) | (100 962) | Note52-X18 |
| | - | - | - | 3 131 811 | 3 131 811 | |
| Deficit before taxation | (93 584 000) | 49 575 000 | (44 009 000) | (277 703 948) | (97 827 468) | |

NGWATHE LOCAL MUNICIPALITY

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

| | Approved budget | Adjustments | Final Budget | Actual amount on comparable basis | Difference between final budget and actual | Reference (Note 44) |
|---|--------------------|-------------|---------------|--|---|------------------------|
| Figures in Rand | | | | | | |
| Actual Amount on Compara- ble Basis as Presented in the Budget and Actual Comparative Statement | (93 584 000) | 49 575 000 | (44 009 000) | (141 836 468) | (97 827 468) | |

NGWATHE LOCAL MUNICIPALITY
(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2016
Statement of Comparison of Budget and Actual Amounts

| | Approved budget | Adjustments | Final Budget | Actual amount on comparable basis | Difference between final budget and actual | Reference (Note 44) |
|---|----------------------|----------------------|----------------------|--------------------------------------|---|------------------------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | - | - | - | 456 103 | 456 103 | Note 52 –X28 |
| Other financial assets | 202 301 000 | - | 202 301 000 | - | (202 301 000) | |
| Receivables from non-exchange transaction | 690 232 000 | - | 690 232 000 | 17 758 545 | (672 473 455) | Note 52 –X19 |
| VAT receivable | - | - | 211 890 | 30 708 404 | 30 708 404 | Note 52 –X20 |
| Receivables from exchange transactions | - | - | - | 44 823 391 | 44 823 391 | Note 52 –X28 |
| Sundry receivables | - | - | - | 1 374 396 | 1 374 396 | Note 52 –X28 |
| Cash and cash equivalents | 7 990 000 | - | 7 990 000 | 8 443 765 | 453 765 | Note 52 –X21 |
| | 900 523 000 | - | 900 523 000 | 103 564 604 | (796 958 396) | |
| Non-Current Assets | | | | | | |
| Investment property | 152 718 000 | - | 152 718 000 | 110 445 239 | (42 272 761) | < 10% |
| Property, plant and equipment | 1 075 131 000 | - | 1 075 131 000 | 735 784 355 | (339 346 645) | Note 52 –X22 |
| Intangible assets | - | - | - | 1 321 200 | 1 321 200 | Note 52 –X28 |
| Other financial assets | 1 242 000 | - | 1 242 000 | 849 591 | (392 409) | Note 52 –X23 |
| | 1 229 091 000 | - | 1 229 091 000 | 848 400 385 | (380 690 615) | |
| | | | | | (1 177 649 011) | |
| Total Assets | 2 129 614 000 | - | 2 129 614 000 | 951 964 989 | 011) | |
| Current Liabilities | | | | | | |
| Other financial liabilities | 2 200 000 | - | 2 200 000 | 2 181 704 | (18 296) | Note 52 –X24 |
| Finance lease obligation | - | - | - | 282 326 | 282 326 | Note 52 –X28 |
| Payables from exchange transactions | 240 092 000 | - | 240 092 000 | 707 607 253 | 467 515 253 | Note 52 –X25 |
| Consumer deposit | - | - | - | 5 367 740 | 5 367 740 | Note 52 –X26 |
| Employee benefit obligation | - | - | - | 3 361 000 | 3 361 000 | Note 52 –X28 |
| Unspent conditional grants and receipts | - | - | - | 508 116 | 508 116 | Note 52 –X28 |
| Provisions | 38 275 000 | - | 38 275 000 | 98 928 724 | 60 653 724 | Note 52 –X27 |
| Bank overdraft | - | 418 244 000 | 418 244 000 | - | (418 244 000) | |
| | 280 567 000 | 418 244 000 | 698 811 000 | 818 236 863 | 119 425 863 | |
| Non-Current Liabilities | | | | | | |
| Other financial liabilities | 1 777 000 | - | 1 777 000 | 1 465 238 | (311 762) | Note 52 –X24 |
| Finance lease obligation | - | - | - | 353 745 | 353 745 | Note 52 –X28 |
| Employee benefit obligation | - | - | - | 77 160 000 | 77 160 000 | Note 52 –X28 |
| Provisions | 37 854 | - | 37 854 | 114 645 270 | 114 645 270 | Note 52 –X27 |
| | | - | | | | |
| Bank overdraft | 42 829 | | 42 829 | 71 256 | 28 436 | |
| | 1 777 000 | - | 1 777 000 | 193 624 253 | 191 847 253 | |
| Total Liabilities | 282 344 000 | 418 244 000 | 700 588 000 | 1 011 861 116 | 311 273 116 | |
| Net Assets | 1 847 270 000 | (418 244 000) | 1 429 026 000 | (59 896 127) | 1 488 922 127 | |

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Statement of Comparison of Budget and Actual Amounts

| | Approved budget | Adjustments | Final Budget | Actual amount on comparable basis | Difference between final budget and actual | Reference (Note 44) |
|---|--------------------|---------------|---------------|---|---|------------------------|
| Figures in Rand | | | | | | |
| Net Assets | | | | | | |
| Net Assets Attributable to owner of controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 1 847 270 000 | (418 244 000) | 1 429 026 000 | (59 896 127) | (1 488 922 127) | Note 52-X28 |

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Statement of Comparison of Budget and Actual Amounts

| | Approved budget | Adjustments | Final Budget | Actual amount on comparable basis | Difference between final budget and actual | Reference (Note 44) |
|--|-----------------|--------------|---------------|-----------------------------------|--|-------------------------|
| Figures in Rand | | | | | | |
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Sale of goods and services | 252 118 000 | (14 964 137) | 237 153 863 | 172 127 278 | (65 026 585) | 10% |
| Grants | 206 398 000 | 77 845 000 | 284 243 000 | 267 378 567 | (16 864 433) | Note 52-X29 |
| Interest income | 4 371 000 | 350 000 | 4 721 000 | 35 839 950 | 31 118 950 | Note 52-X30 |
| Dividends received | 7 000 | - | 7 000 | 1 860 | (5 140) | Note 52-X31 |
| Other receipts | 11 823 000 | 36 980 789 | 48 803 789 | 3 799 203 | (45 004 586) | Note 52-X32 |
| | 474 717 000 | 100 211 652 | 574 928 652 | 479 146 858 | (95 781 794) | |
| Payments | | | | | | |
| Suppliers and employee costs | (469 971 000) | 47 500 000 | (422 471 000) | (309 512 674) | 112 958 326 | Note 52-X33 |
| Transfer of grants | (40 761 000) | 40 761 000 | - | - | - | Note 52 - X35 |
| Other cash item | (1 000 000) | - | (1 000 000) | (81 100 328) | (80 100 328) | |
| | (422 290) | 88 261 000 | (423 471 000) | (390 613 002) | 32 857 998 | |
| Net cash flows from operating activities | 26 985 | 188 472 652 | 151 457 652 | 88 533 856 | (62 923 796) | |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | (75 647 000) | (17 990 000) | (93 637 000) | (77 811 491) 639 431 | 15 825 509 639 431 | < 10% Note 52 - X 28 |
| Proceeds from sale of property, plant and equipment | 25 000 000 | (21 500 000) | 3 500 000 | - | (3 500 000) | Note 52-X36 |
| Net cash flows from investing activities | (50 647 000) | (39 490 000) | (90 137 000) | (77 172 060) | 12 964 940 | |
| Cash flows from financing activities | | | | | | |
| | | | | | | Note 52 - |
| Repayment of other financial liabilities | (2 200 000) | (450 000) | (2 650 000) | (2 657 065) | (7 065) | X37 |
| Finance lease payments | - | - | - | (561 176) | (561 176) | Note 52-X38 |
| Employee benefit obligation payments | - | - | - | (2 785 000) | (2 785 000) | Note 52-X39 |
| Net cash flows from investing activities | (2 200 000) | (450 000) | (2 650 000) | (6 003 241) | (3 353 241) | |
| Net increase /(decrease) in cash and cash equivalent | (89 862 000) | 148 532 652 | 58 670 652 | 5 358 555 | (53 312 097) | |
| Cash and cash equivalents at the beginning of the year | 35 785 000 | - | 35 785 000 | 3 085 216 | (32 699 784) | |
| Cash and cash equivalents at the end of the year | (54 077 000) | 148 532 652 | 94 455 652 | 8 443 771 | (86 011 881) | |

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Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Significant judgements include:

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, management 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 loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 16 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

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

Allowance for impairment

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

1.4 Investment property

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

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

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Accounting Policies

1.4 Investment property (continued)

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

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

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

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

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

Fair value

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

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

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

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

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

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.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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.

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 | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Airport | Straight line | 15 to 20 years |
| Buildings | Straight line | Fair value model |
| IT equipment | Straight line | 3 to 6 years |
| Furniture and fixtures | Straight line | 6 to 10 years |
| Infrastructure | Straight line | 3 to 100 years |
| Land | Straight line | Fair value model |
| Motor Vehicles | Straight line | 3 to 20 years |
| Office equipment | Straight line | 3 to 6 years |
| Plant and machinery | Straight line | 5 to 15 years |

The residual value, and 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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous 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 when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

1.6 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.

1.7 Intangible assets

An intangible asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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Accounting Policies

1.7 Intangible assets (continued)

After initial recognition, intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that at the reporting date the carrying amount of the asset does not differ materially from its fair value.

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

Any decrease in the carrying amount of an intangible asset, as a result of a revaluation, is recognised in surplus or deficit in the current period.

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

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

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

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

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

| Item | Useful life |
|------------|-------------|
| Servitudes | Indefinite |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal

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

1.8 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.

A financial asset is:

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

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

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

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

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

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Accounting Policies

1.8 Financial instruments (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.8 Financial instruments (continued)

Classification

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

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

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

| Class | Category |
|------------------------------------|--|
| Other financial liabilities | Financial liability measured at amortised cost |
| Payables from exchange transaction | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised cost |
| Provisions | Financial liability measured at fair value |
| Retirement benefit obligation | Financial liability measured at fair value |

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value

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

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

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Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

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1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

1.9 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1)(a) of the VAT act in respect of the supply of goods and services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT act or are scoped out of for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

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

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

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1.10 Leases (continued)

Finance leases - lessor

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 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 expensed in the period in which they are incurred.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.11 Inventories (continued)

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 first-in, first-out (FIFO) 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 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.

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 assets.

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

Value in use

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

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

Discount rate

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

Recognition and measurement (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.

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1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

- 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 entity does not reduce the carrying amount of an asset below the highest of:

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

- 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

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1.12 Impairment of cash-generating assets (continued)

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.

1.13 Impairment of non-cash-generating assets

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.

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

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.

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1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess 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.

1.14 Share capital / contributed capital

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

1.15 Employee benefits

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continue)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment 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.

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1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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1.16 Provisions and contingencies (continued)

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.16 Provisions and contingencies (continued)

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.
- if the adjustment results in an addition to the cost of an asset, the entity consider 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 entity test 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 1.12 and 1.13.

If the related asset is measured using the revaluation model:

- 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;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 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.

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1.18 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

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

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 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 and dividends

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

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

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

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

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality 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 the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

Unspent conditional grants and receipts

The municipality recognise revenue from conditional grants, donations and funding 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.

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 collecting entity.

Consumer deposits

Consumer deposits are subsequently recognised in accordance with the accounting policy of Trade and other payables.

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.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

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

1.22 Comparative figures

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

1.23 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.

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Accounting Policies

1.24 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.

1.25 Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

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

1.26 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 2014/07/01 to 2015/06/30.

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

Comparative information is not required.

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1.27 Related parties

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

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

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

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

1.28 Events after reporting date

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

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

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

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

1.29 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:

- 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

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| 2. New standards and interpretations | | |
| 2.1 Standards and interpretations effective and adopted in the current year | | |
| GRAP 105: Transfers of functions between entities under common control | | |
| <p>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. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.</p> <p>It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.</p> <p>The effective date of the standard is for years beginning on or after 01 April 2015.</p> <p>The municipality expects to adopt the standard for the first time in the 2016 financial statements.</p> <p>The impact of the amendment is not material.</p> | | |
| GRAP 106: Transfers of functions between entities not under common control | | |
| <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.</p> <p>It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, the acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.</p> <p>The effective date of the standard is for years beginning on or after 01 April 2015</p> <p>The municipality expects to adopt the standard for the first time in the 2016 financial statements.</p> <p>The impact of the amendment is not material.</p> | | |
| GRAP 107: Mergers | | |
| <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.</p> <p>It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, the acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.</p> <p>The effective date of the standard is for years beginning on or after 01 April 2015</p> <p>The municipality expects to adopt the standard for the first time in the 2016 financial statements.</p> <p>The impact of the amendment is not material.</p> | | |

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| 2. New standards and interpretations (continued) | | |
| 2.2 Standards and Interpretations early adopted | | |
| The municipality has chosen to early adopt the following standards and interpretations: | | |
| DIRECTIVE 11: Changes in measurement bases following the initial adoption of Directive 11 | | |
| The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. | | |
| In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP. | | |
| Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. | | |
| The effective date of the standard is for years beginning on or after 01 April 2016. | | |
| The municipality has early adopted the standard for the first time in the 2016 financial statements. | | |
| The impact of the standard is not material. | | |
| 2.3 Standards and interpretations not yet effective or relevant | | |
| 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 1 April 2015. | | |
| GRAP 20: Related parties | | |
| The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. | | |
| An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in: | | |
| <ul style="list-style-type: none">• identifying related party relationships and transactions;• identifying outstanding balances, including commitments, between an entity and its related parties;• identifying the circumstances in which disclosure of the items in (a) and (b) is required; and• determining the disclosures to be made about those items. | | |
| This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements. | | |
| Disclosure of related party transactions, outstanding balances, including commitments and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties. | | |
| The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity: | | |
| <ul style="list-style-type: none">• A person or a close member of that person's family is related to the reporting entity if that person:<ul style="list-style-type: none">– has control or joint control over the reporting entity;– has significant influence over the reporting entity;– is a member of the management of the entity or its controlling entity.• An entity is related to the reporting entity if any of the following conditions apply:<ul style="list-style-type: none">– the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others); | | |

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2.3 Standards and interpretations not yet effective or relevant (continue)

GRAP 20: Related parties

- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity.

If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;

- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

The standard elaborates on the definitions and identification of:

- Close member of the family of a person management
- Related parties;
- Remuneration;
- Significant influence

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

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

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The impact of this standard is currently being assessed.

GRAP32: Service Concession Arrangements: Grantor

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

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

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP108: Statutory Receivables

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

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

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

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2.3 Standards and interpretations not yet effective or relevant (continue)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The effective date of the standard is not yet set by the Minister of Finance

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The impact of this standard is currently being assessed.

3. Investment property

| | 2016 | | | 2015 | | |
|---------------------|----------------|------------------------|----------------|----------------|------------------------|----------------|
| | Cost Valuation | Accumulated Impairment | Carrying Value | Cost Valuation | Accumulated Impairment | Carrying Value |
| Investment property | 110 445 239 | - | 110 445 239 | 104 687 430 | - | 104 687 430 |

Reconciliation of investment property - 2016

| | Opening Balance | Fair Value adjustments | Total |
|---------------------|-----------------|------------------------|-------------|
| Investment property | 104 687 430 | 5 757 809 | 110 445 239 |

Reconciliation of investments property -2015

| | Opening Balance | Disposals | Fair Value adjustments | Total |
|---------------------|-----------------|-----------|------------------------|-------------|
| Investment property | 97 849 220 | (10 500) | 6 848 710 | 104 687 430 |

Details of investment property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Details of valuation

The effective date of the valuation was 01 July 2014. The valuations were performed by an independent valuer, Mr Arthur Lelosa of Manna Holdings.Manna Holdings are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

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|----------------------------------|---|----------------------|--------------------|---|----------------------|--------------------|
| 4. Property, plant and equipment | | | | | | |
| | 2016 | | Carrying value | 2015 | | Carrying value |
| Cost / Valuation | Accumulated depreciation and accumulated impairment | Cost / Valuation | | Accumulated depreciation and accumulated impairment | | |
| Land | 16 684 309 | | 16 684 309 | 16 684 309 | - | 16 684 309 |
| Land and buildings | 64 278 571 | - | 38 567 142 | 64 278 572 | (22 854 603) | 41 423 969 |
| Plant and machinery | 2 894 593 | (2,171,807) | 722 786 | 2 692 663 | (2 077 617) | 615,048 |
| Furniture and fixtures | 8 642 541 | (7,171,686) | 1 470 855 | 8 513 667 | (7 111 673) | 1,401,994 |
| Motor vehicles | 17 302 648 | (12,740,281) | 4 562 367 | 17,302,648 | (11 155 814) | 6,146,834 |
| Office equipment | 814,759 | (440,480) | 374 279 | 814,759 | (433,566) | 381,193 |
| IT equipment | 2,649,408 | (2,171,303) | 478,105 | 2,214,445 | (2,117,998) | 96,447 |
| Infrastructure | 976,976,989 | (528 007 918) | 447,528,312 | 966,203,860 | (471 900 603) | 494,303,257 |
| Work in progress | 223,955,443 | - | 223,955,443 | 157,682,848 | - | 157,682,848 |
| Total | 1 314 199 259 | (554,144,234) | 735 784 355 | 1 236 387 771 | (494,797,271) | 718 735 897 |

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

| | Opening Balance | Additions | WIP transfer to infrastruc- ture | Transfers | Fair value adjustments | Depreciation | Total |
|------------------------|--------------------|------------------|--|-------------|---------------------------|---------------------|--------------------|
| Land | 16 684 309 | - | - | - | - | - | 16 684 309 |
| Land and buildings | 41 423 969 | - | - | - | 14,683,380 | (2 856 826) | 38 567 143 |
| Plant and machinery | 615 046 | 201,929 | - | - | - | (94,191) | 722,786 |
| Furniture and fixtures | 1,401,994 | 128,875 | - | - | - | (60,014) | 1,470,855 |
| Motor vehicles | 6,146,834 | - | - | - | - | (1,584,467) | 4,562,367 |
| Office equipment | 381,193 | - | - | - | - | (6,914) | 374,279 |
| | | | | - | - | | |
| IT equipment | 96,447 | 434 963 | - | | | (53 306) | 478,104 |
| Infrastructure | 494 303 257 | 4 708 607 | - | 6 064 522 | - | (56 107 317) | 447,528,313 |
| Work in progress | 157,682,848 | - | 72,337,117 | (6,064,522) | - | - | 223,955,443 |
| Total | 718 735 897 | 5,474,374 | 72,337,117 | - | 14,683,380 | (60 763 033) | 735 784 355 |

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

| | Opening Balance | Additions | WIP transfer to infrastructure | Write off | Depreciation | Fair value adjustments | Impairment loss | Total |
|------------------------|--------------------|-------------------|--------------------------------------|--------------------|---------------------|---------------------------|--------------------|--------------------|
| Land | 16 684 309 | - | - | - | - | - | - | 16 684 309 |
| Land and buildings | 44 280 793 | - | - | - | (2 856 824) | 17,465,363 | - | 16 684 309 |
| Plant and machinery | 957 234 | - | - | (184 247) | (157 941) | - | - | 41 423 969 |
| Furniture and fixtures | 1,493,166 | - | - | (30 695) | (57 240) | - | (3 237) | 615 046 |
| Motor vehicles | 8,899,919 | - | - | (440 757) | (2 102 346) | - | (209 982) | 1 401 994 |
| Office equipment | 457,729 | - | - | (13 247) | (63 289) | - | - | 6 146 834 |
| IT equipment | 554,856 | - | - | (444 299) | (14 110) | - | - | 381 193 |
| Infrastructure | 543,032,101 | 328,015 | 11,626,376 | - | (60 683 235) | - | -1,440,759 | 494 303 257 |
| Work in progress | 101,218,860 | 68,090,364 | (11,626,376) | - | - | - | - | 157,682,848 |
| Total | 717 578 967 | 68,418,379 | - | (1 113 245) | (63,078,159) | 17,465,363 | (213 219) | 718 735 897 |

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| 4. Property, plant and equipment (continued) | | |
| Pledged as security | | |
| None of the Property, plant and equipment were pledged as security | | |
| Assets subject to finance lease (Net carrying amount) | | |
| Motor vehicle | 571 281 | 856 921 |

Reconciliation of Work-in-Progress 2016

| | Infrastructure work in pro- gress | Total |
|--------------------------------|---|--------------------|
| Opening balance | 157 682 848 | 157 682 848 |
| Additions/capital expenditure | 75 376 376 | 75 376 376 |
| Transferred to completed items | (6 064 522) | (6 064 522) |
| | <u>226 994 702</u> | <u>226 994 702</u> |

Reconciliation of Work-in-Progress 2015

| | Infrastructure work in pro- gress | Total |
|--------------------------------|---|--------------------|
| Opening balance | 101 218 860 | 101 218 860 |
| Additions/capital expenditure | 68 090 364 | 68 090 364 |
| Transferred to completed items | (11 626 376) | (11 626 376) |
| | <u>157 682 848</u> | <u>157 682 848</u> |

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.

5. Intangible assets

| | 2016 | | | 2015 | | |
|------------|------------------|--|----------------|-----------------------|---|----------------|
| | Cost / Valuation | Accumulated de- preciation and accumulated im- pairment | Carrying value | Cost / Valua- tion | Accumulated depreciation and accumu- lated impair- ment | Carrying value |
| Servitudes | 1 321 200 | - | 1 321 200 | 1 321 200 | - | 1 321 200 |

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| 5. Intangible assets (continued) | | |
| Reconciliation of intangible assets – 2016 | | |
| | Opening balance | Total |
| Servitudes | 1,321,200 | 1 321 200 |
| Reconciliation of intangible assets – 2015 | | |
| | Opening Balance | Total |
| Servitudes | 1 321 200 | 1 321 200 |
| Details of valuation | | |
| The effective date of the valuation was 01 July 2014. The valuations were performed by an independent valuer, Mr Arthur Lelosa, of Manna Holdings. Manna Holdings are not connected to the municipality and have recent experience in location and category of the intangible assets being valued. | | |
| The valuation was based on open market value for existing use.. | | |
| These assumptions are based on current market conditions. | | |
| The carrying value of the valued assets could not be determined due to a lack of supporting documentation prior to 1 July 2007. | | |
| 6. Other financial assets | | |
| Designated at fair value | | |
| Sanlam share | | |
| 6682 shares@ R66.34 trading value (2014:R61.75) | 403,326 | 443,284 |
| Senwes share | | |
| 4329 share @ R10.40 trading value (2014 :R10.25) | - | 45,022 |
| Senwesbei | | |
| 6640 share @R6.05 trading value (2014: R5.50) | - | 40,172 |
| | 403,326 | 528,478 |
| At amortised cost | | |
| Heilbron Sanlam policy | | |
| Policy number - 11209914X8 | - | 85,679 |
| Heilbron Sanlam policy | | |
| Policy number - 040571573X1 | 382,977 | 359 032 |
| Heilbron Momentum Policy | | |
| Policy number - 091420370) | - | 468 308 |
| FNB Parys -710381146801 | | |
| Investment serves as guarantee for BJ Monyamara and bears interest as 5% | 46,599 | 43 858 |
| FNB deposit - 71 037431 386 | | |
| Investment serves as guarantee for Saambou Bank and bears interest at 5.1% | 16,689 | 15 757 |
| | 446,265 | 972 634 |
| Total other financial assets | 849,591 | 1 501 112 |
| Non-current assets | | |
| Designated at fair value | 403,326 | 528 478 |
| At amortised cost | 446,265 | 972 635 |
| | 849,591 | 1 501 113 |

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| 6. Other financial assets (continued) | | |
| Financial assets at fair value | | |
| Fair value hierarchy of financial assets at fair value | | |
| For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels: | | |
| Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets. | | |
| Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices). | | |
| Level 3 applies inputs which are not based on observable market data. | | |
| Level 1 | | |
| Class 1- Unlisted shares | - | 85 194 |
| Class 2- Listed shares | 403,326 | 443 284 |
| | 403,326 | 528 478 |
| Renegotiated terms | | |
| None of the financial assets that are fully performing have been renegotiated in the last year. | | |
| Financial assets pledged as collateral | | |
| Collateral | | |
| Carrying value of financial assets pledge as guarantee | 63,288 | 59 615 |
| 7. Employee benefit obligations | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Carrying value | | |
| Present value of the post employment medical aid benefit | (66,432,000) | (56 456 000) |
| Present value of the long service award benefit | (14,089,000) | (12 887 000) |
| | (80,521,000) | (69 343 000) |
| Non-current liabilities | (77,160,000) | (66 499 650) |
| Current liabilities | (3,361,000) | (2 483 350) |
| | (80,521,000) | (69 343 000) |
| Amount recognised in the statement of financial performance | | |
| Current service cost | 5,249,000 | 4 816 000 |
| Finance cost | 6,225,000 | 6 259 000 |
| Actuarial (gain) /loss | 2,489,000 | (7 152 000) |
| | 13,963,000 | 3 923 000 |

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7. Employee benefit obligations (continued)

Post –employment medical aid benefit

Medical aid scheme arrangements

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution rate structures

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy arrangements:

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- (a) All existing continuation members (pensioners) and their dependants will continue to receive a 60% subsidy to the maximum (CAP) amount of R3,618.04 (per month per member) for the period 1 July 2014 to 30 June 2015. The maximum (CAP) amount was R3,557.65 in the previous year.
- (b) Widow(er)s and orphans of current continuation pensioners are entitled to continue at a contribution rate ranging from 45% - 100% upon the death of the pensioner.
- (c) The maximum subsidy is expected to increase at 50% of inflation.

Changes in the present value of the post-employment medical aid benefit obligation are as follows

| | | |
|--|-------------------|-------------------|
| Opening balance | 56,456,000 | 56 567 000 |
| Benefit paid | (1,583,000) | (1 651 000) |
| Net expense recognised in the statement of financial performance | 11,559,000 | 1 540 000 |
| | 66,432,000 | 56 456 000 |

Net expense recognised in the statement of financial performance

| | | |
|-----------------------|-------------------|------------------|
| Current service cost | 3,579,000 | 3 193 000 |
| Interest cost | 5,193,000 | 5 335 000 |
| Actual (gains) losses | 2,787,000 | (6 988 00) |
| | 11,559,000 | 1 540 000 |

Key assumptions used

Assumptions used at the reporting date:

| | | |
|-------------------------------------|--------|-------|
| Discount rates used | 9.58 % | 9.57% |
| Consumer price inflation | 7.14 % | 7.10% |
| Medical cost trends | 8.64 % | 8.60% |
| Net discount rate $(1+D)(1+H)^{-1}$ | 0.87 % | - |

Discount rate:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yield at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficient long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve".

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

7. Employee benefit obligations (continued)

Due to the guidance received from the auditing profession, the methodology of setting the financial assumptions, has been updated to be more duration specific. At the previous valuation date, 30 June 2015, the duration of the liabilities was 17.04 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2016 is 9.58% per annum. The assumed discount rate used at the previous valuation, 30 June 2016, was 9.58% per annum.

At 30 June 2016 the yield on inflation-linked bonds of a similar term was about 1.81% per annum. This implies an underlying expectation of inflation of 7.14% per year ($\{1+9.58\%-0.50\% \} / [1+1.81\%]-1$), with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

Medical aid inflation:

A healthcare cost inflation rate of 8.64% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 0.86% per annum ($[1+9.33\%] \setminus [1+8.40\%] -1$).

Mortality rates:

Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouse and dependants:

Where necessary it was assumed that female spouses would be 5 years younger than their male spouses at retirement and vice versa.

The assumption was made that continuation of post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

| | 1% decrease | 1% increase |
|--|------------------|------------------|
| Effect on the post-employment medical aid benefit obligation | 56,455,000 | 67,200,000 |
| Effect on the service cost | 2,651,000 | 2 849 000 |
| Effect on the finance cost | <u>5,313,000</u> | <u>4 401 000</u> |

Long service award benefit

The municipality offers long service awards for every 5 years of completed service from 5 to 45 years to their employees.

The following table illustrates the qualifying criteria:

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| 7. Employee benefit obligations (continued) | | |
| Long service award benefit | | |
| Completed services (years) | Long service bonus award | Determination of cash bonus |
| 5 | 5 days accumulative leave +2% of annual salary | (5/250+2/100) x annual salary |
| 10 | 10 days accumulative leave +3% of annual salary | (10/250+3/100) x annual salary |
| 15 | 15 days accumulative leave+ 4% of annual salary | (15/250+4/100) x annual salary |
| 20 | 15 days accumulative leave+5% of annual salary | (15/250+5/100) x annual salary |
| 25,30,35,40,45 | 15 days accumulative leave +6% of annual salary | (15/250+6/100) x annual salary |
| Changes in the present value of the post - employment medical aid benefit obligation are as follows | | |
| Opening balance | 12,887,000 | 11 573 000 |
| Benefit paid | (1,202,000) | (1 069 000) |
| Net expense recognised in the statement of financial performance | 2,404,000 | 2 383 000 |
| | 14,089,000 | 12 887 000 |
| Net expense of the post - employment medical aid benefit obligation recognised in the statement of financial | | |
| Current service cost | 1,670,000 | 1 623 000 |
| Finance cost | 1,032,000 | 924 000 |
| Actuarial (gain)/ loss | (298,000) | (164 000) |
| | 2,404,000 | 2 383 000 |
| Discount rate used | 8.80 % | 8.37% |
| CPI | 6.51 % | 6.21% |
| Salary increase rate | 7.51 % | 7.21% |
| Net discount rate | 1.08% | 1.08% |

Discount rate:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yield at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficient long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve".

The rate was therefore set as the yield of the R208 South African government bond as at the valuation date. The actual yield don the R208 bond was sourced from the RMB Global Markets' website on year end.

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7. Employee benefit obligations (continued)

Normal salary inflation:

We have derived the underlying future rate of the consumer price index (CPI) from the relationship between the current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets' website on year end. Our assumed rate of salary inflation was set as the assumed value of CPI less 1.22%.

Average retirement rate:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Normal retirement age:

The normal retirement age (NORA) for all active employees was assumed to be 65 years.

Mortality rate:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal decreasements:

The following table sets out the assumed rates of withdrawal from service:

| Age Band | Withdrawal rates |
|----------|------------------|
| 20 | 16.50% |
| 25 | 6.60% |
| 30 | 5.10% |
| 35 | 3.60% |
| 40 | 2.60% |
| 45 | 1.80% |
| 50 | 1.10% |

Sensitivity analysis - Normal salary inflation

The cost of the long service awards is dependant on the increase in the annual salaries paid to the employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

A one percentage point change in assumed normal salary inflation trends would have the following effects:

| | 1% decrease | 1% increase |
|------------------------------|-------------------|-------------------|
| Employer's accrued liability | 13,145,000 | 12 002 000 |
| Employer's expense cost | 2,602,00 | 2 502 000 |
| | <u>15,747,000</u> | <u>14 504 000</u> |

Sensitivity analysis – Mortality

The following indicates the impact of a change in the mortality assumptions from SA85-90 to SA85-90 with a two year adjustment:

| | 30 June 2015 Valuation basis SA85-90 | SA85-90 year effect |
|--|---|------------------------|
|--|---|------------------------|

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| 7. Employee benefit obligations (continued) | | |
| Employer's accrued liability | 14,089,000 | 12 887 000 |
| Employer's expense cost | 2,801,000 | 2 702 000 |
| | 16,890,000 | 15 589 000 |
| 8. Sundry receivables | | |
| Under and over banking | 101,792 | 322 412 |
| R/D cheque control account | 1,263,863 | 1 363 541 |
| Other sundry receivables | 8,741 | 4 629 |
| | 1,374,396 | 1 690 582 |
| Sundry receivables pledged as security: | | |
| None of the sundry receivables are pledged as security. | | |
| Renegotiated terms: | | |
| None of the receivables that are fully performed have been renegotiated in the last year. | | |
| Fair value of sundry receivables: | | |
| The carrying value of the receivables recorded at amortised cost approximate their fair values. | | |
| Collateral: | | |
| The municipality does not hold any collateral as security. | | |
| 9. Inventories | | |
| Water | 147,718 | 126 690 |
| Store and materials | 308,385 | 430 202 |
| | 456,103 | 556 892 |
| Stock (losses) during the year | (100,651) | (70 323) |
| Inventories recognised as an expense during the year | 521,959 | 514 554 |
| None of the inventory was pledge as security | | |
| 10. Receivables from exchange transactions | | |
| Gross balances | | |
| Electricity | 100,522,116 | 94,879,019 |
| Water | 157,748,880 | 118,227,017 |
| Sewerage | 83,132,861 | 73,643,431 |
| Refuse | 80,109,999 | 71,927,130 |
| Sundry receivables | 8,545,477 | 9,490,180 |
| | 430,059,333 | 368,166,777 |

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| 10.Receivables from exchanges transaction (continued) | | |
| Less: Allowance for impairment | | |
| Electricity | (74,905,217) | (76,331,698) |
| Water | (151,376,728) | (111,170,476) |
| Sewerage | (77,223,784) | (68,110,281) |
| Refuse | (75,320,478) | (67,100,016) |
| Sundry receivables | (6,409,732) | (6,280,556) |
| | (385,235,939) | (328,993,027) |
| Net balance | | |
| Electricity | 25,616,898 | 18,547,321 |
| Water | 6,372,151 | 7,056,541 |
| Sewerage | 5,909,077 | 5 533 151 |
| Refuse | 4,789,520 | 4 827 114 |
| Sundry receivables | 2,135,745 | 3 209 624 |
| | 44,823,391 | 39 173 751 |
| Electricity | | |
| Current (0-30 days) | 8,857,280 | 11,407,986 |
| 31-60 days | 3,408,993 | 5 768 681 |
| 61-90 days | 3,282,643 | 3,264,867 |
| 91-120 days | 4,919,704 | 18 615 456 |
| 121-365 days | 33,842,038 | 11 105 983 |
| 365 days | 46,211,458 | 44,716,046 |
| | 100,522,116 | 94,879,019 |
| Water | | |
| Current (0-30 days) | 7,064,405 | 4 812 220 |
| 31-60 days | 5,570,651 | 3 887 971 |
| 61-90 days | 4,345,353 | 12 688 455 |
| 91-120 days | 5,584,387 | 4 022 352 |
| 121-365 days | 43,773,214 | 3 381 771 |
| 365 days | 91,410,869 | 89,434,247 |
| | 157,748,879 | 118,227,016 |
| Sewerage | | |
| Current (0-30 days) | 2,817,785 | 2 557 466 |
| 31-60 days | 2,227,364 | 2 061 249 |
| 61-90 days | 2,532,301 | 2 163 496 |
| 91-120 days | 2,125,940 | 1 791 601 |
| 121-365 days | 17,350,502 | 1 596 950 |
| 365 days | 56,078,968 | 63,472,669 |
| | 83,132,860 | 73,643,431 |

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10.Receivables from exchanges transaction (continued)

Refuse

| | | |
|---------------------|-------------------|-------------------|
| Current (0-30 days) | 2,424,162 | 2 284 128 |
| 31-60 days | 2,069,064 | 1 982 310 |
| 61-90 days | 1,932,034 | 1 877 666 |
| 91-120 days | 2,021,272 | 1 783 421 |
| 121-365 days | 16,982,092 | 1 699 714 |
| 365 days | 54,681,374 | 62,299,891 |
| | <u>80,109,998</u> | <u>71,927,130</u> |

Sundry receivables

| | | |
|---------------------|------------------|------------------|
| Current (0-30 days) | 2,140,778 | 3 599 401 |
| 31-60 days | 32,858 | 53 323 |
| 61-90 days | 24,481 | 60 531 |
| 91-120 days | 58,557 | 26 025 |
| 121-365 days | 954,112 | 64 111 |
| 365 days | 5,334,694 | 5,686,788 |
| | <u>8,545,480</u> | <u>9,490,179</u> |

Reconciliation of allowances for impairment

| | | |
|----------------------------------|----------------------|----------------------|
| Balance at beginning of the year | (328,993,026) | (311,029,494) |
| Contributions to allowance | (56,242,914) | (17,963,532) |
| | <u>(385,235,940)</u> | <u>(328,993,026)</u> |

Receivables pledged as security:

None of the receivables were pledged as security for any financial liability.

Renegotiated terms:

None of the receivables that are fully performing have been renegotiated in the last year.

Fair value of receivables:

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

11. Receivables from non-exchanges transactions

Gross balances

| | | |
|-----------------------------|--------------------|--------------------|
| Consumer receivables -Rates | <u>198,967,080</u> | <u>162,564,108</u> |
|-----------------------------|--------------------|--------------------|

Less: Allowance for impairment

| | | |
|-----------------------------|----------------------|----------------------|
| Consumer receivables -Rates | <u>(181,208,536)</u> | <u>(144,138,975)</u> |
|-----------------------------|----------------------|----------------------|

Net balance

| | | |
|-----------------------------|------------|------------|
| Consumer receivables -Rates | 17,758,545 | 18,425,133 |
|-----------------------------|------------|------------|

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| 11.Receivables from non-exchanges transaction (continued) | | |
| Consumer receivables-rates | | |
| Current (0-30 days) | 8,824,336 | 6,233,806 |
| 31-60 days | 6,702,443 | 5,422,907 |
| 61-90 days | 6,260,642 | 5,849,463 |
| 91-120 days | 5,849,463 | 7,241,888 |
| 121-365 days | 45,426,359 | 38,257,048 |
| 365 days | 125,903,837 | 97,377,759 |
| | 198,967,080 | 160,382,871 |
| Less: Allowance for impairment | (181,208,536) | (144,138,975) |
| | 17,758,544 | 16,243,896 |
| Reconciliation of allowances for impairment | | |
| Balance at beginning of the year | (144,138,976) | (120,117,917) |
| Contribution to allowance | (37,069,560) | (24,021,059) |
| | (181,208,536) | (144,138,976) |

None **Receivables pledged as security:**

None of the receivables were pledged as security for any financial liability.

Renegotiated terms:

None of the receivables that are fully performing have been renegotiated in the last year.

Fair value of receivables:

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------------------|------------------|------------------|
| Bank balances | 1,333,268 | 2 364 330 |
| Short-term deposit | 7,065,774 | 67 894 |
| Other cash and cash equivalents | 44,723 | 652 993 |
| | 8,443,765 | 3 085 217 |

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor im-paired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

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12.Receivables from non-exchanges transaction (continued)

The municipality had the following bank accounts

| Account number / description | Bank Statement Balances | | | Cash book balances | | |
|---|-------------------------|------------------|-------------------|--------------------|------------------|------------------|
| | 30 June 2016 | 30 June 2015 | 30 June 2014 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
| ABSA BANK-Cheque Account – 405 2707 733 | 1,338,408 | 2,309,550 | 2 705 056 | 1,333,268 | 2 364 330 | (1 136 551) |
| ABSA BANK - Call Account –925 3832 988 | 164,764 | 21 911 | 184 367 | 164,764 | 21 911 | 184 368 |
| ABSA BANK –Call Account Bank Account - 9253833502 | 6,847,695 | 2 496 | 3 873 906 | 6,847,695 | 2 496 | 3 873 907 |
| ABSA BANK –Call Account Bank Account - 9253833764 | 12,171 | 10 000 | 488 315 | 12,171 | 10 000 | 488 316 |
| ABSA BANK –Call Account Bank Account – 925 3835643 | 1,648 | 1 569 | 23 382 | 1,648 | 1 569 | 23 382 |
| ABSA BANK –Cheque Account – 113 000 0041 | (12,040) | 652 993 | 92 858 | 44,723 | 652 993 | 92 858 |
| ABSA BANK - Call Account – 928 627 10 86 | 25,571 | 2 539 | 2 283 507 | 25,571 | 2 539 | 2 283 507 |
| ABSA BANK - Call Account – 928 627 1167 | 13,925 | 29 379 | 1 029 257 | 13,925 | 29 379 | 1 029 257 |
| | 8,392,142 | 3 030 437 | 10 680 648 | 8,443,765 | 3 085 217 | 6 839 044 |

13. Financial lease obligation

Minimum lease payments due

| | | |
|--|----------------|------------------|
| -within one year | 336,722 | 643,986 |
| -in second to fifth year inclusive | 379,661 | 705 032 |
| | 716,383 | 1 349 018 |
| Less: future finance changes | (80,312) | (151 771) |
| Present value of minimum lease payments | 636,071 | 1 197 247 |

Present value of minimum lease payments

| | | |
|------------------------------------|----------------|------------------|
| -within one year | 280,592 | 562,917 |
| -in second to fifth year inclusive | 355,479 | 634 330 |
| | 636,071 | 1 197 247 |
| Non-current liabilities | 353,745 | 634 330 |
| Current liabilities | 282,326 | 562 917 |
| | 636,071 | 1 197 247 |

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 5-6 years and the average effective borrowing rate was 19% (2015: 19%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

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|--|----------------|---------------|
| 14. Unspent conditional grants and receipts | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| Department of Mineral and Energy Grants (INEG) | 393,279 | 76,178 |
| Department of Water and Forestry Grant | 74,241 | - |
| Municipal Infrastructure Grants | 16,618 | 1 |
| Local Government Financial Management Grant | 13,695 | - |
| Municipal Systems Improvement Grant | 10,283 | - |
| | 508,116 | 76 179 |
| Movement during the year | | |
| Balance at the beginning of the year | 76,179 | 5,638,482 |
| Additions during the year | 266,104,842 | 186,258,118 |
| | (265,672,905) | (191,820,421) |
| Income recognition during the year | | |
| | 508,116 | 76,179 |

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

See note 25 for reconciliation of grants from National/ Provincial Government.

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

15. Other financial liabilities

At amortised cost

DBSA Loan

Loan bears interest at 10% annually and penalty interest of 12% annually Re-payments are done on a quarterly basis

3,646,942

6,304,007

Non –current liabilities

At amortised cost

1,465,238

4,122,303

Current liabilities

At amortised cost

2,181,704

2,181,704

16. Provision

Reconciliation of provision- 2016

| | Opening Balance | Additional | Total |
|------------------------------|-----------------|------------|-------------|
| Environmental rehabilitation | 191,279,221 | 22,294,773 | 213,573,994 |

Reconciliation of provision- 2015

| | Opening Balance | Additional | Total |
|------------------------------|-----------------|-------------|-------------|
| Environmental rehabilitation | 55,359,913 | 135,919,308 | 191,279,221 |

Non-current liabilities

114 645 270

96 953 094

Current liabilities

98 928 724

94 326 127

213 573 994

191 279 221

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

16. Provision (continue)

Environmental rehabilitation provision

The purpose of this provision is to determine the closure costs for the waste disposal sites in the Ngwathe Municipal area. The sites under consideration are the Edenville, Heilbron, Koppies, Parys and Vredefort disposal sites.

South African solid waste legislation has been going through a thorough metamorphosis during the past few years and continues to do so, affecting all aspects of solid waste management through this process. Almost all aspects of the waste cycle have been addressed and, more to the point of this report, the issue of landfill designs. New base liner designs for different landfill classes have been detailed, however, no new landfill capping designs for rehabilitation have been detailed

life different landfill classes have been detailed, however, no new landfill capping designs for rehabilitation have been detailed since the Minimum Requirements (2nd Edition, 1998) issued by the Department of Water Affairs and Forestry (DWAF) at different landfill classes have been detailed, however, no new landfill capping designs for rehabilitation have been detailed since the Minimum Requirements (2nd Edition, 1998) issued by the Department of Water Affairs and Forestry (DWAF) at different landfill classes have been detailed, however, no new landfill capping designs for rehabilitation have been detailed the time.

There were however recent suggestions by the Department of Water and Sanitation (DWS) in a Record of Decision issued to D:EA for the licence applications for the closure of 192 landfill facilities under the National Outcome 10 Project.

However, the Minimum Requirements was used in the past as guideline for the design of the capping layers as well as the capacity of the storm water drainage system and to subsequently calculate rehabilitation cost estimates, which was industry standard. The closure and rehabilitation of a landfill involves firstly the application for a closure licence during which a Basic Assessment and specialist studies are conducted specific to the landfill in question. From this application, it becomes clear as to the specific requirements to properly rehabilitate the landfill and render it environmentally suitable to its proposed enduse. If a landfill was issued with an operating permit/licence, a closure design would have been proposed before the issuing of the permit, only now requiring modification (if necessary) rather than a new design.

However, with most landfills being unlicensed/ unpermitted, no designs have been done or approved. Historically, a Rehabilitation engineering design which included the proposed capping layers was then presented to DWA (now DWS) for approval. After obtaining approval, the landfill was rehabilitated according to the approved design. No closure licences which stipulate capping designs have been issued to date for the Ngwathe Municipality. The closure cost estimates of this provision have therefore been based on the proposed requirements for capping layers by DWS which are similar to stipulated requirements in recently issued closure licences in other Municipalities

The closure cost of the following disposal sites were provided for:

| Disposal site | Opening Balance | Movement | Closing balance |
|---------------|-----------------|------------|-----------------|
| Edenville | 14,648,564 | 154,353 | 14,802,918 |
| Heilbron | 57 444 808 | (161,420) | 57,283,388 |
| Koppies | 5 439 604 | 14,749,452 | 20,189,056 |
| Parys | 91 513 490 | 2,942,725 | 94,456,215 |
| Vredefort | 22 232 755 | 4,609,663 | 26,842,419 |
| | 191 279 221 | 22,294,773 | 213,573,996 |

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|--|--------------------|--------------------|
| 17. Payables from exchange transactions | | |
| Trade payables | 653,352,991 | 489,274,952 |
| Payments received in advanced | 26,758,130 | 18,032,129 |
| Accrued leave pay | 14,086,329 | 14,142,011 |
| Accrued bonus | 3,832,302 | 3,877,296 |
| Deposits received | 194,411 | 189,255 |
| Other payables | 46,130 | 40,414 |
| Salary suspense account | 3,125,386 | 24,824,587 |
| Unallocated receipts | 6,087 | 1,596,290 |
| Retentions | 6,205,487 | 2,847,288 |
| | 707,607,253 | 554,824,222 |
| 18. Consumer deposits | | |
| Electricity and water - Parys | 3,404,521 | 3,520,898 |
| Electricity and water - Heilbron | 1,133,766 | 1,165,867 |
| Electricity and water - Vredefort | 449,779 | 454,207 |
| Electricity and water - Edenville | 70,881 | 72,260 |
| Electricity and water - Koppies | 275,054 | 266,143 |
| Electricity and water - Tumahole | 33,739 | 33,739 |
| | 5,367,740 | 5,513,114 |

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| Figures in Rand | 2016 | 2015 |
|---|--------------------|--------------------|
| 19. Service charges | | |
| Sale of electricity | 126,031,439 | 121,261,873 |
| Sale of water | 51,684,863 | 46,687,719 |
| Sewerage and sanitation charges | 29,082,401 | 29,398,961 |
| Refuse removal | 25,989,839 | 26,739,072 |
| | 232,788,542 | 224,087,625 |
| 20. Rental of facilities and equipment | | |
| Premises | | |
| Premises | 766,066 | 1,174,112 |
| Airport hire | 17,219 | 16,614 |
| Venue hire | 14,335 | 21,739 |
| Camps | 26,045 | 26,045 |
| Buildings and housing | 182,139 | 189,080 |
| | 1,005,804 | 1,427,590 |
| Facilities and equipment | | |
| Rental of equipment | 2,952 | 6,572 |
| | 1,008,756 | 1,434,162 |
| 21. Fines | | |
| Fines - tampered meters | 481,481 | 708,687 |
| Fines - traffic | 281,144 | 196,842 |
| | 762,625 | 905,529 |
| 22. Other Income | | |
| Administration fees | 104 | 2,370 |
| Building plans and inspections | 111,261 | 76,318 |
| Clearance certificates | 89,670 | 101,700 |
| Reconnection / connection fees | 208,335 | 453,201 |
| Grave plots | 654,429 | 757,738 |
| Tender deposits | 110,613 | 113,893 |
| Sundry income | 165,234 | 75,250 |
| Sale of land | 365,162 | 469,630 |
| | 1,695,828 | 2,050,100 |
| 23. Investment revenue | | |
| Dividend revenue | | |
| Dividends received (listed and unlisted shares) | 1,860 | 16,334 |
| | | |
| Interest revenue | | |
| Other financial assets | 1,998,414 | 756,030 |
| Interest charged on trade and other receivables | 33,865,480 | 34,015,012 |
| | 35,863,894 | 34,771,042 |
| | 35,865,754 | 34,787,376 |

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|-------------------------------|----------------------|----------------------|
| 24. Property rates | | |
| Rates received | | |
| Property rates charged | 101,632,955 | 98,893,844 |
| Less: Income forgone | (37,152,110) | (39,255,048) |
| | 64,480,845 | 59,638,796 |
| Valuations | | |
| Agriculture | 3,566,188,783 | 3,535,842,343 |
| Business | 208,398,481 | 193,970,680 |
| Churches | 72,958,510 | 71,853,510 |
| Government | 313,873,729 | 302,423,529 |
| Industrial | 26,625,300 | 26,625,300 |
| Municipal | 211,201,180 | 132,328,580 |
| Other | 840,000 | 840,000 |
| Public service infrastructure | 5,571,720 | 3,471,800 |
| Residents | 4,196,249,859 | 4,180,444,731 |
| Schools | 48,217,050 | 48,217,050 |
| Small business | 9,889,100 | 9,889,100 |
| Undeveloped land | 12,602,051 | 12,229,301 |
| | 8,672,615,763 | 8,518,135,924 |

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The effective date of the valuation was 01 July 2014. The valuations were performed by an independent valuer, Mr Arthur Lelosa, of Manna Holdings. Manna Holdings are not connected to the municipality and have recent experience in location and category of the investment property being valued

The new general valuation will be implemented on 01 July 2019.

25. Government grants and subsidies

Operating grants

| | | |
|---|--------------------|--------------------|
| Equitable share | 186,904,000 | 116,834,000 |
| Local Government Finance Management Grant | 1,661,305 | 1,600,000 |
| LG Seta | 215,522 | - |
| Subsidy received from Provincial Treasury | 1,273,724 | 500,000 |
| | 190,054,551 | 118,934,000 |

Capital grants

| | | |
|---|--------------------|--------------------|
| Municipal Systems Improvement Grant | 919,717 | 934,000 |
| Expanded Public Works Programme | 1,097,000 | 1,000,000 |
| Integrated National Electrification Grant | 2,682,900 | 4,923,821 |
| Municipal Infrastructure Grant | 40,620,382 | 56,519,481 |
| Department of Water and Forestry Grant | 21,572,079 | 10,009,118 |
| Subsidy received from Provincial Treasury | 10,000,000 | - |
| | 76,892,078 | 73,386,420 |
| | 266,946,629 | 192,320,420 |

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

25. Government grants and subsidies
Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|--------------------|--------------------|
| Unconditional grants received | 186,904,000 | 116,834,000 |
| Conditional grants received | 80,042,629 | 75,486,420 |
| | <u>266,946,629</u> | <u>192,320,420</u> |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Heading

| | | |
|---|---------------|---------------|
| Current-year receipts | 186,904,000 | 186,904,000 |
| Conditions met - transferred to revenue | (186,904,000) | (116,834,000) |
| | <u>-</u> | <u>-</u> |

Integrated National Electrification Grant

| | | |
|---|----------------|---------------|
| Balance unspent at beginning of year | 76,178 | - |
| Current-year receipts | 3,000,000 | 5,000,000 |
| Conditions met - transferred to revenue | (2,682,909) | (4,923,822) |
| | <u>393,269</u> | <u>76,178</u> |

Conditions still to be met - remain liabilities (see note 14).

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure

Department of Water and Forestry Grant

| | | |
|---|---------------|--------------|
| Current-year receipts | 21,646,320 | 10,009,118 |
| Conditions met - transferred to revenue | (21,572,079) | (10,009,118) |
| | <u>74,241</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 14).

The grant is used to subsidise, refurbish and restore the functionality of water services schemes previously owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department.

Municipal Infrastructure Grant

| | |
|---|--|
| Balance unspent at beginning of year | |
| Current-year receipts | |
| Conditions met - transferred to revenue | |

Conditions still to be met - remain liabilities (see note 14).

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

LGSETA Grant

| | | |
|---|---------|---|
| Current-year receipts | 215,522 | - |
| Conditions met - transferred to revenue | | |

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

25. Government grants and subsidies

LG seta grant is used for the skills development of the municipal employees as per the skills work plan.

Local Government Financial Management Grant

| | | |
|---|---------------|-------------|
| Current-year receipts | 1,675,000 | 1,600,000 |
| Conditions met - transferred to revenue | (1,661,305) | (1,600,000) |
| | <u>13 695</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 14).

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme

Current-year receipts
Conditions met - transferred to revenue

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Municipal Systems Improvement Grant

| | | |
|---|---------------|-----------|
| Current-year receipts | 930,000 | 934,000 |
| Conditions met - transferred to revenue | (919,717) | (934,000) |
| | <u>10,283</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 14).

The grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislations.

Subsidy received from Provincial Treasury

| | | |
|---|--------------|-----------|
| Current-year receipts | 11,273,724 | 500,000 |
| Conditions met - transferred to revenue (operating) | (1,273,724) | (500,000) |
| Conditions met - transferred to revenue (capital) | (10,000,000) | - |
| | <u>-</u> | <u>-</u> |

Provincial Treasury paid on behalf of Ngwathe for the intallation of water meters (capital) and also for a part of their audit fees owing to the Auditor General

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|--|--------------------|--------------------|
| 26. Employee related costs | | |
| Basic | 101,769,653 | 101 009 682 |
| Bonus | 7,621,109 | 7 720 020 |
| Medical aid – company contributions | 7,174,884 | 6 468 967 |
| UIF | 1,220,027 | 1 219 446 |
| Other payroll levies | 1,528,467 | 1 480 308 |
| Leave pay provision charge | 2,146,605 | 2 483 601 |
| Service cost - employee benefits | 5,249,000 | 4 816 000 |
| Overtime payments | 17,665,541 | 18 711 785 |
| Pension fund provisions | 18,040,282 | 17 858 451 |
| Car allowance | 4,540,347 | 4 464 332 |
| Housing benefits and allowance | 381,454 | 310 061 |
| Other allowances | 14,950,630 | 11 240 678 |
| Group Life insurance | 1,355,275 | 1 324 512 |
| | 183,643,274 | 179 107 843 |
| Remuneration of Municipal Manager (Kamolane LD) | | |
| Annual Remuneration | 401,177 | 830 660 |
| Allowance | 171,683 | 222 839 |
| Contributions to UIF, Medical and Pension Funds | 62,740 | 115 674 |
| | 635,600 | 1 169 173 |
| Remuneration of Acting Municipal Manager (Tsekedi PS)) | | |
| Annual Remuneration | 687,084 | - |
| Allowance | 115,230 | - |
| Contributions to UIF, Medical and Pension Funds | 140,706 | - |
| | 943,020 | - |
| Mr Tsekedi has been acting as the Municipal Manager from October 2015 to June 2016 and he is currently still acting on the position. | | |
| Remuneration of Acting Chief Financial Officer (Mkhuma TG) | | |
| Annual Remuneration | 46,326 | 411,722 |
| Car Allowance | 13,596 | 300,929 |
| Contributions to UIF, Medical and Pension Funds | 10,059 | 120,509 |
| | 69,981 | 833,160 |
| Mrs Mkhuma acted for one month on the 2015/2016 financial year. | | |
| Remuneration of Chief Financial Officer (Samyala N) | | |
| Annual Remuneration | 665,408 | - |
| Car Allowance | 143,147 | - |
| Contributions to UIF, Medical and Pension Funds | 9,435 | - |
| | 817,990 | - |
| Remuneration of Director Technical Services (Shabalala NE) | | |
| Annual Remuneration | 695,852 | 600,433 |
| Car Allowance | 198,742 | 180,514 |
| Contributions to UIF, Medical and Pension Funds | 10,333 | 9,233 |
| | 904,927 | 790,180 |

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|--|-------------------|-------------------|
| 26. Employee related costs (continued) | | |
| Remuneration of Director Community Services (Netshivhodza AB) | | |
| Annual Remuneration | 560,200 | 311 023 |
| Allowance | 287,756 | 174 032 |
| Contributions to UIF, Medical and Pension Funds | 63,344 | 33 672 |
| | 911,300 | 518 727 |
| Remuneration of Director Corporate Services (Majivolo ZJ) | | |
| Annual Remuneration | 431 319 | 411 722 |
| Allowance | 83 158 | 319 372 |
| Contributions to UIF, Medical and Pension Funds | 92 887 | 130 668 |
| | 911,300 | 861 762 |
| Mr Majivolo has been acting as director corporate services from November 2015 to June 2016, he is currently still acting on this position to date. | | |
| Remuneration of Director Corporate Services (Tsekedi PS) | | |
| Annual Remuneration | 151 509 | 89 433 |
| Allowance | 36 449 | 52 481 |
| Contributions to UIF, Medical and Pension Funds | 45 803 | 29 568 |
| Other | - | - |
| | 233 761 | 171 482 |
| 27. Remuneration of councillors | | |
| Executive Mayor | 813 163 | 743 223 |
| Mayoral Committee Members | 2 097 999 | 1 604 679 |
| Speaker | 650 900 | 599 174 |
| Councillors | 7 916 578 | 7 763 703 |
| | 11 478 640 | 10 710 779 |

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee are full-time. Each is provided with an office, cell phones, laptops and secretarial support at the cost of the council

The Executive Major and the Speaker each have the use of separate Council owned vehicles and drivers for official duties

The Executive Major has one full-time bodyguard

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27. Remuneration of councillor (continued)

Details per councillor – 30 June 2016

| | Annual remuneration and backpay | Allowance | Company Contributions | Total |
|------------------|---------------------------------|------------------|-----------------------|-------------------|
| Mochela MJ | 600,638 | 168,959 | 43,566 | 813,163 |
| Ndayi PR | 437 702 | 181 556 | 31 642 | 650 900 |
| Mandelstam G | 264 288 | 86 381 | - | 350 669 |
| Mopedi NP | 252 357 | 78 699 | 18 259 | 349 315 |
| Schoonwinkel A | 252 357 | 78 099 | 18 259 | 348 715 |
| Serathi M | 252 357 | 78 699 | 18 259 | 349 315 |
| Vandisi TL | 252 396 | 78 657 | 18 263 | 349 316 |
| Bocibo CN | 53 704 | 22 274 | 4 028 | 80 006 |
| Choni SP | 180 821 | 66 821 | 13 077 | 260 719 |
| De Beer VE | 183 049 | 78 655 | - | 261 704 |
| De Jager AJ | 183 349 | 78 355 | - | 261 704 |
| DE Jager SHF | 111 797 | 52 237 | - | 164 034 |
| Ferendale RS | 128 233 | 52 237 | - | 180 470 |
| Hlapane ML | 183 349 | 78 355 | - | 261 704 |
| Khumalo JK | 183 349 | 78 355 | - | 261 704 |
| Masooa MJ | 180 821 | 66 821 | 13 077 | 260 719 |
| Mbele MA | 180 821 | 66 821 | 13 077 | 260 719 |
| Mehlo LR | 180 821 | 66 821 | 13 077 | 260 719 |
| Modiko DV | 180 821 | 66 821 | 13 077 | 260 719 |
| Mofokeng MD | 182 541 | 78 156 | - | 260 697 |
| Mofokeng ML | 180 821 | 66 821 | 13 077 | 260 719 |
| Mofokeng MM | 180 821 | 66 821 | 13 077 | 260 719 |
| Molaphene PM | 183 349 | 78 355 | - | 261 704 |
| Molotsane RJ | 180 821 | 66 821 | 13 077 | 260 719 |
| Motsumi ME | 183 349 | 78 355 | - | 261 704 |
| Mthimkulu S | 61 116 | 26 118 | - | 87 234 |
| Mvulane L | 180 817 | 66 826 | 13 076 | 260 719 |
| Ndlovu NA | 180 821 | 66 821 | 13 077 | 260 719 |
| Oliphant AM | 180 821 | 66 821 | 13 077 | 260 719 |
| Radebe DM | 180 821 | 66 821 | 13 077 | 260 719 |
| Ramabitsa IM | 180 821 | 66 821 | 13 077 | 260 719 |
| Ranthako MC | 180 821 | 66 821 | 13 077 | 260 719 |
| Roos J | 26 944 | 13 059 | - | 40 003 |
| Scholtz F | 183 349 | 78 355 | - | 261 704 |
| Seabi IS | 26 944 | 13 059 | - | 40 003 |
| Sehumi NA | 183 349 | 78 355 | - | 261 704 |
| Serfontein C | 271 361 | 79 308 | - | 350 669 |
| Sothoane EC | 183 349 | 78 355 | - | 261 704 |
| Spence DI | 13 472 | 6 529 | - | 20 001 |
| Swart AP | 183 349 | 78 355 | - | 261 704 |
| Tlali LL | 180 821 | 66 821 | 13 077 | 260 719 |
| Van der Merwe PP | 183 349 | 72 237 | - | 255 586 |
| Vermaak SM | 180 821 | 66 821 | 13 077 | 260 719 |
| | 8 097 878 | 3 019 255 | 361 507 | 11 478 640 |

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|--|------------------------------------|-----------|-----------------------|------------|
| 27. Remuneration of councillor (continued) | | | | |
| Details per councillor - 30 June 2015 | | | | |
| | Annual remuneration and backpay | Allowance | Company Contributions | Total |
| Mochela MJ | 539 408 | 148 163 | 55 652 | 743 223 |
| Ndayi PR | 400 802 | 152 708 | 45 664 | 599 174 |
| Mandelstam G | 241 759 | 79 088 | - | 320 847 |
| Mopedi NP | 226 930 | 77 897 | 16 131 | 320 958 |
| Schoonwinkel A | 226 930 | 77 897 | 16 131 | 320 958 |
| Serathi M | 226 930 | 77 897 | 16 131 | 320 958 |
| Vandisi TL | 226 930 | 77 897 | 16 131 | 320 958 |
| Bocibo CN | 164 558 | 63 859 | 11 682 | 240 099 |
| Choni SP | 165 869 | 62 449 | 11 780 | 240 098 |
| De Beer VE | 164 695 | 75 321 | - | 240 016 |
| De Jager AJ | 164 993 | 75 021 | 245 | 240 259 |
| Hlaphane ML | 166 511 | 73 505 | - | 240 016 |
| Khumalo JK | 164 695 | 75 321 | - | 240 016 |
| Masooa MJ | 164 558 | 52 334 | 23 207 | 240 099 |
| Mbele MA | 164 558 | 63 859 | 11 682 | 240 099 |
| Mehlo LR | 164 558 | 63 859 | 11 682 | 240 099 |
| Modiko DV | 164 558 | 63 859 | 11 682 | 240 099 |
| Mofokeng MD | 163 933 | 58 803 | 17 280 | 240 016 |
| Mofokeng ML | 164 558 | 63 859 | 11 682 | 240 099 |
| Mofokeng MM | 164 558 | 63 859 | 11 682 | 240 099 |
| Molaphane PM | 178 252 | 61 764 | 142 | 240 158 |
| Molotsane RJ | 164 558 | 63 858 | 11 682 | 240 098 |
| Motsumi ME | 164 695 | 75 321 | 237 | 240 253 |
| Mvulane L | 164 558 | 52 334 | 23 207 | 240 099 |
| Ndlovu NA | 164 558 | 63 859 | 11 682 | 240 099 |
| Oliphant AM | 164 558 | 63 859 | 11 682 | 240 099 |
| Radebe MD | 164 558 | 63 859 | 11 682 | 240 099 |
| Ramabitsa IM | 144 534 | 68 079 | 27 485 | 240 098 |
| Ranthako MC | 164 558 | 63 859 | 11 682 | 240 099 |
| Roos J | 164 695 | 75 321 | 237 | 240 253 |
| Scholtz F | 164 995 | 75 021 | 237 | 240 253 |
| Seabi IS | 164 695 | 75 321 | - | 240 016 |
| Sehume NA | 164 695 | 75 321 | 237 | 240 253 |
| Sothoane EC | 164 695 | 75 321 | - | 240 016 |
| Serfontein C | 243 312 | 77 154 | - | 320 466 |
| Swart AP | 164 695 | 75 321 | - | 240 016 |
| Tlali LL | 164 558 | 63 859 | 11 682 | 240 099 |
| Van der Merwe PP | 164 695 | 75 321 | - | 240 016 |
| Vermaak SM | 164 558 | 63 859 | 11 682 | 240 099 |
| | 7 432 713 | 2 856 066 | 422 000 | 10 710 779 |

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| 28. Depreciation and amortisation | | |
| Property, plant and equipment | 57,906,212 | 63,078,159 |
| 29. Impairment of assets | | |
| Impairments | | |
| Property, plant and equipment | 1,440,758 | 213,219 |
| The main town hall in Heilbron was completely damaged by fire on 26 April 2015. | | |
| Condition assesment of movable assets lower than anticipated | | |
| Trade and other receivables | 93,312,475 | 42,197,809 |
| The recoverable amount of trade and other receivables was calculated on a individual basis per receivable based on past payment trents and individual risk cate- gories. The difference between the recoverable amount and the gross balance per receivable was impaired for. | | |
| | 94,753,233 | 248 827 539 |
| The main classes of assets affected by impairment losses are: | | |
| Buildings | | |
| Furniture and fittings | | |
| IT equipment | | |
| Motor vehicles | | |
| The main events and circumstances that led to the recognition of these impairment losses are as follows: | | |
| Buildings damaged by fire, cause still under investigation. | | |
| Condition assessment of movable assets lower than anticipated. | | |
| 30. Finance costs | | |
| Finance leases | 79,907 | 278 234 |
| Trade and other payables | 71,200,487 | 46 414 105 |
| Other financial liabilities | 542,935 | 870 300 |
| Late payment of tax | 3,052,004 | 4 889 595 |
| Employee benefits | 6,225,000 | 6 259 000 |
| | 81,100,333 | 58 711 234 |
| 31. Bad debts written off | | |
| Indigent subsidies | 26 846 582 | 52 333 827 |
| 32. Bulk purchases | | |
| Electricity | 156,118,013 | 138 969 514 |
| Water | 25,401,857 | 23 525 700 |
| | 181,519,870 | 162 495 214 |

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| 33. Contracted services | | |
| Billing and meter reading fees | - | 633,742 |
| Security services | 1,358,262 | 1,792,555 |
| Other service contractors | - | 109 649 |
| | 1,358,262 | 2,535,946 |
| 34. General expenses | | |
| Accommodation cost | 601,599 | 825,565 |
| Advertising | 646,277 | 876,113 |
| Auditors remuneration | 3,198,613 | 4,789,282 |
| Bank charges | 1,141,933 | 833,602 |
| Cleaning | 398,379 | 908 408 |
| Commission paid | 173 290 | 2 648 286 |
| Consulting and professional fees | 1,057,439 | 173,290 |
| DME expenditure | 9,605,443 | 4,608,521 |
| Donations | 165,000 | 195,000 |
| Entertainment | 470,639 | 158,084 |
| Annual report | - | 6,854 |
| Bursaries | 515,422 | 636,543 |
| Hire | 2,524,414 | 5,626,425 |
| Insurance | 3,466,921 | 3,104,746 |
| Rent - plant and vehicles | 3,791,756 | 2 428 668 |
| Legal fees | 2,002,950 | 1,994,044 |
| Project management unit expenditure | 2,815,947 | 2,835,213 |
| Fuel and oil | 2 835 559 | 2 649 174 |
| Postage and courier | 1,314,835 | 1,439,492 |
| Printing and stationery | 1,780,964 | 1,412,670 |
| Marketing | - | 195 |
| Protective clothing | 87,572 | 1 907 945 |
| Financial system (BCX) | 203,261 | 2 288 976 |
| Software expenses | 150,292 | 263 871 |
| Subscriptions and membership fees | 2,907,860 | 1 826 722 |
| Telephone and fax | 6,820,946 | 4,503,421 |
| Transport and freight | - | 134,002 |
| Training | 980,029 | 396,204 |
| Travel and subsistence | 741,982 | 824 267 |
| EPWP expenditure | 1,096,573 | 899,442 |
| LED projects | - | 587,388 |
| Arts and culture markets | - | 34 200 |
| Chemicals | 8,903,273 | 6,349,399 |
| Valuation roll expenses | 513,158 | 419,103 |
| Employee wellness | 7,749 | 17 055 |
| Youth development | 1,036,246 | 131,764 |
| Licenses | 238,512 | 169,630 |
| Grave digging | | 458,357 |
| Rehabilitation cost – landfill site | 46,617,422 | 135,919,308 |
| Organisational development strategy | 286,508 | 18 200 |
| Lease rentals on operating leases | 7,051,605 | 1 879 786 |
| Other expenses | 5,227,383 | 4 634 570 |
| | 122,659,470 | 202,922,444 |

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| 35. Repairs and maintenance | | |
| Repairs and maintenance | 10,047,922 | 27,739,257 |
| 36. Fair value adjustments | | |
| Property, plant and equipment | 20,441,189 | 24,314,074 |
| Other financial assets | | |
| • Other financial assets (Designated as at FV through P&L) | (12,091) | 80,113 |
| | 20,429,098 | 24,394,187 |
| 37. Auditors' remuneration | | |
| Fees | 3,198,613 | 4,789,282 |
| 38. Cash generated from operations | | |
| Deficit | (149,933,817) | (256,245,884) |
| Adjustments for: | | |
| Depreciation and amortisation | 57,906,212 | 63,078,159 |
| Assets written off | - | 1 113 245 |
| Fair value adjustments | (20,429,098) | (24,394,187) |
| Impairment of PPE and receivables | 94,753,233 | 42,197,809 |
| Impairment loss | 47,273,238 | 65,369,626 |
| Movements in retirement benefits and employee provisions | 11,474,000 | 11 075 000 |
| Movements in provisions | 46,617,422 | 135,919,308 |
| Actuarial gains/losses | 2,489,000 | (7,152,000) |
| Inventories losses/write-downs | 100,962 | 70 323 |
| Interest adjustment to other financial assets | - | (2 853) |
| Changes in working capital: | | |
| Inventories | (172) | (72 991) |
| Receivables from non-exchange transactions | (109,165,792) | (89,623,600) |
| Receivables from exchange transactions | (36,402,972) | (28,128,418)) |
| Sundry receivables | 316,185 | (734,379) |
| Payables from exchange transactions | 152,783,023 | 175,449,319 |
| VAT | (9,534,131) | (12,004,437) |
| Unspent conditional grants and receipts | 431,937 | (5 562 303) |
| Consumer deposits | (145,374) | 561 456 |
| | 88,533,856 | 70,913,193 |

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| 39. Financial instruments disclosure | | |
| 2016 | | |
| Financial assets | | |
| | At fair value | At cost |
| Other financial assets | 403,326 | 446,265 |
| Receivables from exchange transactions | - | 44,823,391 |
| Receivables from non-exchange transactions | - | 17,758,545 |
| Cash and cash equivalents | - | 8,443,765 |
| Sundry receivables | - | 1,374,396 |
| | 403,326 | 72,846,362 |
| | | 73,249,688 |
| Financial liabilities | | |
| | At cost | Total |
| Other financial liabilities | 3,646,942 | 3,646,942 |
| Trade and other payables from exchange transactions | 707,607,253 | 707,607,253 |
| Consumer deposits | 5,367,740 | 5,367,740 |
| Unspent conditional grants and receipts | 508,116 | 508,116 |
| | 717,130,051 | 717,130,051 |
| 2015 | | |
| Financial assets | | |
| Financial instruments disclosure (continued) | | |
| | At fair value | At cost |
| Other financial assets | 528,478 | 972,635 |
| Trade and other receivables from exchange transactions | - | 39,173,751 |
| Trade and other receivables from non-exchange transactions | - | 18,425,133 |
| Cash and cash equivalents | - | 1,690,581 |
| Sundry receivables | - | 3,085,216 |
| | 528,478 | 63,347,316 |
| | | 63,875,794 |
| Financial liabilities | | |
| | At cost | Total |
| Other financial liabilities | 8 633 708 | 8 633 708 |
| Trade and other payables from exchange transactions | 376 407 873 | 376 407 873 |
| Consumer deposits | 4 951 657 | 4 951 657 |
| Unspent conditional grants and receipts | 5 638 482 | 5 638 482 |
| | 395 631 720 | 395 631 720 |

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| 40. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| Property, plant and equipment | 107 775 646 | 104 342 894 |
| Total capital commitments | | |
| Already contracted for but not provided for | 107 775 646 | 104 342 894 |
| Total commitments | | |
| Authorised capital expenditure | 107 775 646 | 104 342 894 |
| This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cash resources, MIG allocations during the year and funds internally generated. | | |
| Operating leases - as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 1 010 576 | 1 020 753 |
| - in second to fifth year inclusive | 634 385 | 348 880 |
| | 1 644 961 | 1 369 633 |

Operating lease payments represent rentals payable by the municipality for certain of its office and computer equipment. Leases are negotiated for an average term of 3 years. No contingent rent is payable.

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41. Contingencies

The municipality has the following contingent liabilities and contingent assets:

Court proceedings:

The following cases against and for the municipality have been recorded as contingent liabilities and contingent assets as there is uncertainty as to the outcome of the cases. The municipality is defending these cases. The potential legal costs have not been included in the claims.

SS Janika vs NLM (Case 1)

| | | |
|--------------------------------------|---------------|---------------|
| Opening balance | 40,000 | - |
| Contingent liability during the year | - | 40 000 |
| Adjustments during the year | 20 000 | - |
| | 60 000 | 40 000 |

Litigation is in the process against the municipality whereby the plaintiff was involved in an vehicle accident with the municipal refuse truck and the complainant was seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Attorneys: JC Burger Attorneys

MM Magashule vs NLM (Case 2)

| | | |
|--------------------------------------|----------|---------------|
| Contingent liability during the year | - | 9 703 |
| Adjustments during the year | - | 9 703 |
| | - | 19 406 |

Litigation was in the process against the municipality for overtime not paid in accordance with the overtime policy and the complainant was seeking damages to the amount disclosed above.

The municipality paid the plaintiff the amount of R9 702 as per court order on 11 May 2015

Attorneys: JC Burger Attorneys

HND Labuschagne vs NLM (Case 3)

| | | |
|-----------------------------|----------|----------|
| Litigation during the year | - | 5 058 |
| Adjustments during the year | - | (5 058) |
| | - | - |

Litigation was in the process against the municipality for damages caused to vehicle due to potholes and the complainant was seeking damages to the amount disclosed above. The municipality paid the plaintiff the amount of R5 058 as per court order on 11 May 2015.

Attorney: JC Burger Attorneys

Adcol Administrators vs NLM (Case 4)

| | | |
|--------------------------------------|----------|----------|
| Contingent liability during the year | - | 1 105 |
| Adjustments during the year | - | (1,105) |
| | - | - |

Litigation was in the process against the municipality for failure to comply to a BBP in terms of administration order and the complainant was seeking damages to the amount disclosed above. The municipality paid the plaintiff the amount of R1 105 as per court order on 11 May 2015

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| 41. Contingencies (continue) | | |
| Attorneys: JC Burger Attorneys | | |
| Mispha vs NLM (Case 5) | | |
| Opening balance | - | 3 884 |
| Adjustments during the year | - | (3 884) |
| | <u>-</u> | <u>-</u> |

Litigation was in the process against the municipality for failure to implement emolument order on municipal employees and the complainant was seeking damages to the amount disclosed above.

The municipality paid the plaintiff the amount of R3 883 as per court order on 11 May 2015.

Attorneys: JC Burger Attorneys

Gerhard van der Merwe Attorneys vs NLM (Case 6)

| | | |
|----------------------------|----------|----------|
| Opening balance | - | 13,167 |
| Adjustment during the year | - | (13,167) |
| | <u>-</u> | <u>-</u> |

Litigation was in the process against the municipality relating to an outstanding amount not settled and the complainant was seeking damages to the amount disclosed above.

The municipality paid the plaintiff the amount of R13 167 as per court order on 28 October 2014. Attorneys:

JC Burger Attorneys

Matolo / Makgele Attorneys vs NLM (Case 8)

| | | |
|------------------------------|----------|---------------|
| Opening balance | 18 410 | - |
| Paid during the year (44336) | (18 410) | - |
| Adjustments during the year | - | 18 410 |
| | <u>-</u> | <u>18 410</u> |

Litigation is in the process against the municipality relating to an outstanding amount not settled and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Attorney: In-house

Concentrated Solutions vs NLM (Case 9)

| | | |
|------------------------------|----------|--------------|
| Opening balance | 9,799 | - |
| Paid during the year (44336) | (9 799) | - |
| Adjustments during the year | - | 9 799 |
| | <u>-</u> | <u>9 799</u> |

Litigation is in the process against the municipality relating to an outstanding amount not settled and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years. Attorneys: In-house

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| 41. Contingencies (continue) | | |
| Tsekema Consulting & Project Managers vs NLM (Case 10) | | |
| Opening balance | 6,419,682 | - |
| Paid during the year (45137) | (1 760 524) | - |
| Adjustments during the year | (1 651 860) | 6 419 682 |
| | 3 007 298 | 6 419 682 |

Litigation is in the process against the municipality relating to an outstanding amount not settled and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Attorneys: In-house

Moedi Consulting Engineers vs NLM (Case 11)

| | | |
|--------------------------------------|---|-------------|
| Contingent liability during the year | - | 1,179,300 |
| Adjustments during the year | - | (1,179,300) |
| | - | - |

Litigation is in the process against the municipality relating to an outstanding amount not settled and the complainant is seeking damages to the amount disclosed above.

The case has been struck from the roll and the plaintiff decided they will not pursue any further action.

Attorney: Motlatsi Seleke Attorneys

J Sekgalolo vs NLM (Case 12)

| | | |
|-----------------|-----------|-----------|
| Opening balance | 2,013,580 | 2 013 580 |
|-----------------|-----------|-----------|

Litigation is in the process against the municipality relating to an outstanding amount not settled and the complainant is seeking damages to the amount disclosed above.

The municipality pay the plaintiff R4 029 575 on 13 July 2007, the balance of the claim is still contested and the municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Attorneys: Mpoloane Attorneys

R Fourie & JD Bornman vs NLM (Case 13)

| | | |
|--------------------------------------|----------|---------------|
| Opening Balance | 13,830 | - |
| Contingent liability during the year | - | 13 830 |
| Paid during the year (43304) | (13 830) | - |
| | - | 13 830 |

Litigation is in the process against the municipality for unlawful disconnection in contravention of Municipal Revenue and Debt collection by-law and is seeking damages to the amount disclosed above. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Attorneys: Motlatsi Seleke Attorneys

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| 41. Contingencies (continue) | | |
| Latlonkana Marumo vs NLM (Case 14) | | |
| Opening Balance | 163,818 | - |
| Adjustments during the year | - | 163,818 |
| | 163 818 | 163 818 |

Litigation is in the process against the municipality for failure to adhere to collective agreement in paying acting allowance to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Attorney: Morris Rasegoete Attorney

Isintu Projects CC vs NLM (Case 27)

| | | |
|----------------------|-----------|----------------|
| Opening balance | 233,870 | 233,870 |
| Paid during the year | (233 870) | - |
| | - | 233 870 |

Litigation is in the process against the municipality relating to outstanding payments and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Attorneys: In-house

B McDermott vs NLM (Case 29)

| | | |
|----------------------------|----------|-----------|
| Litigation during the year | - | 120,000 |
| Case withdrawn | - | (120 000) |
| | - | - |

Litigation is in the process against the municipality relating to a lodged dispute with SALGBC after the municipality failed to encash his leave days to the amount disclosed above.

The case was withdrawn by the plaintiff and therefore resolved.

Attorneys: Lebea Incorporated

Vincent Mokgosi vs NLM (Case 30)

| | | |
|---------------------------|----------|----------|
| Opening balance | - | 3,600 |
| Finalised during the year | - | (3 600) |
| | - | - |

Litigation is in the process against the municipality relating to unfair dismissals and the complainant was seeking damages to the amount disclosed above. The matter was resolved and the plaintiff was paid according to court order.

Attorney: JC Burger Attorneys

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| 41. Contingencies (continue) | | |
| Mapetla Church congregations vs NLM (Case 34) | | |
| Opening balance | 23,453 | 23,453 |
| Adjustments during the year | 76 864 | - |
| Paid during the year | (100 317) | - |
| Closing balance | - | 23 453 |

Litigation is in the process against the municipality relating to land transferred to a splinter church of Mapetla. Mapetla approached high court to reverse the decision of the municipality to transfer land to the said splinter church and is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Attorney: In-house

Nashua Communications vs NLM (Case 35)

| | | |
|-----------------|---------|---------|
| Opening balance | 521,380 | 521,380 |
|-----------------|---------|---------|

Litigation is in the process against the municipality relating to outstanding payments and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Attorney: Moroka Attorneys

GC Van Zyl vs NLM (Case 36)

| | | |
|------------------------------|----------|---------------|
| Opening balance | 45 201 | 44,020 |
| Adjustments during the year | - | 1 181 |
| Paid during the year (42417) | (45 201) | - |
| Closing balance | - | 45 201 |

Litigation is in the process against the municipality relating to damages caused to movable properties due to power outage and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next year

Attorney: ADW van den Berg Attorneys

Sedgars vs NLM (Case 37)

| | | |
|-----------------------------|---------------|----------------|
| Opening balance | 139,204 | 139 204 |
| Adjustments during the year | (127 204) | - |
| Closing balance | 12 000 | 139,204 |

Litigation is in the process against the municipality relating to outstanding payments and the complainant is seeking damages to the amount disclosed above.

The successful as unlikely, and the case should be resolved within the next two years. Attorney: Steyn Lyell & Maeyane Attorneys

Municipality's lawyers and management consider the likelihood of the action against the municipality being

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| 41. Contingencies (continue) | | |
| GH Manoto vs NLM (Case 38) | | |
| Opening balance | 32,000 | 32 000 |
| Litigation is in the process against the municipality relating to damages caused to a house and furniture due to a burst water pipe and the complainant is seeking damages to the amount disclosed above. | | |
| The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years. | | |
| Attorney: In-house | | |
| JD Breytenbach vs NLM (Case 39) | | |
| Opening balance | - | 18,107 |
| Adjustments during the year | - | (18 107) |
| Closing balance | - | - |
| Litigation was in the process against the municipality relating to a spoliation order whereby the municipality failed to comply and the complainant was seeking damages to the amount disclosed above. | | |
| The municipality paid the plaintiff the amount of R18 107 on 11 November 2014. | | |
| Attorneys: JC Burger | | |
| Busisiwe Mtimkulu vs NLM (Case 43) | | |
| Opening balance | 2,715 | 2,715 |
| New contingencies for the year | - | 109 180 |
| Payments made during the year | - | (109 180) |
| Closing balance | 2,715 | 2,715 |
| Litigation is in the process against the municipality relating to unfair dismissals and the complainants are seeking damages to the amount disclosed above. | | |
| The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years. Partial payments was made during the year. | | |
| Attorneys: JC Burger | | |
| SAMWU obo Hlapane vs NLM (Case 44) | | |
| Opening balance | 400,000 | 400,000 |
| Litigation is in the process against the municipality relating to the interpretation and application of the collective agreement and the complainant is seeking damages to the amount disclosed above. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years. | | |
| Attorneys: ADW van den Berg Attorneys | | |
| Telkom vs NLM (Case 45) | | |
| Opening balance | 20,427 | 20 427 |
| Paid during the year | (20 176) | - |
| Adjustments during the year | 6 987 | - |
| | 7 238 | 20,427 |

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41. Contingencies (continue)

Litigation is in the process against the municipality relating to damages caused to Telkom infrastructure and the complainant is seeking damages to the amount disclosed above. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as likely, and the case should be resolved within the next two years.

Attorneys: ADW van den Berg Attorneys

Litigation is in the process against the municipality relating to unfair dismissals and the complainant is seeking damages to the amount disclosed above.

The case has been resolved and the plaintiff was paid out

Attorneys: Lebea and Associates

NLM vs TJ Mokoena (Case 47) - Contingent asset

| | | |
|-----------------|---------|---------|
| Opening Balance | 125,000 | 125,000 |
|-----------------|---------|---------|

Litigation is in the process against Mr TJ Mokoena relating to unlawful, irregular and wasteful expenditure incurred on behalf of Ngwathe Local Municipality.

The municipality's lawyers and management consider the likelihood of the action against Mr TJ Mokoena being successful as likely, and the case should be resolved within the next two years

Attorneys: Lebea & Associates

Vaal River Development Association vs NLM (Case 48)

| | | |
|-----------------|---|---------|
| Opening balance | - | 563,699 |
|-----------------|---|---------|

| | | |
|--------------------------|---|-----------|
| Payments during the year | - | (563 699) |
|--------------------------|---|-----------|

| | | |
|------------------------|---|---|
| Closing balance | - | - |
|------------------------|---|---|

Litigation is in the process against the municipality relating to S125 of the constitution of the RSA for failing to provide basic water services and the complainant is seeking damages to the amount disclosed above.

An agreed amount of R633290 was paid to settle the case.

Attorneys: Rampai Attorneys

Ensemble Trading 2053 CC vs NLM (Case 49)

| | | |
|-----------------|---------|---------|
| Opening Balance | 150 000 | 150,000 |
|-----------------|---------|---------|

Litigation is in the process against the municipality for storage costs not being paid and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Attorney: In-house

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41. Contingencies (continue)

k vs NLM (Case 50)

| | | |
|-----------------|--------|--------|
| Opening balance | 16,994 | 16,994 |
|-----------------|--------|--------|

Litigation is in the process against the municipality for damages caused to vehicle due to potholes and the complainant is seeking damages to the amount disclosed above.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved by September 2015.

Attorneys: Du Toit Mandelstam Incorporated

Sibongile Community Trust vs NLM (case no 52)

| | | |
|-------------------------|--------|---|
| Adjustment for the year | 50 000 | - |
|-------------------------|--------|---|

Civil Litigation, No claims has been submitted as of yet, awaiting Setdown

The case is still active and waiting for plaintiff

Attorneys:JC Burger Attorneys

Cornelius Henry Harris vs NLM (Case no 53)

| | | |
|-------------------------|--------|---|
| Adjustment for the year | 40 000 | - |
|-------------------------|--------|---|

Public liability claim, Damages motor cycle due to pothole and plaintiff is claiming damages occurred. Judgement is in favour for the plaintiff however summons is still to be issued.

Attorneys:JC Burger Attorney

42. Related parties

Relationships

| | |
|---------------------------|------------------|
| Members of key management | Refer to note 26 |
| Members of the Council | Refer to note 27 |

No related party transactions were identified by management.

Key management and Councillors receive and pay for service on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.

43. Prior period errors and reclassifications

A vast number of prior period corrections and reclassifications were made to the audited 30 June 2015 financial statements, due to errors. A register containing the detail of all the corrections made as summarised below are available at the municipal offices.

Statement of financial position

Gross receivables from exchange transactions were restated by R49,150,280,98 due to the departmental charges that were not offset against revenue and incorrect billing of consumer accounts and the net impact is zero on the 2015 financial year comparatives

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43. Prior period errors and reclassifications (continue)

Statement of financial position

Gross receivable from non exchange transaction were restated by R3,125,113.99 due to departmental charges not offset against revenue. VAT receivable was restated by R6,301,487.00 due to payables, expenditure and revenue that were misstated in the 2015/2016 financial year

Investment property was restated by R49,892,755.01 due to incorrect accounting of RDP houses in to Ngwathe assets register.

Property plant and equipment was restated by R88,757,411.01 due the re - take on of new properties plant and equipment register during the year.

Payables was restated by R9,653,800.32 due to expenditure that was not taken in to account in the 2015/2016 Financial year.

Statement of financial performance

Service charges were restated by R16,350,826.65 due to overbilling of consumer accounts in the 2013/2014 and 2014/2015 financial year

Property rates were restated by 1,431,756.57 due to departmental charges that were not offset against revenue.

Interest received were restated by R260,638.46 due interest that was charged on the departmental accounts.

Other income was restate by R20,680.16 due to departmental charges that were taken to other income account and not offset against revenue.

Impairment of assets were restated by R20,490,765.56 due to departmental charges not offset against revenue

Contracted services were restated by R15,900.00 due to expenditure that was not brought in to account in the 2014/2015 financial year.

General expenses were restated by R3,239,285.29 due to expenditure that was not taken in to account in the 2014/2015 financial year.

Repairs and maintenance were restated by R885,186.08 due to not taken in to account in the 2014/2015 Financial year.

Fair value adjustment was restated by 14,201,351.15 due to incorrect accounting of RDP houses that were still registered at

Deeds office as Ngwathe vacant stands

Depreciation was restated by R8,970,220.83 due to incorrect accounting of private properties as Ngwathe properties.

Disclosure

Irregular expenditure of R31,606,494.00 was restated to R5,487,221.00 due to subsequent investigations revealing that these

amounts are not irregular.

Reclassification

Bad debt written off - An amount of R13,035,798 was reclassified from indigents subsidies to service charges.

Provision for Landfill site for Koppies and Parys were reclassified from current liabilities to non current liabilities.

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| 43. Prior period errors and reclassifications (continued) | | | | |
| Statement of financial position | Audited 2015 figures | Reclassification | Prior period errors | Restated 2015 figures |
| Assets | 165 689 222 | - | (3 125 114) | 162 564 108 |
| Receivables from non-exchange transactions Al- | (147 264 089) | - | 3 125 114 | (144 138 975) |
| lowance for impairment | | | | |
| Receivables from exchange transactions | 414 191 944 | - | (46 025 167) | 368 166 777 |
| Allowance for impairment | (375 018 193) | - | 46 025 167 | (328 993 027) |
| VAT receivable | 14 998 639 | - | 6 301 487 | 21 300 126 |
| Investment PPE | 154 580 185 | - | (49 892 755) | 104 687 430 |
| Property, plant and equipment | 807 493 310 | - | (88 757 411) | 718 735 899 |
| Liabilities | | | | |
| Payables from exchange transactions | (545 170 422) | - | (9 653 800) | (554 824 222) |
| Provisions - current Liabilities | 191 279 221 | (96 953 094) | - | 94 326 127 |
| Provisions - non current Liabilities | - | 96 953 094 | - | 96 953 094 |
| Net assets | | | | |
| Accumulated surplus | 223 942 830 | - | 143 138 355 | 367 081 185 |
| | 904 722 647 | - | 1 135 876 | 905 858 522 |
| Statement of financial performance | Audited 2015 figures | Reclassification | Prior period errors | Restated 2015 figures |
| Revenue | | | | |
| Service charges | (253 121 413) | 12 682 961 | 16 350 827 | (224 087 625) |
| Other income | (2 070 781) | - | 20 680 | (2 050 101) |
| Interest received | (35 031 681) | - | 260 638 | (34 771 043) |
| Property rates | (61 423 391) | 352 837 | 1 431 757 | (59 638 797) |
| Expenditure | | | | |
| Depreciation and amortisation | 72 048 380 | - | (6 113 395) | 65 934 985 |
| Impairment of assets | 62 688 575 | - | (20 490 766) | 42 197 809 |
| Repairs and maintenance | 26 854 071 | - | 885 186 | 27 739 257 |
| Bad debts written off - Indigent subsidies | 5 508 527 | (5 508 527) | - | - |
| Bad debts written off - Other bad debt | 59 861 099 | (7 527 271) | - | 52 333 828 |
| Contracted services | 2 520 046 | - | 15 900 | 2 535 946 |
| General expenditure | 199 683 159 | - | 3 239 285 | 202 922 444 |
| Other adjustments | | | | |
| Fair value adjustments | (10 192 835) | - | 3 264 012 | (6 928 823) |
| | 67 323 756 | - | (1 135 876) | 66 187 880 |

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44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit, liquidity and market risk.

Liquidity risk

The municipality's activities expose it to a variety of financial risks: credit, liquidity and market 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 and net-settled derivative 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 2016

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|------------------|-----------------------|-----------------------|--------------|
| Other financial liabilities | 2,181,704 | 1,465,238 | - | - |
| Payables from exchange transactions | 707,607,253 | - | - | - |
| Unspent conditional grants and receipts | 508,116 | - | - | - |

At 30 June 2015

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|------------------|-----------------------|-----------------------|--------------|
| Other financial liabilities | 2,181,704 | 4,122,303 | - | - |
| Payables from exchange transactions | 554,824,222 | - | - | - |
| Unspent conditional grants and receipts | 76,179 | - | - | - |

Credit risk

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

Receivables comprise of 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.

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| 43 Risk management (continue) | | |
| Credit risk | | |
| Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate. | | |
| Financial assets exposed to credit risk at year end were as follows: | | |
| Financial instrument | 2016 | 2015 |
| Receivables from exchange transactions | 44,823,391 | 39,173,751 |
| Receivables from non-exchange transactions | 17,758,545 | 18,425,133 |
| Cash and cash equivalents | 8,443,765 | 3,085,216 |
| Other financial assets | 849,591 | 1,501,112 |

Market risk

Interest rate risk

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

45. Going concern

We draw attention to the fact that at 30 June, 2016, the municipality had accumulated deficits of R 140,868,800 and that the municipality's total liabilities exceed its assets by R 140,868,800. The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit, liquidity and market risk.

Liquidity risk

The municipality's activities expose it to a variety of financial risks: credit, liquidity and market 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 and net-settled derivative 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.

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| 44 Risk management (continue) | | |
| At 30 June 2016 | | |
| | Less than 1 year | Between 1 and 2 years |
| | | Between 2 and 5 years |
| | | Over 5 years |
| Other financial liabilities | 2,181,704 | 1,465,238 |
| Payables from exchange transactions | 707,607,253 | - |
| Unspent conditional grants and receipts | 508,116 | - |
| At 30 June 2015 | | |
| | Less than 1 year | Between 1 and 2 years |
| | | Between 2 and 5 years |
| | | Over 5 years |
| Other financial liabilities | 2,181,704 | 4,122,303 |
| Payables from exchange transactions | 554,824,222 | - |
| Unspent conditional grants and receipts | 76,179 | - |

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. Receivables comprise of 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.

Credit risk

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

| Financial instrument | 2016 | 2015 |
|--|-------------|-------------|
| Receivables from exchange transactions | 44,823,391 | 39,173,751 |
| Receivables from non-exchange transactions | 17,758,545 | 18,425,133 |
| Cash and cash equivalents | 8,443,765 | 3,085,216 |
| Other financial assets | 849,591 | 1,501,112 |

Market risk

Interest rate risk

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

45. Going concern

We draw attention to the fact that at 30 June, 2016, the municipality had accumulated deficits of R 141,836,468 and that the municipality's current liabilities exceed its current assets by R 714,672,259.

As at 30 June 2016, the municipality owed ESKOM R544 008 986 (2015: R386 211 700) and the Department of Water Affairs R63 899 036 (2015: R50 086 403).

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality..

46. Events after the reporting date

Management is not aware of any events that happened after the reporting date that requires disclosure.

47. Unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance | 139,339,772 | 549,446,839 |
| Add: Unauthorised Expenditure - current year | 177,095,143 | 266,727,757 |
| Less: Amounts written off | - | (676,834,824) |
| | 316,434,708 | 139,339,772 |

48. Fruitless and wasteful expenditure

| | | |
|--|-------------------|---------------|
| Fruitless and wasteful expenditure | - | 78,660,399 |
| Add: Fruitless and Wasteful Expenditure - current year | 74,252,491 | 51,248,897 |
| Less: Amounts written off | - | (129,909,296) |
| | 74,252,491 | - |

48. Fruitless and wasteful expenditure (continue)

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| Detail of fruitless and wasteful expenditure incurred in the current year | | Total for 30 June 2016 |
| | 30 June 2016 | |
| Eskom | 66,203,927 | 66,203,927 |
| Rand Water | 86,211 | 86,211 |
| AGSA | 125,460 | 125,460 |
| SALA Pension Fund | 14,297 | 14,297 |
| SARS - PAYE (Penalties and interest) | 2,773,300 | 2,773,300 |
| SARS - VAT (Penalties and interest) | 278,704 | 278,704 |
| National funds for municipal workers | 7,492 | 7,492 |
| OFS Pension Funds | 2,808 | 2,808 |
| SAMWU Provident Fund | 26,378 | 26,378 |
| Telkom | 43,439 | 43,439 |
| Department of Water Affairs | 4,690,349 | 4,690,349 |
| ABSA Bank | 126 | 126 |
| | 74,252,491 | 74,252,491 |

49. Irregular expenditure

| | | |
|---|-------------------|------------------|
| Opening balance | 5,487,221 | 13,966,759 |
| Add: Irregular expenditure - current year | 60,200,348 | 3,859,530 |
| Add: Irregular expenditure - current year (under investigation) | - | 5,487,221 |
| Less: Amounts written off | - | (17,826,289) |
| | 65,687,569 | 5,487,221 |

Analysis of expenditure awaiting condonation per age classification

| | | |
|--------------|-------------------|------------------|
| Current year | 600,200,348 | 5,487,221 |
| Prior years | 5,487,221 | - |
| | 65,687,569 | 5,487,221 |

Details of irregular expenditure - current year

Irregular expenditure still under investigation

| | | |
|----------------------------|---|-------------------|
| Price: R10,001 to R30,000 | Non-compliance to the Supply Chain Policy | 3,903,089 |
| Price: R30,001 to R199,999 | Non-compliance to the Supply Chain Policy | 4,241,057 |
| Price: R200,000 and above | Non-compliance to the Supply Chain Policy | 52,056,202 |
| | | 60,200,348 |

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| 50. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Opening balance | 435,295 | 347,3206 |
| Current year subscription / fee | 1,513,800 | 1,408,655 |
| Amount paid - current year | (1,466,780) | (1,320,680) |
| | 482,315 | 435,295 |
| Distribution losses | | |
| Distribution losses incurred during the financial year: | | |
| Electricity R230,529,577.00 - 125% (2015: R64,106,909 - 46%) | | |
| Water -R24,879,408.00 - 777% (2015: R310,221,368 - 886%) | | |
| The calculation of distribution losses is impractical due to subsequent adjustments of water and electricity that was made in July 2016 and for the 30 June 2015 financial year. All the adjustments of water and electricity changed the units in 30 June 2016 financial year as accordance with debtors module on eVenus | | |
| Audit fees | | |
| Opening balance | 6,005,719 | 3,791,345 |
| Current year subscription / fee | 3,621,179 | 5,457,228 |
| Interest charged | 125,460 | 362,617 |
| Amount paid - current year | (4,616,814) | (1,989,014) |
| Amount paid - previous years | (5,586,297) | (1,616,457) |
| | (450,753) | 6,005,719 |
| PAYE and UIF | | |
| Opening balance | 19,862,413 | 26,749,488 |
| Current year subscription / fee | 26,727,721 | 24,931,114 |
| Amount paid | (44,179,571) | (31,818,189) |
| | 2,410,163 | 19,862,413 |
| Pension and Medical Aid Deductions | | |
| Opening balance | 3,681,234 | - |
| Current year subscription / fee | 21,788,957 | 24,748,084 |
| Amount paid - current year | (25,170,491) | (21,066,850) |
| | - | 3,681,234 |
| VAT | | |
| VAT receivable | 30,708,404 | 21,300,126 |
| All VAT returns have been submitted by the due date throughout the year. | | |

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| 50. Additional disclosure in terms of Municipal Finance Management Act (continue) | | |
| Councillors' arrear consumer accounts | | |
| The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2015 | | |
| | | Outstanding more than 90 days |
| 30 June 2016 | | R |
| De Jager A | | 12,181 |
| Ferendale D.A | | 228 |
| Mofokeng M.D | | 973 |
| Molapene P.M | | 1,856 |
| Motsumi M.E | | 19,886 |
| Mthimkulu S | | 19,935 |
| Schoonwinkel A | | 1,073 |
| Sothoane E.C | | 4,243 |
| Swart A.P | | 4,004 |
| Vandisi T.L | | 2,080 |
| | | 66,459 |

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| 50. Additional disclosure in terms of Municipal Finance Management Act (continue) | | |
| Councillors' arrear consumer accounts | | |
| | | Outstanding more than 90 days |
| 30 June 2015 | | R |
| Mandelstram GP | | 2,621 |
| Mofokeng J | | 698 |
| Molotsane AM | | 1,003 |
| Ndlovu NA | | 7,120 |
| Olifant AM | | 1,560 |
| Seabi IM | | 6,475 |
| Sothoane EC | | 2,621 |
| Vandisi TL | | 4,556 |
| | | 26,654 |

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

The following list of transactions were deviated from the normal supply chain procedures but was approved by the accounting officer:

| Category of service | Outstanding more than 90 days Amount for the 2016 |
|----------------------|--|
| Emergency services | 204,376 |
| Sole provider | 208,853 |
| Specialised services | 23,782 |
| | 437,011 |

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| 52. Budget differences | | |
| Material differences between budget and actual amounts | | |
| The following explanations are for material differences (>10%) between actual and budgeted amounts: | | |
| X1 - Deterioration of the municipal buildings that lead to less public interest to the municipal facilities. People moved out of municipal hostels and do not make use of municipal facilities. | | |
| X2 - Municipality anticipated to cash all the investments during 30 June 2015 but they were unable to proceed with this intention due to lack of sufficient information requested from the policy holders hence the high amount of dividend was budgeted for, only Senwes shares were cashed in 30 June 2016 financial year end. | | |
| X3 - Municipality intended to sell the land during 30 June 2016 but the process was stopped by council. | | |
| X4 -The municipality has anticipated to collect more on its debtors hence less interest on late payment was budgeted for. | | |
| X5 -The Municipality did not take in account the supplementary valuation roll on property rate. | | |
| X6 - Municipality had a plan to buy more cameras and ensure that speed cameras are calibrated in time to ensure increase on revenue from traffic fines. | | |
| X7 - The Municipality Budget for the actual employee cost without taking in to account acting allowances on the key management and other positions. | | |
| X8 & X9 - Depreciation and impairments were budgeted together. Municipality anticipated collecting more debts than prior year and less impairment on debts. | | |
| X10 - Municipality had a plan in place to settle the Eskom accounts and less interest were to be incurred during the year. | | |
| X11 - More indigent debts were prescribed than the debts that were budgeted for. | | |
| X12 - Old infrastructure and vehicles that require repairs and maintenance from time to time. | | |
| X13 -Municipality budgeted for contracted services based on prior year contracts without evaluating the needs for the those services in the current financial year. | | |
| X14 - More provision on rehabilitation of landfill site. This is due to new rules and regulations as per engineers report. X15 - The municipality anticipated to get more overdraft facilities for Eskom payments. | | |
| X16 - No budget was made for fair value adjustments. | | |
| X17 - No budget was made for actuarial gains and losses. | | |
| X18 - No budget was made for inventory losses and write downs. | | |
| X19 - Management did not take into account the impact of the impairment provision. | | |
| X20 - Management did not take into account the impact of the impairment provision. | | |

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52. Budget differences (continue)

Material differences between budget and actual amounts

X21 - Management budgeted to have less cash at hand at year end.

X22 - Management did not take into account the full impact of the depreciation charge.

X23 - Management could not invest more funds due to cashflow constraints.

X24 - Management did not take in to account the effect of subsidy from the provincial department for water metres and from the provincial subsidy for audit fees.

X25 - Management could not reduced the payables as budgeted for, due to cash flow constraints.

X26 - Management spend less on the remuneration of councillors due to the resignation of one councillor and death of 3 councillors.

X27 - Management did not take into account new legislation applicable to landfill sites when the provisions were budgeted for.

X28 - Management did not budget for these accounts.

X29 -Management budgeted higher due to long outstanding debts with Eskom, and water and department of water affairs.

X30 - Management did not take into account interest on receivables while determining the budgeted figure.

X31 - Management budgeted more on dividends.

X32 - The municipality budgeted to receive more income based on the fines that will be charged on tempered metres as per the Eskom meter verification projects for all the Ngwathe Local Municipality.

X33 - The Municipality has budgeted more on payables with the intestion of reducing the Eskom,Rand water and Depart-ment ofwater creditors and other long outstanding creditors.

X34 - Management did not take in to account the effects of interest on late payment while budgeting for finance cost.

X35 - No transfer off grants did incur as budgeted for.

X36 - Management anticipated to buy and refurbish more property, plant and equipment in the current year.

X37 - Management settled the other financial liabilities as budgeted for.

X38 - Management did not budget for finance lease payments

X39 - Management did not budget for employee benefit obligations.

X40 - The municipality intended to sell more electricity hence more money was budgeted on bulk purchases.