

DRAFT ANNUAL REPORT 2018/19



The home of harmony, prosperity and growth

2018/2019



TABLE OF CONTENTS

CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

COMPONENT B: EXECUTIVE SUMMARY

- 1.1. MUNICIPAL MANAGER'S OVERVIEW
- 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW
- 1.3. SERVICE DELIVERY OVERVIEW
- 1.4. FINANCIAL HEALTH OVERVIEW.....
- 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW
- 1.6. AUDITOR GENERAL REPORT
- 1.7. STATUTORY ANNUAL REPORT PROCESS

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

- 2.1 POLITICAL GOVERNANCE.....
- 2.2 ADMINISTRATIVE GOVERNANCE

COMPONENT B: INTERGOVERNMENTAL RELATIONS

- 2.3 INTERGOVERNMENTAL RELATIONS

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

- 2.4 COMMUNITY PARTICIPATION IN THE DEVELOPMENT OF LEGAL FRAMEWORKS AND DIRECTIVES
- 2.5 IDP PARTICIPATION AND ALIGNMENT.....

COMPONENT D: CORPORATE GOVERNANCE

- 2.6 RISK MANAGEMENT
- 2.7 ANTI-CORRUPTION AND FRAUD
- 2.8 MPAC COMMITTEE
- 2.9 MUNICIPAL WEBSITES
- 2.10 POLICIES AND BY- LAWS

CHAPTER 3 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: MUNICIPAL WORKFORCE

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

SKILLS DEVELOPMENT AND TRAINING

COMPONENT D: MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

CHAPTER 4 – ANNUAL PERFORMANCE REPORT

CHAPTER 5 – FINANCIAL PERFORMANCE

ANNUAL FINANCIAL STATEMENTS (AFS)

CHAPTER 6 - AUDITOR GENERAL AUDIT FINDINGS

AUDITOR GENERAL REPORT.....

AUDIT ACTION PLAN.....

CHAPTER 1

FOREWORD

AND

EXECUTIVE SUMMARY

The Report Will Be Included After MPAC Process

Component A: Mayor's Foreword

Component B: Executive Summary

1.2 Municipal Manager's Overview

Service Delivery performance

We are reasonably satisfied that we, as managers, have contributed positively towards Council's service delivery successes in 2018/19.

Table: MIG Projects 2018/19

Project	Actual Expenditure during 2018/19 Financial Year	% Complete (Construction)	Completion Date
Ngwathe PMU	2,058,200.00		PMU Salaries On going
Ngwathe (Edenville): Upgrading of sports ground	-	On Hold	
Kwakwatsi (Koppies): Construction of sports complex	-	Contractor to complete works is to be appointed, project was stopped at 80% when the other contractor's contract was terminated	
Construction of a solid waste disposal site in Parys	532,460.59	Completed	Sept 2018
Mokwallo: Paving of internal road 1km (MIS:243846)	1,040,397.89	Completed	May 2018
Tumahole: Upgrading of 1km paving internal road and storm water channels in Schonkenville (MIS:268924)	6,858,794.34	Completed	Jan 2019
Edenville: Construction of a low-level bridge in Ward 18	35,057.66	Retention stage	June 2018

Tumahole: Upgrading of 1km paving internal road and storm water channels (ward 13) (MIS:268920)	7,527,531.13	Completed	Jan 2019
Edenville/Ngwathe: Upgrading of 1km paved internal access road and storm water channel in ward 18 (MIS:269131)	191,015.12	Retention stage	June 2018
Kwakwatsi: Upgrading of paving access road and storm water channel (2km) at ward 16 and 17 (MIS:270236)	11,931,467.03	Completed	June 2019
Mokwallo: Construction of sports complex phase 2 (MIS:305462)	5,925,859.39	Construction	Aug 2019
Phiritona: Installation of 1093 residential meters and 13 bulk water meters (MIS:279654)	2,520,948.98	Construction	March 2020
Mokwallo: Installation of 2000 residential meters and 15 bulk water meters (MIS:286524)	2,542,267.87	Construction	March 2020
TOTAL	41,164,000.00		
		100%	

Table: RBIG Project 2018/19

Project	Actual Expenditure during 2018/19 Financial Year	% Complete (Construction)	Completion Date
Resuscitation of Edenville boreholes	R 715,935.77	Retention	June 2018
Feasibility study and Design - Edenville Bulk Water Supply	R 1,679,647.37	Completed	Jan 2019
Refurbishment of Koppies WTW and Construction of clear water pumpstation	R 1,836,090.00	Construction	April 2020
TOTAL	R 4,231,673.14		

Table: WSIG Project 2018/19

Project	Actual Expenditure during 2018/19 Financial Year	% Complete (Construction)	Completion Date
Koppies Outfall Sewer	R 3 688 325.99	Retention	June 2019
Tumahole Outfall Sewer	R 8 865 608.50	Construction	Nov 2019
Water Quality Management in Parys	R 0.00	Construction	June 2020
TOTAL	R 12,553,934.49		

Table: DOE Project 2018/19

Project	Actual Expenditure during 2018/19 Financial Year	% Complete (Construction)	Completion Date
11kva Overhead line from Schonkenville to Lusaka substation	R 2,933,152	Completed	June 2019
TOTAL	R 2,933,152.00		

Priority issues related to Financial Management

Overtime reduction

ESKOM debt management

Reduction of Rental – Yellow Fleet

Improved SCM compliance

Revenue Enhancement

Reduction of creditor's payment

BW KANNEMEYER
Municipal Manager

1.2.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Municipal Functions

In accordance with Section 155/156 of the Constitution and Chapter 3 of the Municipal Systems Act, the broad functions and powers of the Municipality are reflected in Appendix D

Access to services such as potable water, basic sanitation, safe energy sources and refuse removal services ensures that households enjoy a decent standard of living. To satisfy these basic requirements, the municipality contributed as reflected below during 2018/19;

Water: Access to potable water in Ngwathe was recorded at **99%**

Sanitation: An estimate of **99%** of households in Ngwathe has access to basic sanitation services

Energy: Ngwathe provides an access level of **99%** to electricity

Refuse removal: The household access level to refuse removal in Ngwathe municipality was at **82 %**

Housing: **44.7 %** of households in Ngwathe have access to formal housing

Roads: A number of road construction projects by way of paving were undertaken in Ngwathe with a total of 4 kilometers of road constructed / paved.

Local Economic Development

Our municipality intended to undertake a formal local economic development program structured in accordance with a properly analyzed and mechanized Local Economic Development Strategy. Our hope to source support from FSCOGTA in this instance was not successful leaving us currently with little option but to source private support for the development of such a strategy.

This however did not hinder the municipality from undertaking a number of LED related projects that empowers individuals and groupings throughout the municipality with the support from various government departments and agencies. With the current institutional skills gap and general skills gap throughout the municipality area, numerous individuals were afforded opportunities to enhance their skills by way of training provided and or facilitated. The municipality continues to source from capacitated individuals and groups to address challenges related to;

The cleaning of side-walks in and around towns,

The repair of roads, by means of pot-hole filling,

The paving of roads

A number other labor intensive projects to assist the unemployed market and provide possible income for indigent households.

The municipality continues to suffer not being able to access crucial data and information pertaining the job markets, economic growth centers, growth forecasts, regional economic data that influences migration and settlement patterns.

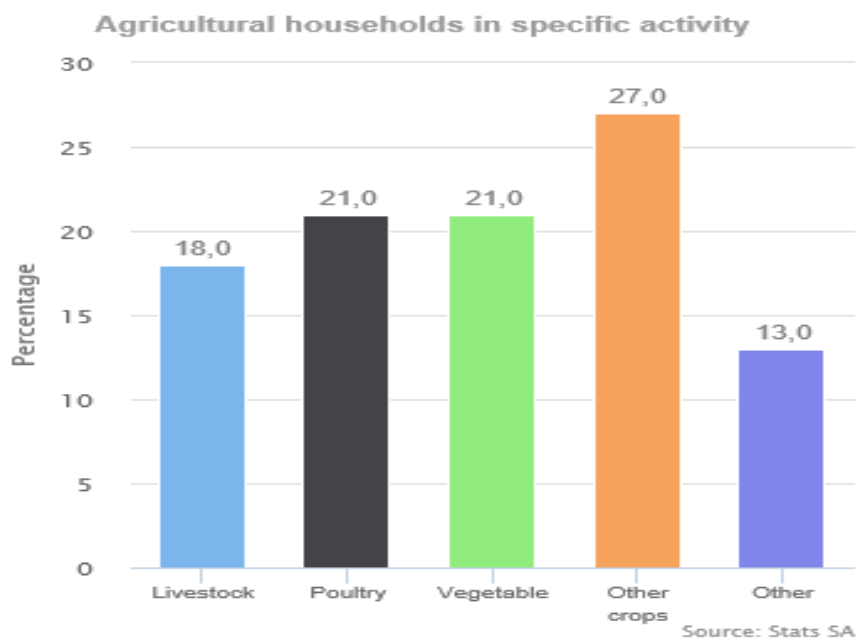
A strong research drive is required to continuously assess local capacity, development and potential growth opportunities.

Ngwathe, moving towards effectiveness efficiency and excellence

Economic Overview

The highest contributing sectors to the Growth Domestic Product (GDP) are:

- Agriculture



- Retail trade, catering and accommodation (11.5%)
- Tourism
- Finance, insurance, real estate and business services
- Transport, storage
- Building and Construction

Labour Profile

Statistics South Africa defines unemployment as those people aged between 15-65;

- who did not work during the 7 days prior to 10 October (when the census commenced);
- who want to work and are available to start work within a week of the interview; and
- who have taken active steps to look for work or to start some form of self-employment in the 7 days prior to commencement of the census.

Persons who have become discouraged from seeking work, or who no longer take active steps to find work, are not classified as unemployed. It is thus likely that unemployment figures, tabled below, are higher than that provided in these statistics. According to Statistics South Africa, the official unemployment figure for the Ngwathe area is estimated at 35.2%

Out of the population of 120 520, there are 39 555 economically active (employed or unemployed but looking for work) people and of the 20 204 economically active youth (15-35 years) in the area. It should be noted, however, that the "Other not economically active" participant's amounts to an overwhelming 42 423.04

In terms of youth unemployment 45.1% of persons aged between 15-34 years within the Ngwathe area are unemployed

Demographics within the Ngwathe Municipality

The preferred languages for the people of the Ngwathe area is Sesotho 67.8%, IsiXhosa 8.4% and Afrikaans 23.2% whilst other national languages all register below 3.5%.

According to the 2011 Statistics SA census survey Ngwathe demographics can be summarized as follows:

The total population size increased to 120 520 persons, to reflecting 24.7% of the total population of the Fezile Dabi District municipal area.

Population Growth

The population growth based on the 2017 Community survey indicates a growth in relation to the negative growth of 0.3% recorded in 2011 census. Our current population was officially recorded at 118 907 in October of 2017.

Population Groups

Sex by Ratio

There are more females than males across all wards except wards 5 and 7 where 49.7% and 49% is registered whereas ward 8 shows an equal total of males and females.

Table: Sex by Ratio of Ngwathe

Province, District and Local Municipality	Gender		Total	Sex ratio (Males per 100 Females)
	Male	Female		
Free State	1 379 965	1 454 749	2 834 714	95
FEZILE DABI	245 985	248 792	494 777	99
Moqhaka	76 193	78 539	154 732	97
Ngwathe	56 425	62 482	118 907	90
Metsimaholo	85 531	78 033	163 564	110
Mafube	27 836	29 738	57 574	94

Data source: Statistics South Africa, Community Survey 2016

Functional Age Group

The majority of the population is made up of the functional age group in Ngwathe.

Table : Distribution of the population by functional age group in Ngwathe municipal area

Province, District and Local Municipality	0-14 Children	15-34 Youth	35-64 Adults	65+ Elderly	TOTAL	Dependency Ratio
Free State	797265	1 058948	732863	245638	2834714	58,2
FEZILE DABI	125 956	180 167	137 470	51 184	494 777	58,2
Moqhaka	37 929	54 322	44 398	18 082	154 732	55,8
Ngwathe	32 964	40 712	30 935	14 296	118 907	56,7
Metsimaholo	38 825	64 440	47 646	12 653	163 564	66,0
Mafube	16 238	20 692	14 491	6 153	57 574	45,9

Data source: Statistics South Africa, Community Survey 2016

School Attendance

Table : Indicates school attendance, non-attendance and unknown in Ngwathe municipal area.

Geography	School Attendance		
	Yes	No	Do not know
Free State	859361	1699444	2402
DC20: FEZILE DABI	129160	321460	347
FS201: Moqhaka	40085	101608	198
FS203: Ngwathe	30292	76656	70
FS204: Metsimaholo	42186	107449	31
FS205: Mafube	16597	35747	48

Data source: Statistics South Africa, Community Survey 2016

Highest Level of Education Attained

Table : Education Levels in Ngwathe municipal area

Education Levels	Totals
No schooling	4301
Grade 0	3432
Grade 1/Sub A/Class 1	3568
Grade 2/Sub B/Class 2	3244
Grade 3/Standard 1/ABET 1	4809
Grade 4/Standard 2	4927
Grade 5/Standard 3/ABET 2	5099
Grade 6/Standard 4	6059
Grade 7/Standard 5/ABET 3	5948
Grade 8/Standard 6/Form 1	7732
Grade 9/Standard 7/Form 2/ABET 4/Occupational certificate NQF Level 1	8313
Grade 10/Standard 8/Form 3/Occupational certificate NQF Level 2	11406
Grade 11/Standard 9/Form 4/NCV Level 3/ Occupational certificate NQF Level 3	9426
Grade 12/Standard 10/Form 5/Matric/NCV Level 4/ Occupational certificate NQF Level 3	21877
NTC I/N1	98
NTCII/N2	28
NTCIII/N3	166
N4/NTC 4/Occupational certificate NQF Level 5	333
N5/NTC 5/Occupational certificate NQF Level 5	153
N6/NTC 6/Occupational certificate NQF Level 5	273
Certificate with less than Grade 12/Std 10	43
Diploma with less than Grade 12/Std 10	195
Higher/National/Advanced Certificate with Grade 12/Occupational certificate NQF	493
Diploma with Grade 12/Std 10/Occupational certificate NQF Level 6	1426
Higher Diploma/Occupational certificate NQF Level 7	534
Post-Higher Diploma (Master's	304
Bachelor's degree/Occupational certificate NQF Level 7	1001
Honours degree/Post-graduate diploma/Occupational certificate NQF Level 8	565
Master's/Professional Master's at NQF Level 9 degree	176
PHD (Doctoral degree/Professional doctoral degree at NQF Level 10)	65
Other	230

Data source: Statistics South Africa, Community Survey 2016

Table 8: Unemployment rate in Ngwathe municipal wards

Unemployment rate	35,2%
Youth unemployment rate	45,1%

Data source: Statistics South Africa, Census 2011

1.3 SERVICE DELIVERY OVERVIEW

Basic Service Delivery Achievements

Source of water

99% of households within the Ngwathe area have access to municipal or service provider water, with the rest of the households sourcing water from dams, rivers, tankers, etc. Interventions to aid water security include continuous upgrades and maintenance to water purification plants in Ngwathe as well as other developments to supplement the water demand.

Main Source of Water

Source of Water	Fezile Dabi	Moqhaka	Metsimaholo	Ngwathe
Piped (tap) water inside the dwelling	83199	26054	38610	12474
Piped (tap) water inside yard	78495	24644	17840	24858
Piped water on community stand	3312	261	1801	1222
Borehole in the yard	1732	1027	216	447
Rain-water tank in yard	101	20	81	-
Neighbor's tap	737	402	55	190
Public/ Communal tap	2286	147	312	779
Water-Carrier / Tanker	495	151	12	167
Borehole outside the yard	1399	672	119	536
Flowing water / stream/ river	70	17	-	53
Well	-	-	-	-
Spring	15	15	-	-
Other	527	192	67	184
Total	172 370	53 601	59 113	40 910

Data source: Statistics South Africa, Community Survey 2016

Toilet Facilities

97% of households make use of a flush toilet that is connected to a sewerage system, while 3% makes use of pit latrines.

Table 9: Distribution of households by type of toilet facility in the Ngwathe municipal area.

District and Local Municipality	Main type of toilet facility used										
	Flush toilet connected to a public sewerage system	Flush toilet connected to a septic tank or conservancy tank	Chemical toilet	Pit latrine/toilet with ventilation pipe	Pit latrine/toilet without ventilation pipe	Ecological toilet (e.g. urine diversion; enviro loo; etc.)	Bucket toilet (collected by municipality)	Bucket toilet (emptied by household)	Other	None	Total
Fezile Dabi	139501	1991	55	3469	10777	12	7814	1256	5593	1901	172370
Moqhaka	48060	1145	18	1268	1804	-	138	253	95	819	53601
Ngwathe	33124	314	37	1792	939	-	3362	188	502	652	40910
Metsimaholo	43484	341	-	377	8006	12	1242	448	4939	264	59113
Mafube	14832	191	-	31	28	-	3073	367	57	167	18745

Source: Statistics SA Community Survey 2016

Energy

A total of 99% of households within the Ngwathe municipal area have access to electricity for household purpose. 1% of households do not have access to electricity. The municipality has committed itself to energy efficiency within the municipal area, by focusing on the increase of capacity, upgrading of networks and replacement of outdated and faulty meters, to reduce electricity loss.

Table 10: Distribution of households using electricity for lighting, cooking and heating in Ngwathe municipal wards

District and Local municipality	Household access to electricity									
	In-house conventional meter	In-house prepaid meter	Connected to other source which household pays for (e.g. con	Connected to other source which household is not paying for	Generator	Solar home system	Battery	Other	No access to electricity	Total
Fezile Dabi	19814	135715	3148	452	11	212	19	1072	11926	172370
Moqhaka	5771	44084	1738	189	-	75	19	184	1542	53601
Ngwathe	2959	35321	415	187	-	95	-	99	1835	40910
Metsimaholo	8196	41558	737	41	-	-	-	720	7862	59113
Mafube	2887	14753	259	36	11	43	-	69	687	18745

Source: Statistics SA Community Survey 2016

Table: Reduction in outages

Water		ELECTRICITY		SEWERAGE Challenges/Spillages		OTHER Roads	
2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
148	169	256	311	206	276	0	0000000%

Data: Ngwathe Technical Services department

Basic Service Delivery Challenges

The Municipality has huge backlogs in terms of Electricity for it to be stable, a lot of overhead cables have been stolen over time and we have not been able to invest in total replacement, further than that when the township was extended we did not invest in the substations, mini substations to cope with the demand. The latter results in a number of outages more especially during the winter period. The municipality requires in excess of R1, 5b to stabilise the present network. We lose electricity even before we can deliver it because of the ailing infrastructure.

Water supply in all five residential areas requires urgent water demand and Conservation investigation and Parys, Vredefort and Koppies requires water quality investigation. The serious shortage of staff, specifically in the Technical Services Department is not only a disadvantage but is a direct cause of our inability to respond positively to most basic services challenges. The lack of Master / Sector plans across the organization hinders our ability to do forecast planning and effectively plan specific long-term plans with anticipated growth considerations taken into account.

Table: Basic Service Delivery Challenges at March 2019

Informal settlement area	Challenges	Interventions necessary/initiated
Parys / Tumaholo	Yellow fleet in-case there is storm Throwing of wires into the network resulting in outages Overload of transformers Throwing of stones into sewer manholes Stormwater in Lusaka, Mandela Gravelling of roads	Provision of own yellow fleet Community awareness Community awareness regarding usage Community awareness regarding usage Investment in Stormwater Investment in the gravelling of roads
Vredefort / Mokwallo	Insufficient water in high lying areas	
Heilbron / Phiritona	Insufficient water in high lying areas	
Koppies / Makwatsi	Insufficient water in high lying areas	

Human Settlement

The Municipality has allocated sites to eligible beneficiaries in the financial year 2018/2019 as follows and the recorded backlog thereof: -

Table:

PROJECT NAME	EXTENSION	NUMBER OF SITES ALLOCATED	NUMBER OF APPLICANTS	NUMBER OF DECLINED APPLICATIONS	SITE ALLOCATION BACKLOG
HEILBRON/PHIRITONA	10	1356	3664	88	2220
TUMAHOLE/PARYS	7	862	7000	209	5055
TUMAHOLE /PARYS	8, 9 & 10	874			
EDENVILLE/NGWATHE	5	495	1015	31	489
VREDEFORT/MOKWALLO	7	310	1815	60	960
VREDEFORT/MOKWALLO	MAPETLA SEC	485			
KOPPIES/KWAKWATSI	5 & 6	2044	2586	79	463
TOTAL		6426	16080	467	9187

The Department of Human Settlement has funded the connection of water and sewer network for the sites. In the financial year 2017/2018, contractors were appointed in Parys and Heilbron only, the other 3 towns – Vredefort, Koppies and Edenville still outstanding,

Intervention necessary/initiated – Human Settlement

The process of new township establishment to deal with the backlog will be initiated in the new financial year 2018/2019

FINANCIAL HEALTH OVERVIEW - The municipality financial position is as reflected below

Financial Overview – Year 2018/19			
Details	Original Budget R'000	Adjustment Budget R'000	Actual R'000
Taxes, Levies and tariffs	445 760	447 469	397 099
Rental of facilities	3 440	3 448	-
Interest Income	51 138	51 138	54 568
Fines and Licenses	1 052	1 052	-
Grants	296 719	296 719	258 333
Other	7 128	5 411	4 235
Sub Total	805 237	805 237	714 235
Less Expenditure	-835 706	-835 706	-923 659
Note surplus/deficit	-30 469	-30 469	-209 424

Data supplied by Financial Services Department

The following table some key financial management challenges experienced in 2018/19

Key Financial Challenges and Interventions
Challenges
Creditors growth
Revenue under-collection / Cash flow liquidity
Staff shortage

Financial Health

Based on our operating ratios provided below the Municipality financial health is reflected as follows

Operating Ratios				
Details	%	Expected Norm	Variance from Norm	Comment
Employee Cost	25%	The norm for this ratio is between 25% and 37%	Within the norm	Employee Cost
Repairs & Maintenance	6%	3% of the total budget Expenditure	Within the norm	Repairs & Maintenance
Finance Charges & Impairment	11%			Finance Charges & Impairment

Data Supplied by Financial Services Department 2019

Capital Expenditure

Details	2017/18 R'000	2018/19 R'000	Comments on variations between Actual and Adjustment Budgets
Original Budget	45,078,000.00	41,971,000.00	
Adjustment Budget	0,00	0,00	
Actual	45,078,000.00	41,971,000.00	

Data Supplied by Finance & PMU Department 2019

Risk Assessment

The organizational risks for 2018/19 were assessed and a Risk Register was developed. The Municipality's five top risks and mitigation measures follow below:

Five Top Risks and Mitigating Measures

Ranking	Description	Mitigation Strategies
1	Electricity Cable Theft	Appointed Security Services in all the towns of Ngwathe Local Municipality Cameras have been installed in Parys and the roll-out plan for regions was developed the challenge was affordability
2	Distribution loss	Installed energy efficiency appliances and upgraded the infrastructure. Gradually replaced conventional meters and faulty (water and electricity) meters.
3	Low Revenue	Implemented Debt and Credit Control Policy and was able to engage the debt collection company on best collection mechanisms. Encouraged communities to pay for their services.
4	Poor Water Quality	Appointed water and sanitation manager to assist in processes of development of Water Services Master Plan. Department of Water and Sanitation provided the support to the municipality.
5	High Litigations	Adherence to legislative requirement in all areas of responsibilities was a challenge noting the vacant position of Legal Manager.

1.4 ORGANISATIONAL DEVELOPMENT OVERVIEW

Ngwathe municipality subscribes to a view that says, Organizational development is an ongoing, systematic process of implementing effective organizational change.

Directorates

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

- Political Offices (Mayor and Speaker)
- Municipal Manager's office
- Financial Services
- Technical Services
- Community Services
- Corporate Services

Regions

The municipality is composed of the following five (5) regions

- Parys,
- Heilbron,
- Koppies,
- Vredefort &
- Edenville.

Organogram

Organogram was adopted by Ngwathe Municipal Council on the 26 April 2017.

1.5 AUDITOR GENERAL REPORT

The Auditor-General awarded the municipality qualified Opinion for the 2018/19 financial year.

1.6 STATUTORY ANNUAL REPORT PROCESS

Table: Annual Report Process

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

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

It is important to achieve the above deadlines, not only to achieve legislative compliance but to ensure the smooth running of municipal planning, budgeting, service delivery implementation and reporting cycles which all feed and depend on one another. The Municipal Annual Report also informs the planning process of other spheres of government, thus influencing our equitable share of future government grants.

The table below shows to what extent the municipality complied with legislative requirements and timeframes in terms of the 2018/19 Annual Report Process.

Table : Legislative Compliance of the 2018/19 Annual Report Process

Activity	Applicable Legislation	Comment
Annual Report tables to Council within 7 months after end of financial year	MFMA Section 121 (1)	Yes
Annual Report made public for public comment	MFMA Section 127 (5)	Yes
Annual Report placed on website within 5 days after tabling in Council	MFMA Section 75	Yes
Annual Report submitted to National Treasury	MFMA Section 127(5)	Yes

CHAPTER 2

GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO GOVERNANCE

Ngwathe Local Municipality was established in terms of Section 12 Notice of the Municipal Structures Act of 1998. In terms of Section 12 Notice, the Municipality is a Category B Municipality which operates within the Executive Mayoral Committee System combined with the Participatory Ward Governance in Ngwathe Local Municipality is composed of both the Political and Administrative Governance. Governance is the process of decision-making and the process by which decisions are implemented. Governance in the Municipality takes into account legal and constitutional accountability and responsibilities. The Political wing of the Municipality exercises their executive and legislative powers and function to govern the affairs of the municipality. The Administration wing is responsible for Corporate Governance as prescribed by various legislative frameworks,

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

Ngwathe local Municipality has two management teams: a Political and an Administrative team. Together they exist to provide a wide-range of services to residents and businesses. Municipal councils exercise both legislative and executive functions. This is intended to facilitate hands-on governance and synergy between elected representatives, the executive and the administration. The proximity is meant to facilitate a more vibrant and responsive municipality that would ultimately result in efficient service delivery. The political team made up of councillors and directed by the Mayor and EXCO Members, make strategic and policy decisions for the residents and businesses. The Administrative Team, supervised by the Municipal Manager and the Departmental Directors are to ensure that the decisions are put into effect.

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality

In terms of Chapter 7, section 151(2) of the Constitution of the Republic of South Africa, the legislative and executive functions of a municipality are vested within its Municipal Council. The Political leadership of the Municipality exercise their executive and legislative powers and functions to govern the affairs of the Municipality. The legislative function of the Council is vested within the full Council with the Speaker as its Chairperson. The passing of policies and By-laws remain the responsibility of Council.

The Executive Mayor: Cllr MJ Mochela has overarching strategic and political responsibility for Ngwathe local Municipality and also represents the Municipality at ceremonial functions. She receives reports from the Municipal Manager and presents these along with recommendations to Council.

The Speaker: Cllr NP Mopedi is the Chairperson of the Council. The Speaker presides over Council meetings ensuring that meetings are held regularly, maintaining order during Council meetings and that the rules and regulations of the meeting are adhered to.



The Section 79 committee is District shared Services namely: Audit Committee.

The Audit Committee is an independent shared committee constituted to review the control, governance and risk management within the Municipality. It is established in terms of section 166 of the Municipal Finance Management Act (MFMA). The Committee constitutes of members, who meet quarterly as per the schedule of meetings and provide recommendations on financial and nonfinancial processes of the Municipality.

Municipal Public Accounts Committee (MPAC) exercises oversight over the executive functionaries of Council and ensures good governance in the Municipality. Its functions include the analysis of the Annual Report, and submission of the Oversight Report on the Annual report to Council with recommendations. Once the Oversight Report has been considered and approved by Council, it is published in accordance with the MFMA requirements and guidance.



















The council consist of 36 councilors belonging to different political parties represented in council. The Mayor and Speaker also form part of council and are both fulltime office bearers.

Composition of the Municipal Council:

THE MAYOR AND SPEAKER OF NGWATHE MUNICIPAL COUNCIL 2017	
 <p>Cllr MOTLALEPULE JOHANNA MOCHELA</p>	<p>MAYOR</p> <p>Functions To preside during the Executive meetings performs the duties, including any ceremonial functions, and exercises the powers delegated to the Mayor by the Council or Mayoral Committee</p>
 <p>CLLR NEHENG PAULINA MOPEDI</p>	<p>SPEAKER</p> <p>Functions: To preside during the Council meeting performs the duties and exercises the powers delegated to the Speaker in terms of Section 59 of the Local Government: Municipal System Act, No 32 of 2000 To ensure that Council meets quarterly To maintain order during the Council meetings ensure compliance in the Council and Council committees with the Code of Conduct set out in Schedule 1 To ensure that Council meetings are conducted in accordance with Rules and Orders of the Council</p>

Political Party	Number of Seats
ANC	24
DA	8
EFF	3
FF+	1
TOTAL	36

NGWATHE MUNICIPAL COUNCIL – 2017

 <p>WARD 1 CLLR MATROOS</p>	 <p>WARD 2 CLLR P NDAYI</p>	 <p>WARD 3 CLLR M MOFOKENG</p>	 <p>WARD 4 CLLR S NTEO</p>
 <p>WARD 5 CLLR M RAPULENG</p>	 <p>WARD 6 CLLR M MAGASHULE</p>	 <p>WARD 7 CLLR M GOBIDOLO</p>	 <p>WARD 8 CLLR KGANTSE</p>
 <p>WARD 9 CLLR M MBELE</p>	 <p>WARD 10 CLLR M MOFOKENG</p>	 <p>WARD 11 CLLR N TLHOELO</p>	 <p>WARD 12 CLLR A VREY</p>
 <p>WARD 13 CLLR H FIELAND</p>	 <p>WARD 14 CLLR R MEHLO</p>	 <p>WARD 15 CLLR M MOFOKENG</p>	 <p>WARD 16 CLLR SOTSHIVA</p>
 <p>WARD 17 CLLR M TAJE</p>		 <p>WARD 18 CLLR M TOYI</p>	

MAYORAL COMMITTEE

The Mayoral Committee (MAYCO), which is chaired by the Mayor and draws membership from the chairs of the following Municipal Portfolio Committees (Section 79/80 committees):



Back row from left: Cllr. M M Mofokeng – MMC Finance; Cllr M Mofokeng – MMC Social & Community
Cllr L Sotshiva – MMC Public Safety & Transport; Cllr M Mmusi – MMC Urban Planning & Rural Development;
Cllr K Serati – MMC Corporate Services
Front row from left: Cllr PR Ndayi – MMC Infrastructure & LED; Cllr M J Mochela – Executive Mayor; Cllr S Mbele – MMC Special Projects & IDP

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Note: MFMA section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality

The **Municipal Manager** as head of the administration is responsible and accountable for tasks and **functions** as provided for in, but not limited to the Local Government: **Municipal Systems Act**, No. 32 of 2000, Chapter 8 of the Local Government: **Municipal Finance Management Act**, No. 56 of 2003. The municipal manager is appointed by council. The Municipal Manager is the link between the council and the administration, of which he/she leads. The accounting officer is responsible for the municipality's income and expenditure, assets and other obligations such as proper adherence to all legislation applicable to municipalities. Subject to the municipal council's policy directions he ensures that an economically viable, effective, efficient and accountable administration is established and developed, that the IDP comes to fruition, that municipal services are delivered in a sustainable and balanced fashion, that a personnel corps is appointed, managed, developed and disciplined and that sound labour relations are maintained.

The Municipal Manager has to personally provide reasons to council for the way in which the financial affairs of the departments of council had been conducted, and this will be conducted with the assistance of the Finance Department.

The IDP and PMS Manager is a key Department within the Municipal Managers' office. It is responsible for the Integrated Development Plan (IDP) and Performance Management.


Internal Audit and Risk Manager are also located in the Municipal Manager's office and ensures compliance with municipal legislation. It also monitors that all departments adhere to the IDP, the municipal strategy, policies and Risk Management in the sector.

Ngwathe Local Municipality has three (4) Municipal Departments that report to the Municipal Manager. These Departments are directed by Directors who ensure that services are delivered to the people of Ngwathe. However note be taken that the Position of Director Corporate remains vacant.

The Municipal Manager and his team of Directors and Managers convene weekly meetings to discuss key strategic service deliverables, progress and guidance on achieving IDP goals, staff matters as well as the monitoring of the Municipal Budget and Projects

The Municipal Manager and Directors, together with keys managers, meet formally on a weekly basis to discuss key strategic issues which are then formulated into action plans for execution by mandated managers. The senior management team on scheduled basis engages with MAYCO to accelerate issues of importance which requires a political mandate or support.

The Macro structure of the municipality is currently as reflected below;

MACRO STRUCTURE OF NGWATHE MUNICIPALITY	
 <p>MR. BW KANNEMEYER</p>	<p>MUNICIPAL MANAGER</p> <p>Functions</p> <ul style="list-style-type: none"> • Provide strategic Direction to all 4 Directors • IDP • SDBIP • Performance Management • Local Economic • Tourism • Sector Plans • Audit Management • Risk Management • B2B



MR. HI LEBUSA

CHIEF FINANCIAL OFFICER

Functions

- Revenue management,
- Expenditure management,
- Asset management,
- SCM management,
- Budget and Reporting



ME. FM MOKGOBU

DIRECTOR: CORPORATE SERVICES

Functions

- Human Resource Management
- Legal Services
- Admin and Records Management
- Property Management
- Information and Communication Technology
- Customer relations
- Training/Learning and Development
- Building Maintenance.
- Occupational Health and Safety.
- Labour Relations.
- Employment Equity



ME. PP NHLAPO

DIRECTOR: COMMUNITY SERVICES

Functions

- Town Planning, Land Use Management
- Basic Services
- Disaster management & Firefighting Services
- Sports, Arts and Culture
- Human Settlements
- LED.
- Commonages.
- Refuse Removal.
- Land fill Sites.
- Building Plans.
- Parks & Recreation.
- Mimosa.
- Environmental Health.



MR. NB THOBELA

DIRECTOR: TECHNICAL SERVICES

Functions

- Roads and Storm Water Management
- Water and Sanitation
- Refuse Removal
- Waste Management
- Electricity Management
- PMU

The total number of positions on the staff establishment is for the reporting period positions the status is as follows:

Positions	Number
Number of positions in the staff establishment	1,342
Total Number of new positions filled	4
Total number of critical vacant positions	75
Total number of vacant positions during the period	602
Vacant Section 56 Position	0

Meeting the requirements for Political and Administrative Governance

This section reports on how the municipality met requirements of participation, rule of law, transparency, responsiveness, consensus, equity/inclusiveness, effectiveness/efficiency, accountability and sustainability with regard to handling its governance mechanisms/structures.

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

Productivity

The municipality's political and administrative governance structures remained productive throughout the 2018/2019 financial year and complied well with legislative requirements. The following meetings were held:

Table : Council and Mayco Meetings held and attended in 2018/2019

Meetings	Meetings held	% Attendance
Mayoral Committee Meetings	25/01/2019	7 councilors attended
	26/03/2019	6 councilors attended
	29/03/2019	7 councilors attended
	24/04/2019	8 councilors attended
	30/04/2019	7 councilors attended
	24/05/2019	7 councilors attended
	20/06/2019	7 councilors attended
Council Meetings	31/01/2019	28 councilors attended
	29/03/2019	19 councilors attended
	30/04/2019	22 councilors attended
	31/05/2019	31 councilors attended
	06/06/2019	22 councilors attended

Table 20: Ward Committee Meetings held in 2018/2019

Functionality of Ward Committees						
Ward	Name of Ward Councillor	Elected Ward Committee Members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1. Ward 1	ASHLY MATROOS	1. MNGOMEZULU ANNA 2. ROETS MARVIN 3. ROETS CHRISENO 4. SMITH CHRISTOLINE 5. KOADIBANE MARTHA 6. MLANGENI KENNY 7. RALESAN NKAMOHENG 8. MPHORE THABO 9. MARELETSA MOFOKENG 10. MARELETSA	YES	12		
2. Ward 2	PHILEIMON NDAYI	1. DIKHOLE KELENETSE 2. MOKADI MAKOLOTI 3. CHAKANE THABO 4. MOLEKO TLHAPANE 5. NKONE REFILOE 6. XABA NOZILELO 7. MANUS CATHERINE 8. TSOTETSI BAIPATI 9. MALOKA MOLIEHI 10. SEELE ADELINE	YES	12		
3. Ward 3	MOSIUWA MOFOKENG	1. MOFOKENG BETTY 2. MAKHEMENG TEBHOHO 3. THABEDI MALEFANE 4. MAFALÉ OBAKENG 5. MOALOSI KARABELO 6. MOHOLO MOJANAGA 7. KHESA MORONGWE 8. SEKOBOLO MOTLALENTOA 9. THOBELA PAULINA				

Functionality of Ward Committees						
Ward	Name of Ward Councillor	Elected Ward Committee Members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
		10. JACOB MOHOLO				
4. Ward 4	SERAME NTEO	1. GABORONE PUGISHO 2. KHANYE LETIA 3. MNGOMEZULU NZODO 4. MOTSAPI MOKGO 5. MSIBI DICKSON 6. MOTAUNG CHRISTINA 7. LESEKA MACMILLAN 8. LEBAJOA HADIFELE	YES	12	12	
5. Ward 5	MAHLOKO RAPULENG	1. BEYAPHI MANTSO 2. NHLAPHO LYDIA 3. SEFATSA NTETELLENG 4. MOEPI RANOKO 5. MSIMANGA TEBOHO 6. MKHWANAZI MPHOSI 7. DLADLA LUCY 8. MATSIMELA MOLAHLEHI 9. MOSIA MADITABA 10. SEFATSA JACOB				
6. Ward 6	MALEBO MAGASHULE	1. DAVID RAMPOPO 2. LYDIA RASEYALO 3. SABELO NCULE 4. MORENA MAFIKA 5. LIZZY TAETSANE 6. LITABA SEKELEMANE 7. ELIZABETH MOLALOGI 8. NTHABISENG MOKOENA 9. THENJIWE BONTSE 10. MANTWA RADEBE				

Functionality of Ward Committees						
Ward	Name of Ward Councillor	Elected Ward Committee Members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
7. Ward 7	MAFIKA GOBIDOLO	1. MORETLO MQCINA 2. JEANETTE ROBERTS 3. GLORIA MOLOTO 4. SELLO SEBAKE 5. NOMSA MAFOKAZANA 6. TEFO MATLHAKU 7. LYDIA PLAATJIE 8. MOJALEFA SETHOKO 9. MAPASEKA MOPEDI 10. PRIESTA MBELE				
8. Ward 8	ROSIE KGANTSE	1. NKONOANE MARTIN 2. MALEHO LYDIA 3. PHATSISI TEBHOHO 4. KEBILE THENJIWE 5. PIETERSE BRENTON 6. VUMANI MORAKANE 7. OVERWACHT MADGALEEN 8. MOKITLANE TSOKU 9. MOLIBELI JEANETTE 10. VACANT POST	YES	12	12	4
9. Ward 9	MOHLOPHEKI MBELE	1. WILLIAM MADIKILA 2. AGNES MOKOENA 3. NTHABISENG QETSO 4. NOMTHANDAZO KATI 5. VUYISILE VETEO 6. SALAMINAH TLADI 7. DANIEL MPINGA 8. KENNETH RASMENI 9. MALOAS RADEBE 10. DORCAS HLATHI				

Functionality of Ward Committees						
Ward	Name of Ward Councilor	Elected Ward Committee Members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
10. Ward 10	MANNESE MOFOKENG	1. MIRRIAM RANTSIALE 2. THABO MAHLABA 3. KEDIBONE NTHOROANE 4. ROSINAH NHLAPHO 5. FILDA MOLATA 6. MAGDALINE LETSABA 7. THAPELO MOFOKENG 8. MPHO MOGALE				
11. Ward 11	NTHABISENG THLOBELO	1. JAMES NKHI 2. SIPHO GANAFANA 3. SELLOANE MOLALOGI 4. LEAH RANTSAILA 5. PUSELETSO MABENA 6. ZACHARIA MTHIMKHULU 7. EVA THEKISO 8. MODIEHI MATOLO 9. CORNELIA WISSO				
12. Ward 12	ANDRIES VREY	1. JOHANN BOSMAN 2. ROY ULYATE 3. SONJA VAN RHYN 4. MURRAY MCMILLAN 5. KEAGILE MOLOTSANE 6. INNOCENTIA KUTOANE 7. THATO SEABI 8. EDDIE VAN ZYL 9. LOUISE LOCK				
13. Ward 13	HENDRICK FIELAND	1. SANDILE MAKELENI 2. SELLO SIPHETLO 3. SIMON NDZUNGA 4. JAMES KAMFER				

Functionality of Ward Committees						
Ward	Name of Ward Councilor	Elected Ward Committee Members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
		5. SUSAN MOILOA 6. MASELLOANE MARELETSA 7. DEBORAH NOVEMBER 8. MACDONALD MACHOTOLA				
14. Ward 14	REBECCA MEHLO	1. FANSELE HOKOMANE 2. DIMAKATSO RATEMA 3. NTSOAKI SEKHAMPU 4. KOOS MOHONO 5. ELIAS LEBOKO 6. MAPULE MOHAPI 7. MOSIDI BOOKGOLANE 8. MANNANA LETSHELEHA				
15. Ward 15	MALEFU MOFOKENG	1. NGAKA LETSHUMA 2. MABOTE KGAJWANE 3. ANNA NTHOLENG 4. FEIKIE KGOTLE 5. MALEFU THABETHE 6. THAPELO MOSOEU				
16. Ward 16	LEPONESA SOCHIVA	1. MALESHOANE PULE 2. DOMZODWA NONDALA 3. MOIPONE LEBONE 4. MODIEHI MSIMANGA 5. MOJABENG NTSALA 6. SELLO SERIFI 7. MALEFA RAMONANA 8. DIMAKATSO SOKIVA				
17. Ward 17	MAHLOMOLA TAJE	1. JENNIFER MAHLANGU 2. SAMMY MAETSE 3. NTHABISENG MAJOE 4. MAKHALA SELEPE				

Functionality of Ward Committees						
Ward	Name of Ward Councilor	Elected Ward Committee Members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
		5. MAKHETSANA SEROBE 6. PETRUS GOUT 7. MODIBEDI XABA 8. MAKHITSANE SEROBE 9. MAREKA MAHLATSI 10. JOSEPH MELANE				
18. Ward 18	TOYI MATJHINI	1. MOLEFI MOFOKENG 2. JOHN MOSITO 3. MOKWAISI MANTSO 4. MAMOLATO MAPHAKISA 5. MAKI RADEBE 6. MANTSHADI NKOMO 7. MATSHEDISO SEJAKE 8. PULENG MAILE 9. MADIBUSENG MASHIANE				

Table : Audit Committee Meetings and Attendance

Audit Committee Member	Number of Meetings 2017/18	Committee Members Attending	Audit Committee Member 2018/19	Date of appointment	Audit Committee Meetings Held 2018/19
Me. JV Mogadime	2	1 (Apologies – 1)	Me. N Modisaesi	31 May 2017	24 August 2018 (Special)
Mr. N Mokhesi		1 (Apologies – 1)	Mr. GT Banda	31 May 2017	28 June 2019 (Ordinary)
Mr. MNG Mahlatsi		2 (Apologies - 0)	Mr. MNG Mahlatsi	31 May 2017	
Mr. Mohlahlo ME		2 (Apologies - 0)	Mr. ME Mohlahlo	31 May 2017	

MPAC Committee

The **MPAC** (Municipal Public Accounts Committee) has taken over the functions of the Oversight Committee.

No	Title	Name & Surname	Portfolio		Date MPAC Meetings Held
1	Cllr	Matjhini Toyi	Chairperson		26/032019
2	Cllr	Victoria De Beer/Mthombeni	Member		
3	Cllr	Mosiuwa Mofokeng	Member		
4	Cllr	Rebecca Mehlo	Member		
5	Cllr	Arnold Schoonwinkel	Member		
6	Cllr	Malebo Magashule	Member		

Accountability, Transparency and Rule of Law

Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law. Transparency means that stakeholders are provided with information on decisions taken that directly affect them. Rule of law means that legal frameworks are enforced impartially.

The municipality's political and administrative governance structures are held accountable through various measures all of which are adhered to by the Ngwathe Municipality.

Table : Governance Structures and Accountability Measures

Governance Structure	Measure of Accountability
Council	To approve the budget and encourage culture of community participation to community. Ensure that administration provide support to Council and also to approve policies and by-laws
Mayoral Committee (MAYCO)	To present strategic plan to council and make recommendations to council
Ward Committees	To assist the Ward Councilors with community needs and make recommendations to Council. They also serve as link to Council and residents
Portfolio Committees	Discuss matters affecting portfolio and submit reports to EXCO
MPAC Committee	The Oversight Committee serves as an oversight committee - to determine the institutional functionality of the Municipal Council in terms of effectiveness. An Oversight Report is tabled to Council
The municipality reports its annual performance and financial statements to the Auditor General	The Auditor General delivers an AG Report and expresses an audit opinion
The municipality reports its financial status and performance to its communities annually	The approved Annual Report is made available to the public
Municipal structures, employees, operations, procedures and processes are ruled by legislation	Policies, Bylaws, Legislation, Regulations and Codes are available
Worker Representative Unions represent employees on organisational structures and observe the legality of labour practices procedures and processes	Unions serve as link between administration and labour. They assist labours in term of unfair labour practice by employer
Internal Auditing ensures the management of risk exposure and monitors adherence to legislation	The unit identifies municipal risk and generates a Municipal Risk Register Internal Auditing reports are generated and tabled to Council
The Audit Committee is responsible for the oversight of internal controls, financial reporting and Compliance with regulatory matters.	Audit Committee approves the Internal Audit Plan and reports to Council
Community participation in the development of Policies and Strategies	Participative processes are scheduled
IDP and Budgeting Participation	Participative processes are ensured with a Council approved Process Plan
Performance Management Committee	An evaluation panel, established in terms of Section 6.6 of the Performance Agreement, evaluates the performance of employees. Performance Agreements are signed on acceptance.
Organizational and Service Delivery Performance reporting to Council	Quarterly Performance Reports on the SDBIP are tabled to Council
Municipal Website promotes transparency	The Municipal website is updated as and when required. All current event news articles, as well as required legislative documents (including budgets, tenders and vacancies) are updated on the website. Around unique visitors browsed the municipal website on a monthly basis during the 2018/2019.

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal. In this instance, those governance structures and processes that ensure that the community needs are met, with the best use of resources

Table 23: Governance Structures and Measures of Effectiveness and Efficiency

Governance Structure	Measure of Effectiveness and Efficiency
Portfolio Committees monitors municipal service delivery and budget implementation	Quarterly Reporting to Council on the SDBIP
Executive Committee ensures the mid-term assessment of performance, spending and budget	Mid-Term Assessment Report tabled to Council Adjustment Budget Tabled to Council if needed Adjusted SDBIP tabled to Council if needed
Audit Committee ensures oversight of internal auditing and risk management processes	Internal Audit Plan Internal Audit Reports tabled to Council Risk Register Number of fraud cases reported and losses recovered
Performance Management Committee	Performance The Performance Management System is designed to reward superior performance. This linking increases overall organizational motivation and efficiency by focusing the executive management on the successful implementation of the IDP and Budget.)

Equity and Inclusiveness

Society's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

The political and administrative governance structures of Ngwathe Municipality reflect equitable representation of the area's population structure. Different Political Parties are well represented in Council.

Consensus orientated

Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.

Consensus on what is in the best interest of the whole community and how it can be achieved is a process that unfolds through the municipality's scheduled, consultative IDP, Budgeting and Ward Based Planning processes.

Responsiveness

Responsiveness means that institutions and processes try to serve all stakeholders within a responsible timeframe.

The governance structures of Ngwathe Municipality mainly adheres to set Council schedules, process plans approved by Council and reporting cycles determined by Provincial and National Government spheres. This is monitored through administrative compliance monitoring and oversight by the Audit Committee.

Participation

Participation can be direct and/or through legitimate intermediate institution or representatives.

Community participation in the governance structures of the Ngwathe Municipality is mainly achieved through the Ward Committees System and consultative meetings with the community and sectors in the scheduled IDP/Budget process. Community Participation in the development of Policies and Strategies has otherwise been achieved through scheduled consultation sessions and/or workshops and/or through website uploads for community review and comments.

Table 24: Website Uploads For Community Review and Comments 2018/19

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	Yes/No	Publishing Date
Current Annual and adjustment Budgets and all budget related documents	YES	Not Available
All current Budget related policies	YES	Not Available
The previous Annual Report 2017/18	YES	Not Available
The Annual Report (2018) published / to be published	YES	Not Available
All current performance agreements required in terms of section 57 (1)(b) of the MSA (2018/19)	YES	Not Available
All service delivery agreements	NO	
All long-term borrowing contracts	NO	
All supply chain management contracts above a prescribed value	NO	
Information statement containing a list of assets over a prescribed value that have been disposed of ito section 14(2)	NO	
Contracts agreed in 2017 to which subsection (1) of sectoion 33 apply, subject to subsection (3)	NO	
Public private partnerships agreements referred to in section 120 made in 2017	NO	
All quarterly reports tabled in the council in terms of section 52 (d) during 2017	NO	
<p>COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:</p> <p>The municipality appointed a service provider BBTECH to develop and update its website, also to ensure that the emails are changed from ngwathe.co.za to ngwathe.gov.za and also to connect the intranet. The position for Senior ICT Officer in line with the new organogram has been advertised.</p>		

COMPONENT B. INTER-GOVERNMENTAL RELATIONS

The Municipal Systems Act, Section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution Section 41.

Ngwathe municipality strives to uphold its legislative authority and co-operative governance as required by the Constitution and other relevant legislation. In doing so, the Municipality maintains good co-operative and inter-governmental relations with the District municipality, neighboring municipalities, Provincial and National Government and other government agencies. Maintaining good relations with other spheres of government makes it possible to benefit from the various contributions to service delivery offered by government, by aligning municipal planning to the development objectives and targets of provincial and national sector departments. Such contributions include various grants, skills development and capacity building roll-outs which strengthen local government in its quest to improve service delivery.

2.3 INTER-GOVERNMENTAL RELATIONS

Ngwathe Municipal staff and Management attends various engagements / sessions in - upholding good inter-governmental relations for the purpose of good governance, government - collaborated strategic direction, aligned planning, reporting, legislative compliance, accountability and Ngwathe's participation in government programs and roll-outs to benefit development of our Administration, local area and communities. The table below illustrates the numbers of engagements held in the province and district to which municipal officials were invited and therefore attended to enhance institutional capacity and also access relevant dire funds or support which are sometimes offered at these engagements of government.

Table 25 : IGR Engagements by Ngwathe Municipality

IGR ENGAGEMENTS FOR THE OFFICE OF MUNICIPAL MANAGER			
Meetings/Forum	Attended on behalf of Ngwathe Municipality	Hosted in / Where	Date
IDP PROVINCIAL MANAGER'S FORUM	IDP/PMS OFFICER	Bloemfontein	19 July 2019
		Metsimaholo Local Municipality, Sasolburg	26 September 2019
		Phumelela Local Municipality, Vrede	28-29 November 2019
DISTRICT IDP MANAGERS FORUM		Fezile Dabi District Municipality, Sasolburg	26 November 2019
PROVINCIAL IDP SUPPORT MEETING	IDP/PMS OFFICER	Gariep Dam	30 October - 01 November 2019
PMS PROVINCIAL MANAGER'S FORUM	IDP/PMS OFFICER	CLARENS	05-06 December 2019
DISTRICT WATER & SANITATION FORUM	DIRECTOR TECHNICAL	Fezile Dabi District Municipality, Sasolburg	29 November 2019
B2B ENGAGEMENTS MEETINGS	IDP/PMS OFFICER	Ngwathe Lm, Parys	

COMPONENT C: Public Accountability and Community Participation

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

Ward Committees as a governance structure promotes public accountability and strengthens community participation. The Ward Committee System is fully institutionalized and capacitated within the Ngwathe Municipality.

Table 26: Ward Committees and Chairperson in 2018/2019

Ward Name (Number)	Ward Committee	Chairperson
Ward 1	<ol style="list-style-type: none"> 1. MNGOMEZULU ANNA 2. ROETS MARVIN 3. ROETS CHRISENO 4. SMITH CHRISTOLINE 5. KOADIBANE MARTHA 6. MLANGENI KENNY 7. RALESAI NKAMOHENG 8. MPHORE THABO 9. MARELETSA MOFOKENG 10. MARELETSA 	CLLR ASHLY MATROOS
Ward 2	<ol style="list-style-type: none"> 1. DIKHOLE KELENETSE 2. MOKADI MAKOLOTI 3. CHAKANE THABO 4. MOLEKO TLHAPANE 5. NKONE REFILOE 6. XABA NOZILELO 7. MANUS CATHERINE 8. TSOTETSI BAIPATI 9. MALOKA MOLIEHI 10. SEELE ADELINE 	CLLR PHILLIMON NDAYI
Ward 3	<ol style="list-style-type: none"> 1. MOFOKENG BETTY 2. MAKHEMENG TEBHO 3. THABEDI MALEFANE 4. MAFALÉ OBAKENG 5. MOALOSI KARABELO 6. MOHOLO MOJANAGA 7. KHESA MORONGWE 8. SEKOBOLO MOTLALENTOA 9. THOBELA PAULINA 10. JACOB MOHOLO 	CLLR MOSIUWA MOFOKENG
Ward 4	<ol style="list-style-type: none"> 1. GABORONE PUGISHO 2. KHANYE LETIA 3. MNGOMEZULU NZODO 4. MOTSAPI MOKGO 5. MSIBI DICKSON 6. MOTAUNG CHRISTINA 7. LESEKA MACMILLAN 8. LEBAJOA HADIFELE 9. RANKILE SANA 10. MANTSO VICTOR 	CLLR SERAME NTEO
19. Ward 5	<ol style="list-style-type: none"> 1. BEYAPHI MANTSO 2. NHLAPHO LYDIA 3. SEFATSA NTETELLENG 4. MOEPI RANOKO 5. MSIMANGA TEBHO 6. MKHWANAZI MPHOSI 7. DLADLA LUCY 8. MATSIMELA MOLAHLEHI 	CLLR MAHLOKO RAPULENG

Ward Name (Number)	Ward Committee	Chairperson
	9. MOSIA MADITABA 10. SEFATSA JACOB	
20. Ward 6	1. DAVID RAMPOPO 2. LYDIA RASEYALO 3. SABELO NCULE 4. MORENA MAFIKA 5. LIZZY TAETSANE 6. LITABA SEKELEMANE 7. ELIZABETH MOLALOGI 8. NTHABISENG MOKOENA 9. THENJIWE BONTSE 10. MANTWA RADEBE	CLLR MALEBO MAGASHULE
21. Ward 7	1. MORETLO MQCINA 2. JEANETTE ROBERTS 3. GLORIA MOLOTO 4. SELLO SEBAKE 5. NOMSA MAFOKAZANA 6. TEFO MATLHAKU 7. LYDIA PLAATJIE 8. MOJALEFA SETHOKO 9. MAPASEKA MOPEDI 10. PRIESTA MBELE	CLLR MAFIKA GOBIDOLO
22. Ward 8	1. NKONOANE MARTIN 2. MALEHO LYDIA 3. PHATSISI TEBHOHO 4. KEBILE THENJIWE 5. PIETERSE BRENTON 6. VUMANI MORAKANE 7. OVERWACHT MADGALEEN 8. MOKITLANE TSOKU 9. MOLIBELI JEANETTE 10. VACANT POST	CLLR ROSIE KGANTSHE
23. Ward 9	1. WILLIAM MADIKILA 2. AGNES MOKOENA 3. NTHABISENG QETSO 4. NOMTHANDAZO KATI 5. VUYISILE VETEO 6. SALAMINAH TLADI 7. DANIEL MPINGA 8. KENNETH RASMENI 9. MALOAS RADEBE 10. DORCAS HLATHI	CLLR MHLOPHEKI MBELE
Ward 10	1. MIRRIAM RANTSAILLE 2. THABO MAHLABA 3. KEDIBONE NTHOROANE 4. ROSINAH NHLAPHO 5. FILDA MOLATA 6. MAGDALINE LETSABA 7. THAPELO MOFOKENG 8. MPHO MOGALE 9. MAGROOT 10. VACANT POST	CLLR MANNESE MOFOKENG
Ward 11	1. JAMES NKHI 2. SIPHO GANAFANA 3. SELLOANE MOLALOGI 4. LEAH RANTSAILA 5. PUSELETSO MABENA 6. ZACHARIA MTHIMKHULU 7. EVA THEKISO 8. MODIEHI MATOLO 9. CORNELIA WISSO 10. VACANT POST	CLLR NTHABISENG THLOBELO

Ward Name (Number)	Ward Committee	Chairperson
Ward 12	<ol style="list-style-type: none"> 1. JOHANN BOSMAN 2. ROY ULYATE 3. SONJA VAN RHYN 4. MURRAY MCMILLAN 5. NICOLINE PIENAAR 6. KEAGILE MOLOTSANE 7. INNOCENTIA KUTOANE 8. THATO SEABI 9. EDDIE VAN ZYL 10. LOUISE LOCK 	CLLR ANDRIES VREY
Ward 13	<ol style="list-style-type: none"> 1. SANDILE MAKELENI 2. SELLO SIPHETLO 3. SIMON NDZUNGA 4. JAMES KAMFER 5. SUSAN MOILOA 6. MASELLOANE MARELETSA 7. DEBORAH NOVEMBER 8. MACDONALD MACHOTOLA 9. PONTSHO MABOEA 10. RACHEL KAMFER 	CLLR HENDRICK FIELAND
Ward 14	<ol style="list-style-type: none"> 1. FANSELE HOKOMANE 2. DIMAKATSO RATEMA 3. NTSOAKI SEKHAMPU 4. KOOS MOHONO 5. ELIAS LEBOKO 6. MAPULE MOHAPI 7. MOSIDI BOOKGOLANE 8. MANNANA LETSHELEHA 9. MOLEFE MOHOLO 10. DORAH MODISENYANE 	CLLR REBECCA MEHLO
Ward 15	<ol style="list-style-type: none"> 1. NGAKA LETSHUMA 2. MABOTE KGAJWANE 3. ANNA NTHOLENG 4. FEIKIE KGOTLE 5. MALEFU THABETHE 6. THAPELO MOSOEU 7. MAMOKETE LETSIPA 8. MODIEHI MOSOEU 9. TEBHO MOHOLO 10. VUYISILE NZELANI 	CLLR MALEFU MOFOKENG
Ward 16	<ol style="list-style-type: none"> 1. MALESHOANE PULE 2. DOMZODWA NONDALA 3. MOIPONE LEBONE 4. MODIEHI MSIMANGA 5. MOJABENG NTSALA 6. SELLO SERIFI 7. MARTHAA RAMONANA 8. DIMAKATSO SOKIVA 9. MOHAPELOA MODIEHI 10. LEBONA SUZAN 	CLLR LEPONESA SOCHIVA
Ward 17	<ol style="list-style-type: none"> 1. JENNIFER MAHLANGU 2. SAMMY MAETSE 3. NTHABISENG MAJOE 4. MAKHALA SELEPE 5. MAKHETSANA SEROBE 6. PETRUS GOUT 7. MODIBEDI XABA 8. MAKHITSANE SEROBE 9. MAREKA MAHLATSI 10. JOSEPH MELANE 	CLLR MAHLOMOLA TAJE
Ward 18	<ol style="list-style-type: none"> 1. MOLEFI MOFOKENG 2. JOHN MOSITO 	CLLR TOYI MATJHINI

Ward Name (Number)	Ward Committee	Chairperson
	3. MOKWAISI MANTSO 4. MAMOLATO MAPHAKISA 5. MAKI RADEBE 6. MANTSHADI NKOMO 7. MATSHEDISO SEJAKE 8. PULENG MAILE 9. MADIBUSENG MASHIANE 10. MAMOLATO THELETSANE	

Accountability

Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law.

2.4 Community Participation in the Development of Legal Frameworks and Directives

The table below indicates the dates on which Ngwathe Municipality consulted with the community in the development of Municipal directives and documents in 2018/2019, as advertised on the municipal website.

Table : Website Uploads for Community Review and Comments

WEBSITE UPLOADS FOR COMMUNITY REVIEW AND COMMENTS	
MUNICIPAL DIRECTIVE & ACTION	DATE
Inspection of valuation roll	Date not available
Annual Report 2017/2018	On website
Municipal Budget, Integrated Development Plan, Policies and determination of tariffs for the financial year	On Website
SDBIP 2018/19	On Website
IDP open for comment	On Website

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal.

Equity and Inclusiveness

Society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

Table 27: Ward Committee - Outreach Programs in 2018/19

DATE	TOPIC	PURPOSE / TARGET
19-20/06/2019 and 05/07 2019	Registration Of Sites	All qualifying indigents
13-14/07/2019 and 20-21/07/2019	Registration of Indigents	Indigent members of the community.
07/03/2018-27/01/2019	Registration of IDs(ID Campaign	Youth and learners who do not have IDs.

2.5 IDP PARTICIPATION AND ALIGNMENT

Consensus orientated

Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.

Table 28: IDP Community Input Meetings in 2018/19

PUBLIC PARTICIPATION MEETINGS ON THE DRAFT REVIEW IDP AND DRAFT BUDGET 2018/19

DATE	TOWN	WARD	VENUE	TIME
10/04/2018	EDENVILLE	18	N.G. KERK	16H30
11/04/2018	HEILBRON	4	PIANO GROUND	16H30
	PARYS	6	MASTER NAKEDI SPORTS	16H30
		7	TOKOLOHO SPORTS GROU	16H30
	VREDEFORT	8	MONTOELI HALL	16H30
12/04/2018	PARYS	9	NTSWEPHEPHA P. SCHOOL	16H30
		11	BOTJHABATSATSI P. SCH	16H30
		13	AHA – SETJHABA SCHOOL	16H30
	HEILBRON	1	SANDERSVILLE HALL	16H30
	VREDEFORT	14	KINGS MOTEL	16H30
		15	S.S. PAKI HIGH SCHOOL	16H30
17/04/2018	PARYS	6	GHADAFI OPEN SPACE	16H30
		12	AME CHURCH	16H30
		13	SCHONKENVILLE	16H30
	KOPPIES	16	IPATLELENG P. SCHOOL	16H30
		17	KWAKWATSI HALL	16H30
	HEILBRON	3	KEARABETSWE P. SCHOOL	16H30
		5	BILLY OPEN SPACE	16H30
18/04/2018	PARYS	10	TSWELOPELE CRECHE	16H30
		12	PARYS TOWN HALL	16H30
	HEILBRON	5	AIRPORT	16H30
		2	PHIRITONA HALL	16H30
19/04/2018	PARYS	7	TAMBO SPORTS GROUND	16H30
		10	MOSEPELI HALL	16H30
24/04/2018		9	BARNARD SCHOOL	16H30

STAKEHOLDER ENGAGEMENT SESSIONS 09 – 12 APRIL 2019

MONDAY 08/04/2019	STAKEHOLDERS MEETING	KOPPIES LIBRARY	10H00
TUESDAY 09/04/2019	STAKEHOLDERS MEETING	HEILBRON TOWN HALL	10H00
WEDNESDAY 10/04/2019	STAKEHOLDERS MEETING	VREDEFORT TOWN HALL	10H00
THURSDAY 11/04/2019	STAKEHOLDERS MEETING	EDENVILLE LIBRARY	10H00
FRIDAY 12/04/2019	STAKEHOLDERS MEETING	PARYS MIMOSA HALL	10H00
16/04/2019	STAKEHOLDERS MEETING	HEILBRON TOWN HALL	10H00

PUBLIC MEETINGS 13 – 20 MAY 2019

DATE	TOWN	WARD	VENUE	WARD COUNCILLOR	OFFICIAL	TIME
13/05/2019 MONDAY	HEILBRON	1	SANDERSVILLE HALL	CLLR A. MATROOS	THOBELA	16H30
		2	PHIRITONA HALL	CLLR R. NDAYI	MOEKETSI	16H30
		3	KEARABETSWE P. SCHOOL	CLLR M. MOFOKENG	MOKOTEDI	16H30
		4	PIANO GROUND	CLLR S. NTEO	CHORDNUM	16H30
		5	BILLY OPEN SPACE	CLLR M. RAPULENG	NHLAPO	16H30
	EDENVILLE	18	N.G. KERK	CLLR M. TOYI	KHOASE	16H30
14/05/2019 TUESDAY	KOPPIES	16	IPATLELENG P. SCHOOL	CLLR L. SOCHIVA	MOSALA	16H30
		17	KWAKWATSI HALL	CLLR M. TAJE	MAJIVOLO	16H30
	VREDEFORT	8	MONTOELI HALL	CLLR R. KGANTSE	PIETERSEN	16H30
		14	KINGS MOTEL	CLLR R. MEHLO	MPINDO	16H30
		15	S.S. PAKI HIGH SCHOOL	CLLR M. MOFOKENG	MTIMKULU	16H30
15/05/2019 WEDNESDAY	PARYS	6	MASTER NAKEDI SPORTS	CLLR M. MAGASHULE	MOKGOBU	16H30
		7	TOKOLOHO SPORTS GROUNDS	CLLR M. GOBIDOLO	NHLAPO/PULE	16H30
		9	NTSWEPHEPHA P. SCHOOL	CLLR S. MBELE	MPINDO	16H30
		10	TSWELOPELE CRECHE	CLLR M. MOFOKENG	LEBUSA	16H30
		11	BOTJHABATSATSI P. SCHOOL	CLLR N TLHOBELO	MOTHA	16H30
16/05/2019 THURSDAY	PARYS	12	AME CHURCH	CLLR A. VREY	RANTSAILA	16H30
		13	AHA – SETJHABA SCHOOL	CLLR H. FIELAND	MAZIBUKO	16H30
		6	GHADAFFI OPEN SPACE	CLLR M. MAGASHULE	MOSEME	16H30
		7	TAMBO SPORTS GROUND	CLLR M. GOBIDOLO	MATEIS	16H30
17/05/2019 FRIDAY	PARYS	ALL WARDS REP FORUM			FORUM BUILDING	10H00
20/05/2019 MONDAY	PARYS	9	BARNARD SCHOOL	CLLR S. MBELE	MPINDO	16H30
		10	MOSIPIDI SIDE HALL	CLLR M. MOFOKENG	LEBUSA	16H30
		12	PARYS SIDE HALL	CLLR A.VREY	COETZER	16H30
		13	SCHONKENVILLE HALL	CLLR H. FIELAND	DLAMINI	16H30

Transparency

Transparency means that stakeholders are provided with information on why decisions were made that directly affect them

Table 28: Ward Committee – Community (Feedback) Meetings

Public Meetings						
Nature and Purpose of meeting	Date of events	Number of Participating Municipal Councilors	Number of Participating Municipal Administrator s	Number of Community Members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
IDP	Sept/ April	All	Senior Management	3500 / 4100	Yes	IDP
IDP	Sept/ April	All	Senior Management	3500 / 4100	Yes	IDP

Rule of Law

Rule of law means that legal frameworks are enforced impartially.

The Internal Audit Unit is responsible to ensure impartial enforcement of legal frameworks within the municipality.

COMPONENT D. Corporate Governance

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

2.6 Risk Management

Section 62 of the Municipal Finance Management Act (MFMA), no. 56 of 2003, states that the Accounting Officer should take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control as well as the effective, efficient and economical use of the resources of the municipality.

The Manager Risk Management oversees the risk management process in terms of the following as prescribed by NT Public Sector Risk Management Framework:

Of which the risk management responsibilities include:

- (a) Assisting management to develop the risk management policy, strategy and implementation plan;*
- (b) co-ordinating risk management activities;*
- (c) Facilitating identification and assessment of risks;*
- (d) Recommending risk responses to Management; and*
- (e) Developing and disseminating risk reports.*

Although the Risk management section facilitated the above, management took ownership of risks and the mitigation thereof. Ngwathe Municipality is making progress with risk assessment and risk management processes over the last year. Operational risk assessments were performed on a continuous basis during the 2017/2018 financial year, by the departments, as quarterly risk reporting on, amongst others, additional risks, deleted risks, changes to risk data, risks that materialised and risks that should be escalated for intervention was implemented. The departments also discussed the risks on a continuous basis at scheduled executive management and departmental meetings

(DID NOT HAPPEN FOLLOWING CHALLENGES OF COMMITMENT BY RISK OWNERS)

a) Risk Profile

The annual risk assessment reflected the following change in risk profile:

(Based on the above statement the unit is unable to categorise risks)

Table 29: Risk Profile

2018/19					
Residual %	Risk Categories	Inherent	Inherent %	Residual	Residual %
	High Rated				
	Medium Rated				
	Low rated				
	Total				

b) Top ten risks 2018/19

Top 10 Institutional Risks were reviewed and updated through a collaborative process with support from Provincial Treasury.

The updated list of Top 10 institutional risks are as follows:

Table 30: Top Ten Risks

Ranking	Description
1	High Electricity Cable Theft
2	High Expenditure Patterns
3	Low Revenue
4	Poor Water Quality
5	Weak internal Controls
6	Ageing Infrastructure
7	Distribution loss
8	Outdated maintenance Plans
9	High Litigations
10	Floods

2.7 Anti-Corruption and anti-fraud

"Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury."

Ngwathe Local Municipality has a **ZERO TOLERANCE** to Fraud and Corruption and thus has the intent to promote consistent organizational behaviour by providing guidelines and assigning responsibilities for the development of controls and conduction of investigations relating to fraud and corruption. The fraud prevention strategy and policy are such documents designed to align Ngwathe Local Municipality to the national priority of combating fraud and corruption. Anti-Corruption and Fraud

Section 62 (1) (c) (i) of the Municipal Finance Management Act (MFMA), no. 56 of 2003, states that the Accounting Officer should take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control as well as the effective, efficient and economical use of the resources of the municipality. Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1)

of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud. In terms of fraud preventative arrangements, Ngwathe Municipality has instituted:

- The promotion of an ethical culture
- Provision of training to employees
- Adoption of a policy on fraud and anti-Corruption
- Provision of physical security for municipal buildings and
- Procedures of employee vetting - executed before employees are appointed
- Procedures of employee vetting - executed before employees are appointed

a) Developed Strategies

Table 31: Strategies: Anti-corruption and Anti-fraud

Name of Strategy	Developed Yes/No	Date Adopted/Reviewed
Fraud Prevention Plan	Yes	Not approved
Anti-Fraud and Anti-Corruption Policy	Yes	Not approved
Anti-Fraud and Anti-Corruption Strategy	Yes	Not approved

The structural strategies according to the Anti-Fraud and Anti-Corruption Strategy and implementation plan include the establishment of an Anti-Fraud and Anti-Corruption Committee that will oversee the approach of the Municipality approach to fraud prevention, fraud detection strategies and response to fraud and corruption incidents reported by employees or other external parties. The Section 79 Finance Committee

Internal Audit and Audit Committee

Ngwathe Municipality has a fully functional Internal Audit Unit and a Shared Audit and Performance Committee instituted. Audit Committee has the authority to perform its oversight functions as legislated in section 166 of the Municipal Finance Management Act MFMA).

The audit committee advises the municipal council, the political office- bearers, the accounting officer and the management staff of the municipality on matters relating to:

- internal financial control and internal audits;
- risk management;
- accounting policies;
- the adequacy, reliability and accuracy of financial reporting and information;
- performance management;
- effective governance;
- compliance with the Act, the annual Division of Revenue Act and any other applicable legislation;
- performance evaluation; and
- any other issues referred to it by the municipality.

The Audit Committee has the responsibility to review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and

effectiveness and its overall level of compliance with the Act, the annual Division of Revenue Act and any other applicable legislation.

The audit committee consisted of the members listed hereunder, and two (2) meetings were held during the 2018/19 financial year. Logistical arrangements were as follows:

Scheduled meetings and attendance

Title	Name	Portfolio	Number of Meetings Attended
Mr	ME. Mohlahlo	Chairperson	1 (Apologies - 1)
Me	N Modisaesi	Member	2 (Apologies - 0)
Mr	GT. Banda	Member	0 (Apologies – 0)
Mr	MNG Mahlatsi	Member	1 (Apologies – 1)

Anti-Corruption and Fraud

In terms of fraud preventative arrangements, the Ngwathe Municipality has instituted:

1. The promotion of an ethical culture – Conducted workshops informing employees the importance of upholding Code of Conduct of the Municipality
2. Provision of training to employees – Training programs conducted, where Fraud and Corruption information was shared with various departments.
3. Adoption of a policy on fraud and anti-Corruption – Awareness sessions were conducted that requested inputs from various departments for finalization of Fraud Prevention Plan. Inputs were received and the final documents was processed for approval.
4. Provision of physical security for municipal buildings – Physical Securities were appointed in all five towns of the municipality.
5. Procedures of employee vetting - executed before employees are appointed – It has been a challenge to process vetting of employees.

The following arrangements are institutionalizing the detection of fraud:

- Management takes steps against fraudulent actions.
- An Audit Committee approves the Internal Audit Plan

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal.

2.8 MPAC Committee

Ngwathe Municipality Oversight Committee, operates as a Municipal Public Accounts Committee (MPAC), consisting of Five (6) members appointed to strengthen and provide oversight within the municipality, in terms of the provision of S79 of the Local Government Municipal Structures Act 117 of 1998. MPAC is a committee of Council and its meeting schedule is therefore developed and managed in such manner.

No	Title	Name & Surname	Portfolio
1	Cllr	Matjhini Toyi	Chairperson
2	Cllr	Victoria De Beer/Mthombeni	Member
3	Cllr	Mosiuwa Mofokeng	Member
4	Cllr	Rebecca Mehlo	Member
5	Cllr	Arnold Schoonwinkel	Member
6	Cllr	Malebo Magashule	Member

The MPAC Committee primary responsibility is to serve as an oversight committee - to determine the institutional functionality of the Municipal Council in terms of effectiveness.

Equity and Inclusiveness

Society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

OVERVIEW SUPPLY CHAIN MANAGEMENT

MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

Ngwathe Municipality has a fully functional Supply Chain Unit. The Ngwathe Supplier Database has been updated in terms of supplier information in 2018/19, as to minimize the risk of supplier duplication.

Transparency

Transparency means that stakeholders are provided with information on why decisions were made that directly affect them.

Rule of Law

Rule of law means that legal frameworks are enforced impartially.

The impartial enforcement of legal frameworks is ensured by Ngwathe Municipality through the adoption and application of municipal policies and bylaws, of which the following have been adopted in 2008

2.10 POLICIES AND BYLAWS

Table : POLICIES AND BYLAWS ADOPTED

HR POLICIES AND PLANS				
	Name of Policy	Completed	Reviewed	Date adopted by Council or comment on failure to adopt
		%	%	
1.	Ngwathe Working Hours Policy	100	0	01/04/2008
2.	Ngwathe Voluntary Separation Policy	100	0	01/04/2008
3.	Ngwathe Use of Policy Manual	100	0	01/04/2008
4.	Ngwathe Use of Mayoral Vehicle and Official Journeys Policy	100	0	01/04/2008
5.	Ngwathe Use of Internet, Computer software and hardware and	100	0	01/04/2008
6.	Ngwathe use of external recruitment agencies Policy	100	0	01/04/2008
7.	Ngwathe Theft and Loss Policy	100	0	01/04/2008
8.	Ngwathe Succession Planning Policy	100	0	01/04/2008
9.	Ngwathe Substance Abuse (Alcohol and Drugs) Policy	100	0	01/04/2008
10.	Ngwathe Subsistence and Travelling Policy	100	0	01/04/2008
11.	Ngwathe Smoking Policy	100	0	01/04/2008
12.	Ngwathe Skills Development Policy	100	0	01/04/2008
13.	Ngwathe Sexual and Racial Harassment Policy	100	0	01/04/2008
14.	Ngwathe Salary advances Policy	100	0	01/04/2008
15.	Ngwathe Resignation Policy	100	0	01/04/2008
16.	Ngwathe Relocation Expenditure Policy	100	0	01/04/2008
17.	Ngwathe Recruitment and Selection Policy	100	0	01/04/2008
18.	Ngwathe Protective Clothing and Uniforms Policy	100	0	01/04/2008
19.	Ngwathe Protected Disclosure Policy	100	0	01/04/2008
20.	Ngwathe Promotion Policy	100	0	01/04/2008
21.	Ngwathe Policy Manual Index	100	0	01/04/2008
22.	Ngwathe Policy Manual Front cover	100	0	01/04/2008
23.	Ngwathe Placement Policy	100	0	01/04/2008
24.	Ngwathe Performance Management Policy	100	0	01/04/2008
25.	Ngwathe Payroll Deductions Policy	100	0	01/04/2008
26.	Ngwathe Overtime Template	100	0	01/04/2008
27.	Ngwathe Organisational Rights Policy	100	0	01/04/2008
28.	Ngwathe Operational Requirements Policy	100	0	01/04/2008
29.	Ngwathe Official Housing Policy	100	0	01/04/2008
30.	Ngwathe Occupational Health and Safety Policy	100	0	01/04/2008
31.	Ngwathe Membership of Professional Societies Policy	100	0	01/04/2008
32.	Ngwathe Medical Examination Policy	100	0	01/04/2008
33.	Ngwathe Medical Aid Policy	100	0	01/04/2008
34.	Ngwathe Long Service Policy	100	100	28/02/2013
35.	Ngwathe Leave policy	100	0	01/04/2008
36.	Ngwathe Leave Encashment Policy	100	0	01/04/2008
37.	Ngwathe Language Policy	100	0	01/04/2008
38.	Ngwathe Job Evaluation Policy	100	0	01/04/2008
39.	Ngwathe Induction Policy	100	0	01/04/2008
40.	Ngwathe Incapacity Policy	100	0	01/04/2008
41.	Ngwathe Housing and Rental Allowance Policy	100	0	01/04/2008
42.	Ngwathe Home Owners Policy	100	0	28/02/2013
43.	Ngwathe HIV AIDS Policy	100	0	01/04/2008
44.	Ngwathe Group Life Policy	100	0	01/04/2008
45.	Ngwathe Grievances Policy	100	0	01/04/2008
46.	Ngwathe Firearms and Dangerous Weapons Policy	100	0	01/04/2008
47.	Ngwathe Extraneous Employment (Moonlighting) Policy	100	0	01/04/2008
48.	Ngwathe Exit Management and Staff Retention Policy	100	0	01/04/2008
49.	Ngwathe Entertainment Policy	100	0	01/04/2008
50.	Ngwathe Employment Equity Policy	100	0	01/04/2008
51.	Ngwathe Employee Use of Assets Policy	100	0	01/04/2008
52.	Ngwathe Employee Assistance and Wellness Policy	100	0	01/04/2008
53.	Ngwathe Disciplinary Code Policy	100	0	01/04/2008
54.	Ngwathe Conflict of Interest Policy	100	0	01/04/2008
55.	Ngwathe Confidentiality of Information Policy	100	0	01/04/2008
56.	Ngwathe Code of Conduct Policy	100	0	01/04/2008
57.	Ngwathe Cellular Phone Policy	100	0	01/04/2008
58.	Ngwathe Career Pathing Policy	100	0	01/04/2008
59.	Ngwathe Bursaries Policies	100	0	01/04/2008
60.	Ngwathe Appointment in an Acting Position Policy	100	0	01/04/2008
61.	Ngwathe Allowances Policy	100	0	01/04/2008

BY-LAWS

By-laws Introduced during Year 2018/19					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted * (Yes/No)	Date of Publication
Credit Control and Debt Collection By-Law	new by-law	Yes	25 – 29/06/2012	Yes	17 May 2013
Informal settlement	new by-law	Yes	25 – 29/06/2012	Yes	
Control of street vendors, peddlers or Hawkers	new by-law	Yes	25 – 29/06/2012	Yes	
Electricity Supply	new by-law	Yes	25 – 29/06/2012	Yes	
Fire and emergency Services	new by-law	Yes	25 – 29/06/2012	Yes	

COMMENT ON BY-LAWS:

Note: MSA 2000 s11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.

CHAPTER 3

ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: MUNICIPAL WORKFORCE

Number of Employees

The following reflects the number of staff per category for the last three financial years:

Table : Staff per category

Category	No of Employees (2016/17)	No of Employees (2017/18)	No of Employees (2018/19)
Legislators, senior officials, and managers	28	26	46
Clerks	34	53	316
Technicians and associate professionals	2	1	25
Craft and related trade workers	0	0	44
Elementary occupations	233	203	338
Total:	297	283	369

Table : Staff Category per Directorate

Directorate	Total	Legislators, Senior Officials and Managers	Clerks	Technicians and Associate Professionals	Craft and related Trade Workers	Elementary Occupations
Legislators	16	13	3	0	0	0
Technical Services	332	6	4	34	0	285
Finance	81	10	74	0	0	0
Corporate Services	263	6	17	0	14	226
Municipal Manager Office	45	4	12	4	0	25
Total: 2018/19	19	10	9	0	0	0
Total: 2017/18	296	28	43	1	0	225

Personnel Services form an integral part of the Corporate Services departments and Ngwathe Municipality's service delivery success. Professionalism and operational efficiency is of utmost importance, especially on the management of the department and how it functions. The department is responsible for the key areas discussed below

Recruitment and Selection

Table : Recruitment and Selection

Category	Target 2017/18	Actual 2017/18	Target 2018/19	Actual 2018/19
Africans	N/A	18		3
Whites	0	0	0	0
Coloured / Asian	1	1	0	1
Employees with Disabilities	0	0	1	0

Employee Wellness

Ngwathe Municipality has a Human resources section that drives the Employee Wellness Program attending to employees' social, mental, and physical health needs.

Some of the interventions by the department include:

- Free medical tests by medical fund institutions;
- Debt counseling, garnishee orders and financial planning sessions;
- Promotional Health Talk on Circumcision.

Vacancy Rate

The vacancy rate increased to 15.7% in the 2018/19 financial year.

Table : Vacancies per Job Category 2018/19

Directorate	Total	Legislators senior officials managers	Clerks	Technicians associate professionals	Craft and related trade workers	Elementary occupations
Technical Services	17	2	1	3	0	11
Chief Financial Officer	19	2	6	0	0	11
Corporate Services	6	0	5	1	0	0
Municipal Manager's Office	4	2	2	0	0	0
Total:2018/19	36	6	14	4	0	22
Total:2017/18	92	5	5	4	0	78
Total:2016/17	57	18	13	5	0	21

Employment Equity

The municipality's Employment Equity Policy is designed to:

- Promote equal opportunities and fair treatment to all in the workplace by eliminating unfair discrimination; and

- Implement affirmative action measures to redress the disadvantages in employment experienced by members from designated groups in the past.

The Draft Employment Equity Plan was developed, and the Employment Equity Report submitted 11 January 2020

Table 31: Total Employment Equity Statistics per Directorate as at 30 June 2018

Directorate	African	Coloured	Indian	White	Total	Female	Male
Technical Services	313	8	0	2	323	61	262
Chief Financial Officer	79	0	0	2	81	54	27
Corporate Services	45	0	0	1	45	22	23
Municipal Managers Office	16	2	0	1	19	6	13
Executive & Council	40	3	0	3	46	10	36
Total: 2017/18	280	2	0	5	286	90	196
Total: 2015/16	289	2	0	5	296	88	210
Total:2014/15	289	2	0	6	297	83	214

Human Resources Policies

The following Human Resources policies have been implemented by the Ngwathe Municipality:

POLICIES RESOLUTIONS

POLICY	COUNCIL RESOLUTION
Ngwathe Municipality Fraud Prevention Police	28 July 2017
Ngwathe Municipality Risk Management Policy	28 July 2017
Attendance and Punctuality Policy	28 July 2017
Bursary Scheme for community members policy	28 July 2017
Communication and strategy policy	28 July 2017
Incapacity policy	28 July 2017
Internal Bursary Policy	28 July 2017
Leave policy	28 July 2017
Occupational Health and Safety Policy	28 July 2017
Recruitment and placement policy	28 July 2017
Training and Development policy	28 July 2017
Subsistence and travelling policy	28 July 2017
Public Participation Policy	28 July 2017
HR Policy and procedure manual	28 July 2017

BY-LAWS ADOPTED	COUNCIL RESOLUTION
Advertising	14/12/2016
Impoundment of Animals	14/12/2016
Standard Street Trading By-Law	14/12/2016
Environmental Health by law	14/12/2016
Child care services	14/12/2016
Credit control and debit collection	13/04/2012
Indigent support bylaw	13/04/2012
Property rates	13/04/2012
Water Restriction	13/04/2012
SPLUMA	14/10/2017

Promotions

The information below in compares the number of employees that have been promoted during the past three financial years:

Employees at the Ngwathe Municipality are not promoted automatically. All internal employees must apply for posts as advertised.

Pension Funds

The Ngwathe Municipality makes use of the following Pension and/or Retirement Funds:

- SALA Pension Fund
- Consolidated Retirement Fund
- Free State Pension Fund / Provident Fund
- SAMWU Provident Fund
- Municipal Employees Pension Fund

Medical Aid Schemes

Employees are able to choose from the following Medical Aid Funds:

- BONITAS
- HOSMED
- Key Health
- LA Health
- SAMWUMED

Labor Relations

This department has the function of managing labor relations matters and dealing with occupational health and safety in the municipality.

Table 32: Labor Relations issues recorded/investigated during 2018/19

Labor Relations issue	Number of Cases:2016/17	Number of Cases: 2017/18	Number of Cases 2018 / 19
Misconduct	1	1	2
Dismissals	1	0	0
Suspensions	1	1	0
Total Cases	1	1	2

Occupational Health and Safety

The department is also responsible to ensure that operations and activities within the municipality comply with the provisions of the Occupational Health and Safety Act, 1993 as well as the different Regulations promulgated in terms of the said Act. Incident/accident investigations are conducted promptly in order to determine in respect of which activities work instructions and safe work procedures should be developed and implemented, to prevent the reoccurrence of incidents in the workplace. Furthermore, Health and Safety Committee Meetings are arranged on a monthly basis to address all health and safety issues raised at such meetings.

Table: Incidents/accidents recorded and/or investigated during 2018/19

Directorate		Personal injury	Disease	Death
Technical Services		0	0	3
Community Services		0	0	2
Corporate Services		1	0	0
Municipal Manager's Office		0	0	0
Total 2018/19		1	0	0
Total 2017/18		0	0	0
Number and period of suspension				
Position	Nature of suspension	Days of suspension	Details of disciplinary action taken or status of case and reasons why not finalised	Date finalised
0	0	0	0	0

Disciplinary action taken on cases of financial misconduct			
Position	Nature of alleged misconduct and rand value of any loss to the municipality	Disciplinary action taken	Date finalised
None	None	None	N/A

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Section 57 Performance Evaluation

The performance evaluation for Section 57 managers forms the basis for evaluating performance in relation to set targets as outlined in the signed performance agreements of executive managers. Performance evaluation takes place on a quarterly basis and reported to the Mayor.

Improved Performance Management

In 2018/19 the municipality adopted a performance framework within the organization, to date only officials appointed in terms of section 56 and section 57 are measured for performance against signed performance agreement. Implementation and monitoring thereof will be a targeted and continued focus in 2019/2020.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Skills Development & Training

As prescribed by legislation, the combined Workplace Skills Plan (WSP) was compiled through the process of skills audit and submitted on 30 April 2020.

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Creation of skills development opportunities for the Councilors, Employees and Communities. To conduct and update the credible skills audit and compile the Workplace Skills Plan (WSP). To implement the WSP in the form of skills programs, Learnerships, Artisanship, Internships and Bursaries.

For the year under review (2018/19), Ngwathe Municipality has trained 150 employees.

Bursary allocated 06 Councilors and 06 Officials.

Table : Training per Job Category:

Directorate	Total	Senior Officials and Managers	Clerks	Technicians	Craft and Related Trade Workers & interns	Elementary Occupations	Councilors
Technical Services		2	1	2	28	11	0
Finance		15	10				
Corporate Services		4	7	0	0	3	
Community services		10 0	0	0	0	0	
MM Office	2	2					
Office of Speaker		5	3		15	9	
Office Of Mayor		2	1	2	28	11	0
Total:2018/19		15	10				
Total:2017/18							
Total:2016/17							

Skills Development Budget

The information below indicates the quantum of municipal budget allocated to skills development and the percentage spent

Table: Skills Development Budget against Expenditure

Financial Year	Budget	Expenditure
2018/2019	R 1,5 M	R 910437
2017/2018	R10 000 00	259 454 42

MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493, dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, in collaboration with various stakeholders and role players in the local government sphere, developed an outcome-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a

financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

A total of 29 employees were identified to obtain the abovementioned qualification and prescribed competencies. 4 officials have already completed the training, 25 Completed currently and Awaiting for statement of results to LGSETA,

Table: below provides details of the financial competency development progress as required by the notice:

Financial Competency Development: Progress Report				
Description	Total number of officials employed i.t.o. Regulation 14(4)(a) and (c)	Competency assessments completed i.t.o. Regulation 14(4)(b) and (d)	Total number of officials whose performance agreements comply with Regulation 16 Regulation 14(4)(f)	Total number of officials that meet prescribed competency levels i.t.o. Regulation 14(4)(e)
Financial Officials				
Accounting Officer	1	Competent		
Chief Financial Officer	1	Competent		
Director Corporate Services	1	Competent		
Director Technical Services	1	Competent		
Senior Managers	4	Competent		
Any other financial officials	42	Competent		
Supply Chain Management Officials				
Heads of Supply Chain Management Units	1	Competent	-	-
Supply Chain Management Senior Managers	4-	Competent -	-	-
TOTAL	51			

Learnership

A total of 10(employed) and 42(unemployed) learners were recorded to have received training through learnerships in 2018/2019. The decline was caused by invoking of Section 139 of the constitution to LGSETA.

Table : Bursaries per Directorate

Directorate	Number of Beneficiaries 2016/17	Number of Beneficiaries 2017/18	Number of Beneficiaries 2018/19
Technical Services	2	1	1
Chief Financial Officer	3	1	2
Corporate Services	0	1	0
Municipal Manager's Office	0	1	1
Mayoral Office	0	1	1
Speakers Office		8	5
Total	0	0	1

COMPONENT D: MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Personnel Expenditure

Table : Trends of Personnel Expenditure compared to Operating Expenditure:

Financial Year	Salaries	Expenditure	Percentage
2018/2019	R 67 766 000.	R 62 839 677.83	36%

CHAPTER 4

ANNUAL PERFORMANCE REPORT

NGWATHE LOCAL MUNICIPALITY

SECTION-46 REPORT



2018/19

Actual performance against SDBIP targets set for the 2018/19 Financial Year and comparative assessment of targets with targets set for 2017/18 and 2019/20

1.	Performance Summary	Page	No
2.	Basic Service Delivery	Page	4-15
3.	Local Economic Development	Page	16
4.	Municipal Institutional Development and Transformation	Page	17-21
5.	Municipal Financial Viability and Management	Page	22-29
6.	Good Governance and Public Participation	Page	30-33
7.	Radical Socio Economic Development	Page	34-36
8.	Putting People First	Page	37-39

1. Performance Summary

No	KEY PERFORMANC AREA	Planned	Achieved/Partially achieved	%
1.	Basic Service Delivery	9	7	
2.	Local Economic Development	4	3	
3.	Municipal Institutional Development and Transformation	13	4	
4.	Municipal Financial Viability and Management	18	14	
5.	Good Governance and Public Participation	14	10	
6.	Radical Socio Economic Development	4	3	
7.	Putting People First	3	3	

KEY PERFORMANCE INDICATORS

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 001	Municipal Transformation	Celebrate national and local days of importance / commemoration; Human Right's Day, Worker's / May Day, Youth Day, Flower Festival, Mandela Day	Number of national and local days of commemoration celebrated	8	3	2	2	2	2	0	1	1	8	Programs/ Invitations & Attendance Registers				
KPI 002	Radical Social and Economic Development	Create HIV and AIDS Awareness - Planning and launching of Ward/Local /District HIV and AIDS Councils / Launch Men's Dialogue program	Number of awareness programs launched	3	1	3	1	2	1	1	1	2	4	Programs/ Invitations & Attendance Registers				
KPI 003	Good governance and Public Participation	Communicate municipal information with public by conducting radio and newspaper interviews	Number of Radio and Newspaper interviews conducted by Mayor	7	3	3	3	3	3	2	3	3	7	Interview Schedule				
KPI 004	Radical Social and Economic Development	Initiate quarterly social support programs to poverty stricken communities; Bursary support, food parcels and rural sports programs	Number of social support programs launched to address poverty in identified communities	2	1	2	1	1	1	1	1	2	2	Programs/ Invitations & Attendance Registers				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 005	Municipal Transformation and Organisation Development	Initiate Women and Children's Rights programs	Number of Women and Children Rights programs launched	1	1	1	N/A	N/A	1	1	N/A	N/A	2	Programs/ Invitations & Attendance Registers				
KPI 006	Radical Economic Transformation	Initiate Youth development and Empowerment programs in Ngwathe	Number of Youth Empowerment programs launched	1	1	1	1	0	1	2	1	1	4	Programs/ Invitations & Attendance Registers				
KPI 007	Municipal Transformation and Organisation Development	Initiate Disabled Indaba	Number of Disabled Indabas launched	0	1	0	N/A	N/A	N/A	N/A	N/A	N/A	1	Programs/ Invitations & Attendance Registers				
KPI 008	Good governance & Public Participation	Facilitate regular meetings for All stakeholders i.e. Civics, NGOs, CBOs	Number of stakeholder meetings held for all wards	216	54	54	54	54	54	54	54	54	216	Programs/ Invitations & Attendance Registers				
KPI 009	Good governance & Public Participation	Facilitate workshop to assist with development of ward plans for all Ward Committees	Number of workshops held	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	1	Programs/ Invitations & Attendance Registers				
KPI 010	Good governance & Public Participation	Schedule and facilitate monthly Ward Committee meetings in all Wards	Number of ward committee meetings held	216	54	54	54	54	54	54	54	54	216	Programs/ Invitations & Attendance Registers				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 011	Good governance & Public Participation	Facilitate the Best Ward Committee Awards Ceremony	Number of Best Ward Committee Awards Ceremony	New KPI	N/A	N/A	1	0	N/A	N/A	N/A	N/A	New KPI	Programs/ Invitations & Photos / Report				
KPI 012	Good Governance	Audit Committee recommendations accepted by Council	% of Audit Committee recommendation s and adopted by Council	100%	100%	80%	100%	100 %	100%	100%	100%	100%	100 %	Council Minutes				
KPI 013	Good Governance	Monitor the implementation of all Council and MAYCO resolutions	Number of Council and MAYCO resolutions reported	100%	100%	100 %	100%	100 %	100%	100%	100%	100%	100 %	Register of Council Resolution s				
KPI 014	Putting People First	Monitor formal public complaints attended to by departments	100% of complaints attended to by departments within 30 days of receipt	100%	100%	100 %	100%	100 %	100%	100%	100%	100%	100 %	Complaint s Register				
KPI 015	Good Governance	Investigation of all formally reported fraud, theft and corruption cases	% of formally reported fraud, theft and corruption investigations initiated within 30 days after receipt	90%	100%	100 %	100%	100 %	100%	100%	100%	100%	100 %	Incidents Register				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 016	Putting People First	Strategic Annual stakeholder consultation	No of ward and stakeholder engagements held annually (18 Wards and 4 Stakeholder meetings)	36	N/A	N/A	20	0	N/A	N/A	20	20	40	Attendanc e Register of each meeting				
KPI 017	Good Governance	Compile and submit Communication Strategy to MAYCO for approval by end September 2018	Communication Strategy submitted to MAYCO for approval by end September 2018	0	1	0	N/A	N/A	N/A	N/A	N/A	N/A	1	MAYCO Minutes				
KPI 018	Sound Financial Management	Spend Operating budget revenue as per approved budget	% of total operating budget expenditure spent by 30 June	10%	20%	20%	60%	39%	60%	47%	95%	20%	95%	Report				
KPI 019	Sound Financial Management	Spend at least 95% of approved Capital Budget for the Municipality by 30 June (MFMA S10©)	95% of Approved Capital Budget spent by Municipality by 30 June	95%	20%	23%	60%	28%	60%	39%	95%	95%	95%	Section Report				
KPI 020	Institutional Development & Building Capacity	Submit the Mid-Year S72 report to the Mayor	Number of Mid-year reports submitted to the Mayor by 25 January	1	N/A	N/A	1	1	N/A	N/A	N/A	N/A	1	Proof of submission to Executive Mayor				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 021	Sound Financial Management	Raise/Collect operating budget revenue as per approved budget	90% of total operating budget revenue raised / received by 30 June	20%	25%	25%	50%	49%	70%	78%	90%	0%	90%	Section 71 Report				
KPI 022	Institutional Development & Building Capacity	Performance management Assessment held	Number of performance assessments held by 30 June	2	N/A	N/A	1	1	N/A	N/A	1	1	2	Performance Assessment Report				
KPI 023	Good Governance	Implement all MAYCO and Council Resolution	100% implementation of MAYCO and Council resolution in accordance with due dates	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Register of Council Resolutions				
KPI 024	Institutional Development & Building Capacity	Review policies and by-laws	100% of policies and by-laws reviewed by 30 June 2019	80%	100%	10%	100%	100%	100%	0%	100%	100%	100%	Register of policies reviewed				
KPI 025	Good Governance	Participation in formal District and Provincial meetings	100% of attendance of formal District and Provincial meetings by 30 June 2019	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Attendance registers				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 026	Good Governance	External and Internal Newsletters compiled and issued	Number of external and internal newsletters issued (12 external and 12 internal) by 30 June	New KPI	6	0	6	0	2	0	6	0	24	Copies of Newsletters issued				
KPI 027	Good Governance	Submit the IDP/ Budget Schedule to Council by 31 August 2018	IDP/Budget Schedule submitted to Council for approval by 31 August 2018	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A	1	Council Minutes				
KPI 028	Good Governance	Develop and submit the Draft and Final IDP to Council for approval by 31 March 2019 and 31 May 2019 respectively	Council Approved Draft and Final IDP by end March and End May 2019	2	N/A	N/A	N/A	N/A	1	1	1	1	2	Council Minutes				
KPI 029	Institutional Development & Building Capacity	Number of people from EE target groups employed in three highest levels of management in compliance with municipality's approved EE Plan	Report on number of people from employment equity groups employed in three highest levels of management submitted to OMM 30 June	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	Report				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 030	Putting People First	Spent Training budget to develop skills of staff	85% of training budget spent by 30 June	1	20%	20%	40%	40%	70%	90%	85%	85%	85%	Report				
KPI 031	Institutional Development & Building Capacity	Draft and submit to Council a Scarce Skills Policy	Scarce Skills policy submitted to council for approval by 30 June	New KPI	N/A	N/A	N/A	N/A	N/A	N/A	1	0	1	Proof of submission to council				
KPI 032	Institutional Development & Building Capacity	% of municipality budget actually spent on implementation of WSP	Report on % of municipality budget spent on implementation of WSP	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	Report				
KPI 033	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	New KPI	5	0	N/A	N/A	N/A	N/A	N/A	N/A	5	Minutes of Management & Portfolio Committee meetings				
KPI 034	Institutional Development & Building Capacity	Develop and present Standard Operating Procedure Register	Register of Standard Operating Procedures	New KPI	N/A	N/A	N/A	N/A	N/A	N/A	1	0		Register of Standard Operating Procedure				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 035	Radical Socio Economic Development	Review the LED Strategy and submit to council by 31 May 2019	Reviewed LED Strategy submitted to Council for approval by 31 May 2019	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0		Council Minutes				
KPI 036	Sound Financial Management	Submit Financial Plan for inclusion in KPI for approval by Council by 31 March (Draft) and final approval by 31 May	Financial Plan approved by Council by 31 March and 31 May	New KPI	N/A	N/A	N/A	N/A	1	1	1	1		Council Minutes				
KPI 037	Sound Financial Management	Submit MTREF aligned to KPI to Council for approval 31 March and final 31 May	MTREF approved by Council by end March and end May	2	N/A	N/A	N/A	N/A	1	1	1	1		Council Minutes				
KPI 038	Sound Financial Management	Submit Adjustment Budget to Council for approval by 28 February	Adjustment Budget submitted to Council by 28 February	1	N/A	N/A	N/A	N/A	1	1	N/A	N/A		Council Minutes				
KPI 039	Sound Financial Management	Compile Capital Project Implementation Plan and submit to MM for approval by 30 June 2018	Capital Project Implementation Plan developed and submitted to MM by end June	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1		Proof of Submission to MM (Acceptance letter / signature)				
KPI 040	Sound Financial Management	GRAP Compliant Fixed Asset Register as at 30 June	Compilation of GRAP compliant Fixed Asset Register as at 30 June	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1		GRAP Compliant Fixed Asset Register				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 041	Sound Financial Management	Collect all Billed Revenue to ensure sufficient cash is generated to meet Ngwathe Debt and Operating commitments	Net Debtors Days Ration (Gross Debtors=Bad Debt Provision)/Billed Revenue)) x 365	1	50	0	50	0	50	0	50	0		Section 71 Report				
KPI 042	Sound Financial Management	Disclose in Annual Financial Statements all monthly reported deviations condoned by Council	Disclose in Annual Financial Statements all monthly reported deviations condoned by Council	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0		Annual Financial Statements				
KPI 043	Sound Financial Management	Annual Financial Statements submitted by 31 August 2018	AFS submitted by 31 August 2018	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A		Acknowledgement of receipt of AFS by AG				
KPI 044	Sound Financial Management	Financial viability measured in terms of available cash to cover fixed operating expenditure	Report on Cost coverage ratio (Available cash + investments)/Monthly fixed operating expenditure)	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0	1	Annual Financial Statements				
KPI 045	Sound Financial Management	Financial viability measured in terms of municipality ability to meet service debt obligations	Report on Debt coverage ratio (Total operating revenue – operating grants received) / debt service payments due within the year))	1	N/A	N/A	N/A	N/A	N/A	N/A	1	0	1	Annual Financial Statements				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 046	Sound Financial Management	Financial viability measured in terms of outstanding service debtors	Report on Service debtors to revenue ration =(Total outstanding service debtors/revenue received for services)	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	Annual Financial Statement s				
KPI 047	Sound Financial Management	Update Indigent Register	99% of all qualifying indigent applications processed by 30 June	1	99%	99%	99%	99%	99%	99%	99%	99%		Annual Financial Statement s				
KPI 048	Sound Financial Management	Provision of Free Basic Services	Report by 30 June on % of HH earning less than 2Xsocial grants plus 25% per month with access to free basic services	1	3	3	3	3	3	3	3	3	12	Billing Report				
KPI 049	Basic Services and Infrastructure	90% compliance to general standards with regard to waste water outflow by 30 June	90% compliance to general standards by 30 June 2019	New KPI	90%	90%	90%	90%	90%	90%	90%	90%		Certificate of analysis from laboratory				
KPI 050	Basic Services and Infrastructure	95% water quality level obtained as per SANS ...physical and micro parameters as by 30 June	95% water quality level by 30 June 2019	New KPI	95%	95%	95%	95%	95%	95%	95%	95%		Certificate of analysis from laboratory				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 051	Basic Services and Infrastructure	Spend 96% of capital budget for fleet/equipment by 30 June	96% of Capital Budget Spent by 30 June	96%	20%	0%	40%	0%	60%	47%	96%	0%		Report				
KPI 052	Basic Services and Infrastructure	Limit Electricity losses to less than 10% annually (preceding 11months+reporting month's units purchased)	% Average electricity losses by 30 June	10%	<10%	5%	<10%	0%	<10%	0%	<10%	<50%	<10 %	Report				
KPI 053	Basic Services and Infrastructure	Implement all electricity capital projects measured quarterly in terms of approved Electricity Capital Budget spent	96% of approved Capital Budget spent by 30 June	96%	20%	10%	40%	40%	60%	47%	96%	100%	96%	Report				
KPI 054	Basic Services and Infrastructure	Implement all Roads, Storm water infrastructure capital projects measured quarterly in terms of approved Capital Budget spent	96% of approved Capital Budget spent by 30 June	96%	20%	23%	40%	90%	60%	47%	96%	100%	96%	Report				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 055	Basic Services and Infrastructure	Spend 96% of approved Capital Budget on resealing of streets (Actual expenditure and commitments divided by approved Capital Budget)	96% of approved Capital Budget spent by 30 June	96%	20%	0%	40%	0%	60%	0%	96%	0%	96%	Report				
KPI 056	Basic Services and Infrastructure	Implement all Water Services Infrastructure capital projects measured quarterly in terms of approved Capital Budget Spent	96% of approved Capital Budget spent by 30 June	96%	20%	15%	40%	50%	60%	45%	96%	16.6%		Report				
KPI 057	Basic Services and Infrastructure	Implement all Waste Water Services infrastructure capital projects measured quarterly in terms of approved Capital Budget Spent	96% of capital budget spent by 30 June	96%	20%	10%	40%	65%	60%	85%	96%	96%		Report				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 058	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	New KPI	1	0	N/A	N/A	N/A	N/A	N/A	N/A		Minutes of Management & Portfolio Committee meetings				
KPI 059	Basic Services and Infrastructure	Implement all solid waste infrastructure capital projects measured quarterly in terms of approved capital budget spent	96% of capital budget spent by 30 June	96%	20%	0%	40%	0%	60%	0%	96%	100%		Report				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 060	Sound Financial Management	Number of formal residential properties that receive piped water, electricity (excluding Eskom areas), waste water sanitation/sewerage, (credit and pre-paid water) that is connected to municipal water, electricity infrastructure network, including refuse removal once per week and billed for service as at 30 June	Number of formal residential properties which are billed for water or have pre-paid meters as at 30 June 2019	37102	37102	37102	37102	37102	37102	37102	37102	37102	37102	Billing Report				
KPI 064	Sound Financial Management	Provide free basic services; water, electricity, sanitation and refuse removal to indigent households	Report on % of HH earning less than 2Xsocial grant plus 25% per month with access to FBS	1	3	3	3	3	3	3	3	12	12	Billing Report				
KPI 056	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	New KPI	1	0	N/A	N/A	N/A	N/A	N/A	N/A	1	Minutes of Management & Portfolio Committee meetings				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 053	Good Governance	Achieve Improved Audit Opinion for 2017/18 FY	Improved Audit Opinion achieved for 2017/18 Financial Year	New KPI	N/A	N/A	1	0	N/A	N/A	N/A	N/A	1	Audit Outcome Letter				
KPI 054	Institutional Development & Building Capacity	Review the Spatial Development Framework and submit to council by 30 September 2018	Reviewed Spatial Development Framework submitted to Council by 30 September 2018	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	1	Council Minutes				
KPI 055	Institutional Development & Building Capacity	Develop and submit Integrated Human Settlement Plan to Council for approval by 30 September 2018	Developed and submitted Integrated Human Settlement Plan to Council for approval 30 September	New KPI	1	0	N/A	N/A	N/A	N/A	N/A	N/A	1	Council Minutes				
KPI 056	Institutional Development & Building Capacity	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	Develop and submit department Standard Operating Procedures to Management & Portfolio Committee for approval by 30 September 2018	New KPI	1	0	N/A	N/A	N/A	N/A	N/A	N/A	1	Minutes of Management & Portfolio Committee meetings				

Ref No	Objective	Indicator (Activity/Project/ Key actions)	Unit of Measure	Baseline	TARGETS								Annual Target	Perform Feedback	2017/18 Target		2019/20Target	
					Jul-Sept 2018	Actual	Oct-Dec 2018	Actual	Jan-March 2019	Actual	Apr-June 2019	Actual			Target	Actual	Target	Actual
KPI 057	Deliver Basic Services	Conduct scheduled refuse removal services to all formal and informal housing areas throughout Ngwathe at least once per week	Number of formal and informal Households whose refuse was removed at least once per week		37102	37102	37102	37102	37102	37102	37102	37102	37102	Work Schedules of Refuse Removal Sections signed-off				

CHAPTER 5

FINANCIAL PERFORMANCE

AFS

REPORT OF THE CHIEF FINANCIAL OFFICER - AUDITED ANNUAL FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION

Introduction

The office of the Chief Financial Officer is responsible for compiling and preparing the financial statements that fairly present the state of affairs of the municipality in line with Municipal Finance Management Act No. 56 of 2003, sec. 122 and any other guidelines issued by National Treasury and Accounting Standard Board.

In this regard the municipality aspires to be a leading municipality and thereby ensuring that it continues with sustainable service delivery while remaining financially viable. The 2018/2019 financial year results are in part the outcome of its early pursuit of the reforms.

Key performance areas:

- Development and implementation of revenue enhancement revenue strategy to ensure maximise revenue collection to ensure,
- To effectively manage finance and improve financial sustainability,
- To ensure that the budget and expenditure controls are in place and are effective,
- Improve Audit outcome,
- Administer Financial Management Support Services;
- Manage Council's Financial Management Policies and Procedures;
- Ensure full compliance with Generally Recognised Accounting Practices;
- Ensure compliance to the Municipal Finance Management Act and other legislative requirement;
- Ensure compliance with supply chain management processes and procedure
- Ensure smooth transition on implementation of Municipal Standard Chart of Account;

Current year

The office of the Chief Financial Officer strives towards a long-term relationship with customers (rates payers), business association, non-profit organisation, local municipality and other government department by providing high-level service within the municipality. In doing so, it is required of its staff members to act professionally, honestly and with integrity when discharging their duties.

- The management team maintains an active role in projects and administration, enabling swift decisions and a higher commitment to service delivery;
- The office conducts itself in compliance with the Municipal Finance Management Act and other relevant pieces of legislation.

The year ahead

In the coming financial year, it is anticipated that the financial operations will be improved to ensure improved audit outcome, the programme of action to sustain and improve the Auditor-General's management report findings includes amongst others:

- Filling of the critical vacancy with competent staff,
- Training of staff on assets management, value added tax act, revenue management, expenditure management and development of procedure manual relating to ensure full compliance with Act,
- Consistent training of staff on Generally Recognised Accounting Practice and the Accounting Standards Board updates,
- Preparation of bi-annually financial statements;
- Implementation of audit action plan based on the Auditor-General's finding;
- Conversion and update the of audited assets register;
- Ensure compliance with other laws, regulations and guidelines;

The programme anticipated in the year ahead includes:

- Full implementation of Municipal Standard Chart of Account (mSCOA);
- Development of legislative compliance register;
- Improving capacity in the local municipality by deploying support;
- Roll out the new Financial Management System (SOLAR); and
- Streamlining the operations of the municipality to improve efficiency.

Internal controls

It is management's responsibility to maintain a proper system of internal controls to ensure that the integrity of financial and accounting information meets the operational requirements and to ensure that the assets of the municipality are safeguarded. In strengthen internal controls system management will be embarking on a process to develop the procedure manual to ensure that finance duties are segregated to improve internal controls.

Ethical issues

The municipality has a code of conduct for its councillors and employees. The code ensures that councillors and officials maintain the highest ethical standards and practices when supporting other local municipalities.

FINANCIAL PERFORMANCE

FS 203 Ngwathe Local Municipality - Statement of Financial Position					
Description	2014/15	2015/16	2016/17	2017/18	2018/19
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome
Financial Performance					
Revenue from exchange transaction					
Service charges	224 088	232 789	261 919	267 120	313 685
Rental of facilities and equipment	1 434	1 009	1 452	757	698
Other income	2 066	1 697	1 922	1 695	1 443
Interest received	34 771	35 864	45 119	48 020	54 568
Revenue from non-exchange transaction					
Property rates	59 639	64 481	76 797	82 644	83 414
Government grants and subsidies	192 320	266 947	236 594	262 771	258 333
Fines and penalties and forfeits	906	763	1 339	2 097	2 094
Donation received			-	2 365	-
Total Revenue (excluding capital transfers and contributions)	515 224	603 550	625 142	667 469	714 235
Employee costs	179 108	183 643	186 764	199 672	219 479
Remuneration of councillors	10 711	11 479	11 443	14 428	14 912
Depreciation & asset impairment	108 133	154 076	10 282	70 909	64 712
Finance cost	58 711	81 100	106 580	73 371	37 860
Bad debts written off	52 334	26 847	173 235	152 810	194 076
Repairs and Maintenance	27 739	10 048	25 643	48 212	54 903
Bulk purchases	162 495	181 520	212 137	208 681	240 635
Contracted services	2 536	1 360	1 920	4 584	4 038
Other expenses	202 922	98 445	97 932	98 293	93 044
Total Expenditure	804 689	748 518	825 936	870 960	923 659
Surplus/(Deficit) for the year	-289 465	-144 968	-200 794	-203 491	-209 424

Financial position					
Total current assets	84 232	103 565	215 319	267 163	334 540
Total non-current assets	826 246	848 400	897 609	1 433 957	1 438 288
Total current liabilities	660 328	818 237	1 003 268	1 360 010	1 618 807
Total non-current liabilities	168 209	193 624	156 698	155 656	177 168
Cash flows					
Net cash from (used) operating	-70 913	-88 558	-74 933	-84 442	-98 870
Net cash from (used) investing	-68 408	-77 196	-73 205	-77 232	-62 189
Net cash from (used) financing	-6 259	-6 003	-6 391	-4 711	-3 282
Cash equivalents at the year end	3 085	8 444	3 781	6 279	39 678

1.1. Financial performance analysis

As disclosed in the Annual Financial Statement under the accounting policies subsection 1.22 and Notes 41 and 43 comparative figures have been restated or reclassified due to prior period error or to conform to changes in presentation in the current year. The reinstatement was necessitated by the fact that management had to correct the accounting mistake done in the past, hence, a need for retrospective implementation.

1.1.1. Cash and cash equivalents

Council has during the past twelve (12) month maintained a consistent and positive cash and cash equivalent position as the results the operating bank balance as at the end of the financial year 2018/19 was R 39,678 million an increase of R 33,399 million as to compare to the previous financial year.

1.1.2. Receivables from exchange transactions

Material increase in receivables from exchange transactions is due to lack of debt collection and credit control implementation, the other factors contributing to the increase on receivables on exchange transaction is long outstanding debt which is beyond the prescribe period of three (3) years in terms of Prescription Act No. 68 of 1969 has not been written off by Council.

Management will in the following year assessed individual debtors and where there was uncertainty or no movement of repayment, the affected debtor will be recommended to Council for possible write off.

During the current year an additional impairment was necessary, these resulted the impairment provision to increase with an amount of R194 million while a bad debts amounting to R154 million was written-off in the current years.

1.1.3. Operating Revenue

Operating revenue excluding capital grants and subsidies for the year amount to R714 million (2018: R667 million) which reflects an increase of 7%. Included in the above figure are operating government grants to the amount of R258 million which constitute 36% of total revenue.

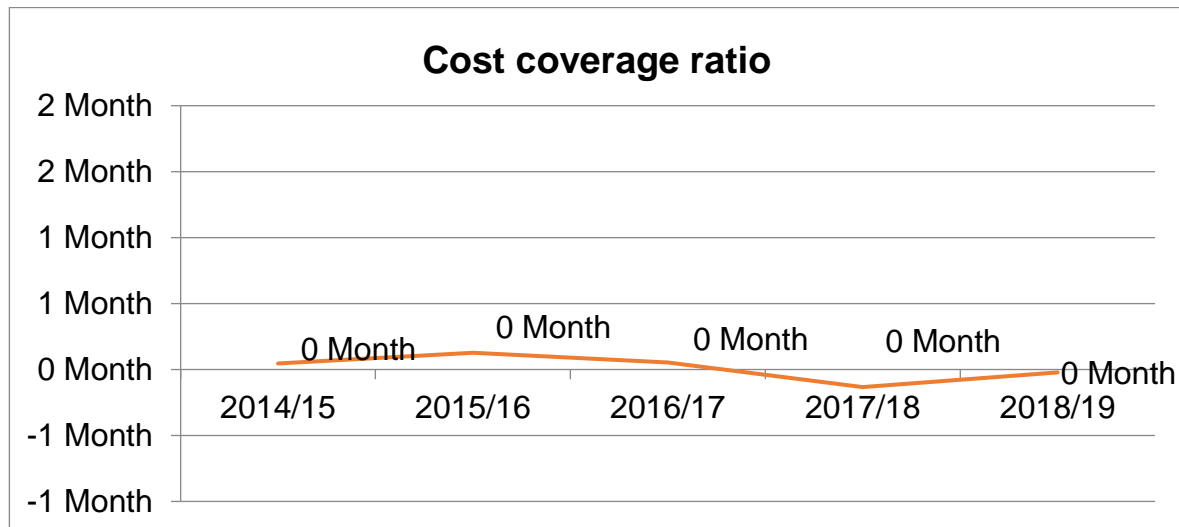
Service charges jointly comprise 44% of total revenue and increase with R47 million from 2018 (R 267 million) to R314 million in the reporting financial year which is R46 million less than the adjusted budget (R360 million). Sales of electricity remains the largest source of income and contributes 22% to municipal revenue.

Property rates constitute 12% of the total revenue an increase of 1% from the previous financial year. Interest received has increased by R6,5 million to R54,6 million which can mainly be attributed to the interest rate increase during the year.

2. Financial status

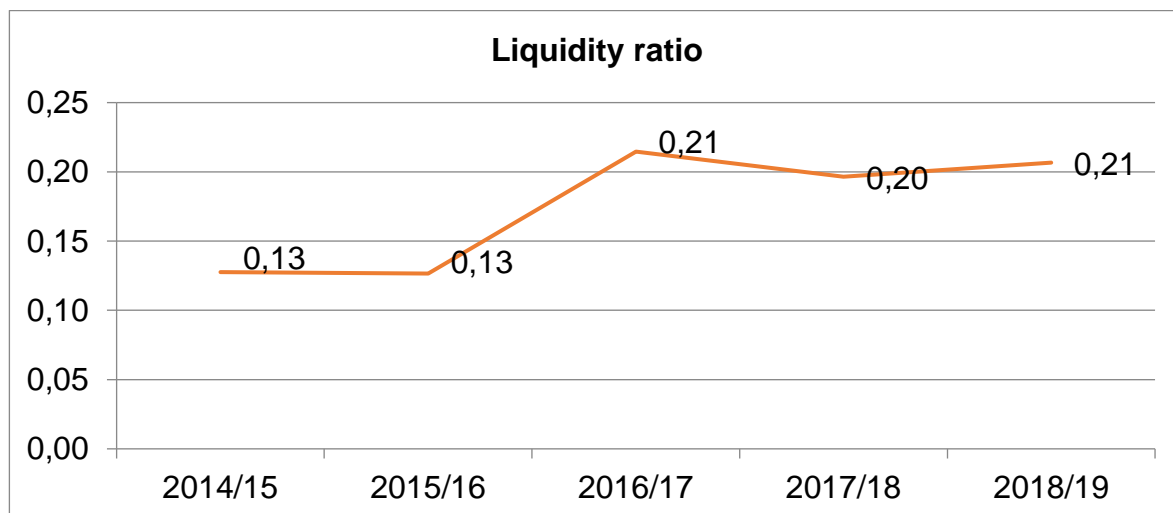
The municipality has recorded an operating loss in 2019 of **R209 million** as to compare to the loss that was realised in 2018 of R203. The operating budget indicates moderate increases for the next three years.

2.1 Financial ratios based on the audited financial statement



Cost coverage ratio measures how many month expenditure can be covered by the cash and other liquid assets available to the municipality excluding unspent conditional grants.

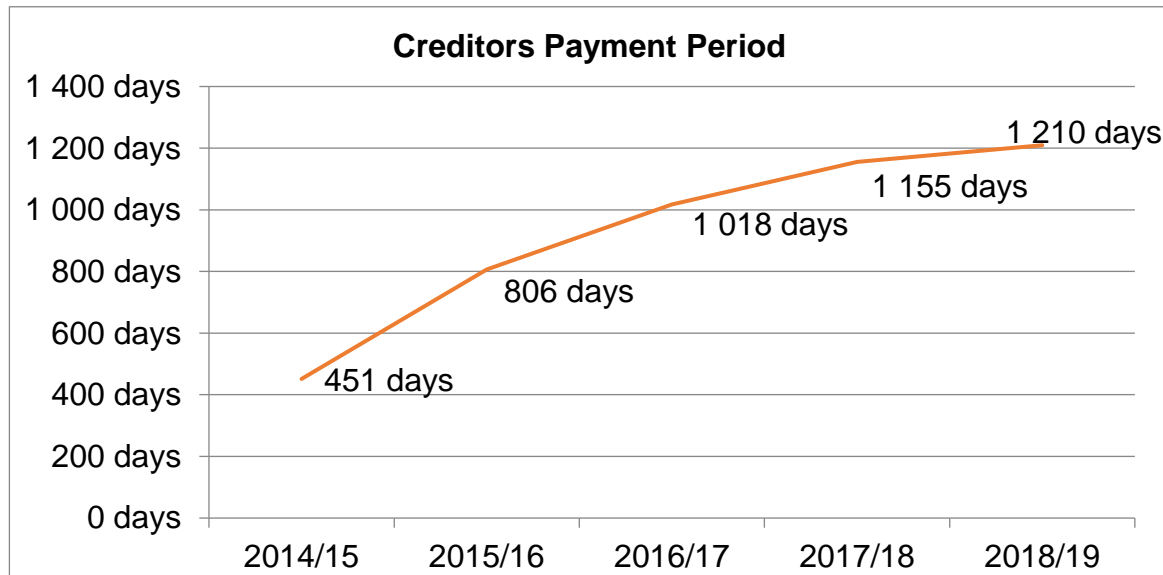
The ratio has been consistently under zero (0) month coverage over a period of 5 years, the above should raise serious concern as that will eventually affect the operation of the municipality and ability to meet our legislative obligation, the National Treasury norm for cost coverage is 1 – 3 month (NT Circular 71) environment.



Liquidity ration measures the municipality ability to pay its creditors (obligations)

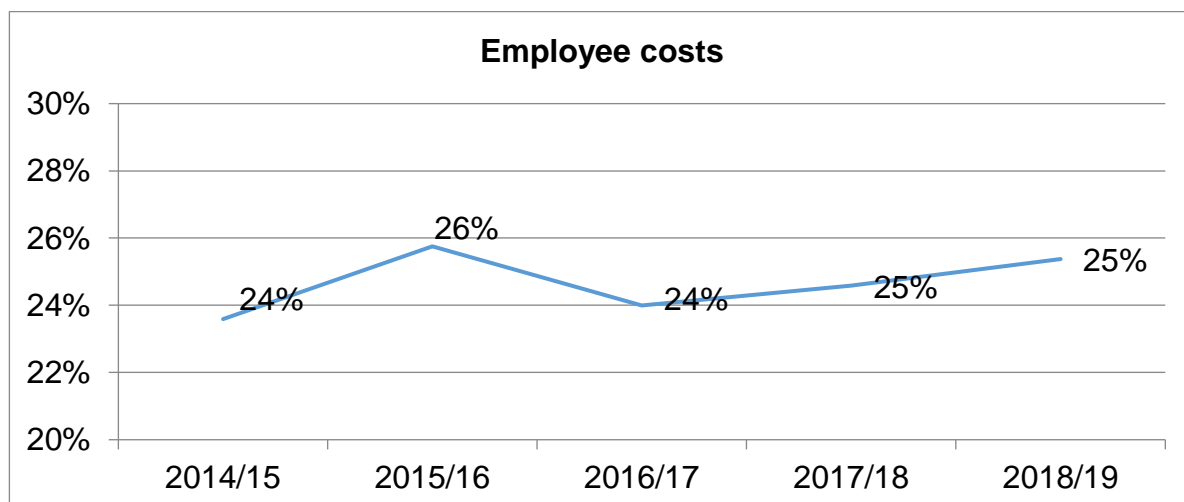
The ratio has been below the norm over a period of 5 years from 0.13% in 2015 to a 0.21% in 2019, the ratio is far below the norm which should raise concerns on the ability of the

Municipality to provide sustainable service delivery and meeting its financial obligation to wards suppliers. The National Treasury norm for liquidity ratio is 1.5% – 2.1% (NT Circular 71).



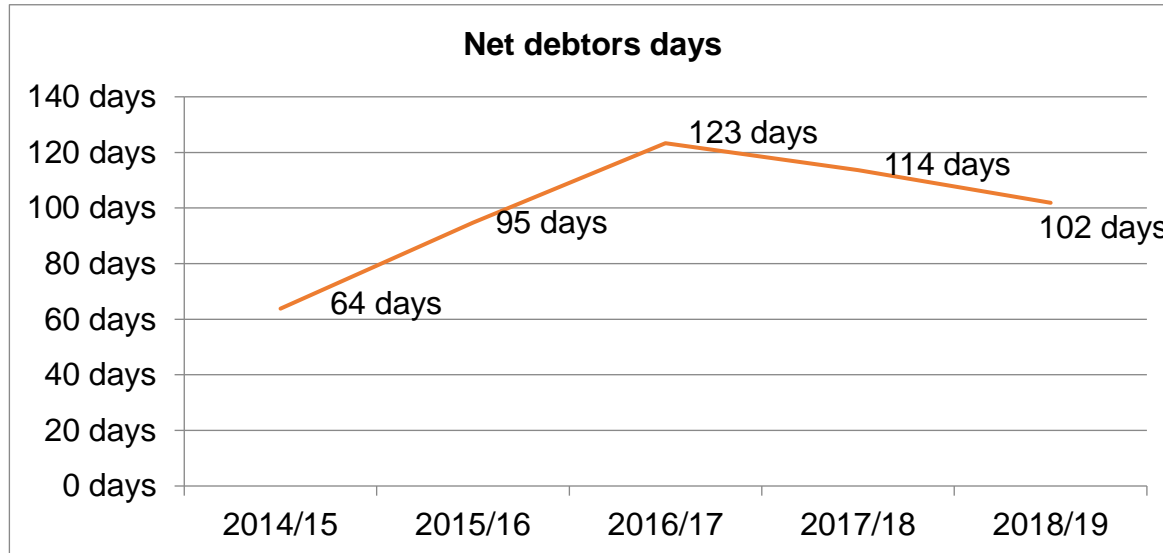
Creditors Payment Period measures the average number of days taken for Trade Creditors to be paid

The average number of days taken to pay trade creditors is extremely above the norm, over a period of 5 years, 451 days in 2015 and 1210 days in 2019. National Treasury norm for trade creditors payment is 30 days (NT Circular 71)



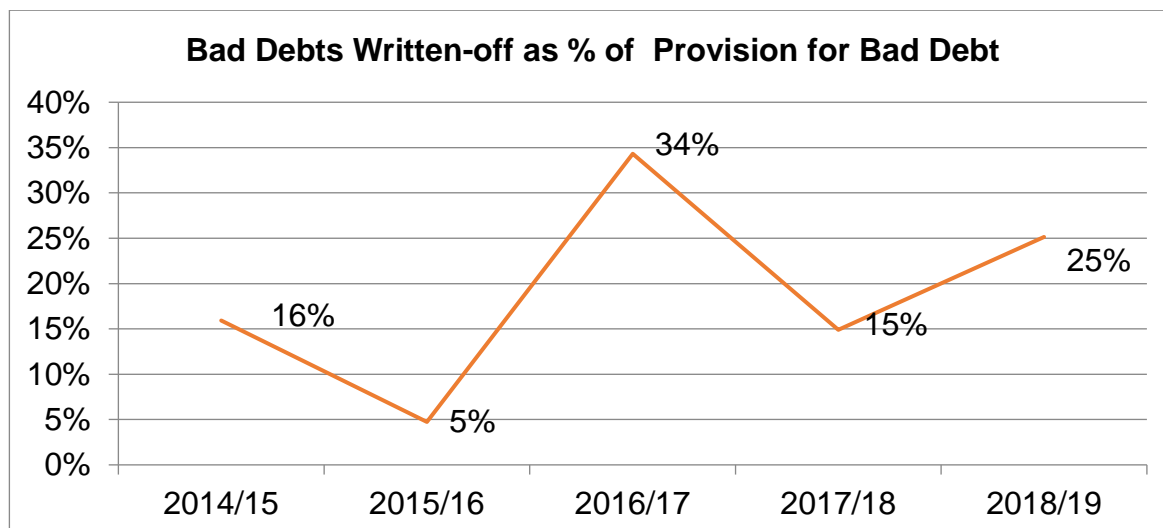
Employee costs measures what portion of the he municipality total expenditure was spent on salaries and wages.

The ratio has increase over a period of 5 years from 24% in 2015 to a 25% in 2019, the ratio is within the norm. National Treasury norm for employee cost ration is 25% – 40% (NT Circular 71)



Net debtor's day's measure / ratio reflects the collection period, the average number of days required for a Municipality to receive payment from its consumers for bills/invoices issued to them for services.

The ratio has increase over a period of 5 years from 64 days in 2015 to a 102 days in 2019, the ratio is outside the norm. National Treasury norm for net debtor's day's is 30 days (NT Circular 71)



Bad debts written off as a % of provision for bad debts – the ratio compares the value of Bad Debts Written-off on Consumer Debtors to Bad Debts Provided for Consumer Debtors to ensure that the Provision for Bad Debts is sufficient.

The ratio has been below the norm over a period of 5 years from 16% in 2015 to a 25% in 2019. National Treasury norm for bad debts written off as a % of provision for bad debts is 100% (NT Circular 71)

3. Conclusion

The municipality's overall financial management operation can be improved to be able to deal with the demands for improved service delivery in assistance to local municipalities and other legislative mandate imposed on municipality by the Constitution.

Expression of appreciation

My sincere appreciation to the Executive Mayor, Members of Mayoral Committee, Councilors, the Municipal Manager and Departmental Heads and their staff including local representatives of the Office of the Auditor General and the auditors appointed by him for the support given to me.

I wish to convey a special word of appreciation to all the staff in Budget and Treasury Office for their hard work, dedication and their undoubted support given to me, all this could not have been a reality without them.

Thank you,

Mr. Hopolang I Lebusa

Chief Financial Officer



Ngwathe Local Municipality
Annual Financial Statements for
the year ended 30 June 2019

General Information

Legal form of entity

An organ of state within the local sphere of government exercising executive and legislative authority.

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (Water is bought in bulk from DWA and distributed to the consumers by the municipality); and Rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).

Executive Mayor

Mochela J

Members of the Mayoral Committee

Mochela J (Exco member)
Mbele MA (Exco member)
Mmusi MG (Exco member)
Mofokeng ML (Exco member)
Mofokeng MM (Exco member)
Mopedi NP (Exco member)
Molaphene PM (Exco member)
Ndayi PR (Exco member)
Serathi M (Exco member)
Serfontein C (Exco member)
Sotshiva LP (Exco member)

Councillors

DE Beer VE
Ferendale RS
Fieland H
Gobidolo SM
Kgantse R
LA Cock PJ
Mabena JS (Deceased)
Magashule IM
Matroos AS
Mehlo LR
Miyen MC
Mofokeng MD
Motebele R
Mvulane L
Nteo S
Radebe S
Rapuleng MD
Schoonwinkel A
Sehume NA
Taje M
Tete CF
Thene BS
Toyi MS
Van Der Merwe PP

General Information

Grading of local authority

Tlhobelo NP (Appointed 01/11/2018)
Vermaak SM
Vrey AP (Appointed 01/10/2018)
Local Medium Capacity Municipality (Grade 3)

Accounting Officer

Kannemeyer BW

Chief Finance Officer (CFO)

Lebusa IS

Registered office

12 Liebenbergs Trek

Parys

9585

Business address

12 Liebenbergs Trek

Parys

9585

Postal address

PO Box 359

Parys

9585

Bankers

ABSA

Attorneys

A full list of attorneys used during the year is available at the municipal

offices.

Enabling legislation

Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Municipal Property Rates Act, 2004 (Act No. 6 of 2004)

Municipal Structures Act , 1998 (Act No. 117 of 1998)

Municipal Systems Act, 2000 (Act No. 32 of 2000)

Accounting Officer

Kannemeyer BW

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Accounting Policies	14 - 41
Notes to the Annual Financial Statements	41 - 87
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
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 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 annual financial statements set out on pages 5 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Accounting Officer
Mr. Kannemeyer BW

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

- **Review of activities**

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in the Ngwathe area, Free State Province and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

- **Going concern**

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R (23,147,306) and that the municipality's total liabilities exceed its assets by R (23,147,306).

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

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

- **Subsequent events**

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

- **Accounting Officer**

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

Kannemeyer BW

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	9	5,636,903	5,349,447
Receivables from exchange transactions	12	87,532,283	83,135,236
Receivables from non-exchange transactions	11	31,594,356	25,715,378
VAT receivable	10	169,915,971	145,066,868
Other receivables	8	182,333	1,616,953
Cash and cash equivalents	7	39,678,198	6,278,965
		334,540,044	267,162,847
Non-Current Assets			
Investment property	3	135,235,600	131,374,488
Property, plant and equipment	4	1,298,746,407	1,297,546,881
Intangible assets	5	3,249,314	4,049,406
Other financial assets	6	<u>1,056,728</u>	<u>986,659</u>
		1,438,288,049	1,433,957,434
Total Assets		1,772,828,093	1,701,120,281
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	42,418
Payables from exchange transactions	14	1,441,974,726	1,219,598,005
Consumer deposits	15	5,115,160	5,149,282
Employee benefit obligation	18	3,193,721	3,098,100
Unspent conditional grants and receipts	16	41,309,028	15,956,192
Provisions	17		
		<u>127,214,691</u>	<u>116,166,213</u>
		1,618,807,326	1,360,010,210
Non-Current Liabilities			
Employee benefit obligation	18	33,058,134	29,265,655
Provisions	17	144,109,940	126,389,917
Total Liabilities		177,168,074	155,655,572
Net Assets		1,795,975,400	1,515,665,782
Accumulated surplus		(23,147,307)	185,454,499
		(23,147,306)	185,454,497

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	19	313,685,058	267,119,674
Rental of facilities and equipment	20	698,369	756,938
Other income	21	1,442,817	1,694,713
Interest received	22	54,568,388	48,019,800
Total revenue from exchange transactions		370,394,632	317,591,125
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	83,414,440	82,644,214
Transfer revenue			
Government grants and subsidies	25	258,332,664	262,770,551
Fines, penalties and forfeits	24	2,094,297	2,096,951
Donation received	26	-	2,365,000
Total revenue from non-exchange transactions		343,841,401	349,872,716
Total revenue		714,236,033	667,464,841
Expenditure			
Employee related costs	27	(219,478,698)	(199,672,369)
Remuneration of councillors	28	(14,912,669)	(14,428,002)
Depreciation and amortisation	29	(64,711,548)	(70,909,034)
Finance costs	30	(37,860,034)	(73,371,160)
Debt Impairment	31	(194,077,525)	(152,809,659)
Bulk purchases	33	(240,635,152)	(208,681,118)
Contracted services	34	(4,037,870)	(4,583,669)
General expenses	35	(93,044,262)	(98,292,684)
Repairs and maintenance	32	(54,903,302)	(48,212,163)
Total expenditure		(923,661,060)	(870,959,858)
Operating deficit		(209,425,027)	(203,492,017)
Fair value adjustments	36	3,945,115	4,251,086
Actuarial gains/(losses)	18	(2,903,862)	(1,747,485)
Inventories surplus / (losses)		(218,032)	-
Deficit for the year		(208,601,806)	(200,988,416)

Statement of Changes in Net Assets

* See Note 43

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	Accumulated	
	Total net surplus assets	
	R	R
Opening balance as previously reported	(165,996,783)	(165,996,783)
Adjustments		
Prior year adjustments	552,439,695	552,439,695
Balance at 01 July 2017 as restated*	386,442,912	386,442,912
Changes in net assets		
Deficit for the year	(188,140,529)	(188,140,529)
Changes in the net assets	<u>(12,847,886)</u>	<u>(12,847,886)</u>
Total changes	<u>(200,988,415)</u>	<u>(200,988,415)</u>
Restated* Balance at 01 July 2018	185,454,500	185,454,500
Changes in net assets		
Deficit for the year	<u>(208,601,806)</u>	<u>(208,601,806)</u>
Total changes	<u>(208,601,806)</u>	<u>(208,601,806)</u>
Balance at 30 June 2019	<u>(23,147,306)</u>	<u>(23,147,306)</u>
Note(s)		

* See Note 43

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Cash receipt from customers		245,658,959	223,813,829
Grants		283,685,500	278,613,929
Interest income		1,655,377	1,629,275
Other receipts		5,670,103	13,218,369
		536,669,939	517,275,402
Payments			
Employee costs		(213,015,529)	(216,568,368)
Suppliers		(224,783,821)	(216,265,214)
		(437,799,350)	(432,833,582)
Net cash flows from operating activities	38	98,870,589	84,4
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(62,202,873)	(77,466,993)
Disposal of financial assets		13,934	234,738
Net cash flows from investing activities		(62,188,939)	(77,232,255)
Cash flows from financing activities			
Employee benefit obligation payment		(3,240,000)	(3,664,000)
Payments of financial liabilities		-	(734,332)
Finance lease payments		(42,418)	(313,060)
Net cash flows from financing activities		(3,282,418)	(4,711,392)
Net increase/(decrease) in cash and cash equivalents		33,399,232	2,498,173
Cash and cash equivalents at the beginning of the year		6,278,965	3,780,791
Cash and cash equivalents at the end of the year	7	39,678,197	6,278,964
41,820			

* See Note 43

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Approved Adjustments Final Budget Actual amounts Difference Reference
budget on comparable between final

R R R basis actual budget and
R R

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	358,425,000	1,709,000	360,134,000	313,685,058	(46,448,942)	Note 52.1
Rental of facilities and equipment	3,440,000	8,000	3,448,000	698,369	(2,749,631)	Note 52.2
Interest received	1,473,000	-	1,473,000	-	(1,473,000)	Note 52.3
Other income	5,655,000	(1,717,000)	3,938,000	1,442,817	(2,495,183)	Note 52.4
Interest received	51,138,000	-	51,138,000	54,568,388	3,430,388	Note 52.3

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Total revenue from exchange transactions	420,131,000	-	420,131,000	370,394,632	(49,736,368)	
Revenue from non-exchange transactions						
Taxation revenue Property rates						
Fines, penalties and forfeits	87,335,000	-	87,335,000	83,414,440	(3,920,560)	Note 52.5
Government grants and subsidies	296,719,000	-	296,719,000	258,332,664	(38,386,336)	Note 52.6
Fines, penalties and forfeits	1,052,000	-	1,052,000	2,094,297	1,042,297	Note 52.7
Total revenue from nonexchange transactions	385,106,000	-	385,106,000	343,841,401	(41,264,599)	
Total revenue	805,237,000	-	805,237,000	714,236,033	(91,000,967)	
Expenditure						
Employee related costs						
Remuneration of councillors	(218,950,000)	1,734,000	(217,216,000)	(219,478,698)	(2,262,698)	Note 52.1
Depreciation and amortisation	(15,239,000)	(153,000)	(15,392,000)	(14,912,669)	479,331	Note 52.1
Finance costs	(68,959,000)	-	(68,959,000)	(64,711,548)	4,247,452	Note 52.1
Debt impairment	(210,000)	110,000	(100,000)	(37,860,034)	(37,760,034)	Note 52.9
Repairs and maintenance	(71,737,000)	-	(71,737,000)	(194,077,525)	(122,340,525)	Note 52.10
Bulk purchases	(27,848,000)	(43,776,000)	(71,624,000)	(54,903,302)	16,720,698	Note 52.11
Contracted services	(247,597,000)	11,000,000	(236,597,000)	(240,635,152)	(4,038,152)	Note 52.1
General expenses	(31,628,000)	(744,000)	(32,372,000)	(4,037,870)	28,334,130	Note 52.12
Transfer and subsidies	(153,538,000)	50,081,000	(103,457,000)	(93,044,262)	10,412,738	Note 52.13
Total expenditure		(18,252,000)	(18,252,000)			Note 52.14
Operating deficit	-	-	(835,706,000)	-	18,252,000	
Fair value adjustments	(835,706,000)			(923,661,060)	(87,955,060)	
Actuarial gains						
Inventories surplus	(30,469,000)	-	(30,469,000)	(209,425,027)	(178,956,027)	
Deficit for the year	-	-	-	3,945,115	3,945,115	Note 52.15
	-	-	-	(2,903,862)	(2,903,862)	Note 52.16
	-	-	-	(218,032)	(218,032)	Note 52.17
	-	-	-			
	(30,469,000)	-	(30,469,000)	823,221	823,221	
				(208,601,806)	(178,132,806)	

Budget on Accrual Basis

Budget on Accrual Basis

	Approved budget	Adjustments		Final Budget	Actual amounts	Reference
				Difference on		
				comparable between final		
				basis budget and	actual	
	R	R	R	R	R	

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

	(30,469,000)	-	(30,469,000)	(208,601,806)	(178,132,806)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement					
Reconciliation					

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts comparable between budget and actual	Difference on final basis	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	679,000	-	679,000	5,636,903	4,957,903	Note 52.18
Receivables from non-exchange transactions	149,378,000	-	149,378,000	31,594,356	(117,783,644)	Note 52.19
VAT receivable	-	-	-	169,915,971	169,915,971	Note 52.20
Other receivables	72,481,000	-	72,481,000	182,333	(72,298,667)	Note 52.21
Cash and cash equivalents	3,978,000	-	3,978,000	39,678,198	35,700,198	Note 52.22
	226,516,000	-	226,516,000	247,007,761	20,491,761	
Non-Current Assets						
Investment property	116,520,000	-	116,520,000	135,235,600	18,715,600	Note 52.23
Property, plant and equipment	833,381,000	-	833,381,000	298,746,407	465,365,407	Note 52.24
Intangible assets	5,047,000	-	5,047,000	3,249,314	(1,797,686)	Note 52.25
Other financial assets	959,000	-	-	-	97,728	Note 52.1
			959,000	1,056,728	482,381,049	
Total Assets				1,438,288,049		
Liabilities	955,907,000	-	1,182,423,000	1,685,295,810	502,872,810	
Current Liabilities	1,182,423,000					
Payables from exchange transactions						
	1,081,764,000	-	1,081,764,000	1,441,974,726	360,210,726	Note 52.26
Consumer deposits	5,523,000	-	5,523,000	5,115,160	(407,840)	Note 52.1
Employee benefit obligation	-	-	-	3,193,721	3,193,721	Note 52.27
Unspent conditional grants and receipts	-	-	-	41,309,028	41,309,028	Note 52.28
Provisions		-	114,440,000	127,214,691	12,774,691	Note 52.29
	114,440,000	-	1,201,727,000	1,618,807,326	417,080,326	
Non-Current Liabilities	1,201,727,000					
Loans from economic entities						
	773,000	30,000,000	30,773,000	-	(30,773,000)	Note 52.30
Employee benefit obligation	-	-	-	33,058,134	33,058,134	Note 52.27
Provisions	164,846,000	-	164,846,000	144,109,940	(20,736,060)	Note 52.29
	30,000,000		195,619,000	177,168,074	(18,450,926)	

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Total Liabilities	165,619,000) 1,397,346,000	1,795,975,400	398,629,400	
Net Assets	1,367,346,000	30,000,00			
	(184,923,000)) (214,923,000)	(110,679,590)	104,243,410	
Net Assets	(30,000,00				
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Accumulated surplus	(184,923,000)				
	(30,000,00) (214,923,000)	(110,679,590)	104,243,410	-

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis	Approved budget on comparable	Adjustments between final	Final Budget	Actual amounts	Difference	Reference
				basis actual	budget and	
R	R		R	R	R	

Cash Flow Statement

Cash flows from operating activities

Receipts

	617,227,000	-	617,227,000	536,669,939	(80,557,061)	
	-	-	-	(213,015,529)	(213,015,529)	Note 52.35
(582,811,000)		-	(582,811,000)	(224,783,823)	358,027,177	Note 52.36
		500,000	(131,000)		131,000	Note 52.37
(631,000)	500,000		(582,942,000)		145,142,648	
(583,442,000)			(437,799,352)			
Sale of goods and services	281,926,000	-	281,926,000	245,658,959	(36,267,041)	Note 52.31
Grants	296,719,000	-	296,719,000	283,685,500	(13,033,500)	Note 52.32
Interest income	6,142,000	-	6,142,000	1,655,377	(4,486,623)	Note 52.33
Other receipts	32,440,000	-	32,440,000	5,670,103	(26,769,897)	Note 52.34

Payments

Employee costs

Suppliers and employee costs

Finance costs

Net cash flows from operating activities	33,785,000	500,000	34,285,000	98,870,587	64,585,587	
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Cash flows from investing activities

Purchase of property, plant and equipment (102,164,000) (30,000,000) **(132,164,000)** (62,202,873) **69,961,127** Note 52.38

Disposal of other financial assets

				13,934	
(102,164,000)	(30,000,000)	(132,164,000)	(62,188,939)		

13,934 Note 52.35

Net cash flows from investing activities					69,975,061	
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Cash flows from financing activities

Finance lease receipts - - - (42,418) **(42,418)** Note 52.35 Employee benefit obligations - - - (3,240,000) **(3,240,000)** Note 52.35

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

Other financial liabilities	-	30,000,000	30,000,000	-	
	(30,000,000)	Note 52.39			
Net cash flows from financing activities	-	30,000,000	30,000,000	(3,282,418)	(33,282,418)
Net increase/(decrease) in cash and cash equivalents	(68,379,000)	500,000	(67,879,000)	33,399,230	101,278,230
Cash and cash equivalents at the beginning of the year	4,182,000	-	4,182,000	6,278,965	2,096,965
Cash and cash equivalents at the end of the year Reconciliation	(64,197,000)	500,000	(63,697,000)	39,678,195	103,375,195

1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

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

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

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

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

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

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 key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of 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 exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

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

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

The present value of the post retirement and long-term benefit obligations depend 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 and long-term benefit 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality 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.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

1.4 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:

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or services 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 recognised at cost. Transaction costs are included in the initial measurement. Subsequent to initial measurement, investment property is measured at cost.

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.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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.

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.

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

Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 32).

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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 are initially measured at cost.

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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

Item life	Depreciation method	Average useful
Airport	Straight line	15 to 20 years
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	5 to 10 years
Infrastructure	Straight line	3 to 100 years
IT equipment	Straight line	3 to 6 years
Land		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

1.5 Property, plant and equipment (continued)

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 32).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as 'decommissioning, rehabilitation 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 which the 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.

The related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If 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 non-cash-generating assets.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

Intangible assets are initially measured at cost.

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.7 Intangible assets (continued)

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.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Computer software, other

Item	Depreciation method	Average useful life	
5 years	Straight line		
Servitudes		Indefinite	
Intangible assets are derecognised:			
• on disposal;			
or			
• when no future economic benefits or service potential are expected from its use or disposal.			

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

The gain or loss arising from the derecognition of an intangible assets are included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Impairment of cash-generating assets

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

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

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

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

Identification

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

Value in use

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.

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 cashgenerating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

- 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.

1.8 Impairment of cash-generating assets (continued)

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

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

the highest of: • its fair value less costs to sell (if determinable);

- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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:

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

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows: [Specify judgements made]

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.

Reversal of an impairment loss

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Financial instruments

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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

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

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

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: 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.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

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 of financial liabilities that are:

6. derivatives;
7. combined instruments that are designated at fair value;
8. instruments held for trading. A financial instrument is held for trading if:
 - a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - b. 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;
 - c. non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - d. financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Other financial assets	Financial asset measured at fair value
Other receivables	Financial asset measured at amortised cost
Receivables from non-cash transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 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, referenced 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 municipality 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 will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the 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 mat costeaured :

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.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

24. the contractual rights to the cash flows from the financial asset expire, are settled or waived;
25. the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
26. 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 :
 - a. derecognises the asset; and
 - b. recognises separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Financial liabilities

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

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

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

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

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

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

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

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

1.11 Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:

- a. if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- b. if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- c. if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- d. interest or other charges that may have accrued on the receivable (where applicable);
- e. impairment losses; and • amounts derecognised.

Accrued interest

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

(continued)

1.11 Statutory receivables

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

11. significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
12. it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
13. a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
14. adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

9. the rights to the cash flows from the receivable are settled, expire or are waived;
10. the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
11. the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:

- i. derecognises the receivable; and
- ii. recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 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;

12. distribution at no charge or for a nominal charge; or
13. 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). 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.

1.13 Value Added Tax (VAT)

The municipality accounts for VAT on cash basis. The municipality is liable to account for VAT at a standard rate 15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of 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 for VAT purposes. The municipality account for VAT on a monthly basis..

1.14 Employee benefits

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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:

11. the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
12. 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:

13. 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 postemployment benefits as well as to provide benefits that are not consideration in exchange for services 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.

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:

- a. wages, salaries and social security contributions;
- b. 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;
- c. 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
- d. non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

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

- e. 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- f. 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 measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

1.14 Employee benefits (continued)

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

Post-employment benefits

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

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

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

Other long-term employee benefits

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.15 Provisions and contingencies

Provisions are recognised when:

11. the municipality has a present obligation as a result of a past event;
12. it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
13. 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.

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

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

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

Provisions are not recognised for future operating surplus (deficit).

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence and nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or - a present obligation that arises from past events but is not recognised because:

9. it is not probable that an outflow of resources embodying economic benefits or services potential will be required to settle the obligation; or
10. the amount of the obligation cannot be measured with sufficient reliability.

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

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:

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.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

a. Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

b. 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.

1.17 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.

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:

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

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

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

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

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

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.18 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.

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

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

1.18 Revenue from non-exchange transactions (continued)

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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

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

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

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

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 nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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.

1.18 Revenue from non-exchange transactions (continued)

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

Property rates

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 municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

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.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

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

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

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

1.19 Investment income

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

method. **1.20 Borrowing costs**

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

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 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.

1.21 Leases (continued)

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

Finance leases - lessee

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

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

Income for leases is disclosed under revenue in the 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.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 41&43.

1.23 Commitments

Items are classified as commitments when the municipality 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:

10. Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

11. Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded. **1.24 Unauthorised expenditure**

Unauthorised expenditure means:

12. overspending of a vote or a main division within a vote; and
13. 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.

a. Unauthorised expenditure (continued)

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.

b. 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.

c. Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

9. expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
10. expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
11. expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:

11. Municipal Finance Management Act, Act 56 of 2003, and its regulations;
12. Municipal Systems Act, Act 32 of 2000, and its regulations;
13. Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
14. The municipality's supply chain management policy, and any by-laws giving effect to that policy.

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.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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.

1.26 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. 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.

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

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

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

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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.

1.29 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:

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

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

The municipality discloses 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.

1.30 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.31 Unspent conditional grant and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any 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.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
--	-----------	-----------

Notes to the Annual Financial Statements

Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

Notes to the Annual Financial Statements

	2019 R	2018 R
--	-----------	-----------

11. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

11. requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
12. defines the principle of control, and establishes control as the basis for consolidation;
13. sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
14. sets out the accounting requirements for the preparation of consolidated financial statements; and
15. defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

11. the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
12. the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this standard is currently being assessed.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this guideline is currently being assessed.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

11. General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
12. IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

13. General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

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:

14. identifying related party relationships and transactions;
15. 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 annual 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:

16. A person or a close member of that person's family is related to the reporting entity if that person:
 - a. has control or joint control over the reporting entity;
 - b. has significant influence over the reporting entity;
 - c. is a member of the management of the entity or its controlling entity.
17. An entity is related to the reporting entity if any of the following conditions apply:
 - a. 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);
 - b. 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;
 - c. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - d. 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;
 - e. the entity is controlled or jointly controlled by a person identified in (a); and
 - f. 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:

18. Close member of the family of a person;
19. Management;
20. Related parties;

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

- 21. Remuneration; and
- 22. Significant influence

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

- 23. Control;
- 24. Related party transactions; and
- 25. Remuneration of management

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: 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 amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. 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.

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.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2019/2020 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

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.

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.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 108: 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 amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

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 Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of this interpretation is currently being assessed.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of this interpretation is currently being assessed.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

11. What is the obligating event that gives rise to the recognition of a liability to pay a levy?
12. Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
13. Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
14. Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
15. What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

16. The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
17. An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
18. The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
19. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
20. If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
21. An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of this interpretation is currently being assessed.

3. Investment property

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

					2019 R	2018 R
Notes to the Annual Financial Statements				2018		
Investment property	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Reconciliation of investment property - 2019	135,235,600	-	135,235,600	131,374,488	-	131,374,488
					Opening balance	Fair value adjustments
Investment property					131,374,488	3,861,1121
35,235,600						

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	127,433,253	3,941,235	131,374,488

Pledged as security

No investment property is pledged as security:

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.

Investment property (continued)

Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Pradeep Ramlall, of AB Projects. AB Projects are not connected to the municipality and have the relevant experience in location and category of the investment property being valued.

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

During the current year the Municipality has elected to change its accounting policy in accordance with Directive 11 (March 2014). 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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	3,167 676,
556	

2019

2018

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

				2019 R	2018 R	
Notes to the Annual Financial Statements						
4. Property, plant and equipment	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	274,416,071	552,585	274,968,656	274,416,071	(3,541,524)	270,874,547
	61,917,284	(23,396,835)	38,520,449	61,917,284	(21,055,097)	40,862,187
	3,866,758	(2,399,912)	1,466,846	3,745,766	(2,137,362)	1,608,404
	9,920,919	(7,872,773)	2,048,146	9,907,006	(7,872,773)	2,034,233
Land	18,067,918	(13,502,026)	4,565,892	19,685,634	(13,337,127)	6,348,507
Buildings	1,165,243	(1,791,993)	(626,750)	1,058,743	(806,539)	252,204
Plant and machinery	5,115,883	(3,880,602)	1,235,281	4,922,619	(3,421,360)	1,501,259
Furniture and fixtures						
Motor vehicles						
Office equipment	1,729,448,005	(752,880,118)	976,567,887	1,671,179,685	(697,114,145)	974,065,540
IT equipment						
Infrastructure	2,103,918,081	(805,171,674)	1,298,746,407	2,046,832,808	(749,285,927)	1,297,546,881
Total						

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Total
Land	270,874,547	4,094,109	-	-	274,968,656
Buildings	40,862,187	2,062,284	-	(4,404,022)	38,520,449
Plant and machinery	1,608,404	120,992	-	(262,550)	1,466,846
Buildings	2,034,233	13,913	-	-	2,048,146
Motor vehicles	6,348,507	251,600	-	(2,034,215)	4,565,892
Office equipment	252,204	106,500	-	(985,454)	(626,750)
IT equipment	1,501,259	193,264	-	(459,242)	1,235,281
Infrastructure	974,065,540	59,454,320	(1,186,000)	(55,765,973)	
976,567,887	1,297,546,881	66,296,982	(1,186,000)	(63,911,456)	
1,298,746,407					

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Revaluations	Depreciation	Impairment loss	Total
Land	270,874,547	-	-	-	-	270,874,547
Buildings	47,328,493	-	-	(4,404,022)	(2,062,284)	40,862,187
Plant and machinery	1,701,203	88,566	77,406	(258,771)	-	1,608,404
Buildings	2,488,708	200,921	188,367	(843,763)	-	2,034,233
Motor vehicles	5,834,837	16,045	2,366,941	(1,869,316)	-	6,348,507
Office equipment	318,383	7,895	40,102	(114,176)	-	252,204
IT equipment	1,425,460	283,393	314,675	(522,269)	-	1,501,259
Infrastructure	957,542,347	79,235,173	-	-	-	
	1,287,513,978	(62,096,624)	(615,356)	974,065,540		
1,297,546,881	79,831,993	2,987,491	(70,108,941)	(2,677,640)		

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
--	-----------	-----------

Notes to the Annual Financial Statements

Pledged as security

None of Property, Plant and Equipment were pledged as security.

Assets subject to finance lease (net carrying amount)

Motor vehicles	190,387	380,834
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Reconciliation of Work-in-Progress 2019

	Included within Infrastructure Buildings	Included within Community	Included within Other PPE	Total
Opening balance	13,837,737	25,902,215	98,085,236	137,825,188
Additions/capital expenditure	5,898,656	2,560,454	47,967,113	56,426,223
Transferred to completed items	-	(2,640,454)	(92,471,178)	(95,111,632)
	19,736,393	25,822,215	53,581,171	99,139,779

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

Included within	Electricity Building	Roads water and sanitation	Total
Opening balance	7,232,732	34,781,187	96,968,603
Additions/capital expenditure	8,609,145	6,997,001	73,271,600
Transferred to completed items	(2,004,140)	(15,875,973)	(32,415,015)
	13,837,737	25,902,215	98,085,236

Expenditure incurred to repair and maintain property, plant and equipment

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

Land and buildings	-	618,439
Infrastructure assets	-	30,745,468
Vehicles	-	2,379,714
	-	33,743,621

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

							2019	2018
							R	R
Notes to the Annual Financial Statements							2019	2018
							R	R
Computer software, other Other intangible assets Total	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value		
	4,000,460	(2,072,346)	1,928,114	4,000,460	(1,272,254)	2,728,206		
Reconciliation of intangible assets - 2019	1,321,200	-	1,321,200	1,321,200	-	1,321,200		
	5,321,660	(2,072,346)	3,249,314	5,321,660	(1,272,254)	4,049,406		
							4,049,406	(800,092)
								3,249,314

			Opening balance	Amortisation	Total
			3,528,298	(800,092)	2,728,206
			1,321,200	-	1,321,200
			4,849,498	(800,092)	4,049,406
			Opening balance	Amortisation	Total
Computer software, other			2,728,206	(800,092)	1,928,114
Other intangible assets			1,321,200	-	1,321,200
Reconciliation of intangible assets - 2018					

Computer software, other
Servitudes

5. Intangible assets (continued)

Pledged as security

No intangible assets were pledged as security.

Details of valuation

The effective date of the revaluations was . Revaluations 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 revalued 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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Notes to the Annual Financial Statements		
Sanlam shares 6682 shares @ 78.16 Trading at (2017:70.77)	522,265	473,897
At amortised cost		
Heilbron Sanlam policy Terms and conditions	480,854	445,219
FNB deposit - 71037431386	53,609	49,800
Investment serves as guarantee for Saambou Bank and bears interest at 15%		
FNB Parys - 710381146801	-	17,743
Investment serves as guarantee for BJ Monyamara and bears interest at 5%, this investment account was closed in the current financial year.		
	534,463	512,762
Total other financial assets	1,056,728	986,659
Non-current assets		
Designated at fair value	522,265	473,897
At amortised cost	534,463	512,762
	1,056,728	986,659

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

2

897

522,265 473,

Level 2

Class 2

538,404

512,762

1,060,669

986,659

Renegotiated terms

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

Financial assets at amortised cost

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

Fair values of financial assets measured or disclosed at fair value

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	149,652	94,241
Bank balances	1,265,750	4,178,790
Short-term deposits	<u>38,262,796</u>	<u>2,005,934</u>
	39,678,198	6,278,965

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Bank - Cheque account 405-2707-733	1,260,330	4,181,999	1,544,549	1,265,750	4,178,790	1,544,549
ABSA Bank - Call account 9253832-988	69,028	604,254	34,291	69,028	604,254	34,291
ABSA Bank - Call account 925-3833-502	37,861,479	785,560	2,077,854	37,861,479	785,560	2,077,854
ABSA Bank - Call account 9250-3833-764	6,578	486,186	12,800	6,578	486,186	12,800
ABSA Bank - Call account 925-3835-643	1,088	1,037	8,182	1,088	1,037	8,182
ABSA Bank - Cheque account 113-000-0041	-	-	45,451	-	-	45,451
ABSA Bank - Call account 928-6271-086	87,199	108,325	22,162	87,199	108,325	22,162
ABSA Bank - Call account - 9286271-167	237,424	15,432	14,681	237,424	15,432	14,681
Total	39,523,126	6,182,793	3,759,970	39,528,546	6,179,584	3,759,970

8. Other receivables

Sundry receivables	182,333	1,616,953
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9. Inventories

Water	138,541	160,277
Stores and material	<u>5,498,362</u>	<u>5,189,170</u>
	5,636,903	5,349,447

Inventory pledged as security

No inventory was pledged as security for overdraft facilities.

10. VAT receivable

VAT	169,915,971	145,066,868
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Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019	2018
R	R

Notes to the Annual Financial Statements

The municipality is registered for VAT on the payment basis.

11. Receivables from non-exchange transactions

Property rates	161,054,177	132,457,874
	<u>(129,459,821)</u>	<u>(106,742,496)</u>
Allowance for impairment - rates	<u>31,594,356</u>	<u>25,715,378</u>

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of receivables from non-exchange transactions

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

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 12,297,299 (2018: R 9,652,303) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	429,831	305,789
2 months past due	2,901,272	3,144,177
3 months past due	8,966,196	6,202,338
		9,652,304

Rates aging

Current (0 -30 days)	6,918,926	5,965,300
31 - 60 days	4,635,391	4,207,288
61 - 90 days	4,189,386	3,880,779
91 - 120 days	3,964,851	3,494,737
121 - 365 days	32,331,118	32,145,588
> 365 days	109,014,505	78,324,622
	<u>(129,459,821)</u>	<u>(106,742,496)</u>
Less: Allowance for impairment	<u>31,594,356</u>	<u>21,275,818</u>

11. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of R 138,000,188 (2018: R 117,245,010) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Notes to the Annual Financial Statements		
12. Receivable from exchange transactions disclosure		
Gross balances		
Consumer debtors - Electricity	126,192,428	129,097,548
Consumer debtors - Waste	83,007,353	93,913,437
Consumer debtors - Waste water	147,249,606	135,988,838
Consumer debtors - Sundry receivables	7,289,216	7,790,080
Consumer debtors - Water	206,787,586	182,001,087
	570,526,189	548,790,990
Less: Allowance for impairment		
Consumer debtors - Electricity	(84,066,233)	(78,966,574)
Consumer debtors - Waste	(75,427,026)	(85,605,273)
Consumer debtors - Waste water	(138,394,186)	(125,509,520)
Consumer debtors - Sundry receivables	(7,105,921)	(7,653,121)
	(178,000,540)	(167,921,266)
Consumer debtors - Water	(482,993,906)	(465,655,754)
Net balance		
Consumer debtors - Electricity	42,126,195	50,130,974
Consumer debtors - Waste	7,580,327	8,308,164
Consumer debtors - Waste water	8,855,420	10,479,318
Consumer debtors - Sundry receivables	183,295	136,959
Consumer debtors - Water	28,787,046	14,079,821
	87,532,283	83,135,236
Electricity		
Current (0 -30 days)	12,479,433	22,161,735
31 - 60 days	5,087,859	6,365,055
61 - 90 days	4,054,968	5,133,410
91 - 120 days	3,344,039	3,050,560
121 - 365 days	39,050,999	26,147,014
> 365 days	62,175,130	66,239,774
Less: Impairment	(84,066,233)	(78,966,574)
	42,126,195	50,130,974

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

12.Receivable from exchange transactions disclosure (continued)

Waste

Current (0 -30 days)						3,372,272	3,05
3,433							
31 - 60 days						3,007,216	2,70
5,516							
61 - 90 days						2,755,117	2,59
6,000							
91 - 120 days	2,717,308	2,515,120	121 - 365 days	20,412,424	21,349,826		
> 365 days						50,743,016	61,6
93,542							
Less: Impairment						(75,427,026)	(85,
605,273)							
						7,580,327	8,30
8,164							

Waste water

Current (0 -30 days)						4,073,580	3,70
3,896							
31 - 60 days						3,473,425	3,09
8,842							
61 - 90 days						3,185,743	3,00
4,570							
91 - 120 days	3,124,172	2,861,821	121 - 365 days	23,734,347	31,880,883		
> 365 days						109,658,339	91,4
38,826							
						(138,394,186)	(125,509,520)
Less: Impairment						8,855,420	10,479,318

Sundry

Current (0 -30 days)						89,977	119,
304							
31 - 60 days						144,331	72,2
03							
61 - 90 days						75,212	72,1
47							
91 - 120 days	71,896	84,984	121 - 365 days	582,634	1,099,723		

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

12.Receivable from exchange transactions disclosure (continued)

> 365 days	6,325,166	6,34
Less: Impairment	(7,105,921)	(7,6
53,121)		
	<u>183,295</u>	<u>136,</u>
959		

Water

Current (0 -30 days)	28,202,184	10,878,037	31 - 60 days	10,531,790	5,450,723
61 - 90 days					6,511,052
1,583					5,29
91 - 120 days	6,420,501	5,221,795	121 - 365 days	59,359,378	39,963,673
115,195,277					> 365 days 95,762,681
	<u>(178,000,540)</u>	<u>(167,921,266)</u>			

Less: Impairment 28,787,046 14,079,822 **Summary of receivables by customer classification**
(exchange and non-exchange transactions Consumers

	<u>(468,284,103)</u>	<u>(435,479,466)</u>
	<u>16,107,987</u>	<u>23,857,130</u>
Current (0 -30 days)	18,235,414	16,979,426
31 - 60 days	16,893,237	12,924,376
61 - 90 days	14,108,106	13,595,688
91 + days	435,155,333	415,837,106
	484,392,090	459,
336,596		
Less: Allowance for impairment		

Business, Industrial and commercial

Current (0 -30 days)	8,680,452	15,372,670
31 - 60 days	3,864,139	5,766,538
61 - 90 days	3,504,142	3,639,957
91 + days	78,699,758	89,949,032
	<u>94,748,491</u>	<u>114,</u>
728,197		
Less: Allowance for impairment	<u>(79,378,334)</u>	<u>(89,</u>
394,591)		

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Notes to the Annual Financial Statements		
12.Receivable from exchange transactions disclosure (continued)		
	15,370,157	25,3
33,606		
Farms and agriculture		
Current (0 -30 days)	1,603,768	1,294,615
31 - 60 days	1,421,720	1,241,584
61 - 90 days	1,396,989	1,201,763
91 + days	55,733,924	44,781,855
	<u>60,156,401</u>	<u>48,5</u>
19,817		
Less: Allowance for impairment	(58,945,791)	(47,
268,990)		
	1,210,610	1,25
0,827		
Indigents		
Current (0 -30 days)	2,173,639	203,458
31 - 60 days	2,546,581	453
61 - 90 days	44,955	447
91 + days	1,080,322	50,844
5,845,497		255,202
Less: Allowance for impairment	(5,845,497)	(255,202)
	<u>-</u>	<u>-</u>
National and Provincial Government		
Current (0 -30 days)	2,062,746	3,118,368
31 - 60 days	2,154,334	1,966,677
61 - 90 days	1,717,286	1,540,634
91 + days	48,704,070	38,430,646
	54,638,436	45,056,325
Receivables from exchange transactions pledged as security		
No consumer receivable was pledged as security for any financial liability.		
Credit quality of receivables from exchange transactions		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Renegotiated terms:		
None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.		
Fair value of receivables from exchange transactions:		

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019	2018
R	R

Notes to the Annual Financial Statements

12. Receivable from exchange transactions disclosure (continued)

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 48,704,070 (2018: R28,778,342) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows

1 month past due	1,528,962	1,186,918
2 month past due	12,965,540	8,754,861
3 month past due	34,209,568	18,836,563

Receivables from exchange transactions past due but not impaired

As of 30 June 2019, receivables from exchange transactions of R 493,507,397 (2018: R 514,507,969) were impaired and provided for.

The following factors were considered in determining the impairment:

- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

13. Finance lease obligation

Present value of minimum lease payments due

- within one year	-
	42,417

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

The average lease term was 5 years (2017: 5 years) and the average effective borrowing rate is 10% (2018: -%).

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

14. Payables from exchange transactions

Trade payables	131,985,750	113,467,620
Payments received in advanced	36,027,627	35,992,761
Accrued leave pay	17,864,158	15,243,162
Accrued bonus	4,752,314	4,239,373
Deposits received	195,632	195,632
Other payables	1,670,206	3,388,906
Eskom	1,060,482,923	931,905,488
Department of Water Affairs	108,592,158	93,429,678
Salary suspense account	21,618,936	4,596,857
Unallocated receipts	5,182	5,182
Retention	17,197,724	17,133,346
	<u>41,582,116</u>	<u>-</u>
Guarantee	<u>1,441,974,726</u>	<u>1,219,598,005</u>

15. Consumer deposits

Rates, Electricity and water	5,115,160	5,149,282
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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Department of Mineral and Energy Grant (INEG)	15,162	-
Finance Management Grant (FMG)	-	67,946
Provincial Treasury Subsidy (EPG)	-	75,887
Provincial Treasury Subsidy (MSP)	5,000,000	-
Co operative Governance and Traditional Affairs (COGTA)	28,590	28,590
Water Services Infrastructure Grant (WSIG)	7,471,507	10,308,147
Regional Infrastructure Grant (RBIG)	28,793,769	2,398,322
Provincial Treasury subsidy (waste water)	<u>-</u>	<u>3,077,300</u>
	<u>41,309,028</u>	<u>15,956,192</u>

Movement during the year

Balance at the beginning of the year	15,956,192	112,814
Additions during the year	283,685,498	279,613,929
	<u>(258,332,662)</u>	<u>(263,770,551)</u>
Income recognition during the year	<u>41,309,028</u>	<u>15,956,192</u>

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

	2019	2018
	R	R

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

17. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Movement during the year	Change in discount factor	Total
Environmental rehabilitation	242,556,130	24,674,392	4,094,109	271,324,631

Reconciliation of provisions - 2018

	Opening Balance	Movement during the year	Change in discount factor	Total
Environmental rehabilitation	209,647,877	36,449,777	(3,541,524)	242,556,130
Non-current liabilities	144,109,940			126,389,917
Current liabilities	127,214,691			116,166,213
			271,324,631	242,

556,130

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 life 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 since the Minimum Requirements (2nd Edition, 1998) issued by the Department of Water Affairs and Forestry (DWAF) at 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.

Disposal site 2019	Opening balance	changes in the net discount rate	Movement	Closing balance
Edenville	17,906,200	-	1,741,378	19,647,578
Heilbron	64,650,000	-	6,287,212	70,937,212
Koppies	25,927,322	694,748	2,665,583	29,287,653
Parys	102,452,609	3,399,362	10,903,092	116,755,063
Vredefort	31,619,999	-	3,077,126	34,697,125
	242,556,130	4,094,110	24,674,391	271,324,631

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 end use. 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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

layers by DWS which are similar to stipulated requirements in recently issued closure licences in other Municipalities.

17. Provisions (continued)

Disposal site 2018	Opening balance	Changes in the net discount rate	Movement	Closing balance
Edenville	15,640,793	-	2,265,407	17,906,200
Heilbron	60,770,528	-	3,879,472	64,650,000
Koppies	19,514,094	(615,593)	7,028,821	25,927,322
Parys	85,330,619	(2,925,931)	20,047,921	102,452,609
Vredefort	28,391,844	-	3,228,155	31,619,999
	209,647,878	(3,541,524)	36,449,776	242,556,130

18. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(22,423,722)	(19,663,755)
Present value of the defined benefit obligation-partly or wholly funded	(13,828,133)	(12,700,000)
	(36,251,855)	(32,363,755)
Non-current liabilities	(33,058,134)	(29,265,655)
Current liabilities	(3,193,721)	(3,098,100)
	(36,251,855)	(32,363,755)

Changes in the present value of the employee benefit obligation are as follows:

Opening balance	32,363,755	30,108,508
Net expense recognised in the statement of financial performance	3,888,100	2,255,247
	36,251,855	32,363,755

Net expense recognised in the statement of financial performance

Current service cost	1,237,000	1,236,000
Interest cost	2,987,238	2,935,762
Actuarial (gains) losses	2,903,862	1,747,485
Expected benefits paid	(3,240,000)	(3,664,000)
	3,888,100	2,255,247

Calculation of actuarial gains and losses

Actuarial (gains) losses – Long service	347,133	(390,000)
Actuarial (gains) losses – Medical aid	2,556,729	2,137,485
	2,903,862	1,747,485

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019
R

2018
R

Notes to the Annual Financial Statements

18. Employee benefit obligations (continued)

Post-retirement medical aid plant

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolutions 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which state that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement. The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes::

- Bonitas
- Hosmed
- Discovery
- Key Health- LA Health
- Samwumed.

Long Service benefits.

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonus are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave
days		
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 24 - 45 Years	6%	15 days

Key assumptions used

Assumptions used at the reporting date:

CPI (Medical aid)	6.48 %	5.73 %
CPI (Long services)	4.87 %	6.40 %
Discount rate (Medical aid)	10.68 %	9.18 %
Discount rate (Long services)	8.10 %	8.80 %
Medical aid inflation (Medical aid)	8.48 %	7.23 %

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Notes to the Annual Financial Statements		
Salary increase rate (Long service award)	5.87 %	7.40 %
Net discount rate (Medical aid)	2.03 %	1.82 %
Net discount rate (Long service award)	2.11 %	1.30 %
Continuation percentage	100.00 %	100.00 %

18. Employee benefit obligations (continued)

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:

	One percentage point increase	One percentage point decrease
Employer's accrued liability (Long service awards)	14,703,606	13,029,679
Current service cost (Long service awards)	1,223,783	1,075,178
Interest cost (Long service awards)	1,132,989	997,401
Employer's accrued liability (Medical aid)	24,303,047	20,751,480
Interest cost (Medical aid)	2,494,241	2,115,807

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	36,251,855	32,363,755	55,365,000	54,325,000	56,456,000
Defined contribution plan					

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF) - Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Notes to the Annual Financial Statements		
The amount recognised as an expense for defined contribution plans is	3,888,100	2,255,247
5,247		
19. Service charges		
Sale of electricity	156,620,064	135,060,669
Sale of water	88,250,159	67,100,399
Sewerage and sanitation charges	36,341,698	34,457,545
Refuse removal	32,473,137	30,501,061
	313,685,058	267,119,674
20. Rental of facilities and equipment		
Premises		
Buildings and housing	372,265	58,066
Camps	4,710	4,710
Premises	3,167	676,556
Venue hire	22,731	17,606
	402,873	756,938
21. Other income		
Administration fees	-	4,709
Building plans and inspections	91,368	158,596
Clearance certificates	73,306	87,965
Grave plots	525,869	631,751
Reconnection / connection fees	272,069	316,065
Sale of land	115,937	13,991
Sundry income	19,916	30,893
Tender deposits	344,352	450,743
	1,442,817	1,694,713
22. Interest received		
Interest revenue		
Other financial asset	1,655,377	1,629,275
Interest charged on trade and other receivables	52,913,011	46,390,525
	54,568,388	48,019,800

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

23. Property rates

Rates received

Property rates

44,214

83,414,440 82,6

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission. **Valuations**

Agriculture	3,463,315,597	3,446,248,352
Business	492,020,136	502,821,936
Churches	81,352,940	1,620,000
Government	332,811,581	330,472,081
Industrial	37,542,500	38,392,500
Municipal	36,678,460	141,531,772
Other	99,000	80,000
Public Service Infrastructure	21,890,000	6,981,520
Residents	4,362,841,202	4,221,090,409
	<u>39,153,850</u>	<u>39,153,850</u>
Schools	<u>8,867,705,266</u>	<u>8,728,392,420</u>

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

Valuations on land and buildings are performed every five years. The last general valuation roll came into effect on 1 July 2014, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions. The first R 75,000 of the valuation of residential property is exempted from property rates.

24. Fines, penalties and forfeits

Fines - tampered meters	2,092,747	2,077,201
Fines - traffic	1,550	19,750
	<u>2,094,297</u>	<u>2,096,951</u>

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

25. Government grants and subsidies

Operating grants

Equitable share	174,303,027	160,606,000
Local Government Finance Management Grant (FMG)	2,282,947	2,077,064
Local Government Sector Education and Training Authority Grant (LGSETA)	184,498	-
Provincial Treasury subsidy (waste water)	20,577,300	16,022,700
Co operative Governance and Traditional Affairs (COGTA)	-	1,692,339
	197,347,772	180,398,103

Capital grants

Expanded Public Works Programme (EPWP)	-	1,000,628
Department of Mineral and Energy Grant (INEG)	2,984,838	5,000,000
Municipal Infrastructure Grant (MIG)	41,164,000	45,078,289
Regional Bulk Infrastructure Grant (RBIG)	4,231,674	12,601,678
Water Service Infrastructure Grant (WSIG)	12,528,493	18,691,853
Provincial Treasury Subsidy (MSP)	75,887	-
	60,984,892	82,3

72,448

770,551

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	83,896,023	102,164,551
Unconditional grants received	174,487,525	160,606,000
	258,383,548	262,770,551

Equitable Share

Current year receipts	174,340,000	160,606,000
	(174,340,000)	(160,606,000)
Conditions met - transfer to revenue	-	-

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

Municipal infrastructure Grant (MIG)

Balance unspent at beginning of year	-	288
Current-year receipts	41,164,000	45,078,000
Conditions met - transferred to revenue	(41,164,000)	(45,078,288)
	-	-

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.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

25. Government grants and subsidies (continued)

Department of Mineral and Energy Grant (INEG)

Current-year receipts	3,000,000	5,000,000
Conditions met - transferred to revenue	(2,984,838)	(5,000,000)
	<u>- 15,162</u>	

Conditions still to be met - remain liabilities (see note 16).

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. **Water Service Infrastructure Grant (WSIG)**

Balance unspent at beginning of year	10,308,147	-
Current-year receipts	20,000,000	29,000,000
Conditions met - transferred to revenue	(12,579,368)	(18,691,853)
Grant withheld	<u>(10,282,705)</u>	<u>-</u>
	<u>7,446,074</u>	<u>10,308,147</u>

Conditions still to be met - remain liabilities (see note 16).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	2,398,322	-
Current-year receipts	33,000,000	15,000,000
Conditions met - transferred to revenue	(4,231,673)	(12,601,678)
Grant withheld	<u>(2,398,322)</u>	<u>-</u>
	<u>28,768,327</u>	<u>2,398,322</u>

Conditions still to be met - remain liabilities (see note 16).

The purpose of the overall regional bulk programme is to develop an oversight function that will ensure the construction of enabling infrastructure and of operations and maintenance of regional bulk infrastructure in the water sector. **Local Government Finance Management Grant (FMG)**

Balance unspent at beginning of year	67,947	11
Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	(2,282,947)	(2,077,064)
	<u>-</u>	<u>67,947</u>

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 (EPWP)

Balance unspent at beginning of year	- 628	Current-year receipts- 1,000,000
Conditions met - transferred to revenue		-
		<u>(1,000,628)</u>
		<u>- -</u>

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

2019	2018
R	R

Notes to the Annual Financial Statements

25. Government grants and subsidies (continued)

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.

Local Government Sector Education and Training Authority(LGSETA)

Current-year receipts	184,498	-
Conditions met - transferred to revenue	(184,498)	-
	-	-

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

Cooperative Governance and Traditional Affairs(COGTA)

Balance unspent at beginning of year	28,590	-
Current-year receipts	-	1,720,929
Conditions met - transferred to revenue	-	(1,692,339)
	28,590	28,590

Conditions still to be met - remain liabilities (see note 16).

Cogta grant relate to a subsidy for the payment of accounting consulting fees.

Provincial Treasury subsidy (water and audit fees)

Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	-	-

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

Provincial Treasury subsidy (electricity)

Balance unspent at beginning of year	75,887	75,887
Conditions met - transferred to revenue	(75,887)	-
	-	75,887

This grant relates to a subsidy for the purchase and installation of electricity meters.

Provincial Treasury subsidy (sewerage)

Balance unspent at beginning of year	3,077,300	-
Current-year receipts	17,500,000	19,100,000
Conditions met - transferred to revenue	(20,577,300)	(16,022,700)
	3,077,300	

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

25. Government grants and subsidies (continued)

This grant relate to a municipal support grant for the payment of maintenance cost relating to the sewerage plant.

Provincial Treasury Grant (MSP)

Current-year receipts	5,000,000	-
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Conditions still to be met - remain liabilities (see note 16).

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 legislation.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. In-kind donations and assistance

Provincial Treasury (Audit Fees)	-	1,000,000
Municipal Improvement System Grant (MSIG)	-	1,365,000
	2,365,000	

Annual Financial Statements for the year ended 30 June 2019

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

28. Remuneration of councillors

Remuneration of Director Community Services (Nphapo PP)

27. Employee related costs (continued)

	-	21,201
Contributions to UIF, Medical and Pension Funds	-	341,181

Director Community Services (Netshivhodza AB), has left the services of the municipality on 31 October 2017(Contract ended).

Remuneration of Director Corporate Services (Mokgobu MF)

Annual Remuneration	611,400	-
Car Allowance	332,941	-
Contributions to UIF, Medical and Pension Funds	20,100	-
	<u>964,441</u>	-

Director Corporate Services (Mokgobu MF), joint the services of the municipality on 01 October 2018.

Remuneration of Acting Director Corporate Services (Majivolo ZJ)

Annual Remuneration	841,321 777,	
471		
Car Allowance	133,858 116,	
374		
Contributions to UIF, Medical and Pension Funds	186,373 153,	
285		
	<u>1,161,552 1,04</u>	
7,130		

Mr Majivolo has been acting as Director Corporate Services from November 2016 to June 2018 **Still Need accurate dates .**

Remuneration of Director Corporate Services (Tsekedi PS)

Annual Remuneration	-	
	184,631	
Car Allowance	-	
	99,001	
Contributions to UIF, Medical and Pension Funds	-	
	60,411	
	<u>344,043</u>	

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019	2018
Executive Mayor	850,144	812,613
Notes to the Annual Financial Statements	7,908,649	7,647,924
Mayoral Committee Members	5,457,001	5,260,135
Speaker	687,575	677,330
	14,912,669	14,428,002

28. Remuneration of councillors

Director Corporate Services (Tsekedi PS), has left the services of the municipality on 31 October 2017(Contract ended).

Remuneration of Director of Technical Services (Thobela NB)

Annual Remuneration	755,198	717,713
Car Allowance	455,832	451,598
Contributions to UIF, Medical and Pension Funds	13,025	12,575
	1,224,055	1,181,886

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office, laptop, cell phone and secretarial support at the cost of the Council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles and driver for official duties.

The Mayor has one full-time bodyguard.

Salaries, allowances and benefits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

28. Remuneration of councillors (continued)

Councillors 30 June 2019

	Annual remuneration and backpay	Allowances	Company contributions	Total
De Beer VE	204,540	111,851	-	316,391
De Jager SHF	49,855	26,627	-	76,482
Ferendale RS	209,882	106,508	-	316,390
Fieland H	209,882	106,508	-	316,390
Gobidolo SM	209,882	106,508	-	316,390
Kgantse R	209,882	106,508	-	316,390
LA Cock	209,882	106,508	-	316,390
Mabena JS	20,395	10,892	-	31,287
Magashule IM	209,882	106,508	-	316,390
Matroos AH	209,882	106,508	-	316,390
Mbele MA	491,029	197,974	-	689,003
Mehlo LR	209,882	106,508	-	316,390
Miyen MC	209,882	106,509	-	316,391
Mmusi MG	491,029	197,974	-	689,003
Mochela MJ	605,790	208,219	45,434	859,443
Mofokeng ML	209,882	106,509	-	316,391
Mofokeng MM	491,029	197,974	-	689,003
Mofokeng MD	491,029	197,974	-	689,003
Molaphane PM	212,582	105,009	-	317,591
Mopedi NP	554,282	133,294	-	687,576
Mvulane L	200,465	115,925	-	316,390
Ndayi PR	491,029	197,974	-	689,003
Nteo S	209,882	106,508	-	316,390
Radebe S	209,882	106,508	-	316,390
Rapuleng MD	211,222	106,508	-	317,730
Schoonwinkel A	206,294	92,662	15,472	314,428
Sehume NA	209,882	106,508	-	316,390
Serathi M	491,029	197,974	-	689,003
Serfontein C	209,882	106,508	-	316,390
Sotshiva LP	491,029	197,974	-	689,003
Taje M	209,882	106,508	-	316,390
Tete CF	209,882	105,008	-	314,890
Thene BS	209,882	106,508	-	316,390
Toyi MS	276,674	109,865	-	386,539
Tlhobedi NP	137,208	62,130	-	199,338
Van Der Merwe PP	209,882	106,508	-	316,390
Vermaak SM	206,294	92,662	15,472	314,428
Vrey AP	179,822	78,681	-	258,503
	10,280,502	76,378	14,912,669	14,555,789

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

28. Remuneration of councillors

Property, plant and equipment	63,911,456	70,108,942
Intangible assets	800,092	800,092
	64,711,548	70,909,034

30. Finance costs

Trade and other payables	21,304,121	45,243,727
Provision (Landfill site)	13,568,675	25,191,671
Employee benefits	2,987,238	2,935,762
	37,860,034	73,371,160

Councillors 30 June 2018	Annual remuneration and backpay	Allowances	Company contributions	Total
DE Beer VE	204,153	101,776	-	305,929
DE Jager SHF (Resigned 31/05/2018)	205,420	100,509	-	305,929
Ferendale RS	205,420	100,509	-	305,929
Fieland H	205,420	100,509	-	305,929
Gobidolo SM	205,420	100,509	-	305,929
Kgantse R	205,420	100,509	-	305,929
LA Cock	205,420	100,509	-	305,929
Mabena JS	205,420	100,509	-	305,929
Magashule IM	205,420	100,509	-	305,929
Matroos AH	205,420	100,509	-	305,929
Mbele MA	478,237	185,974	-	664,211
Mehlo LR	205,420	100,509	-	305,929
Miyen MC	205,420	100,509	-	305,929
Mmusi MG	478,237	185,974	-	664,211
Mochela MJ	603,106	209,128	30,380	842,614
Mofokeng ML	478,237	185,974	-	664,211
Mofokeng MM	478,237	185,974	-	664,211
Mofokeng MD	205,420	100,509	-	305,929
Mopedi NP	538,542	138,787	-	677,329
Motebele R	155,565	73,881	-	229,446
Mvulane L	196,004	109,925	-	305,929
Nteo S	205,420	100,509	-	305,929
Molaphene PM	205,420	99,309	-	304,729
Ndayi PR	478,237	185,974	-	664,211
Radebe S	205,420	100,509	-	305,929
Rapuleng MD	205,420	100,509	-	305,929
Schoonwinkel A	204,388	86,662	14,879	305,929
Sehume NA	205,420	100,509	-	305,929
Serathi M	478,237	185,974	-	664,211

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
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Notes to the Annual Financial Statements

28. Remuneration of councillors

Serfontein C	205,420	100,509	-	305,929
Sotshiva LP	478,237	185,974	-	664,211
Taje M	205,420	100,509	-	305,929
Tete CF	49,855	26,327	-	76,182
Thene BS	205,420	100,509	-	305,929
Toyi MS	205,420	100,509	-	305,929
Van Der Merwe PP	205,420	100,509	-	305,929

(continued)

Vermaak			14,879	
	<u>10,022,900</u>	<u>86,662</u>	<u>60,138</u>	<u>14,428,002</u>
SM	204,388		305,929	

4,344,964

29. Depreciation and amortisation

31. Debt impairment

Contributions to debt impairment provision	194,077,525	152,809,659
809,659		

Reconciliation of allowance for impairment

Balance at the beginning of the year	(572,398,249)	(504,826,837)
Bad debts	154,022,048	85,238,247
	<u>(194,077,525)</u>	<u>(152,809,659)</u>
Contribution to provision	<u>(612,453,726)</u>	<u>(572,398,249)</u>

32. Repairs and maintenance

Repairs and maintenance	54,903,302	48,212,163
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33. Bulk purchases

Electricity	205,162,004	177,060,110
Water	<u>35,473,148</u>	<u>34,624,008</u>
	<u>240,635,152</u>	<u>208,681,118</u>

34. Contracted services

Security services	1,429,132	955,608
Other contractors	<u>2,608,738</u>	<u>3,628,061</u>
	<u>4,037,870</u>	<u>4,583,669</u>

Ngwathe Local Municipality

	2019 R	2018 R
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(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

35. General expenses

Accommodation cost	866,020	279,897
Advertising	3,081,853	1,060,121
Auditors remuneration	5,139,812	5,062,994
Bank charges	1,478,471	1,396,342
Cleaning	716,902	-
Commission paid	6,134,411	4,069,074
Chemicals	3,541,979	11,363,115
Entertainment	222,475	1,492,486
Hire	14,508,915	3,789,695
Insurance	3,424,008	5,094,273
Legal fees	-	2,281,093
Project management unit expenditure	-	2,193,631
Fuel and oil	3,311,347	1,804,018
Postage and courier	2,169,048	1,812,058
Printing and stationery	1,883,717	1,985,798
Protective clothing	869,902	1,773,661
Financial systems (BCX)	2,923,481	5,159,871
Repairs and maintenance	(2,116,400)	3,948,517
Subscriptions and membership fees	2,389,661	2,379,857
Telephone and fax	7,306,464	6,424,331
Transport and freight	1,650,116	141,621
Training	2,011,002	241,659
Travel - local	2,565,886	190,692
EPWP expenditure	-	998,849
Chemicals	8,946,910	6,177,126
Youth development	210,191	250,916
Licenses	1,771,971	2,982
Rehabilitation cost - landfill site	11,105,716	9,373,035
Employee wellness	6,930,404	17,544,972
	93,044,262	98,292,684

36. Fair value adjustments

Investment property	3,945,115	4,251,086
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37. Auditors' remuneration

Fees	5,139,812	5,062,994
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38. Cash generated from operations

Deficit	(208,601,806)	(200,988,416)
Adjustments for:		
Depreciation and amortisation	64,711,548	70,909,034
Gain on sale of assets and liabilities	218,032	-
Fair value adjustments	(3,945,115)	(4,251,086)

Ngwathe Local Municipality

	2019 R	2018 R
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(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Finance costs - Trade and other payables	21,304,121	45,243,727
Interest income	(52,913,011)	(46,390,525)
Debt impairment	194,077,525	152,809,659
Impairment loss	-	2,677,640
Movements in retirement benefits and employee provisions	1,237,000	1,236,000
Movements in provisions	24,674,391	32,908,252
Actuarial gains / losses	2,903,862	1,747,485
Employee benefit obligations - Finance cost	2,987,237	2,935,762
Property plant and equipment transfer	1,186,000	-
Donations received	-	(2,365,000)
Changes in working capital:		
Inventories	(505,488)	(106,326)
Receivables from exchange transactions	(126,278,933)	(112,125,764)
Receivables from non-exchange transactions	(25,161,605)	(13,824,295)
Other receivables	1,434,620	8,661,554
Payables from exchange transactions	201,072,600	162,506,973
VAT	(24,849,103)	(32,885,818)
Unspent conditional grants and receipts	25,352,836	15,843,378
Consumer deposits	(34,122)	(100,414)
	98,870,589	84,441,820

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	38,344,819	113,189,881
---------------------------------	------------	-------------

Total capital commitments

Already contracted for but not provided for	38,344,819	113,189,881
---	------------	-------------

Total commitments

Total commitments

Authorised capital expenditure	38,344,819	113,189,881
--------------------------------	------------	-------------

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing

Ngwathe Local Municipality

	2019 R	2018 R
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(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

cash resources, MIG allocations during the year and funds internally generated.

40. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
40. Financial instruments disclosure (continued)			
Other receivables	-	182,333	182,333
Receivables from non-exchange transactions	-	31,594,356	31,594,356
Receivables from exchange transactions	-	87,532,283	87,532,283
Other financial assets	522,265	534,463	1,056,728
Cash and cash equivalents	-	39,678,198	39,678,198
Financial assets	522,265	159,521,633	160,043,898

Financial liabilities

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	25,715,378	25,715,378
Receivables from exchange transactions	-	83,135,236	83,135,236
Trade and other payables	473,897	1,441,974,726	1,441,974,726
Cash and cash equivalents	-	6,278,965	6,278,965
Unspent conditional grants and receipts	473,897	41,309,028	41,309,028
Financial liabilities	473,897	115,642,341	116,116,238

Financial liabilities

	At amortised cost	Total
Finance lease obligation	42,418	42,418
Trade and other payables from exchange transactions	1,219,598,005	1,219,598,005
Unspent conditional grants and receipts	15,956,192	15,956,192

	5,115,160	5,115,160
Consumer deposits	<u>1,488,398,914</u>	<u>1,488,398,914</u>

	5,149,282	5,149,282
Consumer deposits	<u>1,240,745,897</u>	<u>1,240,745,897</u>
Relationships		

Members of key management

Refer to note 27

Members of the council

Refer to note 28

41. Comparative figures

Comparatives figures were restated due to prior period errors and reclassifications as and when the need arise.

Ngwathe Local Municipality

	2019	2018
	R	R

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

For a detailed list on errors refer to prior period error note.

42. Related parties

Notes to the Annual Financial Statements**43. Prior-year adjustments**

	2019 R	2018 R
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Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

- 1) Unspent grants were restated due to incorrect amounts recognised and disclosed in the 2017/2018 financial year.
- 2) Services charges and property rate were restated due to prior year adjustments that could not be supported during the audit process.
- 3) Debt impairment were restated due to methodology and impairment process that was not acceptable during the audit process,
- 4) Interest received were restated due to errors that were identified on DWA payable account, Employee benefit obligation and other small payables from exchange transactions
- 5) Other income was restated due to incorrect votes incorrectly allocated to revenue.
- 6) Property plant and equipment, depreciation and impairment were restated due to errors that were identified during the prior year audit process.
- 7) Investment property was restated due to errors that occurred in the prior years,
- 8) Receivables from exchange and non exchange were restated due to unsupported journals and supporting documentation that could not be found.
- 9) VAT was restated due to errors that were identified in payables and receivables in the 2017/2018 financial year.
- 10) Employee benefits obligation were restated due to misinterpretation of Resolution 2 of the SALGA Human Resources Policy Decisions (Post-Retirement Medical Aid Subsidies) in the prior year (2018:COAF151)
- 11) Provision for landfill site was restated due to inconsistent and incorrect disclosure, inaccurate and incorrect figures were used to calculate the rehabilitation and unwinding cost in the 2018/2019 Financial year.

Inventories were restated due to the understatement of water and electrical stores.

Intangible assets were restated due to non disclosure of servitudes in the prior year financial statements.

Consumer deposits, receivables and services charges were restated due to incorrectly linked votes between services.

Bulk purchases and finance cost were restated due to DWA payable that was not recognised in the book of the municipality.

Fair value adjustments were restated due to incorrect adjustment that was made in the prior financial years.

Statement of financial position**43. Prior-year adjustments (continued)****2018**

	Note	As previously reported	Correction of error	Re-classification & remapping	Restated
Inventories		751,999	4,597,449	-	5,349,448
Other receivables		10,679,514	(9,062,561)	8,213	1,625,166

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

			2019 R	2018 R
Receivables from non exchange transactions	26,376,444	(661,066)	-	25,715,378
Receivables from exchange transactions	143,471,181	(60,335,942)	-	83,135,239
VAT receivables	155,252,956	(10,186,088)	-	145,066,868
Property plant and Equipment	869,917,305	427,629,576	-	1,297,546,881
Intangible assets	2,728,206	1,321,200	-	4,049,406
Payables from exchange transactions	(1,192,398,553)	(27,199,451)	(8,213)	(1,219,606,217)
Consumer deposits	(5,145,758)	(3,524)	-	(5,149,282)
Unspent conditional grants	(18,888,693)	2,932,500	-	(15,956,193)
Provisions	(295,595,200)	53,039,069	-	(242,556,131)
Employee benefit obligation	(81,454,000)	52,330,245	(141,900)	(29,265,655)
Employee benefit	(3,240,000)	-	141,900	(3,098,100)
Investment property	<u>26,184,200</u>	<u>105,190,288</u>	-	-
	<u>(361,360,399)</u>	<u>131,374,488</u>	-	-
	539,591,695		-	178,231,296

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Re-classification & remapping	Restated
Repairs and maintenance		(42,684,816)	(7,295,127)	1,767,780	(48,212,163)
Government grants and subsidies		258,018,166	4,752,385	-	262,770,551
Service charges		263,978,219	3,141,456	-	267,119,675
Other income		3,395,921	(1,701,207)	-	1,694,714
Interest received		45,360,931	2,658,869	-	48,019,800
Property rates		76,079,609	6,564,604	-	82,644,213
Dinations received 1,000,000 1,365,000				-	2,365,000
Employee related costs (231,429,369)			31,757,000	-	
Depreciation and amortisation		(82,844,001)	11,934,967	-	(199,672,369)
Debt Impairment		(74,379,059)	(78,430,601)	-	(70,909,034)
Finance cost		(35,674,690)	(37,695,631)	-	(152,809,660)
Contracted services (9,163,196) 4,579,527				-	
General expenditure (133,721,294)			37,195,554	(838)	(73,371,159)
Bulk purchases (214,812,687) 6,131,569				-	(4,583,669)
Fair value adjustment		309,851	3,941,235	(1,766,942)	(98,292,682)
Actuarial gains		-	(1,747,485)	-	(208,681,118)
Surplus for the year		(176,566,415)	(12,847,885)	-	4,251,086
44. Risk management				-	(187,666,815)
Financial risk management					

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

44. Risk management (continued)

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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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.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	5,115,160	-	-	-
Finance lease obligation	-	-	-	-
Trade and other payables	-	-	-	-
Payable from exchange transactions	1,441,974,726	-	-	-
Unspent conditional grants and receipts	41,309,028	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1,219,598,005	-	-	-
Unspent conditional grants and receipts	15,956,192	-	-	-
Consumer deposit	5,149,282	-	-	-
Finance lease obligation	42,418	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2019	2018
Other financial assets	1,056,728	991,799

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 2019, the municipality had an accumulated surplus (deficit) of R (23,147,306) and that the municipality's total liabilities exceed its assets by R (23,147,306).

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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45. Going concern (continued)

The financial statements indicates that the municipality incurred a net loss of R208,601,806 during the year ended 30 June 2019. As of that date, the municipality was in a net currently liability position of R1,284,267,282.

This means that current liabilities exceed current assets and indicates that the municipality may struggle to meet their current obligations as they become due and payable.

This is further evidenced in the creditor's payment period which increased to 1244,7 days from 1186,3 days in the previous financial year. In addition, the municipality owed Eskom R1 060 482 923(2018: R931 905 488) and the Department of Water Affairs R108 592 158(2018: R93 429 678) as at 30 June 2019 which is long overdue. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

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	564,253,499	396,108,159
Unauthorised expenditure	<u>169,315,082</u>	<u>168,145,340</u>
	733,568,581	564,253,499

48. Fruitless and wasteful expenditure

Opening balance	239,840,267	177,750,330
Add: Fruitless and wasteful expenditure	21,303,493	127,858,824
Less: Eskom write off	<u>-</u>	<u>(65,768,887)</u>
	261,143,760	239,840,267

Details of fruitless and wasteful expenditure

Auditor General of South Africa(AGSA)	247,315	106,411
Eskom	9,597,987	110,552,313
Eskom NMD	1,029	5,696,930
Rand water	31,695	51,741
OFS pension fund	6,789	4,271
Department of Water Affairs	6,949,768	7,567,470
SALA Pension fund	7,327	23,354
SAMWU providend fund	347	18,713
SARS - EMP (Interest and penalties)	3,840,315	3,300,642
SARS - VAT (Interest and penalties)	450,336	367,740
Telkom	86,085	52,854
NFMW	5,510	46,896
Business Connection (BCX)	-	69,382
Councillors pension fund	101	-
Lebea Attorney	<u>78,889</u>	<u>-</u>
	21,303,493	127,858,717

Fruitless and waste expenditure were restated to R239,840,267.00 due to Department of water affairs interest that was not accounted for in the 2017/2018 Financial year.Refer to note

Opening balance	356,973,824	176,309,074
Add: Irregular Expenditure - current year	18,885,528	97,136,638
Add: Irregular Expenditure - non compliance with bid committee composition	35,849,706	83,528,112

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019	2018
	R	R
Less: Amounts written off (2017)	(18,114,811)	-
Less: Amounts written off (2018)	(6,684,216)	-
Less: Amounts written off (2019)	(5,376,070)	-
	381,533,961	356,973,824

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2,328,751	1,893,020
Current year subscription / fee	2,381,574	2,328,751
Amount paid - current year	(2,269,370)	(1,893,020)
	2,440,955	2,328,751

SALGA disclosure were restated to an amount of R2,328,751.00 for the 2018 financial year. Refer to note.

Audit fees

Opening balance	1,729,518	2,521,980
Current year audit fees	6,351,000	4,011,270
Prior period error	-	1,763,174
Prior period error (Interest)	247,315	108,099
Amount paid - current year	(2,303,543)	(3,156,085)
Amount paid - previous years	(1,631,265)	(2,518,920)
Amount paid by treasury	-	(1,000,000)
	4,393,025	1,729,518

Auditor General of South Africa disclosure and liability were restated with the balance of R1,729,518. Refer to note

PAYE, UIF and SDL

Opening balance	7,290,717	5,481,530
Current year payroll deductions and council contribution	33,771,788	29,591,733
Interest	500,801	408,622
Penalties	3,339,514	2,868,409
Amount paid - previous years	(7,290,717)	(5,481,530)
Amount paid current year	(19,890,537)	(25,578,047)
	17,721,566	7,290,717

49. Irregular expenditure

PAYE, UIF and SDL were restated to the balance of R7,290,717 to agree to the liability at the end of June.

50. Additional disclosure in terms of Municipal Finance Management Act (continued) Pension and medical aid deductions

Opening balance	2,845,940	(1,623,724)
Current year subscription / fee	51,354,440	47,874,329
Interest paid	20,032	(45,028,389)
Amount paid - current year	(46,894,081)	-
Amount paid - previous years	(2,845,940)	1,623,724
	4,480,391	2,84

5,940

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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Pension fund and medical aid were restated to R2,845,940.00 due to pensioners medical aid contributions that were not taken in to account.

VAT

VAT receivable	169,915,971 145,
066,868	

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ferendale DA	1,301	16,406	17,707
Fieland H	822	4,438	5,260
Mabena JS	1,010	2,538	3,548
Sothiva LP	311	-	311
	3,444		26,826

* These councillors have payment arrangements in place.

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Matroos AH	-	54	54
Gobidolo SM	1,452	7,532	8,984
Fieland H	1,595	14,115	15,710
Taje ME	4,322	79,342	83,664
De Beer V	1,916	3,048	4,964
Miyen M	1,556	24,607	26,163
Ferendale R	1,255	22,915	24,170
Mvulane SL	1,065	759	1,824
Motebele R	1,023	1,142	2,165
	14,184	153,514	167,698

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

23,382

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 annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

			2019 R	2018 R
Sole suppliers	Emergency	Impractical	Strip and quote	
30 June 2019	184,323	39,029,648	-	
	631,121			

52. Budget differences

Material differences between budget and actual

amounts Management considers any variances above

10% to be significant

- 52.1 -The variance is less than 10%, hence immaterial.
- 52.2 - Rental equipment were not able to generate rental income as budgeted, this might be due to the fact that theyadequately maintained.
- 52.3 - The municipality have exceeded the expectation, as the actual is more than budgeted, this is due to the fact that themunicipality has invested its grants as they receive them.
- 52.4 - The municipality budgeted more on other income, with the intention of receiving more revenue from municipal activitiesthat are being held in Parys.
- 52.5 - Management budgeted more based on new tariffs for the 2018/2019 financial year.
- 52.6 - Management has unspent conditional grants in the 2018/2019 financial year.
- 52.7 - Management was not expecting to have more fines, with the intention of collecting revenue less services cut offs wereexpected.
- 52.8 - The municipality did not budget to receive donations in the 2018/2019 financial year.
- 52.9 - The Municipality budgeted for finance cost without taking in to account the interest charged on payables like Eskom,DWA, Rand water and other interest bearing payables.
- 52.10 - Management expected to collect more revenue based on their debt collection department commitment.
- 52.11 - Management expected to do more repairs based on the repairs and maintenance annual plan.
- 52.12 - Management budgeted more on contracted services.
- 52.13 - Management has over budgeted on general expenditure.

52. Budget differences (continued)

- 52.14 - The municipality has budgeted for this expenses without talking in to account that any funds used will be allocated to relevant expenditure rather than grants and subsidies.
- 52.15 - Municipality did not budget for fair values.
- 52.16 - Municipality did not budget for actuarial gains.
- 52.17 - Management did not budget for inventory write off.
- 52.18 -Management budgeted less on inventories, as they did not take in to account inventories that were in the electrical and water stores.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
52.19 - Management budgeted for receivables based on new tariffs and without taking in to account, indigents and impairment.		
52.20 - Management did not budget for VAT payable or receivable in the 2018/2019 financial year..		
55.21 -Management budgeted for receivables based on new tariffs and without taking in to account, indigents, impairment and estimates or interim readings used.		
52.22 - Management budgeted less on this bank balance as they were not expecting to have unspent grant in the 2018/2019 financial year.		
52.23 - Management has budgeted less on investment property.		
52.24 - Management has budgeted less on property plant and equipment.		
52.25 - Management has budgeted note on intangible assets.		
52.26 - Management has budgeted on payables without taking in to account the escalation of Eskom and other interest bearing payables in to account.		
52.27 - This is a long and short term portins, management did not budget for employee benefits in the 2018/2019 financial year.		
52.28 - Management did not expect to have unspent grants at the end of the financial year.		
52.29 - Management did not have the required information that could help them to slip the budget in to long term and short term portion on provisions, hence the inconsistencies on the long term and short term portion.		
52.30 -Management budgeted for loans and borrowings with the expectation that they will have a loan from DBSA and other financial institutions.		
52.31 - Management expected to receive more actual cash in the 2019 financial year than actually received.		
52.32 - Management intended to spent all its allocations in the 2018/2019 financial year, yet there is still unspent in the 2019 financial year.		
52.33 - Management budgeted more on interest received than actually received from financial institutions.		
52.34 - Management budgeted more on other income than actually received.		
52.35 - Management did not budget for this items.		
52.36 - Management expected to pay more of its suppliers in the 2018/2019 financial year.		
52.37 - Refer to cash generated from operations note for finance cost, less was budgeted without taking in to account the Eskom and other interest bearing payables.		
52. Budget differences (continued)		
52.38 - Management intended to spent more on infrastructure in the 2018/2019 financial year.		
52.39 - Management budgeted for actual payment of financial liability of which no obligation exit.		
52.40 - The variance is between cash in the bank and the actual bank balalnce as at 30 June 2019		

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019
R

2018
R

CHAPTER 6

AUDITOR GENERAL AUDIT FINDINGS

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019 R	2018 R
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6.1 Report of the auditor-general to the Free State Legislature and the Council on the Ngwathe Local Municipality

Report on the audit of the financial statements

Qualified opinion

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 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Ngwathe Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act no. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act no. 1 of 2018) (Dora).

Basis for qualified opinion

Property, plant and equipment

The municipality did not recognise property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Completed assets were incorrectly classified as work-in-progress (WIP) or were capitalised in the incorrect period. Unexplained differences were identified between the supporting documentation and the asset register. Some projects in the WIP register could not be verified and not all items that met the definition of an asset were recognised as property, plant and equipment. A number of assets were found to have an incorrect description in the fixed assets register resulting in these assets being depreciated at the incorrect useful lives. Consequently, property, plant and equipment is overstated by R298 212 336. Additionally, there was an impact on the depreciation expense, deficit for the period and the accumulated surplus.

In addition, I was unable to obtain sufficient appropriate audit evidence for some projects disclosed as WIP and property, plant and equipment as the supporting documentation was not provided. I could not confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any further adjustments were

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
necessary to property, plant and equipment, stated at R1 298 746 407 (2018: R1 297 546 881) and the related reconciliation of WIP stated at R99 139 779 (2018: R137 825 188 in note 4 to the financial statements.		

Service charges

The municipality did not account for revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Differences were identified between the billed water and electricity and the recalculation performed. The municipality also did not have adequate systems to estimate the billing of water and electricity, which resulted in differences between the estimated consumption billed and the recalculation performed. Consequently, the sale of water and electricity was overstated by R376 122 653 (2018 understated: R229 461 059). Additionally, there was an impact on the receivables from exchange transactions, deficit for the period and the accumulated surplus. In addition, I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as sewerage and sanitation, and refuse removal because the supporting documentation was not provided. I could not confirm these items by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to sewerage and sanitation stated at R36 341 698 and refuse removal charges stated at R32 473 137 (2018: R30 501 061) in note 19 to the financial statements.

Investment property

The municipality did not recognise investment property in accordance with GRAP 16, *Investment property*. Some items could not be traced to the investment property register and the fair value of investment property was not accurately calculated. Consequently, investment property in note 3 to the financial statements was understated by R95 980 916. Additionally, there was an impact on the fair value adjustment, deficit for the period and the accumulated surplus.

Receivables from exchange transactions

I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions had been properly accounted for, as some of the receivable transactions could not be verified. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to receivables from exchange transactions, stated at R87 532 283 (2018: R83 135 236) in note 12 to the financial statements.

Property rates

The municipality did not account for property rates, as required by GRAP 23, *Revenue from non-exchange transactions*. The municipality did not have adequate systems of internal control to accurately bill property rates transactions, as some properties that were

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
classified as businesses in the valuation roll were incorrectly billed at residential tariffs. Consequently, revenue from non-exchange transactions was understated by R20 393 135 (2018: R10 173 008), as stated in note 23 to the financial statements. Additionally, there was an impact on receivables from non-exchange transactions for the current and prior period, deficit for the period and the accumulated surplus.		

Depreciation and amortisation

I was unable to obtain sufficient appropriate audit evidence that depreciation had been properly accounted for, due to the unavailability of the acquisition date and cost for some assets in the fixed asset register. I was unable to confirm depreciation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to depreciation on property, plant and equipment, stated at R63 911 456 (2018: R70 108 942) in note 29 to the financial statements.

Commitments

I was unable to obtain sufficient appropriate audit evidence that commitments had been properly accounted for, as the municipality did not maintain accurate and complete records of the contractual information and a breakdown of project expenditure used to determine commitments. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments, stated at R38 344 819 (2018: R113 189 881) in note 39 to the financial statements.

Receivables from non-exchange transactions

The municipality did not account for receivables from non-exchange transactions in accordance with GRAP 104, *Financial instrument*, as property rates relating to the Tumahole Stadium were not billed consistently from the date the stadium became ready for use. I was unable to determine the full extent of the understatement of receivables from non-exchange transactions in note 11 to the financial statements, as it was impracticable to do so.

Distribution losses

The municipality did not disclose water and electricity losses as required by section 125(2)(d)(i) of the MFMA as the actual conventional sales report was not reliable to enable calculation of the distribution losses. I was unable to determine the full extent of the misstatement of distribution losses for the current and prior year as it was impracticable to do so.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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Context for the opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants*, and parts 1 and 3 of the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes), as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Material uncertainty relating to going concern

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

Note 45 to the financial statements indicates that the municipality incurred a net loss of R208 601 806 during the year ended 30 June 2019 and, as of that date, the municipality's current liabilities exceeded its current assets by R1 284 267 282. The creditor's payment period increased to 1 245 days from 1 186 days in the previous financial year. In addition, the municipality owed Eskom R1 060 482 922 (2018: R931 905 488) and the Department of Water Affairs R108 592 158 (2018: R93 429 678) as at 30 June 2019, which is long overdue. These events or conditions, along with other matters as set forth in note 45, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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Irregular expenditure

As disclosed in note 49 to the financial statements, the municipality incurred irregular expenditure of R54 735 234 (2018: R180 664 750), due to non-compliance with SCM requirements. In addition, the full extent of irregular expenditure is still in the process of being determined.

Fruitless and wasteful expenditure

As disclosed in note 48 to the financial statements, fruitless and wasteful expenditure of R21 303 493 (2018: R127 858 824) was incurred due to interest and penalty charges on late payments.

Unauthorised expenditure

As disclosed in note 47 to the financial statements, unauthorised expenditure of R169 315 082 (2018: R168 145 340) was incurred due to overspending of the municipality's budget.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

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

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

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019
R

2018
R

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

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

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

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.

I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the annual performance report of the municipality for the year ended 30 June 2019:

KPA	Pages in the annual performance report
KPA – basic services and infrastructure	x – x

The material findings in respect of the usefulness and reliability of the selected KPA are as follows:

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019
R

2018
R

KPA – basic services and infrastructure

Various indicators

The planned targets for the following indicators were not specific in clearly identifying the nature and required level of performance. The evidence and method of calculation for achieving the planned indicators were also not clearly defined. This was due to a lack of technical indicator descriptions, processes, and formal standard operating procedures:

Indicator description	Planned target
Implement all electricity capital projects measured quarterly in terms of approved electricity capital budget spent	96% of spending against the approved electricity capital budget
Implement all roads, storm water infrastructure capital projects measured quarterly in terms of approved capital budget spent	96% of spending against the approved roads and storm water infrastructure capital budget
Implement all water services infrastructure capital projects measured quarterly in terms of approved capital budget spent	96% of spending against the approved water services infrastructure capital budget
Implement all waste water services infrastructure capital projects measured quarterly in terms of approved capital budget spent	96% of spending against the approved waste water services infrastructure capital budget
Implement all solid waste infrastructure capital projects measured quarterly in terms of approved capital budget spent	96% of spending against the approved solid waste infrastructure capital budget
Conduct scheduled refuse removal services to all formal and informal housing areas throughout Ngwathe at least once per week	37 102 households for refuse collection

Various indicators

I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to limitations placed on the scope of my work as management did not provide supporting documents that support the achievement of

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2019
R

2018
R

the target. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the following indicators:

Indicator description	Reported achievement
95% water quality level obtained as per SANS – physical and micro parameters as by 30 June	95% of water quality system
Implement all electricity capital projects measured quarterly in terms of approved electricity capital budget spent	100%
Implement all roads, storm water infrastructure capital projects measured quarterly in terms of approved capital budget spent	100%
Implement all water services infrastructure capital projects measured quarterly in terms of approved capital budget spent	16,7%
Implement all waste water services infrastructure capital projects measured quarterly in terms of approved capital budget spent	96%
Implement all solid waste infrastructure capital projects measured quarterly in terms of approved capital budget spent	96%
Conduct scheduled refuse removal services to all formal and informal housing areas throughout Ngwathe at least once per week	37 102 households refuse collection

Various indicators

The measures taken to improve performance against targets were not included in the annual performance report for the following indicators:

Indicator description	Target	Actual
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Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

		2019 R	2018 R
Spend 96% of capital budget for fleet/equipment by 30 June	96%	0%	
Spend 96% of approved capital budget on resealing of streets (actual expenditure and commitments divided by approved capital budget)	96%	0%	

Various strategic objectives

The strategic objectives approved in the integrated development plan (IDP) are listed below.

However, these strategic objectives were not included in the annual performance report and service delivery budget implementation plan (SDBIP).

Planned strategic objectives / development objective per the IDP
To ensure that 100% of households in formal settlements in the Ngwathe municipal area have area access to high water quality by 2022
To eliminate water losses and leakages
To improve water quality by improving on the blue drop and be able to provide safe drinking water to the community
Improvement of water conservation and water demand management, using all the necessary requirements and skills development
To ensure that 100% of households in formal settlements in the Ngwathe municipal area have area access to descent sanitation water by 2022
To ensure that all identified internal roads and storm water facilities in Ngwathe are maintained and/or upgraded to facilitate economic and social activity required for the sustainable development of the municipality, considering the limitations facing the municipality by 2022

Other matters

I draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 32 to 35 of this report.		

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA – basic services and infrastructure. I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

The material findings on compliance with specific matters in key legislations are as follows:

Strategic planning and performance management

Performance targets were not set for each of the KPIs for the financial year, as required by section 41(1)(b) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 12(1).

Annual financial statements

The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Expenditure management

Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R54 735 234, as disclosed in note 49, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM requirements.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R21 303 493, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was due to interest and penalty charges on late payments.

Reasonable steps were not taken to prevent unauthorised expenditure of R169 315 082, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was due to overspending of the approved budget.

Revenue management

An adequate management, accounting and information system that accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.

An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

Asset management

An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Procurement and contract management

Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was also reported in the previous year.

Some quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the previous year.

Some quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the previous year.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
Some competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the previous year.		
The preference point system was not applied on procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000) (PPPFA). Similar non-compliance was also reported in the previous year.		
Some contracts and quotations were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the PPPFA and its regulations. Similar non-compliance was also reported in the previous year.		
The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the previous year.		
The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the previous year.		
Some of the goods and services of 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). Similar non-compliance was also reported in the prior year		

Human resource management

Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA.

Liability management

An adequate management, accounting and information system that accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.

Consequence management

Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Irregular expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.		

Other information

The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and the selected KPA presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

Management did not address the shortcomings within the internal control environment relating to financial reporting. Consultants were relied on to perform year-end accounting work and the compilation of the financial statements. Due to the late appointment of consultants, however, not all these shortcomings were addressed.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
Management did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings. This was due to a lack of consequence management as officials were not held accountable for non-compliance.		
Weaknesses in the processes and controls for asset management were not adequately addressed. The lack of regular monitoring and reconciliation of asset information resulted in the asset register not being reliable. These weaknesses gave rise to material misstatements in the annual financial statements.		
Controls were inadequate to ensure proper record keeping, which resulted in material limitations to the audit.		

Bloemfontein

30 November 2019

AUDITOR - GENERAL



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
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Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

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

identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council, which constitutes the accounting officer

conclude on the appropriateness of the council, which constitutes the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ngwathe Local Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern

evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

	2019 R	2018 R
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.		

6.2 AUDIT ACTION PLAN

OFFICE OF THE MUNICIPAL MANAGER



ACTION PLAN TO ADDRESS AUDIT QUERIES / MATTERS ARISING FROM THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

FOCUS AREA / MATTERS RAISED / AUDIT FINDING	CoAF	ROOT CAUSE	REMEDIAL ACTION	MONITORING OFFICIAL	RESPONSIBLE OFFICIAL	COMPLETION DATE
Commitments						
Commitments- Prior year issue 103 not resolved and current year opening balance misstatement. - (ISS.84)	CoAF 84	The above is due to lack of proper record keeping to enable to have accurate AFS. This has resulted in a material misstatement of R113 189 881 in opening balance of the commitments.	Recalculation and reconciliation of commitment of prior year to confirm the accuracy of the opening balance.	Chief Financial Officer	Project Management Unit / SCM Manager / Expenditure Manager/ AFS Consultants	30-Jun-20
Commitments: differences in expenditure relating to commitments incurred in the 2018/19 year. - (ISS.87)	CoAF 87	The above is due to lack of proper record keeping to enable to have accurate AFS. This has resulted in the possible material misstatement of expenditure by R54 668 438,58.	Recalculation and reconciliation of commitment of prior year to confirm the accuracy of the opening balance.	Chief Financial Officer	Project Management Unit / SCM Manager / Expenditure Manager/ AFS Consultants	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Commitments: Differences noted between the commitment register and work-in-progress(WIP) reconcillation. - (ISS.89)	CoAF 89	During the testing of commitments, a comparison was done on the commitment register's expenditure for the current year and the work-in-progress (WIP) reconciliation's expenditure of the current year and differences were identified.	Reconcile the commitment register against work-in-progress (WIP) register to confirm the accuracy of the opening balance.	Chief Financial Officer	Project Management Unit / SCM Manager / Expenditure Manager/ AFS Consultants	30-Jun-20
Commitments: projects not recognised as commitments - (ISS.93)	CoAF 93	During the testing of commitments it was identified that some projects are stil active and the expenditure relating to the project was not exhausted , however they are not included in the commitments register.	Reconcile all contract awarded during the current and against the commitment register and agree with the disclosure note.	Chief Financial Officer	Project Management Unit / SCM Manager / Expenditure Manager/ AFS Consultants	30-Jun-20
Employee costs						
Employee related Costs - PAYE not remitted by the 7th of the next month - (ISS.133)	CoAF 133	(2) If any amount of employees' tax is not paid in full within the period of seven days prescribed for payment of such amount by paragraph 2 (1) of the Fourth Schedule	Improve on the cash flow / revenue collection to enable us to adhere to the payment of PAYE within 7 days after month end.	Chief Financial Officer	Expendiure Manager / Revenue Manager	7th February and onwards
Employee related costs - Difference between AFS and Payroll - (ISS.77)	CoAF 77	The differences as indicated in the finding were identified between Payroll system (Payday) and Note 27 to the Annual Financial Statements	Perform monthly reconciliation between Payroll System (Pay-day) and Financial	Manager: Budget and Expenditure	Senior Payroll Administrator	February 2020, and monthly onwards

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
			System (Venus)			
Employee related costs - Difference between AFS and Trial Balance - (ISS.78)	CoAF 78	Differences as indicated in the table below were identified between the amount of Employee related costs as disclosed in note 27 to the Annual Financial Statements and 2018/2019 Trial Balance.	Perform annual reconciliation between Trial balance, Payroll System (Pay-day), Financial System (Venus) and AFS	Chief Financial Officer	Manager Expenditure, Senior Payroll Administrator and AFS Consultant	30-Jun-20
Internal control deficiencies						
Internal control Deficiency: Policies not updated/reviewed regularly - (ISS.6)	CoAF 06	During an understanding of the entity and internal controls, it was noted that Municipal policies are not frequently reviewed/updated with changes in legislations and/or regulations	Review and updated policies for Council consideration	Municipal Manager	Head of Departments	30-May-20
Deficiencies on purchases and payables controls - (ISS.7)	CoAF 07	The creditors' reconciliation for the period 30 June 2019 was not reviewed by expenditure manager.	Creditors reconciliation to be review and signed off by the Manager Expenditure	Chief Financial Officer	Manager Expenditure	February 2020, and monthly onwards
		Payment not made within 30 days	Improve on the cash flow / revenue collection to enable us to adhere to the creditors payment within 30 days from date of invoice.	Chief Financial Officer	Expenditure Manager / Revenue Manager	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		The VAT returns and payments not submitted / made on or before the 25th day after the end of the tax period	Submit the VAT returns and payment on or before 25th day after the end of the tax period / month.	Chief Financial Officer	Expendiure Manager	30-Jun-20
		Expenditure not recorded in the correct period	Review the invoice date and records the expenditure in the period in which the invoice / goods was received.	Chief Financial Officer	Expendiure Manager	30-Jun-20
Internal control deficiencies - (ISS.108)	CoAF 108	The municipality only has a draft IT Governance framework in place, but it has not yet been approved.	Develop and review the Information Technology (IT) Governance / Policy for Council consideration and approval	Director Corporate Services	IT Officials	30-May-20
		The municipality does not have the following in place:				
		a) IT Strategic Plan				
		b) IT Security Policy				
		c) ICT committees				
		d) dedicated information security officer or IT Governance champion				
		e) User account management procedure/policy				
Internal control deficiency: Irregular expenditure register does not have the all the required details - (ISS.157)	CoAF 157	Management did not ensure that sufficient controls are in place to ensure that relevant information was included in the	Update irregular expenditure register to included full details such as contract number,	Chief Financial Officer	SCM Manager	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

				2019 R	2018 R
		irregular expenditure register.	invoice number, ect		
Compliance					
Audit committee: non-compliance - (ISS.2)	CoAF 02	Contrary to the above requirement, the following instances of non-compliance were identified:			
		a) The audit committee only met once for the year 2018/19.	Will ensure adherence to the annual schedule of meetings developed is adhered to.	Municipal Manager	Manager: Internal Audit 30-Jun-20
		b) The audit committee did not liaise/ advise the council in the current year of assessment regarding effective governance.	Management will ensure that the AC reports are developed quarterly and tabled in Concil meetings	Municipal Manager	Manager: Internal Audit 30-Jun-20
		c) The audit committee did not review the quarterly reports submitted by the internal audit.	Ordinary AC meeting is scheduled to take place in March 2020 where the IA report will be discussed	Municipal Manager	Manager: Internal Audit 30-Jun-20
		d) The audit committee did not review the municipality's performance management system.	Management will ensure that the Quarterly PMS reports are tabled in the AC meetings	Municipal Manager	Manager: Internal Audit 30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Internal audit - non compliance - (ISS.4)	CoAF 04	During the review of internal audit function it was identified that external assessment review of internal audit was not conducted in the past 5 years.	Management will ensure that the external assessment is conducted on the internal audit processes	Municipal Manager	Manager: Internal Audit	30-Jun-20
Non-Compliance- Public notice of Final IDP issued after 14 days - (ISS.8)	CoAF 08	Contrary to the above, the final IDP was approved by the Council on the 30 May 2018. The IDP was only made available to the Public through the local newspaper on the 21 June 2018 which was after 14 of adoption of IDP by the Council.	Made public the approved Integrated Development Plan (IDP) within 14 days after the approval by Council	Municipal Manager	IDP / PMS Manager	10-Jun-20
Expenditure - Payments not made within 30 days - (ISS.106)	CoAF 106	The matter occurred due to cash flow constraints experienced by the municipality resulting in delays in the payments made to suppliers.	Improve on the cash flow / revenue collection to enable us to adhere to the creditors payment within 30 days from date of invoice.	Chief Financial Officer	Expenditure Manager / Revenue Manager	30-Jun-20
Human Resource Management - Non-compliance identified - (ISS.155)	CoAF 155	Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA.	Develop and review the employee monitoring tool to enable management to measure and evaluate performance of staff this include job description	Director Corporate Services	Human Resource Manager	30-Jun-20
Conditional grants						

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Unspent conditional grants: Unspent grants not backed by cash in the bank - (ISS.130)	CoAF 130	Unspent conditional grants of R41 309 028 as per out calculation in the table below is not supported by the money in the bank account, therefore irregular expenditure of R574,458.48 should be record in the irregular expenditure note 49.	Ensure that unspent conditional grant are backed by cash, improve on revenue collection to ensure sufficient liquidity at year-end.	Municipal Manager	Chief Financial Officer and Revenue Manager	30-Jun-20
Immovable assets						
Property, Plant and Equipment - Understatement and incorrect classification - (ISS.125)	CoAF 125	During the testing of opening balance of Property, Plant and Equipment (PPE) in 2018/19, it was identified that the market values on PPE do not agree to the market values on the valuation roll presented for audit.	Compare the market values on PPE against the market value on the valuation roll and records the reason for differences	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
		The list of investment properties that were incorrectly transferred to Property, Plant and Equipment, thus overstating the property, plant and equipment and understating investment properties.	Review the investment property in line with the requirement of GRAP 16 and reclassified investment property correctly.	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
		The following list of assets could not be verified/ confirmed to exist during physical verification	Ensure that all assets are verified / confirmed ownership and location	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		The following list of assets were found not to be owned by municipality, there was restriction in accessing the assets with a board stating that the property is privately owned	of the assets is also included in the Assets Register, prepare list of the assets not verified for Council write-off.			
Depreciation: Limitation on recalculation of depreciation and differences from recalculation - (ISS.127)	CoAF 127	The following sampled assets' depreciation could not be reperformed due to the acquisition date/recognition date not being included in the asset register.	Updated the assets register to include acquisition date / recognition date	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
Depreciation: Prior year limitation misstatement not corrected(Prior year follow up 116) - (ISS.131)	CoAF 131	A prior limitation had been raised in respect of assets for which there was not enough details in the respective asset registers to enable the recalculation of depreciation. Upon revisiting the population, the following limitations were still noted in the same assets.				
Property, Plant and Equipment- Fair value of land transferred from infrastructure could not be confirmed. - (ISS.134)	CoAF 134	The fair value of land that was transferred from infrastructure assets register to land in the prior year could not be confirmed. This is as a results of land transferred not being disclosed with	Review the land that was transferred from infrastructure assets to land and ensure that is reconciled to the Valuation Roll and stand numbers are	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		stand numbers or LPI code on the infrastructure asset register, thus making it impossible for auditors to agree the fair value of land being transferred against valuation roll provided to the auditors.	reflected on the Land register			
WIP: Differences in the amounts on the WIP balance and the payments certificates/progress reports - (ISS.135)	CoAF 135	During the testing of WIP closing balance, it was confirmed that the closing balances of the WIP are different to the sum of payment certificates or progress reports in the project files submitted for audit.	Reconcile the work-in-progress (WIP) register against the payment certificate / voucher.	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
PPE - Assets that could not be found on the fixed asset register - (ISS.139)	CoAF 138, 139	During physical verification of assets that was performed, completeness of assets was also performed by selecting a sample of assets from the physical location and traced them back to the asset register.	Ensure that all assets are verified / confirmed ownership and location of the assets is also included in the Assets Register.	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
PPE - Section 42 projects (PY iss.82 and 91) - (ISS.140)	CoAF 140	During the follow up of prior year issue 82 and 91 of 2018, we could not confirm that assets transferred to the municipality in terms of section 42 of the PFMA were correctly recorded into the municipality's fixed asset register.	Reconcile all projects that were implemented by Other Organ of State within Ngwathe LM and request supporting documents from the implementing department, if, evidence cannot be obtain recognise the assets on revaluation cost	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
PPE - Inconcistency of EUL, Asset description and cost of assets. - (ISS.149)	CoAF 149	List of infrastructure assets that were selected from the physical locations and traced to infrastructure asset register, these assets were found to have similar descriptions, useful lives and costs on the asset register.	Review the PPE Register to identify similar assets and ensure that similar assets are not duplicate and have unique identification number	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
Property, plant and equipment - Difference between Register and AFS - (ISS.15)	CoAF 15	During the testing of investment property, the following investment property items could not be traced to the investment property register	Reconcile the investment property register to ensure completeness with the values disclosed in the AFS	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
PPE - DOE and DWS projects not accounted at correct values and period - (ISS.56)	CoAF 56	During the follow up of prior year issues 85 and 86 of 2018, we identified that the following projects were not recorded at the correct period and values.	Reconcile all projects that were implemented by Other Organ of State within Ngwathe LM and request supporting documents from the implementing department, if, evidence cannot be obtain recognise the assets on revaluation cost	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
CoAF 57 - PPE - The area of land in the FAR differs to the expert's report (PY iss.42) - (ISS.57)	CoAF 57	The following differences were identified between the area (m2) of landfill sites per fixed assets register and the Actuaries reports for rehabilitation of landfill sites:	Ensure that the area of land disclosed in the Fixed Assets Register is the same as the Actuaries Report (Experts Report)	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
PPE - Completed WIP not released in the correct period (PY iss.83) - (ISS.62)	CoAF 62	The following projects were noted to have been completed in the prior period. The completion dates in the completion certificates show that projects were completed in 2015/2016 and 2016/2017 financial periods however they were only transferred to	Review Work-in-progress (WIP) Register / File to determine the completion date of each project and capitalised the assets on either the completion certificate signed off by the Project Manager or	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		completed assets in 2017/18. Differences were also identified between cost released from WIP and take on cost on completed assets register.	deem date (where completion certificate is not available)			
PPE - Differences between WIP balance and amount recorded to completed assets (PY Iss.84, 85, 86) - (ISS.73)	CoAF 73	During the follow up of prior year issue 84,85 and 86 of 2017/18, the following differences were identified between the WIP balance and amount recorded in completed assets register. The projects were complete but still included in WIP in 2017/18.	Reconcile the Work-in-progress (WIP) register against the values of the completed projects.	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
PPE: Differences between capitalised amount and Bill of quantities - (ISS.95)	CoAF 95	During the testing of completed WIP, differences were identified between the amounts capitalised and the amounts on the bill of quantities.	Ensure that the assets are capitalised based on the amount as per bill of quantities	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
PPE - Ownership of land could not be confirmed (PY iss.105) - (ISS.98)	CoAF 98	During the follow-up of prior year issue 105 of 2018 - Performed the deeds search, There is no information available that matches the search criteria. Therefore could	Ensure the the land assets register is confirmed with the Valuation Roll and Deeds Office to ensure completeness	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

				2019 R	2018 R
		not confirm the ownership of the properties.			
Inventory					
Inventory - Inventory understated by the unrecorded transfer from PPE - (ISS.126)	CoAF 126	The inventory was correctly transferred from land to Inventory because the land was already legally occupied by the residents of Koppies . However, this inventory asset did not form part of the inventory balance. Furthermore during physical verification that was performed, it was confirmed that a piece of land that has been classified as inventory has already been occupied, with informal structures already been erected.	Review the Investment Property, Land, PPE that was reclassified to Inventory and confirm the ownership of those assets whether council still have control over. Dispose the assets which Council do not have control applying "substance over form"	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant 30-Jun-20
Investment property					
Investment Property: Disclosure incomplete - (ISS.107)	CoAF 107	Contrary to the above the disclosure of investment property is incomplete as the above GRAP 16 disclosure requirements were not made.	Ensure that the GRAP 16 disclosure requirement is adhered to when accounting for Investment Property	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant 30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Investment property: Differences in the valuation roll and the investment property register - (ISS.111)	CoAF 111, 152	During the testing of investment property it was identified the market values on the investment register for the 2018/19 financial year do not equal the market values on the valuation roll presented for audit.	Reconcile the property values in the investment property against valuation roll market value, where revaluation is performed on investment property records must be kept.	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
		During the testing of investment property it was identified through physical verification that some of the following assets are not in the control of the municipality and some are incorrectly classified as investment property.	Review the Investment Property, Land, PPE that was reclassified to Inventory and confirm the ownership of those assets whether council still have control over. Dispose the assets which Council do not have control applying "substance over form"	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20
		During the physical verification of investment property the following asset could not be confirmed to exist:	Ensure that physical verification of all investment properties is done and confirmed investment property against municipal valuation roll, deeds office,	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

				2019 R	2018 R
			land survey general and update the register.		
Movable assets					
PPE - Completeness of motor vehicles not confirmed (PY iss.138) - (ISS.88)	CoAF 88	During the 2017/18 audit some vehicles could not be traced to the fixed assets register of the municipality and issue 138 was raised. In 2018/19 management was able to provide justifiable reasons for not recording some of the vehicles however the non-recording of the following vehicles is still not explained.	Reconcile the motor vehicle assets register against Department of Transport system eNATIS and perform physical verification to ensure completeness between the register and eNATIS system	Chief Financial Officer	Manager: Assets and Fleet and AFS Consultant 30-Jun-20
Operating expenditure					
General expenses - Expenditure not recorded in the correct period - (ISS.102, 105)	CoAF 102, 105	The expenses were not recorded in the correct period, contrary to Paragraph 31 in GRAP 1 states that an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting	Review the invoice date and records the expenditure in the period in which the invoice / goods was received.	Chief Financial Officer	Manager: Expenditure and AFS Consultant 30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Expenditure - Internal controls on Bulk purchases - (ISS.159)	CoAF 159	Electricity - No monthly readings are performed by the Municipality to confirm and certify the receipt of electricity purchased. The Municipality only rely on the Eskom invoices for the quantity charged.	Install bulk check meter on all water and electricity incoming points to measure the units received (Eskom and Rand Water)	Technical Director	Manager: Electrictrical	30-Jun-20
		Water – The Municipality do not have bulk meter-readings to confirm the receipt of water purchased from Rand Water and Department of Water Affairs.	Install bulk check meter on all water and electricity incoming points to measure the units received (Eskom and Rand Water)	Technical Director	Manager: Water Services	30-Jun-20
Expenditure - Differences between AFS and TB - (ISS.16)	CoAF 16	Differences as indicated in the table below were identified between the amount as per submitted 2018/19 financial statements and 2018/2019 Trial Balance.	Perform reconciliation between Trial Balance line item against AFS	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20
Expenditure - Misstatement of General expenses - (ISS.94)	CoAF 94	Contrary to the above requirements, the following misstatement on General expenses were identified, the following transactions were incorrectly classified	Review the classification of expenditure from General Ledger to agree the disclosure in the AFS	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20
Repairs and Maintenance - Misstatement of Repairs and maintenance - (ISS.96)	CoAF 96	Contrary to the above requirements, the following misstatement on Repairs and	Review the classification of expenditure from General Ledger to agree the	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		maintenance expenses were identified	disclosure in the AFS			
Payable						
Payables - Limitation of scope- Salary suspense (RFI 94) - (ISS.123)	CoAF 123	Schedule of salary suspense account and supporting documents for the salary suspense account.	Reconcile Salary Suspense Account and avail the supporting document for audit purpose	Chief Financial Officer	Manager: Expenditure, Senior Payrol Officer and AFS Consultant	30-Jun-20
Limitation of scope- Debtors with Credit balance - (ISS.132)	CoAF 132	Information relating to debtors with credit balances as listed below as at 30 June 2019: (a) Management reasons for the negative amounts and journals. (b) Supporting documents for the negative amounts and journals.	Investigate the debtors with credit balance and based on the findings of the investigation implement corrective measure	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Debtors with credit balances - Difference between opening balances and unusual transactions - (ISS.137)	CoAF 137	Contrary to the above mentioned, the following issues were noted in the testing of debtors with credit balances	Investigate the debtors with credit balance and based on the findings of the investigation implement corrective measure	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Payables from exchange transactions- Differences between AFS and Trial balance - (ISS.18)	CoAF 18	Differences as indicated in the table below were identified between the amount as per submitted 2018/19 financial statements and 2018/2019 trial Balance.	Perform reconciliation between Trial Balance line item against AFS	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Payables - Difference noted between creditors age and supplier statements (Follow up of prior year issue no 92) - (ISS.45)	CoAF 45	The following differences were identified between creditors and supplier statement/invoice in 2017/18, and no support was provided for these differences.	Perform creditors reconciliation against creditors control account and creditors statement of account.	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20
Payables - Completeness of trade payable - (ISS.54)	CoAF 54	During the completeness testing, following invoices that were paid in 19/20 but relating to 2018/19 financial year end ,were not recorded in the 2018/19 financial year.		Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20
Payable from exchange: invoices paid are recorded as part of payables,also unexplained differences between support and age analysis - (ISS.59)	CoAF 59	The following invoices were still recorded as payables from exchange transactions on 30 June 2019,however during the audit process it was identified that these invoices were paid before 30 June 2019.	Ensure that invoices that are paid during the current year are expense and no creditor / liability raised	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20
Retentions- Differences identified between retention per WIP register and supporting documents - (ISS.69)	CoAF 69	This occurred due to lack of proper review by management to ensure that retentions are recorded at the correct amount	Reconcille retention creditors against WIP reigster and payment voucher	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20
Retentions not calculated on projects-(Prior year issue 30 and 98) - (ISS.70)	CoAF 70	During the testing of retentions on prior year issue 30 and 98, it was identified that the retention was not				

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		calculated on the projects:				
Difference noted between creditors age analysis and supporting document submitted for audit - (ISS.75)	CoAF 75	The following differences were identified between creditors and supplier statement/invoice	Perform creditors reconciliation against creditors control account and creditors statement of account.	Chief Financial Officer	Manager: Expenditure and AFS Consultant	30-Jun-20
Predetermined objectives						
AOPO-Material misstatements on Reliability: Supporting document submitted for audit does not support the achievement of the target - (ISS.39)	CoAF 39	During the testing of Audit of predetermined objective, it was noted that the supporting documents provided to auditors does not support the planned target and the reported achievements as stated in the Annual Performance Report	Ensure that the audit evidence provided to the auditor is relevant and reliable for the performance objective been audited	IDP / PMS Manager	IDP / PMS Official	30 June 2020
Strategic objectives in the Integrated Development Plan (IDP) not included in the SDBIP (Service Delivery Budget Implementation Plan) and Annual Performance Report - (ISS.41)	CoAF 41	During the audit of performance information, it was noted that the strategic objectives as stated in the IDP are not included in the SDBIP and Annual Performance Report.	Ensure strategic objective in the Integrated Development Plan (IDP) are included in the SDIBP and Performance Report	IDP / PMS Manager	IDP / PMS Official	30 June 2020

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
The 2018/19 annual performance report does not include a comparison of performance for the prior year - (ISS.43)	CoAF 43	During the audit of predetermined objectives, it was noted that the PMU manager did not include the prior year comparisons in the Annual Performance report, as required by the Municipal Systems Act	Ensure that the predetermined objectives / annual performance report includes comparative performance information	IDP / PMS Manager	Manager - Project Management Unit	30 June 2020
Indicators included in the SDBIP are not complete - (ISS.47)	CoAF 47	During the audit of predetermined objectives it was noted that the indicators included in the SDBIP are not complete	Ensure that performance indicators included in the SDBIP are complete	IDP / PMS Manager	Head of Departments	30 June 2020
Indicators not meeting a SMART criteria(Usefulness) - (ISS.48)	CoAF 48	Performance Indicators were not "Well defined" to be SMART (Specific, Measurable, Achievable, Relevant, Time-bound)	Review the performance indicators to aligned them to the SMART principle	IDP / PMS Manager	IDP / PMS Official	30 June 2020
Procurement and Contract Management (to confirm for removal)						
Procurement and contract management - Local content not considered - (ISS.166)	CoAF 166	No evidence could not be obtained submitted to confirm that local production/content was considered as required by the preferential procurement regulations:	Ensure that local contents / projection is included in the specification committee of the designated sectors as per the SCM Regulation	Chairperson of Specification Committee		30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Procurement and contract management - Quotations not following SCM process (R10 000 - R200 000) - (ISS.49)	CoAF 49, 50, 55, 66, 71, 76	No supplier evidence could not be obtained relating to Tax Clearance, National Treasury Central Supply Database, Deviation not reasonable, MBD4 Supply declaration, as required by the SCM Regulation	Ensure that all procurement requirement are fulfilled and obtained before the award is made .i.e. tax clearance certificate, CSD, MBD4, etc	Chief Financial Officer	Manager: Supply Chain Management	30-Jun-20
Provisions						
CoAF 60 - Provisions: Landfill sites unlicensed. - (ISS.60)	CoAF	Through discussion with management it was identified that the landfill sites of Edenville, Vredefort and Heilbron are not licensed. Solid waste is disposed off at the unlicensed solid waste sites.	Ensure that the landfill sites are registered and licensed, in line with Environment Conservation Act	Municipal Manager	Director: Community Services	30-Jun-20
Receivables						
Debts Impairment: VAT included in calculations of impairment - (ISS.11)	CoAF 11	Through discussion with management it was also confirmed that VAT was not taken out when calculating the movement of provision, and this will also affect the comparative figures.	Review the debt impairment calculation to ensure that VAT is excluded from the impairment balance	Chief Financial Officer	AFS Consultant	30-Jun-20
Bad debts - Write off not inline with indigent support policy and council resolution - (ISS.112)	CoAF 112	Indigent write-offs be noted and the final write-offs will also be done by the end of June 2019.	Ensure that indigent write-offs are performed on annual basis in line with the	Chief Financial Officer	Revenue Manager and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
			Indigent Support Policy			
Indigent consumers: Internal control - Municipal employees included as indigent - (ISS.145)	CoAF 145	Indigent consumer included in indigent register were found to have identical ID number to that of the employees of municipality which are eaning monthly net income of more that R3 300.	Update the indigent consumer data-base with the correct indigent applicant information	Manager: Revenue	Assistant Manager: Debt Collection	30-Jun-20
VAT Receivable: GL and AFS do not reconcile - (ISS.40)	CoAF 40	It could not be confirmed that the VAT receivable amount disclosed in the AFS is correct because it materially differs from VAT receivable in the general ledger.	Perform VAT reconciliation against the VAT control account in the general ledger and declaration made to SARS	Chief Financial Officer	Manager: Expenditure and MAXPROF	30-Jun-20
Receivables from exchange and non-exchange - Debtors do not exist - (ISS.51)	CoAF 51	Existence of the debtors could not be confirmed as there were no movement (payment or service charge) on the account during the year.	Perform data cleansing to confirm and ensure that all consumer debtors exist and that where no payments follow up is made	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Receivable: Debtors prescription due to non-payment in past three years. - (ISS.63)	CoAF 63	Debtors were found to have their debts overdue for more than three(3) year with no single payment made by the debtor, however municipality did not write off this	Review the debtors control account to identify debt older than the prescription period (36 month) and propose a write-off to Council	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		prescribed debtors.				
Related parties						
Related Parties_Non-compliance to Section 5A, Schedule 2 of Municipal Systems Act. - (ISS.142)	CoAF 142	During the audit of Related parties disclosure Note 27 on the AFS, it was noted that the declaration of financial interest in terms of the above requirements applicable to section 57 managers were not submitted for audit purpose	Councillors and Section 57 managers to fill-in the financial declaration of interest	Municipal Manager	Head of Departments	30-Jun-20
Revenue						
Service Charges - Discrepancies identified with regards to distribution losses. (Prior year issue. 144) - (ISS.114)	CoAF 114	The total value disclosed on the comparatives for water losses does not agree to the supporting schedule submitted for audit.	Install bulk check meter on all water and electricity incoming points to measure the units received (Eskom and Rand Water)	Technical Director	Manager: Water Services and Manager: Electrical Manager	30-Jun-20
Service Charges - Distribution losses not calculated and disclosed in the current financial statements - (ISS.115)	CoAF 115	Management did not perform calculations for distribution losses and disclose the required note in the current year financial statements, due to this omission	Install bulk check meter on all water and electricity incoming points to measure the units received (Eskom and Rand Water)	Technical Director	Manager: Water Services and Manager: Electrical Manager	30-Jun-20
Service Charges - Loss of revenue due to bridging of meters (Prior year	CoAF 118	Management's decision to bridge these meters to supply unmetered electricity without	Perform electrical meter audit and replace	Chief Financial Officer / Technical Director	Electrical Manager / CIGICELL	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
issue 104.) - (ISS.118)		implementing proper controls to ensure all revenue are collected	the bridged meter			
Service Charges - Discrepancies identified on sale of conventional electricity. (Prior year issue 122). - (ISS.119)	CoAF 119	Readings as per the meter reading book submitted for audit, did not agree to the meters readings captured on the system and those physically verified, therefore causing difference on the amount recalculated.	Ensure that variance report is review before the billing is finalised and adjustment is substantiated	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Service Charges - Reliance cannot be placed on estimated consumption. (Prior year issue 133). - (ISS.120)	CoAF 120, 147, 148	A reasonability test was performed on the estimates charged on consumer accounts based on the guidance as per paragraph 5.1 of the Credit Control and Debt Collection Policy, reviewed 2017/18, it could not be confirmed how management arrived to the estimated consumption billed on each account, as there was a huge difference between the consumption recalculated and the consumption charged on the system.	Identify the converntional and water meters that have not been read in the last six month and send meter readers to take reading before year-end	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Service charges - Discrepancies identified in water consumption billed. - (ISS.146)	CoAF 146	Through inspection of the water meter reading books, MMC and Cigicell reports, and information on the debtor's system (BP080 report) it was confirmed that for the month selected there was a decrease in readings taken	Ensure that variance report is review before the billing is finalised and adjustment is substantiated	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Service charges - Completeness of revenue from exchange transactions could not be verified - (ISS.156)	CoAF 156	The accounts were not updated on the eVenus system for the services rendered (Electricity and water)	Perform data cleansing to confirm and ensure that all consumer debtors are linked to the correct services rendered	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Service Charge - Discrepancies identified on sewerage and sanitation. - (ISS.52)	CoAF 52	The incorrect information on the system might lead to material misstatements on the revenue from sewage charges.	Review the tariff policy to ensure billing is aligned to the norm and the frequency of billing	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Service charge - Limitation of scope on refuse removal - (ISS.53)	CoAF 53	Inaccurate information on the system will result to incorrect billing and material misstatement on revenue from refuse.				

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
Revenue non-exchange Property rates (Properties with zero values)(Follow up of Py issue 112 - (ISS.68))	CoAF 68	Inspected the valuation report for the year ended 30 June 2019 to determine whether the properties that were listed with R0 values in the valuation roll of 2017/2018 year of assessment were corrected to reflect the correct values in 2019, and it was confirmed that no corrections were done by management, the prior year issue remains.	Reconcile the property values in the billing information against valuation roll market value and update the billing information	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Revenue from non-exchange: Property rates accuracy(PY follwo up of issue 111) - (ISS.79)	CoAF 79	Through inspection of the properties it was identified that the properties are classified as residential in the valuation roll and levied as "VA001" in the billing report, although it was confirmed through physical inspection that businesses are operated on these properties	Updated the billing information (property rates) after performing data cleansing and agree the use of property with the valuation roll description.	Chief Financial Officer	Manager: Revenue and AFS Consultant	30-Jun-20
Revenue from non-exchange: Property rates accuracy (Current year) - (ISS.85)	CoAF 85	During the audit of property rates, it was noted that accounts pertained to properties that were charged at residential property rate tariffs whereas it				

Ngwathe Local Municipality

(Registration number FS203)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

					2019 R	2018 R
		should have been charged at the business property rates tariffs as the properties were used as businesses				
Revenue from exchange transactions-accounting policy includes information not relevant to the municipality - (ISS.97)	CoAF 97	Dividends or similar distribution paragraph is not relevant to the municipality, service fee paragraph is not relevant to the municipality	Update the accounting policy to remove irrelevant paragraph in the policy	Chief Financial Officer	AFS Consultant	30-Jun-20