



EPHRAIM  
MOGALE  
LOCAL  
MUNICIPALITY

**ANNUAL  
REPORT  
2018-2019**

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## CHAPTER 1: MAYOR'S FORWARD AND EXECUTIVE SUMMARY



The EPMLM's annual report for the period 1 July 2018 to 30 June 2019 is presented in compliance with Treasury Regulations and according to 121 of the Municipal Finance Management Act 56 of 2003 and read with section 46 of the Municipal Systems Act of 2000. The Annual Report serves as a communication tool for providing broad information on activities carried out and services provided, and for comparing actual service delivery with projected service delivery. The information in this annual report will inform the community, and the wider public assess how the municipality has performed in relation to stewardship of community needs, efficiency, effectiveness, and cost-effectiveness of operations. Chapter 1 of the report provides Mayor's forward and an overview of the Municipal Manager with a brief summary of key service delivery essentials.

### COMPONENT A: MAYOR'S FOREWORD

#### 1.1 MAYOR'S FOREWORD

##### a. Vision

"Agricultural Hub of choice".

##### b. Key Policy Developments

This report follows seven years after the remarkable year of the local government elections (2011). These elections presented the Municipality with a challenge to review and assess whether a positive impact and a shift in the development of our communities has been made, in terms of the Council's existing vision and strategy. The review process required an innovative way of looking at issues at large. A new focus is on optimizing organizational performance to ensure a move towards organizational culture that adapts more easily to change.

Despite all challenges we will strive to continue rendering high quality services to our communities during 2019/2020 financial year. The Municipality committed itself to the principles of innovation and improved service delivery to take us forward into the future

### c. Key Service Delivery Improvements

In the year under review the municipality successfully completed the following capital projects:

| KILOMETRES IN ROADS TARRED                 | LOCATION/VILLAGE     | PROJECT VALUE  |
|--|----------------------|----------------|
| 3.250km Ngwalemong Internal Streets        | Ngwalemong           | R 4 184 226.58 |
| 2.1km Letebejane & Ditholong internal road | Letebejane/Ditholong | R 4 032 570.63 |

The following projects are still continue as Multiyear projects and they will completed in the year 2019/2020

| Facilities                               | LOCATION/VILLAGE   | PROJECT VALUE   |
|--|--------------------|-----------------|
| 1.05km Mashemong/Mooihoek internal roads | Mashemong/Mooihoek | R 4 000 682.95  |
| Mamphokgo Sports Complex                 | Mamphokgo          | R 12 151 228.13 |
| Leeuwfontein Sports Facility             | Leeuwfontein       | R 7 443 085.75  |

### d. Public Participation

The municipality has developed an annual public participation program. The program targets all 16 wards and specific villages. These meetings afford politicians opportunity to report back on progress made and direct contact with ordinary community members. The Municipality continued to develop and improve mechanisms to ensure a culture of participative governance as a priority. Cluster- Based consultation has been adopted as a form of participatory community action linked to the Integrated Development Planning (IDP) process. Ward committees enhances a more effective communication between the council and the community.

| MAYORAL/SPEAKER OUTREACHES                   |  |
|--|--|
| NUMBER OF OUTREACHES                         | LOCATION/VILLAGES  |
| Annual Report 2017/2018 Public Participation | Moomane Community Hall, Rathoke Village, Driefontein,  |
| Back to School Opening Campaign              | Moeding Village, Mamphokgo, Village, Mbuzini Village.  |
| MPAC Annual Report 2017/2018 Public Hearing  | Moutse West Circuit offices, Rakgwadi, Tsimanyane Circuit Office, Lepelle Circuit Office and Phokwane Circuit. |
| State of the Municipality Address (SOMA)     | Marble Hall Town Hall  |
| Annual Ward Committee Conference 2018/2019   | Municipal Council Chamber  |
| IDP Review Public Participation 2019/2020    | Matlelerekeng Community Hall   |

### e. Future Actions

The speaker's office facilitated constant interaction with the communities by quarterly ward committee meetings with their constituencies, to get the problems encountered in their wards. The mayor's office also embarks on the mayoral outreach programs focusing on focal groups, i.e. women, children, disabilities, etc.

**f. Agreements / Partnerships (announcements on special partnerships initiated)**

During the period under review, Mayor's Office awarded top learner a special bursary and 11 laptops to other best performed student. This is part of our programme to interact with other State Owned Enterprises and the Private Sector to concluded meaningful partnerships that will be beneficial to both our municipalities and communities. In the anticipated future we hope this will lead to joint programmes and projects.

**g. Conclusion**

The Municipality acknowledge the progress made and also very conscious about the fact that some segments of communities are still living in depressing poverty, we remain committed and determined to persevere in realising the key focus areas that Council adopted in the IDP 2018-2019. In terms of our Vision, the Municipality wants to thank the community of EPMLM as well as all other stakeholders for their will to participate in the affairs of the Municipality. We appeal to all our stakeholders to continue to do so, by joining hands with the Municipality in an effort to make EPMLM "Agricultural Hub of choice".

**Comparison of Institutional Performance Levels 2016/2017 – 2018/2019**

**Table 1: Institutional Performance Comparison**

| KPA No | KPA  | 2016/2017            |                  |                   | 2018/2019            |                  |                   | 2018/2019            |                  |                      |                   |
|--------|--|----------------------|------------------|-------------------|----------------------|------------------|-------------------|----------------------|------------------|----------------------|-------------------|
|        |  | Total KPI's Assessed | Targets Achieved | % Target Achieved | Total KPI's Assessed | Targets Achieved | % Target Achieved | Total KPI's Assessed | Targets Achieved | Targets Not Achieved | % Target Achieved |
| 1      | Spatial Rationale                                      | 18                   | 13               | 72.2%             | 07                   | 05               | 71%               | 13                   | 10               | 03                   | 77%               |
| 2      | Basic Service Delivery and Infrastructure Development  | 36                   | 19               | 52.7%             | 32                   | 21               | 66 %              | 43                   | 22               | 21                   | 51%               |
| 3      | Local Economic Development                             | 10                   | 06               | 60%               | 10                   | 06               | 60 %              | 12                   | 11               | 01                   | 92%               |
| 4      | Municipal Transformation and Institutional Development | 26                   | 21               | 80.7%             | 19                   | 16               | 84 %              | 36                   | 30               | 06                   | 83%               |
| 5      | Municipal Financial Viability and Management           | 25                   | 18               | 72%               | 17                   | 13               | 76 %              | 20                   | 18               | 02                   | 90%               |
| 6      | Good Governance and Public Participation               | 33                   | 27               | 81.8%             | 30                   | 24               | 80 %              | 49                   | 37               | 12                   | 76%               |
|        | <b>TOTAL</b>   | <b>148</b>           | <b>104</b>       | <b>70.2%</b>      | <b>115</b>           | <b>85</b>        | <b>74 %</b>       | <b>173</b>           | <b>128</b>       | <b>45</b>            | <b>74%</b>        |

The following section contains a comprehensive breakdown of the individual Departmental performance. The scores highlight the progress with respect to performance not only at a departmental level, but also represents the progress made within each Key Performance Area (KPA).

**Table 2: Individual Departmental performance Comparison**

| No | Department                      | 2018/2019            |                  |                      |                   |
|----|---------------------------------|----------------------|------------------|----------------------|-------------------|
|    |                                 | Total KPI's Assessed | Targets Achieved | Targets Not Achieved | % Target Achieved |
| 1  | Budget & Treasury Services      | 20                   | 18               | 02                   | 90%               |
| 2  | Planning & Economic Development | 28                   | 24               | 04                   | 86%               |
| 3  | Corporate Services              | 49                   | 39               | 10                   | 80%               |
| 4  | Office of the Municipal Manager | 35                   | 25               | 10                   | 71%               |
| 5  | Community Services              | 16                   | 09               | 07                   | 56%               |
| 6  | Infrastructure Services         | 25                   | 13               | 12                   | 52%               |
|    | <b>TOTAL</b>                    | <b>173</b>           | <b>128</b>       | <b>45</b>            | <b>74%</b>        |

All gratitude goes to the team (Executive Committee, Speaker, Chief Whip, and all Councilors, the Municipal Manager and Senior Managers, as well as the rest of the staff and public. Without the determination and commitment shown, EPMLM's vision would have never been realised.

(Signed by :)

**Mayor: Cllr. Mothogwane M.D.**

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1 MUNICIPAL MANAGER'S OVERVIEW



The preparation and publication of the Annual Report is a legislative requirement as per Section 46 of the Municipal Systems Act (MSA) 32 of 2000 and Section 121 of the Municipal Finance Management Act (MFMA) 56 of 2003. Section 46 (1) and (2) outlines the frequency of the Annual Report and what should be reflected therein; whilst Section 121 of the MFMA provides timeframes within which the report should be prepared and made available for perusal by the council and its committees. It further set out latest date by which the report should be approved by council and then ultimately be adopted and publicized an official service delivery report of the municipality. Again, in terms of section 121 of the MFMA the purpose of an annual report is:

- (a) To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
- (b) To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- (c) To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

Accordingly; the main role of the accounting officer in the preparation of this report was to ensure that the report is completed timeously and that it accurately recount the key activities undertaken in the year under review, giving a clear indication of achievements, non-achievement, challenges and opportunities realized in the course of undertaking such activities. Key among such achievements include the 96% MIG spending and successful completion of capital projects thereof. Amidst such achievements, there were challenges which we honestly reflected in the report such as the regrettable audit opinion from the 2017/2018 Unqualified to Qualified outcome in the 2018/2019 as well as numerous incidences of labour unrests coupled with number of acting positions at management level. Of great importance is the fact the municipality has developed strategies, systems and mechanisms to forge a successful way-forward in dealing with such challenges – thus giving a collective commitment that Ephraim Mogale Municipality will grow strong and continue to realise its vision in relation to the core business of basic service delivery as provided for in section 152 of the South African Constitution.

NB By the time of compiling and submitting the annual report, the municipality has requested a secondment from Sekhukhune District Municipality. SDM has positively responded to the request by seconding Mr Kgopele Phasha as the Acting MM with effect from 6<sup>th</sup> January 2020 to 31<sup>st</sup> March 2020.

A handwritten signature in black ink, appearing to be 'Phasha Kgopele Lucas', written over a horizontal line.

PHASHA KGOPELO LUCAS  
ACTING MUNICIPAL MANAGER

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## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Ephraim Mogale's population is youthful consisting of 42% youth, with Sepedi being the main language. The following analogy provides an overview of the important demographic Indicators of Ephraim Mogale Local Municipality. It covers the population size, age distribution, unemployment, income generation, educational levels and services backlogs. The socio-economic profile of the Municipality provides an indication of poverty levels, development prospectus and breaks it down from villages to wards. The population size is 123 648. The population in the municipality constitutes 97, 8% black Africans, 1, 6% whites, with other population groups making up the remaining 0, 6%. The sex ratio in the municipality is 88.9, meaning that for every 100 women there are 88 men.

The name of the Municipality was changed from Greater Marble-Hall to Ephraim Mogale by an amendment of section 12 notice in Provincial Gazette No 1721 by General notice 10 of 2010 on the 28<sup>th</sup> January 2010 with new Logo and slogan-RE HLABOLLA SECHABA which means "WE DEVELOP OUR PEOPLE".

The Ephraim Mogale Local municipality is composed of the former Marble Hall New City, Moutse West, and Leeuwfontein/Moganyaka, portion of former Hlogotlou/Lepelle TRC, portion of former Greater Nebo North TRC, the entire area of former Middle Lepelle TRC, portion of Naboomspruit/Roedtan, Thusang TLC area and part of the former Springbokvlakte TLC.

The municipality was established soon after the elections in 2005 in terms of section 12 notice no .302 dated 1 October 2000. The municipality was a cross boundary municipality which compromises of 16 villages, Marble hall town and farming areas in Mpumalanga and 2 townships and 47 villages in Limpopo. The municipality has been incorporated in Limpopo province in accordance with proclamation no.422 dated 27 December 2005. The municipality is named after the struggle hero Ephraim Mogale. The municipality borders Makhuduthamaga local municipality in the south, Elias Motswaledi local municipality in the east Lepelle Nkumpi local municipality in Capricorn District, Mookgopong local municipality in Waterberg and Mpumalanga's Dr JS Moroka local municipality. It is situated about 150km from Polokwane, 100km from Mokopane, 145km from Pretoria, and 250km from Mbombela .The municipality is the second smallest of the five local municipalities in the district, constituting 14.4% of the area with 1911.07 square kilometers of the district's 13 264 square kilometer .land ownership is mostly traditional and the municipality is predominantly rural with about 56 settlements, most of which are villages. The municipality has 16 wards.

### Powers and functions

| Function  | Municipal Authority | District Authority | Remarks   |
|---|---------------------|--------------------|---|
| 1.Air Pollution   | Yes                 |                    |   |
| 2.Building regulations  | Yes                 |                    |   |
| 3.Child care facilities   | Yes                 |                    |   |
| 4.Electricity reticulation  | Yes                 |                    | License for Marble Hall town and Eskom reticulates rest of municipality |
| 5.Fire fighting   | No                  | Yes                |   |
| 6.Local tourism   | Yes                 |                    |   |
| 7.Municipal airport   | Yes                 |                    |   |
| 8.Municipal planning  | Yes                 |                    |   |
| 9.Municipal Health Service  |                     | Yes                |   |
| 10.Municipal Public Transport   | Yes                 |                    | Bus & Taxi rank in private ownership                                    |
| 11.Pontoons & Ferries   | Yes                 |                    |   |
| 12.Storm water  | Yes                 |                    |   |
| 13.Trading regulations  | Yes                 |                    |   |
| 14.Water (potable)  |                     | Yes                |   |
| 15.Sanitation   |                     | Yes                |   |
| 16.Beaches and amusement facilities                                   | Yes                 |                    |   |
| 17.Billboards and the display of advertisements in public places      | Yes                 |                    |   |
| 18.Cemetries,funeral parlours and crematoria                          | Yes                 |                    |   |
| 19.Cleansing  | Yes                 |                    |   |
| 20.Control of public nuisance   | Yes                 |                    |   |
| 21.Control of undertakings that sell liquor to the public             | Yes                 |                    |   |
| 22.Facilities for the accommodation, care and burial of animals       | Yes                 |                    |   |
| 23.Fencing and fences   | Yes                 |                    |   |
| 24.Licensing of dogs  | Yes                 |                    |   |
| 25.Licensing and control of undertakings that sell food to the public | Yes                 |                    |   |
| 26.Local amenities  | Yes                 |                    |   |
| 27.Local sports facilities  | Yes                 |                    |   |
| 28.Markets  | Yes                 |                    |   |
| 29.Municipal Abattoirs  | Yes                 |                    |   |
| 30.Municipal parks and recreation                                     | Yes                 |                    |   |
| 31.Municipal roads  | Yes                 |                    |   |
| 32.Noise pollution  | Yes                 |                    |   |
| 33.Pounds   | Yes                 |                    |   |
| 34.Public places  | Yes                 |                    |   |
| 35.Refuse removal refuse dumps and solid waste disposal               | Yes                 |                    | The land fill site in Marble Hall town is licenced and authorised       |
| 36.Street trading   | Yes                 |                    |   |
| 37.Street lighting  | Yes                 |                    | Whole Municipal area  |
| 38.Traffic and parking  | Yes                 |                    |   |
| 39.Registration authority   | Yes                 |                    |   |

Table 3: the table above depicts the powers and function of the municipality

| Population | 2011    | 2016    | Households | 2011   | 2016   | Youth | 2011   | 2016   |
|------------|---------|---------|------------|--------|--------|-------|--------|--------|
| Total      | 123 082 | 127 168 | Total      | 32 284 | 33 936 | Total | 42 964 | 51 829 |

Table4: As per the community survey 2016 statistics conducted, the number of households has increased by 12%

### Natural Resources

| Natural Resources      |  |
|------------------------|--|
| Major Natural Resource | Relevance to Community                               |
| Land                   | Agricultural and Human Settlement                    |
| Dam                    | Tourism attraction, Agricultural use and Consumption |
| Minerals               | Economic Empowerment and job creation                |
| T 1.2.7                |  |

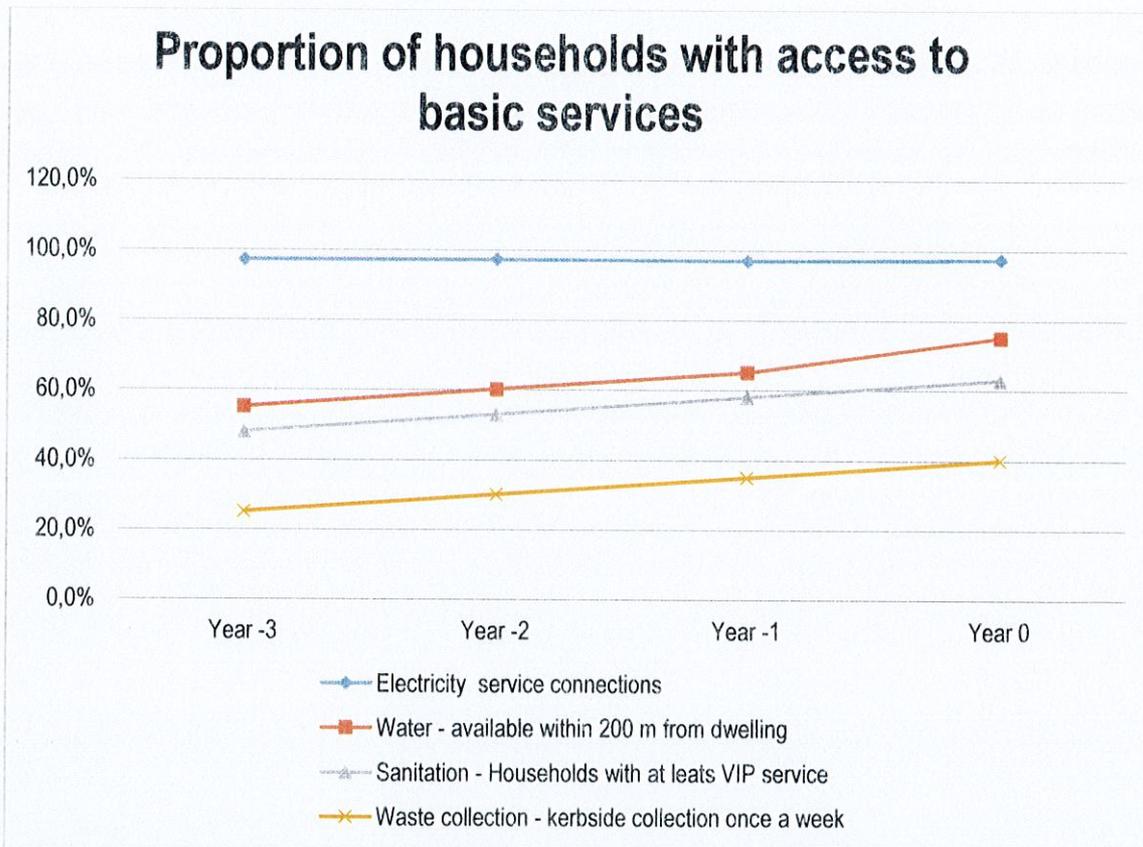
### Ephraim Mogale Local Municipality Is Established to Perform the Following Functions:

- Municipal transformation and organizational development
- Basic service delivery and infrastructure
- Local economic development
- Financial viability
- Good governance and public participation
- Spatial Rationale

### 1.3 SERVICE DELIVERY OVERVIEW

The municipality's core business is to provide safe and sound road infrastructure network and uninterrupted electricity network to its community. Water and Sanitation are provided by Sekhukhune District Municipality and electricity is provided by Eskom in the rural parts of the municipality. The electrification backlog was maintained at 3.5%. Supply in the license area was maintained with interruptions within the NERSA specification.

| Proportion of Households with minimum level of Basic services |         |         |         |        |
|---|---------|---------|---------|--------|
|   | Year -3 | Year -2 | Year -1 | Year 0 |
| Electricity service connections                               | 97.3    | 96.8%   | 97.3%   | 96.5%  |
| Water - available within 200 m from dwelling                  | 55%     | 60%     | 65%     | 75%    |
| Sanitation - Households with at least VIP service             | 48%     | 53%     | 58%     | 63%    |
| Waste collection - kerbside collection once a week            | 18,2 %  | 20%     | 25%     | 30%    |



#### The Backlog on Services

With regard to the provision of free basic water, SDM is providing to approximately 90% of households.

#### Water

| EPMLM | Households | %Backlog |
|-------|------------|----------|
|       | 14 592     | 43%      |

#### Sanitation

The provision of sanitation in EPMLM faces considerable challenges at present. The situation is more of a concern that it was the cases with water.

The municipality has different households that use different types of toilet facilities. In town the municipality uses flushing toilets while in the rural areas there are few households that use flushing toilets. The rest of the population in the rural areas of the municipality use pit latrines.

| EPMLM | Households | %Backlog |
|-------|------------|----------|
|       | 12 217     | 36%      |

## Electricity

| EPMLM | Households | Backlog |
|-------|------------|---------|
|       | 33 936     | 3.5%    |

All residential areas connected to the electrical grid. Backlog at 3.5% after Eskom completed 4 projects with 338 connections and 370 infills

## Public lighting backlog

| EPMLM | Villages | Backlog |
|-------|----------|---------|
|       | 56       | 60.72%  |

This is just areas with some form of public lighting and not 100% coverage

## Refuse Collection services

| EPMLM | Households | Backlog |
|-------|------------|---------|
|       | 33 936     | 81.2%   |

Households with access to refuse collections services at least once a week (6369)

## 1.4 FINANCIAL HEALTH OVERVIEW

| Financial Overview – 2018/2019 |                    |                    |                    |
|--------------------------------|--------------------|--------------------|--------------------|
| Details                        | Original Budget    | Adjustment Budget  | Actual             |
| Income                         | 114,105,500        | 110,867,500        | 114,991,712        |
| Grants                         | 166,308,500        | 168,110,500        | 166,931,324        |
| <b>Sub-Total</b>               | <b>280,414,000</b> | <b>278,978,000</b> | <b>281,923,036</b> |
| Less Expenditure               | 284,263,000        | 287,571,000        | 260,517,792        |
| <b>Net Total</b>               | <b>-3,849,000</b>  | <b>-8,593,000</b>  | <b>21,405,244</b>  |

| Operating Ratios                 |      |
|----------------------------------|------|
| Detail                           | %    |
| Employee Costs                   | 86%  |
| Repairs & maintenance            | 52%  |
| Finance charges and Depreciation | 858% |

| KPA and Indicator  | Municipal Achievement |           |           |
|--|-----------------------|-----------|-----------|
|  | 2015/16               | 2016/2017 | 2018/2019 |
| Debt coverage (Total operating revenue –operating grants received)/ debt service payments due within a year  | 2.4                   | 2.2       | 3.1       |
| Service debtors to revenue –(Total outstanding service debtors/ revenue received for services)   | 0.9                   | 0.7       | 0.9       |
| Cost coverage ( Available cash +investments)/ Monthly fixed operating expenditure  | 1                     | 1         | 0.5       |
| The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan | 73%                   | 77%       | 74.88%    |

#### 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

Human resource services for the municipality are reasonably effective and efficient, and relatively meet the expectations of the community at large. The department is responsible for attracting skilled workforce, motivating workforce to perform the required tasks and continuous capacity building of personnel.

| Category                      | Number |
|-------------------------------|--------|
| Total posts on the organogram | 275    |
| Total number of employees     | 248    |
| Total number of vacancies     | 18     |
| Number of terminations        | 1      |
| Number of retirements         | 3      |
| Resignations                  | 5      |
| Death                         | 0      |
| Contract ended                | 0      |
| Retention/Promotions          | 0      |

### Committees Established to Strengthen Human Resource Management

- OHS Committee
- EAP Committee
- Employment Equity Committee
- Training Committee
- Local Labour Forum
- Editorial Committee
- Housing Committee
- Essential Services Committee

### Community Bursaries Awarded

| BURSAR NAME    | INSTITUTION                               | COURSE NAME                                     | WARD | COURSE LEVEL | COURSE STATUS RESULTS    | COURSE AMOUNT       |
|----------------|---|---|------|--------------|--------------------------|---------------------|
| Tlaka M.L      | University of Johannesburg                | Bachelor of Science                             | 10   | Third        | Submitted<br>Completed   | R 0.00              |
| Nkogatse M     | University of Pretoria                    | MBCHB   | 08   | Fourth       | Submitted<br>In Progress | R 111 743.07        |
| Maserumule M.W | North-West University                     | Bachelor of Commerce                            | 11   | Fourth       | Submitted<br>Completed   | R 0.00              |
| Nkoana S.K.P   | Sefako Makgatho Health Science University | MBCHB   | 01   | Sixth        | Submitted<br>In Progress | R 126 021.00        |
| Moeng C.G      | University of Pretoria                    | Bachelor of Mining Engineering                  | 11   | Third        | Submitted<br>In Progress | R 41 664.00         |
| Napo F.R       | University of Free State                  | Bcom Accounting Science                         | 02   | Fifth        | Pending<br>In Progress   | R 55 000.00         |
| Chidi T.P      | University of Stellenbosch                | MBCHB   | 15   | Fifth        | Submitted<br>In Progress | R 55 000.00         |
| Makola M.O     | University of Johannesburg                | Bachelor of Science                             | 08   | Fourth       | Submitted<br>Completed   | R 0.00              |
| Kokobane D.M   | Tshwane University of Technology          | National Diploma in Agriculture                 | 16   | Third        | Submitted<br>In Progress | R 0.00              |
| Monama T.V     | University of Johannesburg                | National Diploma                                | 12   | Second       | Pending<br>In Progress   | R 0.00              |
| Makola A       | Tshwane University of Technology          | National Diploma in Local Government Management | 16   | Third        | Submitted<br>In Progress | R 0.00              |
| Mohlala L.A.Q  | University of Johannesburg                | National Diploma in Town and Regional Planning  | 09   | Third        | Submitted<br>Completed   | R 0.00              |
| Matlala M.D    | University of Free State                  | Bachelor of Science in Actuarial Science        | 13   | Second       | Pending<br>In Progress   | R 96 650.00         |
| <b>TOTAL</b>   |   |   |      |              |                          | <b>R 486 078.07</b> |

## Employee Bursaries 2019 Academic Year

| INSTITUTION                 | COURSE NAME   | COURSE LEVEL | COURSE RESULTS        | STATUS/ | COURSE AMOUNT       |
|-----------------------------|---|--------------|-----------------------|---------|---------------------|
| University of South Africa  | BA: Government Administration and Development       | Second       | In Progress Submitted |         | R 7 730.00          |
| University of South Africa  | Advanced Diploma Internal Auditing                  | Second       | In Progress Submitted |         | R 6 160.00          |
| University of Pretoria      | Bachelor of Administration                          | Second       | In Progress Submitted |         | R 20 697.95         |
| University of Pretoria      | Bachelor of Administration                          | Second       | In Progress Submitted |         | R 25 252.95         |
| University of South Africa  | LLB   | Second       | In Progress Submitted |         | R 11 157.40         |
| Oxbridge Academy            | Management Assistant                                | First        | In Progress           |         | Paid up             |
| Regenesys                   | Masters Business Administration                     | Second       | In Progress Submitted |         | R 116 250.00        |
| Mancosa                     | Post Graduate Diploma in Business Management        | First        | In Progress           |         | Paid up             |
| University of South Africa  | Higher Certificate Economics and Management Science | Second       | In Progress Submitted |         | R 7 700.00          |
| University of South Africa  | Higher Certificate Archives and Records Management  | First        | In Progress           |         | R 6 687.95          |
| University of South Africa  | Bachelor of Administration Honours Degree           | First        | In Progress           |         | R 25 046.40         |
| University of Witwatersrand | Master of Management                                | First        | In Progress           |         | R 37 410.00         |
| University of South Africa  | Programme in Forensic and Investigative Auditing    | First        | In Progress           |         | R 21 000.00         |
| <b>TOTAL</b>                |   |              |                       |         | <b>R 285 092.65</b> |

### 1.6 AUDITOR GENERAL REPORT

The Municipality committed itself to the principles of innovation and improved service delivery to take us forward into the future. EPMLM have obtained a qualified audit opinion during the 2018/2019 financial year.

See Chapter 6: Auditor-General Report 2018/2019

### 1.7 STATUORY ANNUAL REPORT PROCESS

Table 16: statutory annual report process

| No | Activity  | Timeframes |
|----|---|------------|
| 1  | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period. | July       |
| 2  | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).   |            |
| 3  | Finalise 4 <sup>th</sup> quarter Report for previous financial year   |            |
| 4  | Submit draft Annual Performance Report to Internal Audit  |            |
| 5  | Municipal entities submit draft annual performance reports to MM  |            |

|    |  |                     |
|----|--|---------------------|
| 6  | Audit/Performance committee considers draft Annual Performance Report of municipality and entities (where relevant)                                | August              |
| 7  | Mayor tables the unaudited Annual Performance Report   |                     |
| 8  | Municipality submits draft Annual Performance 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 assesses draft Annual Performance Report including consolidated Annual Financial Statements and Performance data                   | September - October |
| 11 | Municipalities receive and start to address the Auditor General's comments   | November - December |
| 12 | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report                                 | January             |
| 13 | Annual Report is made public and representation is invited   | February            |
| 14 | Oversight Committee assesses Annual Report   | March               |
| 15 | Council adopts Oversight report  | March -April        |
| 16 | Oversight report is made public  |                     |
| 17 | Oversight report is submitted to relevant provincial councils  |                     |
| 18 | Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.                   | January             |

It is also a compliance issue to meet the deadlines, as non-compliance will result in a negative audit opinion for the municipality. Meeting deadlines also assists with receiving feedback, comments and inputs from relevant stakeholders, and helps with rectifying mistakes whilst learning good practice at the same time.

The alignment of IDP, budget and the performance system is important, as the three documents are the strategic documents of the municipality. They serve as a guiding tool to determine whether the municipality is working towards achieving its set goals and objectives, while using the budget in the correct manner, so as to avoid wasting public funds. This is done through the performance management, where there will be quarterly reporting about the performance of the municipality and whether the budget is still aligned to the set objectives, or if it is being spent on something that is not helping achieve set objectives and goals. Performance management helps to give an early indication of non-performance, and allows for the taking of corrective measures as soon as possible.

## CHAPTER 2 - GOVERNANCE

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Constitution section 151 (3) states that the council of municipality has the right to govern on its own initiative, the local government affairs of the local community. EPHMLM Council comprises of the political and administrative components responsible for decision-making and implementation respectively. The Mayor is the political head of the Institution and the Speaker is the head of council. The Municipality has all the powers assigned to it in terms of the Constitution as well as relevant national and provincial legislations. The municipality has the authority to take any possible actions to effectively exercise powers assigned to it.

#### Overview

The municipality is a category B municipality with an Executive Committee system with 32 Councillors, 16 ward Councillors and 16 PR Councillors. The municipality has 6 full time Councilors, namely the Mayor who heads the Executive committee, the Speaker who is head of Council, the Chief Whip, and three executive committee members. The Executive Committee consist of 6 members including the Mayor. The 5 members of the executive committee are heads of each of the portfolio committees namely, Budget & Treasury Office, Infrastructure Services, Corporate Services, Community Services and Planning & Economic Development. The Chairpersons of each of this committees form the Chairperson of Chairpersons committee

All items emanating from the 5 departments are submitted to Executive committee and recommendations from executive committee are submitted via the portfolio committees to council for consideration.

The municipality have an Audit committee that provides opinions and recommendations on financial processes and performance and provides comments on the annual report to MPAC a committee established to provide council with an oversight report on the annual report. The oversight report get published once it has been considered by Council for comments by members of the public.

#### 2.1. POLITICAL GOVERNANCE

The municipality is composed by the Mayor Cllr Mothogwane MD, Speaker Cllr Modisha LB, the Chiefwhip Cllr Sedibane FS and 05 other Executive committee members and other Councillors. There are also Section 80 & 79 committees that process all the issues before they go to council.

The Municipality consists of 32 Councillors, of both elected (ward representatives) and proportional (councilors). Each of the ward Councillors chairs a ward committee as part of the Ward Precatory System that brings participation down to community level. Ward Councillors play a central role in the communication process between the communities they represent and the council, reporting back regularly through ward meetings and assisting the community in identifying needs and priority areas of development which feed into the municipalities planning process. The new demarcation increases the wards from 14 to 16 and from 27 Councillors to 32 respectively. A full list of Councillors is attached as Appendix A, while appendix B sets out committees and their purposes.

It must be noted though that no Councillors were replaced during the financial year under review.

### Executive Committee

The Mayor of the Municipality, Councillor Mothogwane MD, assisted by the Executive Committee, heads the executive arm of the Municipality. Although accountable for the strategic direction and performance of the Municipality, the Mayor operates in consultation with the Executive Committee.

| EXECUTIVE COMMITTEE  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Cllr Mothogwane MD (Appointed in March 2019)</li> <li>• Cllr Lentsoane R</li> <li>• Cllr Motsepe M</li> <li>• Cllr Makanyane G</li> <li>• Cllr Makola L</li> <li>• Cllr Jacobs P</li> </ul> |  |

The table below categorises the Councillors within their specific political parties and wards for the 2018/2019 financial year:

| Surname & initials | Position                                      | Gender | Party | Contacts     |
|--------------------|---|--------|-------|--------------|
| Mothogwane MD      | Mayor   | Male   | ANC   | 076 616 5552 |
| Cllr Lentsoane RM  | Exco Corporate Services                       | Female | ANC   | 072 360 7487 |
| Cllr Motsepe MJ    | Exco Budget & Treasury                        | Female | ANC   | 079 235 1235 |
| Cllr Makanyane GN  | Exco Infrastructure Services                  | Male   | ANC   | 079 966 5551 |
| Cllr Makola ML     | Exco Planning & Economic Development Services | Male   | EFF   | 072 621 6057 |
| Cllr Jacobs PR     | Exco Community Services                       | Male   | DA    | 082 293 0403 |
| Cllr Modisha LB    | Speaker                                       | Female | ANC   | 071 594 7616 |
| Cllr Sedibane FS   | Chief-Whip                                    | Male   | ANC   | 082 575 5207 |
| Cllr Moimana GMH   | PR Councillor                                 | Male   | ANC   | 082 657 6306 |
| Cllr Tshiguvho ME  | PR Councillor                                 | Female | ANC   | 076 383 7656 |
| Cllr Kupa CR       | PR Councillor (Former Mayor)                  | Female | ANC   | 076 060 1571 |
| Cllr Mohlala L     | PR Councillor                                 | Male   | EFF   | 071 526 9160 |
| Cllr Sindana RR    | PR Councillor                                 | Female | EFF   | 072 580 4316 |

| Surname & initials  | Position      | Gender | Party       | Contacts                   |
|---------------------|---------------|--------|-------------|----------------------------|
| Cllr Phokwane R     | PR Councillor | Female | EFF         | 072 992 2820               |
| Cllr Matjie PT      | PR Councillor | Female | EFF         | 076 624 0810               |
| Cllr Manasoe MT     | PR Councillor | Female | EFF         | 076 409 1016               |
| Cllr Madileng DO    | PR Councillor | Female | EFF         | 071 454 2902               |
| Cllr Lentsoane MC   | PR Councillor | Female | DA          | 083 952 9184               |
| Cllr Letshela NS    | PR Councillor | Female | DA          | 076 052 8187               |
| Cllr De Beer FJC    | PR Councillor | Male   | VF Plus     | 082 223 0634               |
| Cllr Aphane MK      | Ward 1        | Female | ANC         | 078 152 3034               |
| Cllr Tema SA        | Ward 2        | Male   | Independent | 076 029 2799               |
| Cllr Ranoto P       | Ward 3        | Male   | ANC         | 073 193 9291               |
| Cllr Kekana MJ      | Ward 4        | Male   | ANC         | 072 669 4846               |
| Cllr Matlala MF     | Ward 5        | Male   | ANC         | 082 572 6617               |
| Cllr Motsepe MJ     | Ward 6        | Female | ANC         | 079 235 1235               |
| Cllr Jacobs PR      | Ward 7        | Male   | DA          | 082 293 0403               |
| Cllr Makanyane GN   | Ward 8        | Male   | ANC         | 079 966 5551               |
| Cllr Maloka MF      | Ward 9        | Female | ANC         | 078 139 2208               |
| Cllr Sedibane FS    | Ward 10       | Male   | ANC         | 079 011 1990/ 078 111 2123 |
| Cllr Mashoeshoe RHS | Ward 11       | Male   | ANC         | 089 474 0858               |
| Cllr Monama M       | Ward 12       | Male   | ANC         | 071 960 2255               |
| Cllr Boshielo C     | Ward 13       | Female | ANC         | 071 158 9969               |
| Cllr Mabaso T       | Ward 14       | Male   | ANC         | 073 600 6991               |
| Cllr Molatudi ML    | Ward 15       | Female | ANC         | 073 601 8842/ 081 829 9996 |
| Cllr Mashego MPM    | Ward 16       | Male   | ANC         | 078 844 0181               |

## 2.2 ADMINISTRATIVE GOVERNANCE

### Introduction

The administration is headed by the Municipal Manager who is the accounting officer and have 5 departments, namely; Budget & Treasury, Infrastructure Services, Corporate Services, Community Services and Planning & Economic Development headed by section 56 Managers who report directly to the Municipal Manager. Internal Audit division has been established and the Chief Internal Auditor reports directly to the Municipal Manager. Senior Management as well as Management meetings are held to co-ordinate service delivery and evaluate and monitor performance of the administration. Evaluation and Adjudication bid committees are in place to ensure that tenders are dealt with in terms of supply chain management processes to ensure that projects are implemented in accordance with Budget/IDP/SDBIP.

### Ephraim Mogale Local Municipality Top Management

| Designation                                | Name           | Gender |
|--|----------------|--------|
| Municipal Manager (On Suspension)          | Mathebela M.M  | F      |
| Director Corporate Services                | Lekola M.J     | M      |
| Chief Financial Officer (Resigned)         | Khabo Ramosibi | F      |
| Director Economic Development and Planning | Sithole K.V    | F      |
| Director Community Services                | Phaahla H.M    | M      |
| Director Infrastructure Services           | Mashile P.T    | M      |

*NB: By the time of compilation of the annual report, the incumbent municipal manager was on suspension.*

### Portfolio Committee's

Section 80 committees are permanent committees that specialise in a specific functional area of the municipality and may in some instances make decisions on specific functional issues depending on whether delegations have been granted to them. They are appointed to advise the mayor on policy matters and any other matter to be considered by the mayor. Section 79 committees are permanent committees appointed to advise the Municipal Council.

The name and portfolio of each Member of the Executive Committee is listed in the table below for the period 01 July 2018 – 30 June 2019:

| Corporate Services Portfolio Committee |                       |                |              |
|--|-----------------------|----------------|--------------|
| No.                                    | Name of Councillors   | Designation    | Cell numbers |
| 1                                      | Cllr Letty Molatudi   | Chairperson    |              |
| 2                                      | Cllr Given Moimana    | Portfolio Whip |              |
| 3                                      | Cllr Thabitha Manaswe | Member         |              |

|  |                                      |                |  |
|--|--------------------------------------|----------------|--|
| 4  | Cllr Conny Lentsoane                 | Member         |  |
| 5  | <b>Cllr Rebecca Lentsoane</b>        | <b>EXCO</b>    |  |
| <b>Budget and Treasury Portfolio Committee</b>               |                                      |                |  |
| 1  | Cllr Patrick Mashego                 | Chairperson    |  |
| 2  | Cllr Hudson Mashoeshoe               | Portfolio Whip |  |
| 3  | Cllr Simon Tema                      | Member         |  |
| 4  | Cllr Frederick Jacobus De Beer       | Member         |  |
| 5  | Cllr Thandi Matjie                   | Member         |  |
| 6  | <b>Cllr Mmakoma Motsepe</b>          | <b>EXCO</b>    |  |
| <b>Planning and Economic Development Portfolio Committee</b> |                                      |                |  |
| 1  | Cllr Carol Boshielo                  | Chairperson    |  |
| 2  | Cllr Tshiguvho M .E                  | Portfolio Whip |  |
| 3  | Cllr Maria Aphane                    | Member         |  |
| 4  | Cllr Rouda Ramatsobane Sindana       | Member         |  |
| 5  | Cllr Olgah Madileng                  | Member         |  |
| 6  | Cllr Mphoke Lawrence Makola          | EXCO           |  |
| <b>Community Services Portfolio Committee</b>                |                                      |                |  |
| 1  | Cllr Fanny Matlala                   | Chairperson    |  |
| 2  | Cllr Montsho Monama                  | Portfolio Whip |  |
| 3  | Cllr Olgah Madileng                  | Member         |  |
| 4  | Cllr Simon Tema                      | Member         |  |
| 5  | <b>Cllr Phillipus Rudolph Jacobs</b> | <b>EXCO</b>    |  |
| <b>Infrastructure Portfolio Committee</b>                    |                                      |                |  |
| 1  | Cllr Hudson Mashoeshoe               | Chairperson    |  |
| 2  | Cllr Thabiso Mabaso                  | Portfolio Whip |  |

|  |                                |             |                          |
|--|--------------------------------|-------------|--------------------------|
| 3  | Cllr Montsho Monama            | Member      |                          |
| R  | Cllr Thandi Matji              | Member      |                          |
| 5  | <b>Cllr George Makanyane</b>   | <b>EXCO</b> |                          |
| <b>CHAIRPERSON OF CHAIRPERSONS</b>         |                                |             |                          |
| 1.   | Cllr Thabiso Mabaso            | Chairperson | Chairperson              |
| 2.   | Cllr Patrick Mashego           | Member      | Budget & Treasury Office |
| 3.   | Cllr Hudson Mashoeshoe         | Member      | Infrastructure Services  |
| 4.   | Cllr Carol Boshielo            | Member      | Planning and LED         |
| 5.   | Cllr Philemon Ranoto           | Member      | MPAC                     |
|  | Cllr Letty Molatudi            | Member      | Corporate Services       |
| 6.   | Cllr MF Matlala                | Member      | Community Services       |
| 7.   | Cllr Simon Tema                | Member      | Ethics                   |
| 8  | Cllr Fridah Maloka             | Member      | Women Caucus             |
| <b>ETHICS COMMITTEE</b>                    |                                |             |                          |
| 1  | Cllr Simon Tema                | Chairperson |                          |
| 2  | Cllr Fridah Maloka             | Member      |                          |
| 3  | Cllr Maria Aphane              | Member      |                          |
| 4  | Cllr Thandi Matji              | Member      |                          |
| 5  | Cllr Rouda Ramatsobane Sindana | Member      |                          |
| <b>Municipal Public Accounts Committee</b> |                                |             |                          |
| 1  | Cllr Philemon Ranoto           | Chairperson |                          |
| 2  | Cllr Patrick Mashego           | MPAC Whip   |                          |
| 3  | Cllr Refilwe Phokwane          | Member      |                          |
| 4  | Cllr Fridah Maloka             | Member      |                          |
| 5  | Cllr Jonas Kekana              | Member      |                          |
| 6  | Cllr Lawrence Mohlala          | Member      |                          |

|  |                         |             |  |
|--|-------------------------|-------------|--|
| 7                                      | Cllr Given Moimana      | Member      |  |
| <b>RULES &amp; PETITIONS COMMITTEE</b> |                         |             |  |
| 1.                                     | Cllr Bushy Modisha      | Chairperson |  |
| 2.                                     | Cllr Thabiso Mabaso     | Member      |  |
| 3.                                     | Cllr Patrick Mashego    | Member      |  |
| 4.                                     | Cllr Fridah Maloka      | Member      |  |
| 5.                                     | Cllr Lawrence Mohlala   | Member      |  |
| 6.                                     | Cllr Conny Lentsoane    | Member      |  |
| <b>GEOGRAPHIC NAME CHANGE</b>          |                         |             |  |
| 1.                                     | Cllr Bushy Modisha      | Chairperson |  |
| 2.                                     | Cllr. Makanyane George  | Member      |  |
| 3                                      | Cllr. Lentsoane Rebecca | Member      |  |
| 4                                      | Kgoshi Matlala          | Member      |  |
| 5                                      | Phasha Jan              | Member      |  |
| 6                                      | Segopotje Selebalo      | Member      |  |
| <b>WOMEN CAUCUS</b>                    |                         |             |  |
| 1                                      | Cllr Fridah Maloka      | Chairperson |  |
| 2                                      | Cllr. Motsepe MJ        | Secretary   |  |
| 3                                      | All Women Councilors    |             |  |

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.3 INTERGOVERNMENTAL RELATIONS

#### Introduction

There are platforms established to maintain relationship between all three spheres of government. The purpose of the platforms is consultation with various interest groups and all other key stakeholders to insure that sectorial issues and projects are well captured within the IDP of the municipality for implementation.

### 2.3.1. District and Provincial Intergovernmental Structures

| District and Provincial Intergovernmental Structures   | Provincial Intergovernmental Structures   |
|--|---|
| <ul style="list-style-type: none"> <li>• District Monitoring and Evaluation forum</li> <li>• Mayor's forum</li> <li>• Municipal manager's forum</li> <li>• Debt forum</li> <li>• CFO's forum</li> <li>• IDP forum</li> <li>• Communicators Forum</li> <li>• Home Affairs Stakeholders Forum</li> <li>• Batho Pele Forum</li> <li>• Speakers Forum</li> <li>• Chief Whip Forum</li> <li>• MPAC Forum</li> <li>• District PMS Forum</li> <li>• District Back to Basic Engagement Reporting Session</li> <li>• Technical directors Forum</li> <li>• MIG District forum</li> </ul> | <ul style="list-style-type: none"> <li>• Provincial Monitoring and Evaluation forum</li> <li>• Premier mayor's forum</li> <li>• Municipal Manager's forum</li> <li>• Debt forum</li> <li>• CFO's forum</li> <li>• IDP forum, etc</li> <li>• Communicators Forum</li> <li>• Home Affairs Stakeholders Forum</li> <li>• Batho Pele Forum</li> <li>• Speakers Forum</li> <li>• Chief Whip Forum</li> <li>• MPAC Forum</li> <li>• MIG Provincial Forum</li> </ul> |

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Council performs the legislative functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor and the Executive Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social development programmes in the Municipal Area.

### 2.4 PUBLIC MEETINGS

| Public Meetings                                 |
|---|
| Nature and purpose of meeting held in 2018/2019 |
| IDP, Budget 2019/20 Public Participation        |
| Annual Report 2017/2018                         |
| Back to School Opening Campaign                 |
| MPAC Annual Report 2017/2018 Public Hearing     |
| State of the Municipality Address (SOMA)        |
| Annual Ward Committee Conference 2018/2019      |
| IDP Review Public Participation 2019/2020       |
| Ward Committee Induction                        |
| <i>T 2.4.3</i>                                  |

## Communication, Public Participation and Forums

Local Government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments, all impose an obligation on Local Government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the above-mentioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principle of **Batho Pele** and this, means that those we elect to represent us (Councillors at the municipal level) and those who are employed to serve us (municipal officials at municipal level) must always put people first in what they do.

South Africa has adopted a system of developmental local government, which addresses the inequalities, and backlogs of the past while ensuring that everyone has access to basic services, to opportunities and an improved quality of life. To be successful, communications must focus on the issues that are shown to impact on the residents' perceptions, quality of service, and value for money and efficiencies. They should ideally look to close the communication-consultation loop.

Good customer care is of fundamental importance to any organisation, and analysis here shows that local residents view the municipality's people relations in a negative light. A successful Communication Strategy therefore links the people to the municipality's programme for the year.

Below is a communication checklist of the compliance to the communication requirements:

| Communication Activity                     | Yes/No     |
|--|------------|
| Communication Unit                         | Yes        |
| Communication Strategy                     | Yes        |
| Communication Policy                       | Yes        |
| Customer Satisfaction Surveys              | Yes        |
| Functional Complaint Management Systems    | Yes        |
| Newsletters distributed at least quarterly | 3 Quarters |

Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the municipality. Such participation is required in terms of:

- the preparation, implementation and review of the IDP;
- establishment, implementation and review of the performance management system;

- monitoring and review of the performance, including the outcomes and impact of such performance; and
- Preparation of the municipal budget.

During the 2018/2019 financial year, the Office of the Speaker facilitated the capacitating of ward committees in all of the 16 wards in Ephraim Mogale. To ensure functionality, training to the ward committee members was provided by SALGA/LGSETA facilitators, guidelines on operational matters were issued by the Speaker and oversight at ward committee meetings provided by personal attendances by the Speaker and/or his authorized personnel. By constant supervision from the Office of the Speaker it was ensured that ward committee meetings and report back at public meetings were held in each ward in addition to the IDP related meetings and budgetary consultative meetings held in clustered wards.

## 2.5 IDP PARTICIPATION AND ALIGNMENT

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

## COMPOTENT D: CORPORATE GOVERNANCE

Ephraim Mogale local municipality is having an organizational structure that was approved by Council during the adoption of the IDP and budget. The structure has approved posts as follows:

- Created/ approved post = 269
- Filled posts = 248
- Vacant = 21

Council has delegated its administration duties to the Municipal Manager who has five departmental heads in charge of the following departments:

- Corporate Services.
- Economic Development and Planning
- Community Services
- Infrastructure development , and
- Budget and Treasury

There are supportive functions that are attached to the office of the Municipal Manager, whose main aim is to ensure compliance and efficiency of systems and processes. They are as follows:

- Risk Management and Internal Audit.
- Audit Committee

### **Audit Committee**

The internal audit institutional framework has been solidified by having a fully-fledged Audit Committee with a diverse set of skills and competencies, namely an Advocate with expertise in labor and general legal matters, an attorney with mercantile law expertise and vast experience in SCM legalities and public sector legal matters. A Chartered Accountant with vast experience in both corporate and public sectors, and an Internal Audit and Risk Management Specialist with vast experience in the Public Sector and Private Sector environments; well learned in corporate compliance and policy formation. The audit committee consists of five members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the year under review 11 meetings were held:

| Name of members                | Number of meetings attended |
|--------------------------------|-----------------------------|
| Mr. M. Letselela (Chairperson) | 10                          |
| Mr. PK Ravhudzulo              | 6                           |
| Mr. TL Nevondwe                | 8                           |
| Mr VK Chuene                   | 11                          |
| Ms. MF Nchabeleng              | 7                           |

The committee's contract started in June 2017 and will end May 2020.

During the year reported hereon; the committee did a sterling job in carrying out its advisory duties in matters relating to internal control, risk management and effective governance and the oversight and advisory on performance management matters as per section 45 of the Municipal Systems Act. The following are some of the key resolutions and/or recommendations made by the committee in the aforesaid meetings:

- That the municipality, in the spirit of adhering to AGSA's recommendation to minimize usage of Consultant, make budget provisions to capacitate internal audit unit by appointing Senior Internal auditor and an additional auditor.
- The municipality develop and implement a strategy to collect long outstanding debts
- The municipality develop and implement a strategy to improve on its indigent management.
- That the municipality clearly outline internal arrangement to appropriately carry out contract management unit functions
- Recommended internal audit policy documents to council for approval.
- Recommended risk management policy documents to council for approval.
- Recommended the Audit improvement Action Plan to council for approval.
- Approved the municipality's strategic risk register

- Approved the internal audit's three year strategic and annual internal audit plan.

### **Internal Audit Unit**

Internal Audit is an independent, objective, assurance and consulting activity designed to add value and improve the municipality's operations. The unit assists the municipality in accomplishing its objectives through a systematic, disciplined approach to evaluate and improving the effectiveness of risk management, system of the internal control and governance processes. By its nature, Internal Audit Unit is a governance structure which facilitates improvement on service delivery vehicle by reviewing the design and effectiveness of the system of internal controls around the core mandate and support functions of the municipality. Its role is critical in promoting and enhancing control environment through auditing and recommending solutions to management.

The unit is comprised of one official and the intern whom are rotating as a result they could not conduct some other audit due to objectivity impairment, however the process of filling up the vacant post of Internal Auditor it's under away and envisage on appointing the Senior Internal Auditor and the second Internal Auditor. The following internal audit reports were issued during the year:

- Audit of Performance Information 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> Quarter
- Legal Services
- Labour relations
- Administrative efficiency
- LED & EPWP Program
- Traffic & Licensing Services
- ICT Audit

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## **2.6 RISK MANAGEMENT**

Ephraim Mogale Municipality in the financial year reported hereon, has managed to establish the risk management function as per MFMA Section 62 (i) (c) which requires a municipality to have and maintain an effective, efficient and transparent system of risk management. The risk management unit has been successfully established, necessary enablers such as policy documents and oversight committee have been developed and/or set.

Building on; the municipality now seeks to approach risk management as more than just a compliance matter, but rather a value add function which should be fully embedded in the municipality's operations across. The philosophy is that risk management is as much about identifying opportunities as avoiding or mitigating losses. In our recently reviewed strategy; Risk Management is articulated as a logical and systematic process of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risks associated with

any activity, function or process, in a way that enables an organization to minimize losses and maximize opportunities.

The drive for local government transformation with limited resources has tended to force municipalities into taking a less conservative approach to service delivery with a proportional increase in their risk exposure. Ongoing local government reforms have provided a broad administrative framework for further improvements to occur. These include more stringent corporate governance requirements, greater flexibility and a focus on results and accountability. Risk management trends and components already overlap with those of internal auditing, performance management, programme and project management, financial management, change management, customer care, communication, etc. and require incremental inclusion in current and future plans of the entire organization. The management of risk by implication is a managerial function, even so individual sections, departments and directorates differ in their exposure and reaction to risks and thus departments, sections and individuals form a vital part of the overall risk management process within the Municipality.

The Municipality strives, so far, successfully to be amongst the best in local government. In our continuously changing governance environment (latest of such changes now been mSCOA); it is imperative that Council remains updated on key changes and challenges and how these effect the operation of business in today's environment. This will not be achieved without an effective, efficient, soundly funded and managed risk strategy that seeks to maximize its impact on the organization with minimum resources at its disposal. National Treasury Public Sector Risk Management Framework affirms that —no organization has a luxury of functioning in a risk-free environment and public institutions are especially vulnerable to risk associated with fulfilling their mandates.

Risk Management Practices requires the Accounting Officer to manage the strategic and operational risks of the municipality. The municipality's risk management system provides for mitigating strategies and control activities against the risks within the municipality from unacceptable likelihood and impact. The system also identifies strategic and operational risks and assigns responsibility to appropriate officials within the municipality.

The municipality has a Risk Management Committee in place that meets on quarterly basis and is made of the Directors and divisional managers and is chaired by an Audit Committee member who is not in the employ of the municipality. The Risk Management Committee has its terms of reference.

Risk register is updated on regular basis and as the municipality embarks on new initiatives and programmes any emerging risks that could have a negative impact on the municipality's ability to achieve its strategic objectives.

The Council is ultimately responsible for risk management supremacy with Exco and Audit Committee playing a very crucial oversight role as a function that is delegated to them and legislated. The status of strategic and operational risks are reported and monitored on regular basis by Risk Management Unit and Risk Management Committee who give feed back to the Accounting Officer and Audit Committee

The table below indicates the top 10 risks within the Municipality. The municipality is fully aware of the root causes of the 10 and other risks identified in the risk registers; and has been able to put

in place mitigating strategies within the SDBIP for 2018/2019 which goes to outer year of the MTERF.

| No  | Risk Description   |
|-----|--|
| 1   | Non-compliance to applicable legislation and prescripts resulting in irregular expenditure |
| 2   | Community unrest (Protests)  |
| 3   | Possible Fraud & Corruption  |
| 4   | Reputational risks as a result of ineffective communication                                |
| 5   | Low revenue collection   |
| 6   | Inability to attract skilled personnel due to low grading level                            |
| 7   | Inadequate Skills & Competency within the staff force                                      |
| 8   | Theft and Vandalism of municipal projects  |
| 9   | Aging infrastructure   |
| 10. | Failure to successfully bring about mSCOA reform due to poor change management             |

## 2.7 ANTI-CORRUPTION AND FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimise 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, favoritism 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.

The municipality has adopted and refers to the following policy documents as strategic guidelines in combating corruption and fraud:

- Anti-corruption and fraud prevention policy and strategy
- Whistle blowing policy

The municipality appreciate the observation made by the Auditor General in the 2018/2019 Audit that municipality's weak consequence management may counter the strides made in the implementation of the abovementioned documents. As such, a supplementary process manual on consequence management is been developed to ensure that cases of corruption and fraud in the institutions are dealt with in the harshest form possible within the ambit of the law so as to affirm the municipality's policy position of Zero – tolerance on corruption and fraud.

In addition; the municipality identified a weakness that there has been no awareness to external stakeholders on municipality's strategies and measures to fight against corruption and fraud. As a result; more awareness campaigns are planned targeting mainly the external stakeholder which comprises of our communities, business sector and other organized groupings affected by the operations of the municipality. It is anticipated that with more awareness will come more reporting of corrupt and fraudulent activities, which will result in perpetrators been dealt with accordingly.

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## 2.8 SUPPLY CHAIN MANAGEMENT

The Municipality has adopted a Supply Chain Management Policy which was not in line with the required Regulation. The Municipality acquires goods and services through the processes as stated in the policy. No Councillor is a member of any bid committees, and the Municipality is adhering to MFMA circular No.40

### **SCM Processes and Procedures**

These processes will be summarised in stages. I.e. from requisition stage up to the final stage of appointment of a service provider

#### **Need or a Demand**

The user department identifies a need for a particular goods and/ service. The need will be aligned to the SDBIP and the adopted Budget.

#### **Requisitions**

The user department will raise a requisition on the financial System (Munsoft). The requisition gets approved by the Head of Department (HOD). The requisition gets approved by the Head of Department (HOD), the budget section verifies the correctness of the vote and the availability of the budget and subsequently the Supply Chain Manager approves the manual requisition both on the manual form and the financial system

#### **Bid Specification Committee**

The committee is established in terms of s 27 of the Supply Chain Management regulation and the policy of the Municipality. The committee performs their tasks as required in terms of s 27 of the Supply Chain Management regulation and the policy of the Municipality. An advert is then placed with the specification from the said committee on the Municipal website and notice board.

#### **Bid Evaluation Committee**

The committee is established in terms of s 28 of the Supply Chain Management regulation and the policy of the Municipality. The committee performs their tasks as required in terms of s 28 of the Supply Chain Management regulation and the policy of the Municipality. The committee prepares a report with recommendation(s) to the Bid Adjudication committee.

#### **Bid Adjudication Committee**

The committee is established in terms of s 29 of the Supply Chain Management regulation and the policy of the Municipality. The committee performs their tasks as required in terms of s 29 of the Supply Chain Management regulation and the policy of the Municipality. The committee analyse the report from the Bid evaluation committee and make recommendation(s) to the Accounting Officer.

#### **Appointment Stage**

The Accounting officer may, after due consideration of the reports from the said committees, accept or reject recommendations from the Bid adjudication committee as in terms of s 29 (5) (b) of the Supply Chain Management regulation and the policy of the Municipality.

## 2.9 BY-LAWS

The municipality did not gazetted any By-laws in the year under review, however, the Municipality has the following existing By-Laws in place:

| Number | By-law   | File     | S/room                                    |
|--------|--|----------|---|
| 1      | Ephraim Mogale Local Municipality Land Invasion By-law, 2017                                     | 1/3/1/10 | No. 2983<br>Gazetted<br>30/03/2018        |
| 2      | Ephraim Mogale Local Municipality Property Encroachment By-law, 2017                             | 1/3/1/9  | No. 2983<br>Gazetted<br>30/03/2018        |
| 3      | By-law on the Regulation of Small, Micro and Medium business Enterprises on Residential 1 stands | 1/3/1/11 | No. 2915<br>Gazetted<br>22/06/2018        |
| 4      | Telecommunication Mast Infrastructure By-law, 2017   | 1/3/1/12 | No. 2915 Vol.25<br>Gazetted<br>22/06/2018 |
| 5      | Ephraim Mogale Local Municipality Conflicting Buildings/Properties By-law, 2017                  | 1/3/1/8  | No. 2893 Vol.25<br>Gazetted<br>30/03/2018 |

## 2.10 WEBSITES

The municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies. The Municipality has a service level agreement with SITA for website maintenance. The Municipal Website is updated on a regular basis when required.

| Municipal Website: Content and Currency of Material   |          |                 |
|---|----------|-----------------|
| Documents published on the Municipality's / Entity's Website  | Yes / No | Publishing Date |
| Current annual and adjustments budgets and all budget-related documents   | Yes      | 2018-06-18      |
| All current budget-related policies   | Yes      | 2018-06-15      |
| The previous annual report (Year -1)  | Yes      | 2018-02-28      |
| The annual report (Year 0) published/to be published  | yes      | 2018-06-18      |
| All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards                 | Yes      | 2018-07-24      |
| All service delivery agreements (Year 0)  | Yes      | 2018-07-24      |
| All long-term borrowing contracts (Year 0)  | Yes      |                 |
| All supply chain management contracts above a prescribed value (give value) for Year 0  | Yes      | 2018-06-18      |
| An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1 | Yes      | 2018-01-19      |

|   |     |            |
|---|-----|------------|
| Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section   | Yes |            |
| Public-private partnership agreements referred to in section 120 made in Year 0   | Yes |            |
| All quarterly reports tabled in the council in terms of section 52 (d) during Year 0  | Yes | 2018-11-17 |
| <i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i> |     | T 2.10.1   |

## 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Community satisfaction survey conducted has highlighted important challenges facing the municipality. Among the challenges facing the municipality is to confront the issues in certain villages which made it impossible for survey to take place. A large number of the residents' have indicated their displeasure about service delivery. These residents complain about traffic control and motor vehicle licensing, streets and storm water, housing and libraries. These issues could result with negative image and untenable consequences to the municipality. They however credit the municipality and they are happy with the overall performance of the municipality as a reflection of the current government.

The results of the survey should be read in conjunction with Sekhukhune District Municipality Customer Survey. The intention should be to link the two and identify similar issues that have to be pursued by the municipality via the District Intergovernmental Structures. Moreover, the survey results link with planning instruments like IDP, Ward Based Plans and Service Standards. In certain cases the results may imply revision of certain important planning documents. Addressing the issues raised will improve the rating of the municipality a place as one of the top performers in local government.

## CHAPTER 3: SERVICE DELIVERY

### COMPONENT A: BASIC SERVICES

#### Introduction to Basic Services

The municipality performs the following functions in relation to the provision of Basic Services:

- Electricity
- Free Basic Service and Indigent Support
- Roads and storm water
- Repair and maintenance of existing infrastructure
- Provision of Free Basic electricity
- Waste Management

#### 3.1 WATER PROVISION

Sekhukhune District Municipality is both water authority and water services provider, their responsibly for bulk water supply and also Household connections. In the 2018/2019 financial year they have done amongst others the construction of Letebjane water reticulation and installation of water meters.

#### 3.2 WASTE WATER (SANITATION) PROVISION+

Sekhukhune District Municipality is responsible for waste water bulk provision and also the maintenance of the waste water network since their both the water authority and water service provider. In the 2018/2019 financial year they have done amongst others Ephraim Mogale VIP toilets.

#### 3.3 ELECTRICITY

##### Introduction

##### ELECTRICITY

The Ephraim Mogale Local Municipality is the service authority for the provision of electricity but only have a license for the distribution of electricity in the town of Marble Hall. ESKOM provides electricity to the areas outside the Municipal license area. All villages have been connected to the ESKOM grid. The electrification backlog in the license area is zero and 1191 households in the Municipal area of the total number of 33 936households (census survey 2016) which is 3.5%. These are small new extensions and in-fills. The current approved plan is only 186 connections for the next financial year which is less than the growth. The average ESKOM connection cost per household is now double the DMRE allocation.

##### Top 3 priorities:

1. Public lighting maintenance and expansion

The Municipality is successfully maintaining all the installed public lighting. The Municipality approved the Public Lighting Master plan on 28 May 2019. Lack of funding is a huge challenge for new installations and maintenance. After the successful LED mast light pilot project at Matlala-Ramoshebo the Municipality appointed Consultants to assist with the application for funding from the Department of Energy. The Municipality applied several times for DMRE funding for similar conversions but was never allocated any funding. Sourcing material for maintenance is still a huge problem and the Municipal store have not been keeping critical items for 36 months.

## 2. Distribution network maintenance

The Municipality completed only 2 of the 4 planned maintenance projects due to challenges in SCM putting staff and equipment at risk and increasing the maintenance backlog. The Municipality have nearly reached the limit of its ESKOM connection capacity and applied for a capacity increase in 2017/2018. After a year ESKOM only provided a draft quote. A second emergency temporary upgrade application was submitted on 11 April 2019 but ESKOM must still respond. The capital projects was also focused on replacement of equipment as part of maintenance. Only 1 of 2 projects was completed due to challenges in SCM. The old supply to portion 1230 was rebuilt and a new supply to portion 1232 was installed.

## 3. Accurate metering

After the Municipality reduced energy losses to well below the NERSA requirement by taking over meter reading it was decided to further reduce losses with better methods. This was achieved after the Municipality started using hand held electronic devices to capture readings and pictures of meters. More than 62% of residential customers have already been changed to prepaid metering and the number is still growing slowly.

## **Measures to improve performance**

### 1. Public lighting

The Municipality approved the Public Lighting Master Plan and appointed a service provider to apply for funding after the positive results from the pilot LED project. It was also decided that once the current MIG projects have been completed mast light projects would be placed in the MIG program again. Mast projects was removed from the MIG program after ESKOM continued to fail to supply connections points to energize the projects for 2 years. Any new installation will require more funding for energy and maintenance but at this stage no additional source of income have been secured. There are no immediate solutions for the inadequate funding.

### 2. Distribution network maintenance

The Municipality is still trying to implement the approved Maintenance Plan but the lack of funding and the challenges in SCM must be addressed to improve the maintenance. The maintenance of the transformers and 20 Ring Main Units will again be on the program for the new financial year. A section of medium voltage cable that failed several times will be replaced with new cable. One minisubstation will be rebuilt. In line with the Electricity Master plan the Municipality applied to ESKOM for an increase in the Main supply in 2017/2018. The study or investigation cost was paid as well as the quotation costs but after a year there is still no real progress and it seems it might be another two years before the capacity will be available. Due to this incredibly long process and the indication that there might be some reserve capacity available an application for an emergency 1MVA increase was submitted. Again the investigation cost was paid but after two months there have been no progress at all. Provision was made in the budget for further payments to ESKOM for the actual upgrade. Unfortunately the network strengthening project to provide an alternative Medium Voltage supply to all residential areas was not implemented due to SCM challenges. Continue to install second supply to Industrial substation. Further 1MVA upgrade planned for portion 1230.

### 3. Accurate metering

The Municipality will continue to read its own meters based on the excellent results. Deviation reports will still be done to ensure losses are managed. More customers will be converted to prepaid to reduce reading and billing errors and to secure income. Thirty meter will be replaced to also reduce losses.

## **Success and challenges**

### **Success**

Electrification backlog below 3.5%.

Electricity losses below 6%.

The repair of faulty public lighting fittings was achieved at 100% per quarter for the whole year. The Public Lighting Master Plan was approved.

Twenty Ring Main Units was serviced.

The equipment in the three medium voltage substations was tested to specification to ensure reliable and safe operation.

New supply cable and minisubstation installed to Portion 1230 and 1232.

### **Challenges:**

- Not enough funding for repairs and maintenance.
- Not enough funding for upgrading or replacement of network equipment.
- No funding to expand public lighting.
- Non evaluation of tenders by Supply Chain
- Non responsive bidders
- Informal densification is putting the network under pressure
- Municipality is reaching the limit of its 7.5MVA capacity at the ESKOM main supply and ESKOM is moving very slowly.
- No electrical material in the stores
- Development in unauthorized areas which cannot be electrified.
- Training needed
- Admin/Customer assistance needed – vacancy not filled
- Technician required for MV switching

### **Addressing service backlogs**

The backlog is already low and the Municipality will cooperate with ESKOM to eradicate the backlog. Councilors submit the backlog data to the Municipality who submit it to ESKOM. After investigating the projects ESKOM submit a project proposal to the Municipality for approval. ESKOM then implemented the projects with funding from the INEP allocation for the Municipality. The signed project plan for the year was 500 connections divided into 8 villages. ESKOM completed only 4 projects and connected only 338 households. The agreement for the next year is only 186 connections divided between 4 villages. This will not address the backlog but due to the very high average cost per connection of R35 000 and the allocation of funding of only R17 000 per household means the Municipality cannot do its own projects due to the high top up funding required.

The Municipality developed a public lighting master plan but must source funding. A Consultant have been appointed to source funding for energy efficient public lighting. The Municipality also decided to request service providers to source funding and implement new public lighting projects if possible. But there is no funding to operate any new installations.

| Electricity Service Delivery Levels  |            |            |            |            |
|--|------------|------------|------------|------------|
| Description  | Households |            |            |            |
|  | Year -3    | Year -2    | Year -1    | Year 0     |
|  | Actual No. | Actual No. | Actual No. | Actual No. |
| <b>Energy: (above minimum level)</b>   |            |            |            |            |
| Electricity (at least min.service level) (esk 1% +munic conv)                            | 830        | 786        | 776        | 694        |
| Electricity - prepaid (min.serv level. data availability challenges est. 99% + pp munic) | 32 197     | 32 397     | 32 732     | 33 536     |
| <i>Minimum Service Level and Above sub-total</i>   | 33 027     | 33 183     | 33 508     | 34 230     |
| <i>Minimum Service Level and Above Percentage</i>  | 97.32%     | 96.87%     | 97.38%     | 96.64%     |
| <b>Energy: (below minimum level)</b>   |            |            |            |            |
| Electricity (< min.service level- Only backlog)  | 909        | 1072       | 903        | 1191       |
| Electricity - prepaid (< min.service level - Only backlog)                               | 0          | 0          | 0          | 0          |
| Other energy sources – no official project   | 0          | 0          | 0          | 0          |
| <i>Below Minimum Service Level sub-total</i>   | 909        | 1072       | 903        | 1191       |
| <i>Below Minimum Service Level Percentage</i>  | 2.68%      | 3.13%      | 2.62%      | 3.36%      |
| <b>Total number of households</b>  | 33 936     | 34 255     | 34 411     | 35421      |
|  |            |            |            | T 3.3.3    |

- According to the Town Planning Department only Marble Hall is a formal settlement

| Households - Electricity Service Delivery Levels below the minimum |                  |                  |                  |                     |                     |            |
|--|------------------|------------------|------------------|---------------------|---------------------|------------|
| Description  | Households       |                  |                  |                     |                     |            |
|  | Year -3          | Year -2          | Year -1          | Year 0              |                     |            |
|  | Actual 15/16 No. | Actual 16/17 No. | Actual 17/18 No. | Original Budget No. | Adjusted Budget No. | Actual No. |
| <b>Formal Settlements</b>  |                  |                  |                  |                     |                     |            |
| Total households   | 913              | 921              | 938              | 938                 | 941                 | 952        |
| Households below minimum service level                             | 0                | 0                | 0                | 0                   | 0                   | 0          |
| Proportion of households below minimum service level               | 0%               | 0%               | 0%               | 0%                  | 0%                  | 0%         |
| <b>Informal Settlements</b>  |                  |                  |                  |                     |                     |            |
| Total households   | 33 023           | 33 334           | 33 473           | 33 473              | 33 738              | 34 469     |
| Households below minimum service level                             | 909              | 1072             | 903              | 903                 | 916                 | 1191       |
| Proportion of households below minimum service level               | 2.75%            | 3.22%            | 2.70%            | 2.70%               | 2.72%               | 3.46%      |

|         |        |        |        |        |       |       |
|---------|--------|--------|--------|--------|-------|-------|
|         | 33 936 | 34 255 | 34 411 | 34 411 | 34679 | 35421 |
| T 3.3.4 |        |        |        |        |       |       |

| Electricity Service Policy Objectives Taken From IDP |   |   |  |   |  |   |   |  |  |
|--|---|---|--|---|--|---|---|--|--|
| Service Objectives<br><br>Service Indicators<br>(i)  | Outline Service Targets<br><br>(ii)   | Year -1 17-18                               |  | Year 0 18-19                                |  |   | Year 1 19-20                                |  |  |
|  |   | Target                                      | Actual                                     | Target                                      |  | Actual                                      | Target                                      |  |  |
|  |   | *Previous Year<br>(iii)                     | (iv)                                       | *Previous Year<br>(v)                       | *Current Year<br>(vi)                      | (vii)                                       | *Current Year<br>(viii)                     | *Current Year<br>(ix)                      | *Following Year<br>(x)                     |
| <b>Service Objective xxx</b>                         |   |   |  |   |  |   |   |  |  |
| Provision of minimum supply of electricity - ESKOM   | Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level) | 257 additional HHs (1072 HHs below minimum) | 291 additional HHs (903 HHs below minimum) | 257 additional HHs (1027 HHs below minimum) | 500 Additional HHs (903 HHs below minimum) | 338 additional HHs (1191 HHs below minimum) | 186 additional HHs (1191 HHs below minimum) | 500 additional HHs (900 HHs below minimum) | 500 additional HHs (800 HHs below minimum) |
| Maintain Public Lighting                             | Do quarterly maintenance on all streetlights – 1059   | 100%  | 100%                                       | 100%  | 100%                                       | 100%  | 100%  | 100%                                       | 100%                                       |
| Ensure reliable supply                               | Transformer maintenance   | 48  | 48   | 48  | 48   | 0   | 48  | 50   | 50   |
| Ensure reliable supply                               | Ring Main Unit Maintenance  | 20  | 0  | 20  | 20   | 20  | 20  | 20   | 20   |
| T 3.3.5  |   |   |  |   |  |   |   |  |  |

| Employees: Electricity Services |           |        |           |                                  |                                   |
|---------------------------------|-----------|--------|-----------|----------------------------------|-----------------------------------|
| Job Level                       | Year -1   | Year 0 |           |                                  |                                   |
|                                 | Employees | Posts  | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|                                 | No.       | No.    | No.       | No.                              | %                                 |
| 0 - 3                           | 4         | 4      | 4         | 0                                | 0%                                |
| 4 - 6                           | 4         | 4      | 4         | 0                                | 0%                                |
| 7 - 9                           | 0         | 1      | 0         | 1                                | 100%                              |
| 10 - 12                         | 3         | 3      | 3         | 0                                | 0%                                |
| 13 - 15                         | 1         | 1      | 1         | 0                                | 0%                                |
| Total                           | 12        | 13     | 12        | 0                                | 7.69%                             |
| T 3.3.6                         |           |        |           |                                  |                                   |

| Capital Expenditure Year 0: Electricity Services |        | R' 000 |
|--|--------|--------|
| Capital Projects                                 | Year 0 |        |
|  |        |        |

|  | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
|--|--------|-------------------|--------------------|-------------------------------|---------------------|
| Total All  | 3 310  | 3 490             | 342                | 90%                           |                     |
| Industrial substation 2 <sup>nd</sup> supply Ph2             | 1 500  | 1 500             | 0                  | 100%                          | 1 159               |
| Minisubstation Stand 456                                     | 850    | 890               | 0                  | 100%                          | 890                 |
| Replace RMU with SF6 Circuit breaker – Cnr Agaat/Ewoud Malan | 60     | 70                | 0                  | 100%                          | 70                  |
| Transformer replacement 500kVA                               | 500    | 500               | 342                | 31.6%                         | 342                 |
| Industrial substation 2 <sup>nd</sup> supply Ph1             | 400    | 530               | 0                  | 100%                          | 530                 |

*Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).*

T 3.3.8

#### COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

1. Electrical Master Plan completed
2. Operation and Maintenance Plan completed
3. Public Lighting Master Plan completed
4. Electrification Backlog less than 4%
5. Losses less than 6%
6. One vacancy
7. Continued maintenance and refurbishment

#### Three largest capital projects

The 3 largest projects was all related to the maintenance and improvement of the existing network. The repair and replacement of equipment is necessary to ensure reliable supply.

**Replace PEX cable in Ext 5** – The project was the installation of new medium voltage cable to replace old problematic PEX cable. The sections to be replaced was the main supply for Extension 5 from the Ring Main Unit to the first minisubstations. Unfortunately the appointment of the contractor was done very late in the financial year and provision had to be made in the next financial year to complete the project.

**Install RMU and Cable to connect Ext 5 and 6 at stand 1032** - The project was to link the only remaining 11 000volt spur of extension 6 with the 11 000 closed ring supply network of extension 5. This will then provide the section of extension 6 with an alternative supply as is standard practice to ensure supply reliability. The other two sections have been linked years ago. Unfortunately no service provider was appointed after the project was advertised twice but not evaluated.

**Transformer replacement 500kVA-Portion 515** – The project was the replacement of an old and leaking sealed transformer with a new transformer. The project included the upgrading of the dangerous open live medium and low voltage connections. The medium voltage fuse links was also raised for safety reasons. The project was completed and commissioned.

**Five Year Projects** - The projects as identified might not be achieved within the available budget due to the following factors:

- Fluctuation of copper prices
- Exchange rate on specialised imported equipment
- High cost of upgrading the Main supply from ESKOM
- Changes in priority due to development/densification

There is no additional sources of funding to address any shortfalls. ESKOM have been approached to consider a phased or long term approach on the payment for the upgrade of the main supply. ESKOM responded that this will be possible but it will still have a financial impact on the 5 year projects.

Electrical network supply reliability have been maintained but not all maintenance could be done due to SCM problems like non-evaluation of tenders and non-responsive bidders. Metering/billing accuracy have been improved because the Municipality is now doing its own meter reading and started using electronic meter reading devices with images for verification. Losses have been further reduced to less than 6% which is good news for the Municipality and its customers.

#### **ESKOM**

All villages have grid connected electrical supply. ESKOM succeeded in completion of only 4 of the planned 8 projects. Four projects had to be rolled over to the next financial year. The reason for this is the extremely high cost per connection of the ESKOM projects. The Department of Energy makes provision for R17 000 per household but the ESKOM projects are on R35 000 and higher. It is suspected that ESKOM is also doing network refurbishment and upgrades from the funding for electrification projects instead of apply for infrastructure upgrade funding as they should. Unfortunately ESKOM refuse to share information and communicate properly with the Municipality. The number of connection achieved is now far below the growth and the universal access figure will never be achieved.

ESKOM is implementing FBE on behalf of the Municipality and currently we don't experience a problem with their implementation.

### **3.4 WASTE MANAGEMENT**

The Municipality managed to consistently deliver a weekly kerb side refuse collection service in the following five areas: Marble Hall, Leeufontein, Leeufontein RDP, and Elandskraal.

Seven communal containers are strategically placed to give communities further access to weekly refuse collection. These containers are removed on a weekly basis and disposal is done at the Marble Hall Landfill site

The only permitted and licensed landfill site currently is situated in Marble Hall. The landfill site has a potential airspace of 5 and more years available. The landfill site is being maintained and an external compliance audit is annually performed to establish the compliance to various Legislation and the permit conditions. The Municipality is in a process to engage the National Department of Environmental Affairs and the Provincial department to seek permit condition changes to suit the current status of the Landfill.

According to the 2016 Consumer census survey , the Municipality has a total number of 33936 households and the currently 6369 households have access to weekly refuse collection service. It means that only 18.8% of the households have access with a backlog of 81.2%.

The current refuse collection service include the following , twice a week collection in Marble Hall town , and a weekly service in Leeufontein ,Leeufontein RDP, and Elandskraal. At Schoeman Farms, Matlala Hospital ( not medical waste), Regae, Mokganyaka , Leeufontein new stands, next to road at Mokganyaka Clinic and Global garage, 15 m3 containers are placed for communities to dispose of their waste .

The Municipality is also uploading monthly collected waste statistics as per guideline onto the South African Waste Information System website.

The only street cleaning or litter picking service is done in Marble Hall town on a daily basis including weekends and some public holidays. Recycling is done at the landfill site by reclaimers and they sell their material to other more organised organisations. Sorting at source as part of the recycling process is also done by private companies. Recycling is prioritised, and we also encourage individual community members to do recycling of bottles and plastic as this will result

in a clean surroundings. The service need to be extended to other areas in order to encourage clean and healthy environment, however the impact was not as expected as the progress is slow.

A Voluntary group of concern community members of the Letebjane , Mamphogo and Mokganyaka villages are doing the cleaning of rivers, and picking litter along the main road from Leeufontein intersestion up to Letebjane village . The Municipality assist with refuse bags and the collection of refuse. They are also doing recycling on a small scale

As part of the commitment to the allocated EPWP grant and job creation ,20 employees were contracted for 6 months as EPWP employees to support waste management in Marble Hall and Leeufontein

### Challenges that are faced with waste management

Due to the extensive ruralness of the areas of the Municipality and due to fact that the only registered landfill is situated in Marble Hall , there is a huge challenges of extending services to all the households in the Municipal area.

The non payment of refuse collection services in Leeufontein and Elandskraal resulted in a delay to extend services to other areas. Currently the necessary public consultations in these communities are finalised so that the revenue enhancement in these areas can be implemented.. The implementation can assist with additional revenue that can help with a sustainable and affordable service to other villages

The review of the outdated Integrated Waste Management Plan (2007) was targeted for 17'18 financial year and the Municipal Infrastructure Support Agency (MISA) offered assistance to compile such a document but due to lack of funding form MISA the project never materialised. Currently there is an internal process with assistance from Department of Environmental Affairs and LEDET which are assist the municipality with a timeframe to finalise the document in June 2019.

Proper awareness campaigns to inform communities in Environmental issues such as waste and cleanliness is lacking due to internal capacity challenges

There is no weighbridge at the Landfill site and all statistics are estimated. Funding was allocated for a weighbridge in the 2018/2019 financial year. The weighbridge was finally constructed and completed

There are no private other entities doing refuse collection in the municipality.

### Refuse disposal for Households within EPMLM

| Description  | Households |            |            |
|--|------------|------------|------------|
|  | 2016/2017  | 2017/2018  | 2018/2019  |
|  | Actual No. | Actual No. | Actual No. |
| <b><i>Solid Waste Removal: (Minimum level)</i></b> |            |            |            |
| Removed at least once a week                       | 4,894      | 5,619      | 6369       |

|   |               |               |               |
|---|---------------|---------------|---------------|
| <i>Minimum Service Level and Above sub-total</i>  | 4,894         | 5,619         | 6369          |
| <i>Minimum Service Level and Above percentage</i> | 15.1%         | 17.4%         | 18.8%         |
| <b>Solid Waste Removal: (Below minimum level)</b> |               |               |               |
| Removed less frequently than once a week          | 0             | 0             | 0             |
| Using communal refuse dump                        | unknown       | unknown       | unknown       |
| Using own refuse dump                             | unknown       | unknown       | unknown       |
| Other rubbish disposal                            |               | -             | -             |
| No rubbish disposal                               | 27,390        | 26,665        | 26,567        |
| <i>Below Minimum Service Level sub-total</i>      | 27,390        | 26,665        | 28,317        |
| <i>Below Minimum Service Level percentage</i>     | 82.2%         | 82.6%         | 81.2%         |
| <b>Total number of households</b>                 | <b>32,284</b> | <b>32,284</b> | <b>33,936</b> |
|   |               |               | T 3.4.2       |

| <b>Employees: Solid Waste Management Services</b> |                  |              |                  |              |                  |
|---|------------------|--------------|------------------|--------------|------------------|
| <b>Job Level</b>                                  | <b>2017/2018</b> |              | <b>2018/2019</b> |              |                  |
|   | <b>Employees</b> | <b>Posts</b> | <b>Employees</b> | <b>Posts</b> | <b>Employees</b> |
|   | <b>No.</b>       | <b>No.</b>   | <b>No.</b>       | <b>No.</b>   | <b>No.</b>       |
| 0 – 3   | 15               |              | 15               |              | 15               |
| 4 – 6   | 8                |              | 8                |              | 8                |
| 7 – 9   |                  |              |                  |              |                  |
| 10 - 12   | 1                |              | 1                |              | 1                |
| 13 - 15   |                  |              |                  |              |                  |
| 16 - 18   |                  |              |                  |              |                  |
| 19 - 20   |                  |              |                  |              |                  |
| <b>Total</b>                                      | <b>24</b>        | <b>25</b>    | <b>24</b>        | <b>25</b>    | <b>24</b>        |
| T3.4.5  |                  |              |                  |              |                  |

### 3.5 HOUSING

Not a function of Ephraim Mogale municipality therefore the CoGHSTA coordinates all housing issues, hence CoGHSTA has allocated construction of 400 RDP houses to the municipality during the 2018/2019. Service providers were appointed and the project is still under construction.

### 3.6 FREEBASIC SERVICES AND INDIGENT SUPPORT

#### Introduction

The Ephraim Mogale Municipality only provided Free Basic Electricity to the indigent. The policy is reviewed in line with the national framework. The municipality has set a target of 2108

beneficiaries to receive Free Basic Electricity in the 2018/2019 financial year and manage to provide for 1871 beneficiaries who are on the indigent register by 30 June 2019.

## COMPONENT B: ROAD TRANSPORT

### Introduction to Roads, Bridges and Storm Water

The Municipality has developed a road master plan that specifies the conditions of the roads throughout the municipal area and further proposes a priority list for intervention.

The municipality has the following related strategic objectives for the reporting period:

- To improve access to viable roads and facilitate tarring.
- To facilitate provision of storm water drainage for all Municipal roads

These objectives are funded from the MIG and the Equitable Share; however the municipality needs more resources, both financial and human to be able to address the backlog as planned.

### 3.7 ROADS

The internal roads in the villages are the responsibility of the Municipality. Internal streets within the settlements are generally low quality gravel roads that were never properly planned and constructed, with no provision for storm water drainage. The Municipality is also maintaining all the roads within the Municipal area and there are teams dedicated for that. The teams are as follows

- Gravel/Dirt roads Maintenance team
- Surfaced roads maintenance team including drainages
- Road marking team

The total length of the road network under ownership of Ephraim Mogale Local Municipality is 1162.9km from the Road Master plan exercise, of which 1022.6 km are gravel and 140.3 km are surfaced. This excludes roads owned by SANRAL, Province, District Municipality, and Private Roads. This translates to only 12.4% of the network being surfaced and the rest of network, i.e. 87.6%, being gravel.

The Municipality have managed to reduce the gravel backlog and increase the surfaced roads by 11.29km since the financial year 2018/2019. The gravel roads back log is now sitting at 1011.31km and the surfaced roads length has increased to 146.50km.

However, the Municipality is lacking with regards to maintenance/refurbishment of roads and the majority of the existing infrastructure has reached its design life span and routine maintenance is no longer assisting. The municipality need to invest in preserving the life of the existing roads infrastructure by putting funds aside for heavy maintenance.

| Asphalted Road Infrastructure    |                       |                              |                                     |                                   |                                | Kilometers    |
|----------------------------------|-----------------------|------------------------------|-------------------------------------|-----------------------------------|--------------------------------|---------------|
|                                  | Total asphalted roads | New asphalt roads            | Existing asphalt roads re-asphalted | Existing asphalt roads re-sheeted | Asphalt roads maintained       |               |
| 2016/2017                        | 133.4                 | 4.7                          | 2.1                                 | 0                                 | 140.3                          |               |
| 2017/2018                        | 140.3                 | 1.05                         | 0                                   | 0                                 | 141.35                         |               |
| 2018/2019                        | 141.35                | 5.450                        | 0                                   | 0                                 | 146.80                         |               |
|                                  |                       |                              |                                     |                                   |                                | T3.7.3        |
| Gravel Road Infrastructure       |                       |                              |                                     |                                   |                                | Kilometres    |
|                                  | Total gravel roads    | New gravel roads constructed | Gravel roads upgraded to tar        |                                   | Gravel roads graded/maintained |               |
| 2016/2017                        | 1022.60               | 0                            | 4.7                                 |                                   | 1017.9                         |               |
| 2017/2018                        | 1017.90               | 0                            | 1.05                                |                                   | 1016.85                        |               |
| 2018/2019                        | 1016.85               | 0                            | 5.450                               |                                   | 1011.31                        |               |
|                                  |                       |                              |                                     |                                   |                                | T3.7.2        |
| Cost of Construction/Maintenance |                       |                              |                                     |                                   |                                | R' 000        |
|                                  | Gravel                |                              |                                     | Tar                               |                                |               |
|                                  | New                   | Gravel – Tar                 | Maintained                          | New                               | Re-worked                      | Maintained    |
| 2016/2017                        | 0.0                   | R32 689 000.00               | R1 730 175.47                       | R32 689 000.00                    | R5 800 000.00                  | R0.00         |
| 2017/2018                        | 0.0                   | R 44 810 000.00              | R1 633 986.00                       | R 44 810 000.00                   | R0.00                          | R1 633 986.00 |
| 2018/2019                        | 0.00                  | R33 443 000.00               | R2 524 941.20                       | R33 443 000.00                    | R0.00                          | R2 524 941.20 |
|                                  |                       |                              |                                     |                                   |                                | T3.7.4        |

| Road Service Policy Objectives Taken From IDP     |   |  |  |   |   |   |  |  |   |
|---|---|--|--|---|---|---|--|--|---|
| Service Objectives                                | Outline Service Targets   | Year 0(2016/2017)  |  | Year 1(2017/2018)   |   |   | Year 3(2018/2019 )                           |  |   |
|   |   | Target   | Actual   | Target  | Actual  | Actual  | Target                                       |  |   |
|   |   | *Previous Year   |  | *Previous Year  | *Current Year   |   | *Current Year                                | *Current Year  | *Following Year   |
| Service Indicators (i)                            | (ii)  | (iii)  | (iv)   | (v)   | (vi)  | (vii)   | (viii)                                       | (ix)   | (x)   |
| <b>Service Objective xxx</b>                      |   |  |  |   |   |   |  |  |   |
| <b>Elimination of gravel roads in townships</b>   | 146.80Kilometers of gravel roads tarred (1011.31 Kilometers of gravel road remaining) | 4.7kms gravel roads tarred (1017.90kms gravel roads remaining) | 4.7kms gravel roads tarred (1017.90kms gravel roads remaining) | 1.05kms gravel roads tarred (1016.85kms gravel roads remaining) | 1.05kms gravel roads tarred (1016.85kms gravel roads remaining) | 1.05kms gravel roads tarred (1016.85kms gravel roads remaining) | Baseline (1016.85kms gravel roads remaining) | 5.450kms gravel roads tarred (1011.31kms gravel roads remaining) | 3.720kms gravel roads tarred (876.55kms gravel roads remaining) |
| <b>Development of municipal roads as required</b> | 146.80kms of municipal roads developed  | 4.7kms   | 4.7kms   | 1.05kms   | 1.05kms   | 1.05kms(1016.85kms)   | 1016.85kms                                   | 15.450kms  | 3.720kms  |

### Employees: Road Services

| Job Level    | 2017/2018 |           | 2018/2019 |                                  |                                   |
|--------------|-----------|-----------|-----------|----------------------------------|-----------------------------------|
|              | Employees | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|              | No.       | No.       | No.       | No.                              | %                                 |
| 0 – 3        | 1         | 1         | 1         | 0                                | 0%                                |
| 4 – 6        | 0         | 2         | 2         | 0                                | 0%                                |
| 7 – 9        | 1         | 1         | 1         | 0                                | 0%                                |
| 10 – 12      | 12        | 18        | 16        | 2                                | 4.26%                             |
| 13 – 15      | 18        | 25        | 21        | 4                                | 8.51%                             |
| 16 – 18      | 0         | 0         | 0         | 0                                | 0.0%                              |
| 19 – 20      | 0         | 0         | 0         | 0                                | 0.00%                             |
| <b>Total</b> | <b>32</b> | <b>47</b> | <b>41</b> | <b>6</b>                         | <b>12.77%</b>                     |

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.7.7

### Financial Performance Year 0: Road Services

R'000

| Details                              | 2017/2018 | 2018/2019       |                   |              |                    |
|--------------------------------------|-----------|-----------------|-------------------|--------------|--------------------|
|                                      | Actual    | Original Budget | Adjustment Budget | Actual       | Variance to Budget |
| <b>Total Operational Revenue</b>     |           |                 |                   |              |                    |
| Expenditure:                         |           |                 |                   |              | 92.31%             |
| Employees                            |           | 7 988 459.00    | 0.00              | 7 988 459.00 | 0.0%               |
| Repairs and Maintenance              |           | 2 524 941.20    | 2 004 944.00      | 1 850 730.83 | 94.4%              |
| Other                                | 0.00      | 0.00            | 0.00              | 0.00         | 0%                 |
| <b>Total Operational Expenditure</b> |           |                 |                   |              |                    |
| <b>Net Operational Expenditure</b>   |           |                 |                   |              |                    |

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.7.8

### Capital Expenditure Year 2018/2019 : Road Services

R' 000

| Capital Projects                      | 2018/2019     |                   |                    |                               | Total Project Value |
|---------------------------------------|---------------|-------------------|--------------------|-------------------------------|---------------------|
|                                       | Budget        | Adjustment Budget | Actual Expenditure | Variance from original budget |                     |
| <b>Total All</b>                      | 36,755,726.00 | 43,674,079.37     | 34,219,803.53      | -15.84%                       |                     |
| Letebejane/Ditholong Internal Streets | 3 796 502.59  | 4 032 570.63      | 4 032 570.63       | -5.85%                        | 4 032 570.63        |

|                                     |               |               |               |        |               |
|-------------------------------------|---------------|---------------|---------------|--------|---------------|
| Mashemong/Mooihoek Internal Streets | 4 000 682.95  | 4 000 682.95  | 3 044 767.39  | 31.40% | 4 000 682.95  |
| Ngwalemong Internal Streets         | 4 184 226.58  | 4 184 226.58  | 2 827 716.96  | 47.97% | 4 184 226.512 |
| Mamphokgo Sports Complex            | 12 151 228.13 | 18 924 452.44 | 18 924 452.44 | -64.2% | 18 924 452.44 |
| Leeuwfontein Sports Facility        | 7 443 085.75  | 7 443 085.75  | 2 034 672.89  | 264%   | 7 443 085.75  |
| Marble Hall Ext.6 Stormwater        | 5 000 000.00  | 5 000 000.00  | 3 293 562.20  | 51.81% | 5 000 000.00  |

Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).

T 3.7.9

### Municipal Infrastructure Grant Expenditure

The percentage of MIG Expenditure for 2018/2019 was 96% including PMU establishment fees.

| Municipal Infrastructure Grant Funded Projects |                 |
|--|-----------------|
| R32 823 000.00                                 |                 |
| MIG projects                                   | 2018/2019       |
|  | Budget          |
| Letebejane/Ditholong Internal Streets          | R 4,032,570.63  |
| Mashemong/Mooihoek Internal Streets            | R 3,044,767.39  |
| Ngwalemong Internal Streets                    | R 2,827,716.96  |
| Mamphokgo Sports Complex                       | R 18,924,452.44 |
| Leeuwfontein Sports Facility                   | R 2,746,218.89  |
| PMU Establishment                              | R1 247 274.00   |

### 3.8 TRANSPORT

Transport is an important component for economic improvement and development, both for commuters, SMME'S and big businesses, investors and for transport services.

There are different makes of transport in EPMLM; taxi, bus, private cars etc. The most well established transport made is the Taxi operations with its associations established and regulating the industry. Great North Transport (GNT) is the only bus service operating in EPMLM and not in all the committees. There is a major demand of GNT Services in some villages to make their journey safer and economical to Marble Hall as a town.

The Annual Arrive alive campaigns in collaboration with District and Provincial departments were successfully held in December 2018, January 2019 and Easter weekend were road users were made aware of the road traffic act conditions, and Vehicle license and driver licenses were inspected.

Re-allocation of hawkers to the hawker stall away from the N11 is still a huge challenge, the process is stuck due to resistance from the hawkers to move to the hawker stall and the deliberately stay away from the meetings. A new strategy needs to be formulated for implementation and Participation

The Traffic and Licensing Centre (DLTC) is operating and the Licensing of both drivers and motor vehicles in partnership with DORT is performed.

Traffic Services which include normal law enforcement is done in Marble Hall and there is still a challenge in extending the service to other villages.

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### 3.9 STORMWATER

The Municipality is managing approximately 118km of storm water control structures including pipes, channel and catch pits. The Municipality is also constructing new storm water structure with each new road. The Municipality is maintaining and cleaning the storm water structures every month and there is a team dedicated for the maintenance of storm water.

Challenges for Roads and storm water provision and maintenance Unavailability of planning data

- Unavailability of planning data
- Aging infrastructure
- Huge backlog
- Uncontrolled Storm water in villages
- Not enough equipment for maintenance
- Limited budget for developing new infrastructure
- poor performance of Service providers

## COMPONENT C: PLANNING AND DEVELOPMENT

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### 3.10 PLANNING

Ephraim Mogale local municipality through the Planning and Economic Department is responsible for the overall planning of the municipality. Through the Town Planning Services Unit, the Municipality facilitates the implementation of the Spatial Planning and Land Use Management Act 2013, (Act 16 of 2013), Ephraim Mogale Local Municipality Spatial Planning and Land Use By-law, 2017, Spatial Development Framework (SDF), Land Use Management Scheme and other planning laws and prescripts.

The municipality in an attempt to have a cohesive working relationship with community and different stakeholders, through assistance from CoGHSTA and SALGA Limpopo, holds regular workshops with the five (5) tribal houses within the jurisdiction at their respective mešate. These workshops are to ensure that land developments and land activities continue on the path of town planning policies and laws. The SPLUMA implementation has been a bit difficult in tribal areas as site/allocations demarcations still continue without the inclusion of the municipality to assist and guide tribal authorities.

Complementary to the latter systems in place, the municipality has finalized the process of reviewing its Greater Marble Hall Spatial Development Framework of 2006, which had become obsolete. Additionally, the Marble Hall Town Planning Scheme, 2001 was reviewed and was replaced with a wall to wall Land Use Scheme. The municipality has procured the Geographic Information System (GIS), which assists the planning division in terms of mapping and analyzing geographic data and other divisions such as Asset and Revenue among others.

The Town Planning and Building division is responsible for the provision of strategic direction regarding the spatial planning of towns, townships and rural settlement areas in EPMLM. Below are all applications received and council resolutions for the financial year 2018/2019:

| Description   | Approved | Disapproved | Noted |
|---|----------|-------------|-------|
| Proposed application for building line relaxation in respect of Erf 1882 Marble Hall Extension 6  | ✓        |             |       |
| Proposed special consent on Farm Klipspruit 863KS for the purposes of erecting a Vodacom Telecommunication lattice mast and a base station  | ✓        |             |       |
| Proposed Building Line relaxation in respect of Erf 669 Marble Hall Extension 5   | ✓        |             |       |
| Proposed Simultaneous removal of restrictive title conditions and rezoning from "Residential 1" to "Residential 4" in respect of Erf 1030 Marble Hall Extension 3   | ✓        |             |       |
| Proposed Special Consent of Farm Goedehoop 832-KS in order to construct and operate a 25m high Vodacom Telecommunication lattice mast and a Bass Station on a portion measuring approximately 100m <sup>2</sup> | ✓        |             |       |
| Proposed Special Consent for Special Land Use rights on Erf 878 Marble Hall Extension 4 in order to construct a cellular telephone mast   | ✓        |             |       |
| Proposed Simultaneous Removal of Restrictive title Condition "B" of Tittle Deed Number: T54883/1990 and Rezoning from "Residential 1" to "Residential 4" on 431 Marble Hall                                     | ✓        |             |       |
| Proposed rezoning from "Residential 1" to "Residential 3" on Erf 453 Marble Hall  | ✓        |             |       |
| Proposed Special Consent on Erf 1007 Marble Hall Extension 4 for the establishment of a Residential building  | ✓        |             |       |
| Proposed Special Consent on Erf 1007 Marble Hall Extension 4 for the establishment of a filling station   | ✓        |             |       |

| Description  | Approved | Disapproved | Noted |
|--|----------|-------------|-------|
| Proposed subdivision of Erf 1022 Marble Hall in to 2(two) portions   | ✓        |             |       |
| Proposed Simultaneous Removal of restrictive title conditions and Rezoning of Erven 76 Marble Hall from "Residential 1" to "Residential 4" for the purposes of developing residential buildings      |          |             | ✓     |
| Proposed Simultaneous Removal of Restrictive title conditions and Rezoning of Erven 77 Marble Hall from "Residential 1" to "Residential 4" for the purposes of developing residential buildings      |          |             | ✓     |
| Proposed Simultaneous Consolidation and Rezoning from "Residential 1" to "Institutional" on Erf 2023, 2024 and 2025 Marble Hall Extension 6 for the purposes of developing a place of public worship | ✓        |             |       |
| Proposed Special consent on Erf 772 Marble Hall for purposes of developing a guest house   |          |             | ✓     |
| Proposed Subdivision of Erf 448 Marble Hall Extension 5 into two(2) portions   |          |             | ✓     |
| Proposed Rezoning of Erven 57,60,61,63- 67 &Re/Erf 68 Marble Hall from "Residential 1" to "Residential 4" in order to formalize the residential buildings on the properties                          | ✓        |             |       |
| Proposed application for exemption of subdividing farm Scherp Arabie 743 KS  | ✓        |             |       |

The configuration of the municipal area and the existing spatial pattern (topography, population distribution and sprawl) together with causal factors (land ownership, established land uses) are impediments to the successful implementation of a Development Strategy to achieve the four developmental outcomes proposed in the White Paper on Local Government.

Restricted access to land by the Municipality due to inhibitive land cost (privately owned land) and statutory deterrents (state – owned land under tribal custodianship) would exacerbate attempts by the Council to orchestrate and encourage the development of a beneficial spatial pattern within the municipal area.

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### 3.11 LOCAL ECONOMIC DEVELOPMENT

The municipality is a major producer of citrus and table grapes. Cotton and vegetable production is also substantial. Cattle ownership among subsistence farmers is significant. Production areas are scenically attractive and, together with the Flag Boshielo Dam; provide supply side opportunities for tourism development. The Schuinsdraai Nature Reserve, which is adjacent to Flag Boshielo Dam, adds to this opportunity.

Mining activity includes dolomite and dimension stone. Marble Hall town has a very large, but underutilized industrial park. The only manufacturer of note is McCains and Tiger Brand Foods vegetable processing. Other tenants in the industrial park are mostly distributors and businesses that repair motor vehicles and other equipment.

The local construction industry is very small, but is growing rapidly. Wholesale and retail trade development has always been overshadowed by facilities that are available in the adjacent Groblersdal. A large network of informal traders operates throughout the municipal area.

The Local Economic Development strategy as the important document which guide the strategic focus of the municipality in improving the local economy was revised during this financial year, this document was since revised in 2008. The LED strategy proposed short, medium and long term potential projects which the municipality should mobilize resources and various stakeholders to implement such projects with potential to turn around the local economy.

The functional LED forum which hold regular meetings to reflect on the economic development programmes and strategize on the improvement of the economic situation in the municipality. The forum remains a necessary enabler for economic growth agenda in the municipality.

The municipality launched the Tourism Forum as a structure that will assist in exploring and exploiting tourism sector for economic growth and ensure that this sector become at the centre of the overall planning of the municipality. It is the platform that tourism product owners such as accommodations, craft and restaurants will interface in order to ensure that the conducive environment is also created for such businesses to thrive. The forum convenes on quarterly basis.

The SMMEs and co-operatives were supported through various trainings facilitated by the key stakeholders of local economic development such as NYDA, LEDA and SEDA. The local SMMEs and cooperatives participated in the historic and successful District Local Economic Development summit which was organised in conjunction with the local municipalities, this platform was the first in history of our district.

The Limpopo Executive council took a resolution to transfer the business licensing function which initially was the responsibility of Limpopo Department of Economic Development, Environment and Tourism to local municipalities in order for the business licensing services to be accessible. The council of the municipality further resolved to accept the implementation of Limpopo Business Regulations Act (LIBRA) function and already received the software that will enable the LED unit to issue the business licenses, the municipality will recognise the whole revenue from this function.

| Annual Job Creation    | Unskilled | Skilled | Permanent | Temporary | Men | Women | Youth | Disabled | Total |
|------------------------|-----------|---------|-----------|-----------|-----|-------|-------|----------|-------|
| <b>CWP</b>             | 1012      | 56      | 0         | 1068      | 150 | 918   | 1002  | 01       | 1068  |
| <b>EPWP</b>            | 416       | 0       | 0         | 416       | 108 | 308   | 322   | 01       | 416   |
| <b>DEA</b>             | 95        | 0       | 0         | 95        | 31  | 64    | 95    | 3        | 95    |
| <b>LED initiatives</b> | 130       | 09      | 09        | 130       | 45  | 94    | 53    | 0        | 139   |

| Thrust                                       | Strategies   |
|--|--|
| Economic base development                    | Promote the horticulture cluster value chain. Tourism, the red meat cluster SMME development and construction & property development |
| Institutional Transformation and development | Municipal capacity building, Capacity to deal with disasters.  |
| Infrastructure development                   | Integrated infrastructure development.   |
| Human Resource Development                   | Adult Basic Education and Training, Human Resource development strategy,   |
| Spatial and Land Development                 | Growth points development  |

The National Development Plan (NDP) recognises the role of the informal traders in the overall economic growth of the country with potential to create job opportunities. The Small Enterprise Development Agency through Informal Micro Enterprise Development Programme (IMEDP) funded 20 SMMEs with valuable equipment to improve various businesses in the municipality.

| Challenge  | Proposed Solution   |
|--|---|
| Limited capacity in terms of operational staff           | Revised organ gram submitted for consideration  |
| Limited funding for projects                             | Initiate partnerships with external donors and funding agencies to provide additional funding for projects. |
| Inconsistency of membership particularly in cooperatives | Possible pre-registration workshop for potential co-operators to understand principles of cooperatives.     |

| Jobs Created during 2018/2019 by LED Initiatives (Excluding EPWP projects) |              |  |                                |  |
|--|--------------|--|--------------------------------|--|
| Total Jobs created / Top 3 initiatives                                     | Jobs created | Jobs lost/displaced by other initiatives | Net total jobs created in year | Method of validating jobs created/lost |
| Initiative (12/13) A   | 139          | 0  | 139                            | register of employees                  |
| Initiative (12/13) B   |              |  |                                |  |

| Jobs Created during 2018/2019 by LED Initiatives (Excluding EPWP projects) |                                       |  |  |  |
|--|---------------------------------------|--|--|--|
| Initiative (12/13)   | C                                     |  |  |  |
| Job creation through EPWP* projects  |                                       |  |  |  |
| Year   | No Jobs created through EPWP projects |  |  |  |
| 2016/2017  | 183                                   |  |  |  |
| 2017/2018  | 416                                   |  |  |  |
| 2018/2019  | 427                                   |  |  |  |

The Community Works Programme remains the biggest government initiative that provides employment safety net and which created more than 1000 job opportunities across the municipality. The municipality convenes quarterly meetings in the form of Local Reference Committee (LRC) to monitor the implementation of the programme in conjunction with COGHSTA in the province in order to ensure that PPE and other working tools for participants.

#### COMPONENT D: COMMUNITY AND SOCIAL SERVICES

The municipality has performed well with a limited budget for Greening the Municipality – biodiversity conservation, maintenance and cleaning of all open spaces. Marble Hall town and surrounding villages are generally clean

#### 3.12 LIBRARIES AND COMMUNITY FACILITIES

The Department of Sports Arts and Culture (SAC) has established one municipal library in the Municipality, which is situated in Marble Hall town; which is administered by the Department and the municipality through a service level agreement although there is challenges with the maintenance of the current library. The library was issued with blind reading system donated for the community by the Department of Public works. The provision of materials is the duty of the Department and the rotation of books and the provision of new books in all languages is a huge challenge, also not much new books are introduced.

The library is utilised by community members who lives in Marble Hall town, students and members from other villages who can travel to town. The challenge is extending the service to other areas as it cannot be easily accessible to by community members due to the vastness of the municipal area. The municipality engaged with the Department of Sports Arts and culture during the District wide strategic planning sessions to register community needs of libraries across the municipal area, however the Department of SAC is responsible for funding but the construction of libraries is the responsibility of the Department of Public works.

The municipality has only three librarians, of which one librarian has been seconded by the Provincial Department. One Librarian post is vacant for a considerable time and needs to be filled.

| Employees: Libraries; Only |           |           |           |                                  |                                   |
|----------------------------|-----------|-----------|-----------|----------------------------------|-----------------------------------|
| Job Level                  | 2017/2018 | 2018/2019 |           |                                  |                                   |
|                            | Employees | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|                            | No.       | No.       | No.       | No.                              | %                                 |
| 0 – 3                      | 1         | 1         | 1         |                                  |                                   |
| 4 – 6                      |           |           |           |                                  |                                   |
| 7 – 9                      | 1         | 1         |           | 1                                | 50%                               |
| 10 – 12                    |           |           |           |                                  |                                   |
| 13 – 15                    |           |           |           |                                  |                                   |
| 16 – 18                    |           |           |           |                                  |                                   |
| 19 – 20                    | 2         | 2         | 2         | 0                                | 0                                 |
| Total                      | 1         | 1         | 1         |                                  |                                   |
| T 3.12.4                   |           |           |           |                                  |                                   |

### 3.13 CEMETRIES

Construction of cemetery fencing were planned during the financial year but due to procurement challenges no fencing material were procured and the planned fencing was shifted to the next financial year. There are 55 cemeteries in sixteen (16) wards in the Municipal area. The municipality is currently servicing only Marble Hall, Regae, Leeufontein and Elandskraal. There is no crematorium in the municipal area

| Employees: Cemeteries |           |           |           |                                  |                                   |
|-----------------------|-----------|-----------|-----------|----------------------------------|-----------------------------------|
| Job Level             | 2017/2018 | 2018/2019 |           |                                  |                                   |
|                       | Employees | Posts     | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|                       | No.       | No.       | No.       | No.                              | %                                 |
| 0 – 3                 | 3         |           | 3         | 0                                |                                   |
| 4 – 6                 |           |           |           |                                  |                                   |
| 7 – 9                 |           |           |           |                                  |                                   |
| 10 – 12               |           |           |           |                                  |                                   |
| 13 – 15               |           |           |           |                                  |                                   |
| 16 – 18               |           |           |           |                                  |                                   |
| 19 – 20               |           |           |           |                                  |                                   |
| Total                 | 3         | 3         | 3         | 0                                | 0                                 |
| T 3.13.4              |           |           |           |                                  |                                   |

### 3.14 SOCIAL PROGRAMMES - CHILD CARE, AGED CARE

Department of Social Services is responsible for this function in the Municipal area.

| Number of old age homes | Number of drop in centres | Number of children's homes (CYCC) | Number of disability centres | Number of women safe house centres | Number of home based carers |
|-------------------------|---------------------------|-----------------------------------|------------------------------|------------------------------------|-----------------------------|
| 01                      | 06                        | 0                                 | 05                           | 0                                  | 13                          |

Number of Early Childhood Development (ECD) centres

| Number of EDCs | Registered EDCs | Unregistered EDCs | Funded EDCs |
|----------------|-----------------|-------------------|-------------|
| 96             | 68              | 28                | 49          |

## COMPONENT E: ENVIRONMENTAL PROTECTION

### 3.15 POLLUTION CONTROL

Air Pollution control is the current function and responsibility of Sekhukhune District Municipality. The Local Municipality is referring all relevant complaints in this regard to the District Environmental Pollution Control section

Key to Environmental Pollution Control aspects will be to manage the following using some of the Municipal Health Services By-laws to be promulgate the first two have be discussed in other function above:

#### Land/Soil Pollution:

- Landfill/dumping and burning of waste, farming, mining, factories, etc.

#### Water Pollution:

- Mining and mining activities, industrial wastewater, municipal wastewater, agricultural wastewater, unprotected landfill sites, illegal dumping, etc.

#### Air Pollution: Air quality Management Functions

##### Compliance monitoring

The District has developed an Integrated Environmental Management Plan (DIEMP) that needs to be approved by Council and there is an Air Quality Management Plan in place that is being reviewed to update things that have changed.

### 3.16 BIO-DIVERSITY – LANDSCAPE

A Landscaping Master plan was drawn by Habitat Landscaping Architects for the Marble hall town. The Plan will now be implemented and in 18'19 financial year some sidewalks will be paved and beautified as phase development.

The municipality does not have enough staff to render this service, hence the municipality appointed 15 EPWP personnel as part of Public Works Programme to assist in keeping the town

clean and beautiful and also as part of job creation. This EPWP programme has yielded good results for the municipality and the community in relation to the unemployed youth and women.

The Municipality in its endeavor of increasing its aesthetic sense of Marble Hall town, have 12 parks in and around town of Marble Hall. All parks are also maintained by cutting grass, de bushing and removing of debris. Although proper park development will be part of the landscaping phase in program.

| <b>Employees: Bio-Diversity; Landscape and Parks</b> |                  |              |                  |   |  |
|--|------------------|--------------|------------------|---|--|
| <b>Job Level</b>                                     | <b>2017/2018</b> |              | <b>2018/2019</b> |   |  |
|  | <b>Employees</b> | <b>Posts</b> | <b>Employees</b> | <b>Vacancies (fulltime equivalents)</b> | <b>Vacancies (as a % of total posts)</b> |
|  | <b>No.</b>       | <b>No.</b>   | <b>No.</b>       | <b>No.</b>                              | <b>%</b>                                 |
| 0 – 3  | 22               |              | 22               | 5                                       |  |
| 4 – 6  | 6                |              | 6                | 1                                       |  |
| 7 – 9  |                  |              |                  |   |  |
| 10 – 12  | 1                |              | 1                |   |  |
| 13 – 15  |                  |              |                  |   |  |
| 16 – 18  |                  |              |                  |   |  |
| 19 – 20  |                  |              |                  |   |  |
| <b>Total</b>   | <b>29</b>        | <b>35</b>    | <b>29</b>        | <b>6</b>                                | <b>0</b>                                 |

T 3.16.4

## COMPONENT F: HEALTH

### 3.17 CLINICS

#### **HIV/Aids Coordination**

The Municipality does have a HIV/Aids coordinator which is responsible for all activities in trying to reduce HIV/Aids prevalence in the municipal area. Average prevalence of around 10 % is still occurring Three Local Aids council meetings and four awareness campaigns were held. The success rate of the Lac meetings is not up to standard and challenges are stakeholder attendance at meetings and the constant changing of meeting dates. A proper fixed program for LAC meeting in conjunction with the Mayoral office needs to be established for the coming year. Stakeholder involvement in the Local Aids Council is a serious challenge, because off not attendance and non-reporting by departments and NGO's. There is a serious endeavour together with the Districts Aids Council to implement measures for proper functional LAC and Structures.

### 3.18 AMBULANCE SERVICES

The Ephraim Mogale Local municipal area is serviced by Private - and Provincial ambulance services. Life 24 private ambulance service is stationed in Marble hall and the Provincial ambulance services are based in Matlala Hospital.

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### 3.19 HEALTH INSPECTION: FOOD INSPECTION ETC

#### **Environmental Health/ Municipal Health Services**

The Environmental Health function is the responsibility of the Sekhukhune District Municipality. The Municipality is working together with the assigned practitioners to try and promote clean and safe communities in relation to the underneath functions

The Constitution of the Republic of South Africa, 1996 (Act No: 108 of 1996) allocates Municipal Health Services (MHS) as a Local Government function under Part B of Schedule 4, section 156(1)(a). On the other hand, the National Health Act, 2003, defines Municipal Health Services (MHS) as follows:

- Waste management
- Water quality monitoring
- Health surveillance of premises
- Surveillance and prevention of communicable diseases excluding immunisations
- Vector control
- Environmental pollution control
- Disposal of the dead
- Food control
- Chemical safety

## COMPONENT G: SECURITY AND SAFETY

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### 3.20 POLICE

Police function is a National function coordinated at the Provincial Department; the municipality is responsible for Community Safety Forum (CSF). The municipality established the CSF which assisted the community in ensuring safety and security related matters, e.g. bail application, crime prevention initiatives. The municipality had budget limitation and there were no dedicated staff to focus on this matter, however the municipality sustained the functionality of CSF and are supporting the structure wherever they can assist in transport and venue accommodation.

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### 3.21 FIRE

The District has five (5) fire stations located in the four Local Municipalities which include

- Ephraim Mogale Fire Station (in Marble Hall) located within Ephraim Mogale L.M.

Ephraim Mogale fire station need to be built to meet the standard.

The required standard of fire stations would assist to protect and accommodate the fire service fleet which is constantly exposed to all weathers. Several fleet, equipment and personnel are allocated to this station

## **Fire prevention, safety and protection**

The role of the fire service in the District has expanded far beyond fire suppression. With this expansion, fire prevention, fire safety and public education have appropriately begun receiving an increased emphasis as the proactive elements of a fire service delivery system. The district communities are dependent on the fire service to ensure their protection against dangers of fire, entrapment, explosion, dangerous goods incidents and any emergency event that may occur in the community.

The fire service has a variety of fire vehicles capable of engaging and/or of providing backup services at any reasonable fire engagement. However apart from the specialized vehicles all stations essentially require to have other fire and rescue tools, to effectively and efficiently operate, of which they do not have in this financial year.

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### 3.22 DISASTER MANAGEMENT

The municipality has appointed a full time Disaster Management Officer and the following services were rendered. Disaster relief materials were bought for assistance during disasters. The disaster Management officer managed to hold 21 disaster awareness campaigns in villages all over the municipal area where communities were informed about possible disasters and the management thereof. Continuous discussions between the Local and District Municipality are also done

Provision is also made in the 2018/2019 budget for the compilation of a Disaster Management Plan. The Plan was not finalised due to budget constraints.

## **COMPONENT H: SPORT AND RECREATION**

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### 3.23 SPORT AND RECREATION

There are two sport, arts and culture officers which coordinate sport activities in the Municipality and align programs to District – and provincial activities.

A successful mayors cup tournament were also held as a build up to the Sekhukhune Executive mayors cup

Internal sport for officials at the Municipality – Every week soccer, golf, pool, and netball is played against teams in a league established for the district. The Municipality competed in the IMMSA games In Maruleng Municipality.

Local Football Association is active in arranging league games for soccer in villages in the Municipality where after the winners compete against other winners in the District – and in the Province.

A Soft ball league is also been established and there is active participation from community members. The Leeufontein soft ball team did also participate in district the events.

The Moutse marathon is a private organized event where the Municipality is giving administrative support and the event is held annually with participants from all over the country.

| Employees: Sport and Recreation |           |        |           |                                  |                                   |
|---------------------------------|-----------|--------|-----------|----------------------------------|-----------------------------------|
| Job Level                       | Year -1   | Year 0 |           |                                  |                                   |
|                                 | Employees | Posts  | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
|                                 | No.       | No.    | No.       | No.                              | %                                 |
| 0 – 3                           |           |        |           |                                  |                                   |
| 4 – 6                           |           |        |           |                                  |                                   |
| 7 – 9                           |           |        |           |                                  |                                   |
| 10 – 12                         | 2         |        | 2         | 0                                |                                   |
| 13 – 15                         |           |        |           |                                  |                                   |
| 16 – 18                         |           |        |           |                                  |                                   |
| 19 – 20                         |           |        |           |                                  |                                   |
| Total                           | 2         | 2      | 2         | 0                                | 0                                 |
| T 3.23.3                        |           |        |           |                                  |                                   |

## COMPONENT I: CORPORATE POLICY SERVICES

### 3.24 EXECUTIVE AND COUNCIL

Executive committee is the principal committee of the council which receives reports from the other committees of the council and which must forward these reports together with its recommendations to the council when it cannot dispose of the matter in terms of its delegated powers. The executive committee must identify the needs of the municipality, review and evaluate those needs in order of priority. The committee recommends to municipal council strategies, programmes and services to address priority needs through the integrated development plan and estimates of revenue and expenditure, taking into account any applicable national and provincial development plans.

### 3.25 FINANCIAL SERVICES

The Financial Services is ensuring efficiency and compliance with the Municipal Finance Management Act (MFMA) as well as other applicable laws and regulations ultimately leading to better service delivery. The management of the municipal finances involves both a strategic and operational component.

Strategically, the finances must be managed to accommodate fluctuations in the economy and the resulting changes in costs and revenues. Operationally, the Municipality must put in place clear financial goals, Policies and tools to implement its Strategic Plan. The overall Strategic Plan is to ensure that there is transparency, accountability and sound Financial Management.

- Forming part of this plan are key performance areas such as: ensuring that all statutory reporting is compiled and submitted to the different spheres of government timeously.
- Annual Financial Statements are prepared in accordance with GRAP and submitted on time,
- effective and efficient utilization of financial resources,

- Compliance to the Supply Chain Management Policy and the maintenance of assets effectively with respect to additions; disposals; impairments on the assets register.

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### 3.26 HUMAN RESOURCES SERVICES

Human resource comprises of occupational health services, labour relations and Employee Assistance Programmes. It is responsible for the recruitment processes, leave administration, disciplinary procedures, skills development, and labour relation issues.

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### 3.27 INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

#### Introduction

Ephraim Mogale Local Municipality has ICT unit in place with the total number of 02 officials.

ICT unit is responsible for running daily, weekly, monthly data and backups. It ensures that municipal website is always functional and to provide user support.

ICT unit ensures that network is always available to all municipal applications such as Munsoft, emails, internet, payroll system and leave system for efficient and effective service delivery. The unit also managed the VPN connections for Managers and Directors as their duties are flexible so that they can be able to access municipal server at all times when they are out of the office.

Information Communication Technology (ICT) services is best positioned to promote effective administration in order to achieve service delivery targets and ultimately have an impact on socio economic development. It is therefore integral to the functionality and efficiency of the Municipality. The target for the reporting period was to achieve improved ICT systems, processes and compliant infrastructure. Service delivery priorities for ICT are to ensure that the municipality has efficient and effective backup systems, officials are trained on ICT, all municipal sites are connected through internet. Photocopier are leased. The municipality has, during the reporting, identified the need to strengthen the ICT unit by creating a strategic position.

The municipality has also managed to install and maintain backup system, VPN established, LAN restructured and Server room upgraded. EPMLM has ICT unit in place with the total number of 03 officials. ICT unit is responsible for running daily, weekly, monthly data and backups. It ensures that municipal website is always functional and to provide user support. ICT unit ensures that network is always available to all municipal applications such as Munsoft, emails, Collaborator, internet, payroll system and leave system for efficient and effective service delivery. The unit also managed the VPN connections for Managers and Directors as their duties are flexible so that they can be able to access municipal server at all times when they are out of the office.

| <b>Employees: ICT Services (how many employees on the listed task grades and vacancies)</b> |                  |                  |   |  |
|---|------------------|------------------|---|--|
| <b>Job Level</b>  | <b>2018/2019</b> |                  |   |  |
|   | <b>Posts</b>     | <b>Employees</b> | <b>Vacancies (fulltime equivalents)</b> | <b>Vacancies (as a % of total posts)</b> |
|   | <b>No.</b>       | <b>No.</b>       | <b>No.</b>                              | <b>%</b>                                 |
| 0 – 3   |                  |                  |   |  |
| 4 – 6   |                  |                  |   |  |
| 7 – 9   |                  |                  |   |  |
| 10 – 12   | 2                | 2                | 2                                       | 100%                                     |
| 13 – 15   | 1                | 0                | 0                                       |  |
| 16 – 18   |                  |                  |   |  |
| 19 – 20   |                  |                  |   |  |
| <b>Total</b>  | <b>4</b>         | <b>4</b>         | <b>4</b>                                | <b>100%</b>                              |

| <b>Capital Expenditure 2018/19 : ICT Services</b> |               |                          |                           |                                      |                            |
|---|---------------|--------------------------|---------------------------|--------------------------------------|----------------------------|
| <b>R478 000.00</b>                                |               |                          |                           |                                      |                            |
| <b>Capital Projects</b>                           | <b>Budget</b> | <b>Adjustment Budget</b> | <b>Actual Expenditure</b> | <b>Variance from original budget</b> | <b>Total Project Value</b> |
| Total All   | R463 000.00   |                          |                           |                                      |                            |
| ICT Computers                                     | R 120 000.00  | R -                      | R 32 441.02               | -                                    | R 87 558.98                |
| Television  | R 13 000.00   | R -                      | R 12 996.00               | -                                    | R 12 996.00                |
| Sound System                                      | R 70 000.00   | R15 000.00               | R 85 000.00               | R 15 000.00                          | R 85 000.00                |
| Replacement of Switches                           | R150 000.00   | R30 000.00               | R 27 160.00               | R152 840.00                          | R 72 445.00                |
| Purchase of Printers                              | R 70 000.00   | R18 500.00               | R 26 589.00               | R 61 911.00                          | R 26 589.00                |
| Purchase of IT Equipments                         | R 40 000.00   | R50 000.00               | R171 220.64               | R 81 220.64                          | R171 220.64                |

### 3.28 PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

The following is the litigation report for the financial year 2018/2019:

| CASE NO:                       | TYPE OF MATTER                      | FACTS  | STATUS OF THE MATTER  | ATTORNEY                |
|--------------------------------|-------------------------------------|--|---|-------------------------|
| <b>CASE NO:<br/>72139/2015</b> | Contractual Dispute                 | The municipality awarded the Plaintiff a tender for the rehabilitation of admin block. Plaintiff submitted an invoice which the municipality refused to settle on the basis that the contractor has already been paid for the work done.   | The municipality intends settling the matter out of court in the amount of R 214 829, 75 as advised by an independent engineer appointed by the municipality. The offer of settlement was communicated to the plaintiff's attorneys and to date the municipality has not received any feedback.   | Popela Maake Attorneys  |
| <b>CASE NO:<br/>J368/15</b>    | Damages and defamation of character | The Applicant was employed by the municipality and he resigned in 2009 pending criminal investigation by the Hawks.<br><br>The Hawks did not proceed with criminal case.<br><br>The Applicant alleges that the municipality coerced him to resign and that his character has been defamed, as a result of the allegations which were been investigated by the Hawks. | The application was dismissed from the Labour Court for lack of jurisdiction with costs <i>de bonis probis</i> against the applicant's attorney and counsel.<br><br>It has however emerged that the applicant has filed an appeal.<br><br>The documents were defective and not considered by the Labour Court. In essence there is no appeal filed.<br><br>The matter should be removed from the litigation register. | Popela Maake Attorneys. |
| <b>CASE NO:704/2017</b>        | Claim for unpaid water charges      | The Municipality was summoned by the Department of Water Affairs for alleged unpaid water charges emanating from the water license it held at the time. The Municipality 'stance is that the amount be reduced as the said water license was transferred to the Sekhukhune District Municipality.  | The Municipality has served the Plaintiff attorneys with Notice in terms of Rule 35(3) and 35(6) and we now await set down by the Plaintiff. In the meantime, the Municipality is contemplating terminating the mandate of the attorneys in an endeavor to engage the DWA directly and to have the matter settled out of court.<br><br>The matter should be removed from the litigation register.                     | KAM Attorneys           |
|                                | Claim for personal injuries         | The plaintiff claims to have lost his ability to walk after he fell in an unprotected pit which he claims it was   | The Plaintiff amended his particulars of claim and now is suing R 3 000 000, 00 from R 1 000 000, 00.   | Noko Maimela Attorneys. |

| CASE NO:           | TYPE OF MATTER       | FACTS  | STATUS OF THE MATTER   | ATTORNEY            |
|--------------------|----------------------|--|--|---------------------|
|                    | and loss of earnings | dug by the Municipality. As a result the plaintiff claims to have lost his employment and any employment capabilities and claims to have spent hundreds of thousands of rands medical expense.             | The Plaintiff has filed the expert reports to quantify the damages.<br><br>Parties are discovering documents.  |                     |
| Case No: 3298/2018 | Contractual Dispute  | The Developer has failed to comply with the terms of the Land Availability Agreement to wit he has to date not paid the Municipality the monies emanating from the sale of erven in Extension              | On the 4 February 2019 the Court declared the transaction to be unconstitutional. The Respondent filed an urgent interdict which was granted by the Court on the 27 November 2019 interdicting the municipality from selling the erven in Extension 6. | Mohale Incorporated |
|                    | Eviction             | Almost 200 rdp houses in Leeuwfontein have been illegally occupied and it is incumbent upon the Municipality to make available those rdp's for the lawful beneficiaries who now want to take occupation    | The municipality did not proceed with the matter.<br><br>The matter should be removed from the litigation register.  | Machaka Inc         |
|                    | Interdict            | The Municipality is in the process of interdicting the Pension Pay-out of Mr Nala Lesofi who has since resigned from the Municipality after defrauding the Municipality money in the region of R198 000.00 | The municipality withdrew the matter.<br><br>The matter should be removed from the litigation register.  | Machaka Inc         |

## COMPONENT J: MISCELLANEOUS

Not applicable

## COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

### Performance on National Performance Indicators

The following table indicate the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators were linked to the National Key Performance Areas.

This component includes the Annual Performance Scorecard Report for the current year as reflected below. The section contains a comprehensive breakdown of the individual Departmental performance. The scores highlight the progress with respect to performance not only at a departmental level, but also represents the progress made within each Key Performance Area (KPA).

### Comparison of Institutional Performance Levels 2016/2017 – 2018/2019

Table 2: Institutional Performance Comparison

| KPA No | KPA  | 2016/2017            |                  |                   | 2018/2019            |                  |                   | 2018/2019            |                  |                      |                   |
|--------|--|----------------------|------------------|-------------------|----------------------|------------------|-------------------|----------------------|------------------|----------------------|-------------------|
|        |  | Total KPI's Assessed | Targets Achieved | % Target Achieved | Total KPI's Assessed | Targets Achieved | % Target Achieved | Total KPI's Assessed | Targets Achieved | Targets Not Achieved | % Target Achieved |
| 1      | Spatial Rationale                                      | 18                   | 13               | 72.2%             | 07                   | 05               | 71%               | 13                   | 10               | 03                   | 77%               |
| 2      | Basic Service Delivery and Infrastructure Development  | 36                   | 19               | 52.7%             | 32                   | 21               | 66%               | 43                   | 22               | 21                   | 51%               |
| 3      | Local Economic Development                             | 10                   | 06               | 60%               | 10                   | 06               | 60%               | 12                   | 11               | 01                   | 92%               |
| 4      | Municipal Transformation and Institutional Development | 26                   | 21               | 80.7%             | 19                   | 16               | 84%               | 36                   | 30               | 06                   | 83%               |
| 5      | Municipal Financial Viability and Management           | 25                   | 18               | 72%               | 17                   | 13               | 76%               | 20                   | 18               | 02                   | 90%               |
| 6      | Good Governance and Public Participation               | 33                   | 27               | 81.8%             | 30                   | 24               | 80%               | 49                   | 37               | 12                   | 76%               |

|  |       |     |     |       |     |    |      |     |     |    |     |
|--|-------|-----|-----|-------|-----|----|------|-----|-----|----|-----|
|  | TOTAL | 148 | 104 | 70.2% | 115 | 85 | 74 % | 173 | 128 | 45 | 74% |
|--|-------|-----|-----|-------|-----|----|------|-----|-----|----|-----|

The following section contains a comprehensive breakdown of the individual Departmental performance. The scores highlight the progress with respect to performance not only at a departmental level, but also represents the progress made within each Key Performance Area (KPA).

**Table 2: Individual Departmental performance Comparison**

| No | Department                      | 2018/2019            |                  |                      |                   |
|----|---------------------------------|----------------------|------------------|----------------------|-------------------|
|    |                                 | Total KPI's Assessed | Targets Achieved | Targets Not Achieved | % Target Achieved |
| 1  | Budget & Treasury Services      | 20                   | 18               | 02                   | 90%               |
| 2  | Planning & Economic Development | 28                   | 24               | 04                   | 86%               |
| 3  | Corporate Services              | 49                   | 39               | 10                   | 80%               |
| 4  | Office of the Municipal Manager | 35                   | 25               | 10                   | 71%               |
| 5  | Community Services              | 16                   | 09               | 07                   | 56%               |
| 6  | Infrastructure Services         | 25                   | 13               | 12                   | 52%               |
|    | <b>TOTAL</b>                    | <b>173</b>           | <b>128</b>       | <b>45</b>            | <b>74%</b>        |

KPA I: SPATIAL RATIONALE

**Strategic Objective: Plan for the future and promote integrated human settlement and agrarian reform**

| Project Name                                     | Priority Programme            | KPI  | IDP Ref No | R 000's  |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |            |                   | Portfolio of Evidence | Responsible Department   |                                 |   |
|--|-------------------------------|--|------------|----------|----------|------------------|------------------------------|--------|------------|-------------------|-----------------------|--|---------------------------------|---|
|  |                               |  |            | Budget   | Actual   |                  | Target                       | Actual | Challenges | Corrective Action |                       |  |                                 |   |
| Compliance with Town Planning Scheme Regulations | Land Use Management           | % of land use applications received and processed within 60 days as per the SPLUMA Act 16 of 2013  | SR 01      | Internal | Internal | 100%             | 100%                         | 100%   | Achieved   | None              | None                  | Land Use application register  | Planning & Economic Development |   |
|  |                               |  |            |          |          |                  | 29 627.16                    | 3      | 3          | Achieved          | None                  | None   |                                 | Council Resolution and Gazette number               |
|  |                               |  |            |          |          |                  | Internal                     | 4      | 4          | Achieved          | None                  | None   |                                 | Attendance registers and reports                    |
| Compliance with National Building Regulations    | Building Plans Administration | % of buildings; constructed with approved plans, received and inspected within 5 days that comply with the National Building Regulations and Building Standards Amendments Act No 49 of 1995 | SR 04      | Internal | Internal | 100%             | 100%                         | 100%   | Achieved   | None              | None                  | Individual site inspection reports and the Building plan file register |                                 |   |
|  |                               |  |            |          |          |                  | Internal                     | 100%   | 100%       | Achieved          | None                  | None   |                                 | Building Plan submission register                   |
|  |                               |  |            |          |          |                  | Internal                     | 100%   | 100%       | Achieved          | None                  | None   |                                 | Individual site inspection reports and the Building |

| Project Name  | Priority Programme                | KPI   | IDP Ref No | R.000's      |             | Baseline 2015/16 | 2018/2019 Annual Performance |        |               | Portfolio of Evidence                                    | Responsible Department                   |            |
|---|-----------------------------------|---|------------|--------------|-------------|------------------|------------------------------|--------|---------------|--|--|------------|
|   |                                   |   |            | Budget       | Actual      |                  | Target                       | Actual | Achievements  |  |  | Challenges |
| Maintenance of Municipal buildings  | Facilities Maintenance Management | # of municipal buildings maintained as per the approved municipal maintenance plan by June 2019                                 | SR 06      | 1 000 000.00 | 307,424 .86 | 17               | 20                           | 20     | Achieved      | None   | plan file register<br>Inspection Reports |            |
| Housing   |                                   | # of municipal houses to be maintained as per the approved municipal maintenance plan by June 2019                              | SR 07      |              |             | 04               | 40                           | 0      | N/A           | Houses are maintained as and when requests are received. | Approved Maintenance Plan                |            |
| Acquisition of additional office space  |                                   | # of design for new/existing office space developed by June 2019  | SR08       | 2 000 000.00 | 0.00        | New              | 1                            | 0      | Not Achieved. | Project wrongly placed.                                  | Design and appointment letter            |            |
| Develop business plan with respect to maintenance and provision of new facilities |                                   | # of Business plan with respect to maintenance and provision of new facilities developed and submitted to Council by March 2019 |            | 0.00         | 0.00        | New              | 1                            | 0      | Not Achieved  | Project Wrongly placed.                                  | Council Resolution and agenda            |            |
| Land Audits   |                                   | Land audits in terms of suitable land for both public and commercial development conducted                                      | New        | 150 000.00   | 0.00        | New              | 1                            | 0      | Not Achieved. | Delay in submission to council.                          | Council Resolution and agenda            |            |
| Human settlement  | Housing                           | # of quarterly reports in terms of new housing units provided by CoGHSTA submitted to Council by June 2019                      | SR17       | Internal     | Internal    | 1                | 4                            | 4      | Achieved.     | None   | Annual RDP Housing report                |            |

| Project Name   | Priority Programme | KPI  | IDP Ref No | R:000's |        | Baseline 2015/16 | 2018/2019 Annual Performance |          |              |            | Portfolio of Evidence | Responsible Department        |                   |
|--|--------------------|--|------------|---------|--------|------------------|------------------------------|----------|--------------|------------|-----------------------|-------------------------------|-------------------|
|  |                    |  |            | Budget  | Actual |                  | Target                       | Actual   | Achievements | Challenges |                       |                               | Corrective Action |
| Review Spatial Development Framework 30 September 2018 | Spatial Planning   | # of Reviewed EPMLM Spatial Development Framework submitted to Council by March 2019 | SR11       | 0.00    | 0.00   | 1                | 1                            | 1        | Achieved     | None       | None                  | Council Resolution and agenda |                   |
| Review Land Use Management Scheme 30 September 2018    |                    |  |            | 0.00    | 0.00   | 1                | 1                            | Achieved | None         | None       | None                  |                               |                   |

KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Strategic Objective A: Improve community well-being through provision of accelerated basic service delivery

Strategic Objective B: Improved social well-being

| Project Name                                    | Priority Programme | KPI  | IDP Ref No | R 000's |        | Baseline 2015/16 | 2018/2019 Annual Performance |        |  | Portfolio of Evidence                        | Responsible Department          |                            |                         |
|---|--------------------|--|------------|---------|--------|------------------|------------------------------|--------|--|--|---------------------------------|----------------------------|-------------------------|
|   |                    |  |            | Budget  | Actual |                  | Target                       | Actual | Achievements   |  |                                 | Challenges                 | Corrective Action       |
| Transformer maintenance and oil testing         | Electricity        | # of transformers maintained by June 2019                  | BS/E0 1    | 2,100   | 910    | 48               | 50 transformers tested       | 0      | Not Achieved   | Re-tender not evaluated.<br>Tenders expired. | SCM must adhere to time frames. | Completion certificate     | Infrastructure Services |
| Ring Main Unit maintenance                      |                    | # of ring main units serviced by June 2019                 | BS/E0 2    |         |        | 20               | 20 Ring main units serviced  | 0      | Achieved   | None   | None                            | Completion certificate     |                         |
| Repair minisubstation stand 906                 |                    | # of Minisubstation repaired by June 2019                  | BS/E0 3    |         |        | 1                | 1 minisubstation repaired    | 0      | Not Achieved.<br>Deviation- Temporary unit installed | Re-tender not evaluated.<br>Tenders expired. | SCM must adhere to time frames. | Completion certificate     |                         |
| Substation Protection Audit                     |                    | # of panels tested by June 2019                            | BS/E0 4    |         |        | 21               | 21 panels tested             | 21     | Achieved   | None   | None                            | Completion certificate     |                         |
| Public Lighting-inspection of street lights     |                    | # of Street light fittings inspected by June 2019          | BS/E0 5    | 500     | 167    | 1056             | 1056                         | 1056   | Achieved   | None   | None                            | Inspection monthly reports |                         |
| Public Lighting-maintenance of streetlights (%) |                    | % of faulty Street light fittings repaired within 90 days. | BS/E0 6    |         |        | 100%             | 100%                         | 100%   | Achieved   | None   | None                            | Inspection/repair          |                         |

| Project Name   | Priority Programme | KPI   | IDP Ref No | R-000's |        | Baseline 2015/16 | 2018/2019 Annual Performance |        |                     | Portfolio of Evidence  | Responsible Department          |                                   |
|--|--------------------|---|------------|---------|--------|------------------|------------------------------|--------|---------------------|--|---------------------------------|-----------------------------------|
|  |                    |   |            | Budget  | Actual |                  | Target                       | Actual | Achievements        |  |                                 | Challenges                        |
| Street light fittings maintained within 90 days, based on 1056 street lights)  |                    |   |            |         |        |                  |                              |        |                     | monthly reports  |                                 |                                   |
| Public Lighting- inspection of Mast lights   |                    | # of Mast lights fittings inspected by June 2019  | BS/E07     |         |        | 528              | 528                          | 528    | Achieved            | None   | None                            | Inspection monthly reports        |
| Public Lighting- maintenance of Mast Lights (% of Mast light fittings maintained within 90 days, based on 528 mast lights) |                    | % of Faulty Mast light fittings repaired within 90 days   | BS/E08     |         |        | 100%             | 100%                         | 100%   | Achieved            | None   | None                            | Inspection/repair monthly reports |
| Replace PEX cable in Ext 5   |                    | Section of old PEX cable from RMU to minisubstation stand 906 and minisubstation stand 907 replaced with new cable by June 2019 | BS/E10     | 1 500   | 0.00   | New              | 740 meter of cable replaced  | 0      | <b>Not Achieved</b> | Material not available.<br>Re-tender appointment late.<br>Tenders expired. | SCM must adhere to time frames. | Completion certificate            |
| tall RMU and cable to connect Ext 5 & it stand 1032  |                    | # of new medium voltage cable installed to link the supply of Ext 5 and Ext 6 with a Ring Main Unit as connector by June 2019   | BS/E11     | 890     | 0.00   | New              | 70                           | 0      | <b>Not Achieved</b> | Re-tender not evaluated.<br>Tenders expired.                               | SCM must adhere to time frames. | Completion certificate            |

| Project Name                                 | Priority Programme | KPI   | IDP Ref No | R,000's          |        | Baseline 2015/16 | 2018/2019 Annual Performance |   | Corrective Action               | Portfolio of Evidence               | Responsible Department |
|--|--------------------|---|------------|------------------|--------|------------------|------------------------------|---|---------------------------------|-------------------------------------|------------------------|
|  |                    |   |            | Budget           | Actual |                  | Target                       | Actual                                  |                                 |                                     |                        |
| Transformer replacement 500Kva – Portion 515 |                    | # of transformers replaced by June 2019   | BS/E1 2    | 500              | 312    | 1                | 1                            | 1 transformer replaced                  | None                            | Completion certificate              |                        |
| Network Design Software                      |                    | # of Electrical design software package to assist with network designs purchased                                | BS/E1 3    | 70               | 0.00   | New              | 0                            | 1 design software programme             | SCM must adhere to time frames. | Invoice and Network Design Software |                        |
| Crane mounted on truck BCG 739 L             |                    | # of cranes purchased by June 2019  | BS/E1 4    | 530              | 0.00   | New              | 0                            | 1 crane for a truck purchased           | SCM must adhere to time frames. | 1 crane purchased                   |                        |
| Public Lighting Master Plan                  |                    | # of Public Lighting master Plans Developed by June 2019  | BS/E1 5    | 707              | 600    | New              | 1                            | 1 Public Lighting master Plan Developed | None                            | 1 Public Lighting Master Plan       |                        |
| electrification of households                |                    | # of quarterly reports in terms of households with access to basic levels of electricity submitted to MM (GKPI) | New        | 8538(INEP/Eskom) | 8,568  | 4                | 4                            | 4                                       | None                            | Quarterly reports                   |                        |

| Project Name                         | Priority Programme    | KPI  | IDP Ref No | R 000's      |              | Baseline 2015/16   | 2018/2019 Annual Performance |                         |              | Portfolio of Evidence  | Responsible Department   |  |                   |
|--------------------------------------|-----------------------|--|------------|--------------|--------------|--------------------|------------------------------|-------------------------|--------------|--|--|--|-------------------|
|                                      |                       |  |            | Budget       | Actual       |                    | Target                       | Actual                  | Achievements |  |  | Challenges                                   | Corrective Action |
| REETS                                | Roads and Storm Water | Kilometre of roads graded by June 2019                           | BS 115     | 2,004,944.00 | 1,850,730.83 | 1300km             | 1500km                       | 1473.75 km              | Not Achieved | The strike affected the progress of the division and work done for the 2 <sup>nd</sup> term. | The maintenance teams to work hard to reduce the backlog and compensate for the time lost. | Inspection report                            |                   |
|                                      |                       | M <sup>2</sup> of base and surface patched by June 2019          | BS 116     |              |              | 1200m <sup>2</sup> | 1300m <sup>2</sup>           | 4818.61 m <sup>2</sup>  | Achieved     | None   | None   | Inspection report                            |                   |
|                                      |                       | Kilometre of stormwater drains and channels cleaned by June 2019 | BS 117     |              |              | 52.7km             | 52.7 km                      | 56.5667 km              | Achieved     | None   | None   | Inspection report                            |                   |
|                                      |                       | Kilometre of surfaced roads marked by June 2019                  | BS 118     | 408,432.00   | 391,319.99   | 137km              | 172 km                       | 130.488 km              | Not Achieved | The strike affected the progress of the division and work done for the 2 <sup>nd</sup> term. | The maintenance teams to work hard to reduce the backlog and compensate for the time lost. | Inspection report                            |                   |
| lamphokgo Sports Complex (50/305178) | Sports and Recreation | No of Sports complex constructed by June 2019                    | BS63       | 18924453     | 16987468.81  | New                | 1 Sports complex             | 0                       | Not Achieved | Slow progress by the Contractor. Project is at 80% complete                                  | Extension of time granted to the Contractor  | Progress reports and completion certificates |                   |
| gwalemong Internal Streets           | Roads and Storm Water | Kilometre of roads to be upgraded by June 2019                   | BS61       | 4,842,226.58 | 2827716.96   | New                | 0.5km of roads upgraded      | 0.5km of roads upgraded | Achieved     | None   | None   | Progress reports and completion certificates |                   |

| Project Name  | Priority Programme          | KPI  | IDP Ref No | R,000's      |              | Baseline 2015/16 | 2018/2019 Annual Performance           |                                     |              |   | Portfolio of Evidence   | Responsible Department                       |                     |
|---|-----------------------------|--|------------|--------------|--------------|------------------|--|-------------------------------------|--------------|---|---|--|---------------------|
|   |                             |  |            | Budget       | Actual       |                  | Target                                 | Actual                              | Achievements | Challenges  |   |  | Corrective Action   |
| Upgrading of Stebejane & Ditholong internal road      |                             | Kilometre of road to be upgraded by June 2019  | BS82       | 3,796,502.59 | 3,796,502.59 | New              | 0.5km of roads upgraded                | 0.5km of roads upgraded             | Achieved     | None  | None  | Progress reports and completion certificates |                     |
| Upgrading of Moolhoek internal streets                |                             | Kilometre of roads to be upgraded by June 2019 | BS62       | 4,000,682.95 | 3,044,767.39 | New              | 0.5km of roads upgraded                | Construction of roads upgraded      | Not Achieved | Construction stopped due to court interdict by another Service provider | The Project has been advertised on the 14 <sup>th</sup> June 2019 and the closing date is on the 15 July 2019 | Progress reports and completion certificates |                     |
| Upgrading of stormwater management infrastructure     |                             | Km of storm-water constructed by June 2019     | BS53       | 300,000      | 0.00         | New              | 0.5km of storm water drain constructed | 0km of stormwater drain constructed | Not Achieved | Project stopped due to the Contractor having cashflow challenges        | The Project has been advertised on the 14 <sup>th</sup> June 2019 and the closing date is on the 15 July 2019 | Progress reports and completion certificates |                     |
| Upgrading of Sports Complex                           |                             | No of Sports complex constructed by June 2019  | BS50       | 574,621.9    | 252,774.084  | New              | 1 Sports complex                       | 0                                   | Not Achieved | The Contractor withdrew from the project due to financial cashflows     | Another Contractor has been appointed on the 4 <sup>th</sup> June 2019  | Progress reports and completion certificates |                     |
| Upgrading of HIV/AIDS programmes, Events and meetings | HIV/AIDS and other Diseases | Number quarterly Local Aids Council meetings   | BS138      | 233,040.0    | 21,200       | 4                | 4                                      | 2                                   | Not Achieved | Meetings for Q1&Q2 postponed  | Set new dates for LAC   | LAC Meeting minutes and                      | Office of the Mayor |

| Project Name             | Priority Programme   | KPI   | IDP Ref No | R.000's |         | Baseline 2015/16 | 2018/2019 Annual Performance |        |              | Corrective Action   | Portfolio of Evidence                                       | Responsible Department |
|--------------------------|----------------------|---|------------|---------|---------|------------------|------------------------------|--------|--------------|---|---|------------------------|
|                          |                      |   |            | Budget  | Actual  |                  | Target                       | Actual | Achievements |   |   |                        |
|                          |                      | scheduled and held by June 2019   |            |         |         |                  |                              |        |              |   | attendance registers  |                        |
| Awareness campaigns      |                      | # of quarterly HIV/AIDS awareness campaigns conducted by June 2019                | BS139      | 60000.0 | 27923.9 | 4                | 4                            | 2      | Not Achieved | Meeting postponed due to non-availability of Political Leaders        | Awareness campaign Meeting minutes and attendance registers |                        |
| Mayor's cup              | Sport and Recreation | # of mayors cup events held by June 2019  | BS140      | 200,0   | 200,0   | 1                | 1                            | 1      | Achieved     | None  | Final report of Mayors cup                                  | Community Services     |
| Heritage day celebration |                      | # of Heritage events held by June 2019  | BS142      | 66,0    | 66,0    | 1                | 1                            | 1      | Achieved     | None  | Final report of Heritage celebration                        |                        |
| Diturupa                 |                      | # of Cultural festival held by June 2019  | BS143      | 310,0   | 310,0   | 1                | 1                            | 1      | Achieved     | None  | Final report of Diturupa event                              |                        |
| Beauty Pageant           |                      | # of Beauty Pageant held by June 2019   | BS144      | 112,0   | 112,0   | 1                | 1                            | 1      | Achieved     | None  | Final report of Beauty Pageant event                        |                        |
| Arrive alive             | Safety and Security  | # of road safety awareness / prevention campaigns scheduled and held by June 2019 | BS149      | 14,5    | 14,4    | 10               | 10                           | 5      | Not Achieved | Traffic officers did not work as per approved plans due to challenges | Arrive Alive Plan and report                                |                        |

| Project Name   | Priority Programme                       | KPI   | IDP Ref No | R-000's  |        | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |   | Portfolio of Evidence             | Responsible Department |
|--|--|---|------------|----------|--------|------------------|------------------------------|--------|--------------|---|-----------------------------------|------------------------|
|  |  |   |            | Budget   | Actual |                  | Target                       | Actual | Achievements | Challenges  |                                   |                        |
| Purchase Dash Camera                                 |  | # of dash cameras procured by June 2019   | BS156      | 12,0     | 11,5   | New              | 2                            | 2      | Achieved     | None  | Invoice and delivery note         |                        |
| Disaster Management                                  | Disaster Management                      | # of disaster awareness campaigns scheduled and held per village by June 2019           | BS157      | 203,5    | 58,06  | 21               | 24                           | 23     | Not Achieved | Villages not properly counted 24 instead of 23.     | Reports and attendance registers  |                        |
|  | Develop a Disaster Management Plan (DMP) | # of Disaster Management Plan developed by June 2019                                    | New        | 500,0    | 0,00   | New              | 1                            | 0      | Not Achieved | Tender amount higher than budget                    | Approved Disaster Management Plan |                        |
| Cemetery Fencing                                     | Cemetery                                 | # of cemeteries fenced with EPWP employees by June 2019                                 | BS134      | 750,0    | 0,00   | 6                | 7                            | 0      | Not Achieved | Request submitted but Procurement was not finalised | Final handover certificate        |                        |
| Machinery & Equipment                                | Waste Management                         | # of Tipper truck purchased by June 2019  | BS131      | 950,0    | 950,0  | New              | 1                            | 1      | Achieved     | None  | Invoice and delivery note         |                        |
| Installation of Landfill site weighbridge 12m        |  | # of weighbridge installed at the landfill site by June 2019                            | BS126      | 1 100,0  | 728,7  | New              | 1                            | 0      | Not Achieved | Late appointment of service provider                | Invoice and delivery note         |                        |
| Loosening of gravel at landfill site for maintenance |  | # of plan developed for the loosening of gravel for covering Landfill Site by June 2019 | BS122      | 250,0    | 198,0  | New              | 1                            | 1      | Achieved     | None  | Invoice                           |                        |
| Conduct external compliance audit on landfill site   |  | External compliance audit on landfill site conducted by June 2019                       | New        | Internal | R44, 4 | New              | 1                            | 1      | Achieved     | None  | Final report                      |                        |

| Project Name                        | Priority Programme | KPI   | IDP Ref No | R 000's  |          | Baseline 2015/16 | 2018/2019 Annual Performance |                  |              | Portfolio of Evidence  | Responsible Department                        |   |                   |
|-------------------------------------|--------------------|---|------------|----------|----------|------------------|------------------------------|------------------|--------------|--|---|---|-------------------|
|                                     |                    |   |            | Budget   | Actual   |                  | Target                       | Actual           | Achievements |  |   | Challenges                              | Corrective Action |
| Landscaping & Greening (425/305071) |                    | # of landscaping and greening projects implemented by June 2019   | BS128      | 750,0    | 742.5    | 1                | 1                            | 0                | Not Achieved | Material delivered, but proposed project not finalised due to protest action and limitations to labour | Will finalise with EPWP in new financial year | Final progress report                   |                   |
| Waste Management                    |                    | % of households with access to a minimum level of basic waste removal by June 2019 (once per week) (GKPI) | New        | Internal | Internal | >17,4% (5619h/h) | >18,8 % (6369 h/h)           | >15.5% (6369h/h) | Not Achieved | Due to protest in 2 <sup>nd</sup> Quarter  | Maintained during last two quarter            | Monthly signed waste collection reports |                   |
|                                     |                    | Number of households with access to a minimum level of basic waste removal by June 2019 (once a week)     | New        | Internal | Internal | 5619 h/h week    | 6369 hh/week                 | 6369 hh/week     | Achieved     | None   | None  | Monthly signed waste collection reports |                   |

KPA 3: LOCAL ECONOMIC DEVELOPMENT

Strategic Objective A: Grow the economy and provide livelihood support

| Project Name                        | Priority Programme         | KPI   | IDP Ref No | R 000's   |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |                     | Portfolio of Evidence              | Responsible Department   |                                  |                                 |
|-------------------------------------|----------------------------|---|------------|-----------|----------|------------------|------------------------------|--------|--------------|---------------------|------------------------------------|--|----------------------------------|---------------------------------|
|                                     |                            |   |            | Budget    | Actual   |                  | Target                       | Actual | Achievements | Challenges          |                                    |  | Corrective Action                |                                 |
| LED Support                         | Local Economic Development | # of training workshops conducted for SMIME's by June 2019          | LED01      | 0.00      | 0.00     | 4                | 4                            | 4      | 4            | Achieved            | None                               | None   | Reports and Attendance registers | Economic Development & Planning |
| LED forum                           |                            | # of quarterly LED forum meetings held by June 2019                 | LED02      | 42080.00  | 24348    | 4                | 4                            | 4      | 4            | Achieved            | None                               | None   | Reports and Attendance registers |                                 |
| LED Summit                          |                            | Hosting of annual LED Summit by 30 Jun 2019                         | LED03      | 127827.58 | 50000    | 1                | 1                            | 1      | 1            | Achieved            | None                               | None   | Reports and Attendance registers |                                 |
| Tourism Forum                       |                            | Establishment of Tourism Forum by 30 June 2019                      | New        | Internal  | Internal | New              | 1                            | 1      | 1            | Achieved            | None                               | None   | Reports and Attendance registers |                                 |
|                                     |                            | # of quarterly Tourism Forum meetings held by June 2019             | New        | Internal  | Internal | New              | 4                            | 4      | 4            | Achieved            | None                               | None   | Reports and Attendance registers |                                 |
| Effective CWP Local Reference Forum |                            | # of quarterly CWP Local Reference Forum meetings held by June 2019 | LED06      | Internal  | Internal | New              | 4                            | 4      | 4            | Achieved            | None                               | None   | Reports and Attendance registers |                                 |
| LED Projects Awards                 |                            | Hosting of an Annual LED Awards ceremony by 30 June 2019            | LED11      | R30,000   | 0.00     | New              | 1                            | 0      | 0            | <b>Not Achieved</b> | Failure to combine summit with LED | To consider separating the two events in the next financial year | Report and Attendance Register   |                                 |

| Project Name                   | Priority Programme         | KPI  | IDP Ref No | R:000's    |             | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |            | Portfolio of Evidence                                | Responsible Department                        |
|--------------------------------|----------------------------|--|------------|------------|-------------|------------------|------------------------------|--------|--------------|------------|--|---|
|                                |                            |  |            | Budget     | Actual      |                  | Target                       | Actual | Achievements | Challenges |  |   |
| Management of Informal Traders |                            |  |            |            |             |                  |                              |        |              |            |  |   |
| Review LED strategy            |                            | # of Quarterly Marble Hall Hawkers Forum meetings held by June 2019  | New        | Internal   | Internal    | 2                | 4                            | 4      | Achieved     | None       | awards due to the request to support District Summit | Minutes and attendance register               |
|                                |                            | # of LED strategy developed and submitted to Council by 30 June 2019   | LED10      | 200 000.00 | 12986 0.87  | 0                | 1                            | 1      | Achieved     | None       | None   | LED Strategy and Council resolution           |
| Social Responsibility Programs | Local Economic Development | # of quarterly reports submitted to Council with respect to the implementation of Social Labour Plan (SLP) and Corporate Social Investment (CSI) programmes of Mining Companies by June 2019 | LED14      | Internal   | Internal    | 2                | 4                            | 5      | Achieved     | None       | None   | Quarterly report and Council resolution       |
|                                |                            | # of quarterly reports on the implementation of Limpopo Business Regulation Act by June 2019   | New        | Internal   | Internal    | New              | 2                            | 2      | Achieved     | None       | None   | Quarterly Report                              |
| EPWP Expense                   | EPWP                       | # of EPWP job opportunities provided (FTE) through EPWP grant funding by 30 June 2019 (GKPI)   | LED07      | 1594       | 16140 64.90 | 416              | 447                          | 495    | Achieved     | None       | None   | Quarterly reports submitted to the Department |

| Project Name | Priority Programme | KPI | IDP Ref No | R 000's |        | Baseline 2015/16 | 2018/2019 Annual Performance |        |              | Portfolio of Evidence | Responsible Department |            |                   |
|--------------|--------------------|-----|------------|---------|--------|------------------|------------------------------|--------|--------------|-----------------------|------------------------|------------|-------------------|
|              |                    |     |            | Budget  | Actual |                  | Target                       | Actual | Achievements |                       |                        | Challenges | Corrective Action |
|              |                    |     |            |         |        |                  |                              |        |              |                       |                        |            |                   |

KPA 4: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Strategic Objective A: Develop and retain skilled and capacitated workforce Organization

| Project Name | Priority Programme | KPI   | IDP Ref No | R 000's      |                           | Baseline 2015/16 | 2018/2019 Annual Performance                                 |        |              | Portfolio of Evidence                            | Responsible Department                                       |   |                   |
|--------------|--------------------|---|------------|--------------|---------------------------|------------------|--|--------|--------------|--|--|---|-------------------|
|              |                    |   |            | Budget       | Actual                    |                  | Target   | Actual | Achievements |  |  | Challenges                                  | Corrective Action |
|              |                    |   |            | ployment ity | Institutional Development |                  | # of people employed in accordance with EE Plan by June 2019 | MTOD01 | 31,800.00    |  |  | 2350  | 25                |
|              |                    | # of EE Committee meetings held by June 2019  |            |              |                           | 8                | 4  | 2      | Achieved     | Unprotected illegal strike delayed the processes | Encourage members to be available for the committee meetings |   |                   |
| ning         |                    | # of Councillors capacitated in roles and duties pertaining to their responsibilities by the 30 June 2019 | GG08       | 700004       | 60652<br>6.38             | 30               | 32   | 0      | Not Achieved | Non-responsive of service provider               | Issue all-inclusive advert for various training              | Proof of payments                           |                   |
|              |                    | # of workforce trained as per target of Workplace Skill Plan (WSP) by 30 Jun 2019                         | MTOD03     | Internal     | Internal                  | 98               | 60   | 69     | Achieved     | None   | None   | Annual training report and Proof of payment |                   |

| Project Name                       | Priority Programme        | KPI  | IDP Ref No | R,000's     |            | Baseline 2015/16 | 2018/2019 Annual Performance |         |              |                                  | Portfolio of Evidence                           | Responsible Department                                   |                    |
|------------------------------------|---------------------------|--|------------|-------------|------------|------------------|------------------------------|---------|--------------|----------------------------------|---|--|--------------------|
|                                    |                           |  |            | Budget      | Actual     |                  | Target                       | Actual  | Achievements | Challenges                       |   |  | Corrective Action  |
|                                    |                           | % of budget spent implementing the Workplace Skills Plan by the 30 Jun 2019 (GKPI)           |            | Internal    | Internal   | 100 %            | 100%                         | 94.05 % | Not Achieved | Non responsive service providers | Issue all-inclusive advert for various training | Annual training report and Proof of payment              |                    |
| Review of organizational structure | Institutional Development | Review Organizational structure and align to the IDP and Budget by 30 June 2019              | MTOD 10&11 | Internal    | Internal   | 1                | 1                            | 1       | Achieved     | None                             | None  | Approved Organizational structure and council resolution | Corporate Services |
|                                    |                           | % of approved critical posts processed within three months on post being vacant (Sec 56/54A) | MTOD 02    | Internal    | Internal   | 100%             | 100%                         | 100%    | Achieved     | None                             | None  | Appointment letters                                      |                    |
|                                    |                           | % of approved posts processed within three months on post being vacant (below Sec 56/54A)    | MTOD 02    | Internal    | Internal   | 100%             | 100%                         | 100%    | Achieved     | None                             | None  | Appointment letters                                      |                    |
| Job Evaluation                     |                           | % of signed Job Descriptions developed by 30 Jun 2019  | MTOD 13    | 150 260 .00 | 52937 .79  | 157              | 100%                         | 100%    | Achieved     | None                             | None  | Signed Job Descriptions                                  |                    |
| Bursary fund: community members    |                           | # of annual community bursaries allocated by June 2019                                       | MTOD 14    | 650 004 .00 | 49307 8.1  | 11               | 8                            | 10      | Achieved     | None                             | None  | Proof of payment, signed contracts and reports           |                    |
| Bursary fund: staff                |                           | # of annual staff bursaries allocated by June 2019   | MTOD 15    | 350 004 .00 | 33133 0.06 | 13               | 17                           | 17      | Achieved     | None                             | None  | Proof of payment, signed contracts and reports           |                    |

| Project Name                   | Priority Programme               | KPI   | IDP Ref No | R.000's     |             | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |              | Portfolio of Evidence          | Responsible Department       |  |                    |
|--------------------------------|----------------------------------|---|------------|-------------|-------------|------------------|------------------------------|--------|--------------|--------------|--------------------------------|------------------------------|--|--------------------|
|                                |                                  |   |            | Budget      | Actual      |                  | Target                       | Actual | Achievements | Challenges   |                                |                              | Corrective Action  |                    |
| Occupational Health and Safety | Workplace Health, Safety and EAP | # of quarterly Workplace Health and Safety Forum meetings held by June 2019                               | MTOD 04    | 295 908 .00 | 71 512 .29  | 4                | 4                            | 4      | 4            | Achieved     | None                           | None                         | Signed minutes and attendance register                         |                    |
|                                |                                  | # of Health and Safety policy approved by Council by June 2019  | New        | Internal    | Internal    | New              | 1                            | 1      | 1            | Achieved     | None                           | None                         | Council Resolution and agenda                                  | Corporate Services |
| Employees Assistance Programme | Workplace Health, Safety and EAP | # of Employee Wellness Programs held by Jun 2019  | MTOD 05    | 307 992 .00 | 171 38 5.19 | 7                | 4                            | 08     | 08           | Achieved     | None                           | None                         | EAP reports and Attendance registers                           |                    |
| Labour Forum                   | Labour Relations                 | # of monthly Local Labour Forum (LLF) held as scheduled by June 2019                                      | MTOD 08    | 0.00        | 0.00        | 13               | 12                           | 07     | 07           | Not Achieved | Members failed to reach quorum | Adherence to the annual plan | Minutes and attendance registers                               |                    |
|                                |                                  | % of disciplinary proceedings initiated in relation to reported matters                                   | New        | Internal    | Internal    | 100%             | 100%                         | 100%   | 100%         | Achieved     | None                           | None                         | Minutes and attendance registers                               |                    |
| Legal Services                 | Legal Services                   | % of Service Level Agreements (SLA's) and Employment Contracts processed within the time frame of 30 days | MTOD 12    | 870309 5    | 79882 85.8  | 100%             | 100%                         | 100%   | 100%         | Achieved     | None                           | None                         | SLA's and employment contracts                                 |                    |
|                                | Youth Development                | Career Week hosted by June 2019   | New        | Internal    | Internal    | 1                | 1                            | 1      | 1            | Achieved     | None                           | None                         | Attendance register of both Tertiary Institutions and learners |                    |

| Project Name                 | Priority Programme                             | KPI   | IDP Ref No | R,000's  |             | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |            | Portfolio of Evidence | Responsible Department |                                 |                    |
|------------------------------|--|---|------------|----------|-------------|------------------|------------------------------|--------|--------------|------------|-----------------------|------------------------|---------------------------------|--------------------|
|                              |  |   |            | Budget   | Actual      |                  | Target                       | Actual | Achievements | Challenges |                       |                        | Corrective Action               |                    |
| Customer care                | Customer / Stakeholder Relationship Management | # of quarterly Customer Complaint reports submitted to the Municipal Manager (inclusive of Premier & Presidential Hotline) by June 2019 | MTOD 19    | Internal | Internal    | 4                | 4                            | 4      | 4            | Achieved   | None                  | None                   | Compiled reports                |                    |
|                              |  | # of Batho Pele committee meetings held by 30 Jun 2019  | New        | Internal | Internal    | 10               | 10                           | 10     | 10           | Achieved   | None                  | None                   | Minutes and attendance register |                    |
|                              |  | Hosting of Batho Pele event by June 2019  | New        | 120 000  | 120 000     | 0                | 1                            | 1      | 1            | Achieved   | None                  | None                   | Compiled event report           | Corporate Services |
| purchase of water dispensers |  | # of water dispensers procured by June 2019   | MTOD18     | 30 600   | 30 600      | New              | 09                           | 09     | 09           | Achieved   | None                  | None                   | Invoice and delivery note       |                    |
| purchase of furniture        |  | % of office furniture procured by June 2019   | MTOD22     | 529404   | 64396 .8    | New              | 1                            | 1      | 1            | Achieved   | None                  | None                   | Invoice and delivery note       |                    |
| programming                  | ICT  | # of quarterly reports compiled on network performance by June 2019   | MTOD 23    | 2057004  | 19656 04.82 | 4                | 4                            | 4      | 4            | Achieved   | None                  | None                   | Quarterly reports               | Corporate Services |
| Forums                       |  | # of quarterly ICT steering committee meetings held in terms of   | MTOD 24    | R0.00    | 0.00        | 2                | 4                            | 4      | 4            | Achieved   | None                  | None                   | Minutes and attendance register |                    |

| Project Name       | Priority Programme | KPI  | IDP Ref No | R000's     |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |            | Portfolio of Evidence | Responsible Department                   |
|--------------------|--------------------|--|------------|------------|----------|------------------|------------------------------|--------|------------|-----------------------|--|
|                    |                    |  |            | Budget     | Actual   |                  | Target                       | Actual | Challenges |                       |  |
|                    |                    | the implementation of the ICT governance strategy and policy by June 2019  |            |            |          |                  |                              |        |            |                       |  |
| Communication      |                    | # of sound system purchased by June 2019   | New        | R0.00      | R0.00    | New              | 1                            | 1      | None       | None                  | Invoice and delivery note                |
|                    |                    | # of television purchased by June 2019   | New        | R0.00      | R0.00    | New              | 1                            | 1      | None       | None                  | Invoice and delivery note                |
| Website Hosting    |                    | % of hosting and management of the website by SITA by June 2019  | MTOD 31    | 63000      | 57952.44 | 100%             | 100%                         | 100%   | None       | None                  | Quarterly reports                        |
| Records management |                    | # of quarterly status reports in terms of the record management system submitted to the Municipal Manager by June 2019 | MTOD 16    | Internal   | Internal | 4                | 4                            | 4      | None       | None                  | Compiled report                          |
| Policies           | Policies           | # of new / reviewed policies adopted by Council by 31 March 2019 (Total Organisation)                                  | New        | Internal   | Internal | New              | 12                           | 12     | None       | None                  | Approved policies and Council resolution |
| Process            | IDP                | Final IDP tabled and approved by Council by the 31st May 2019  | MTOD37     | 259 952.00 | 16250.00 | 1                | 1                            | 1      | None       | None                  | Approved IDP Framework and Plan          |
|                    |                    | 2019/20 IDP/Budget review Process Plan approved by 30th June 2019  |            |            |          | 1                | 1                            | 1      | None       | None                  | Approved IDP/Budget Process Plan         |

| Project Name                  | Priority Programme     | KPI   | IDP Ref No | R 000's    |            | Baseline 2015/16 | 2018/2019 Annual Performance |        |              | Corrective Action  | Portfolio of Evidence  | Responsible Department          |
|-------------------------------|------------------------|---|------------|------------|------------|------------------|------------------------------|--------|--------------|--|--|---------------------------------|
|                               |                        |   |            | Budget     | Actual     |                  | Target                       | Actual | Achievements |  |  |                                 |
|                               |                        | Annual Strategic Lekgotla Planning session convened as scheduled by June 2019     | MTOD38     | 284 052.00 | 274 589.96 | 1                | 1                            | 1      | Achieved     | None   | IDP Strategic Development Plan                                     |                                 |
| Performance Assessments       | Performance Management | # of performance review for section 54/56 conducted by February 2019              | MTOD39     | Internal   | Internal   | 2                | 2                            | 1      | Not Achieved | 2018/2019 Mid-Term Assessment were not conducted due to lack of proper information | Section 56 Performance Assessments                                 | Office of the Municipal Manager |
| IS Quarterly Lekgotla         |                        | # of Quarterly institutional Performance Reports submitted to Council per quarter | MTOD41     | 86 120.00  | 69 328.04  | 4                | 4                            | 4      | Achieved     | None   | Quarterly institutional Performance Reports and council resolution |                                 |
| Performance management system |                        | # of Automated Performance reporting system procured by June 2019                 | MTOD40     | 500 752.00 | 28500      | New              | 1                            | 0      | Not Achieved | Service provider appointed in Q4   | Invoice and Automated Performance reporting system                 |                                 |

KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective: Become Financially Viable

| Project Name            | Priority Programme             | KPI  | IDP Ref No | R 000's   |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |                     |   | Corrective Action   | Portfolio of Evidence  | Responsible Department   |
|-------------------------|--------------------------------|--|------------|-----------|----------|------------------|------------------------------|--------|---------------------|---|---|------------------------|--------------------------|
|                         |                                |  |            | Budget    | Actual   |                  | Target                       | Actual | Achievements        | Challenges  |   |                        |                          |
| Water Cleansing         | Financial Management           | # of consumer accounts updated by the 30 June 2019   | FV01       | 250000.00 | 16790.46 | 4249             | 2500                         | 5015   | Achieved            | None  | None  | Data cleansing reports | Budget & Treasury Office |
| WAMAP/GRAP set Register |                                | GRAP Compliance Register in place July 2019  | FV08       | Internal  | Internal | 1                | 1                            | 1      | Achieved            | None  | None  | Fixed Assets Register  |                          |
| Revenue Enhancement     | Financial Accounting (Revenue) | % outstanding service debtors to revenue by the 30 June 2019 (GKPI)  | FV02       | 105995.76 | 0.00     | 97.22%           | 50%                          | 80.09% | Achieved            | None  | None  | Section 71             |                          |
|                         |                                | % improvement in revenue enhancement by 30 June 2019   | New        | 105995.76 | 0.00     | 11.82%           | 7,5%                         | 18.92% | Achieved            | None  | None  | Billing reports        |                          |
|                         |                                | # of consultative meetings with Farmers Association by the 30 June 2019  | New        | Internal  | Internal | New              | 4                            | 1      | <b>Not Achieved</b> | Administrative process in progress  | Finalise the administrative process   | Register and minutes   |                          |
|                         |                                | % of consumer payment received with respect to municipal services provided as compared to that billed by June 2019 | New        | Internal  | Internal | <b>82%</b>       | >80,9%                       | 73.40% | <b>Not Achieved</b> | Marble Hall Clients complain about the Koteng Informal dwelling receiving | - Appoint debt collector<br>- Implement the credit control Policy<br>- Run awareness for payment of | Section 71 report      |                          |

| Project Name                                   | Priority Programme                 | KPI   | IDP:Ref No | R:000's  |          | Baseline 2018/19 | 2018/2019 Annual Performance |        |              | Portfolio of Evidence | Responsible Department  |                    |  |  |
|--|------------------------------------|---|------------|----------|----------|------------------|------------------------------|--------|--------------|-----------------------|---|--------------------|--|--|
|  |                                    |   |            | Budget   | Actual   |                  | Target                       | Actual | Achievements |                       |   | Challenges         | Corrective Action                        |  |
| Revenue enhancement                            | Financial Accounting (Revenue)     | Investigate and re-zone contentious properties to apply correct rate and tax tariffs by June 2019 | New        | Internal | Internal | New              | 1                            | 1      | Achieved     | None                  | services for free. Culture of non-payment of municipal services | municipal services | List of rezoned properties               |  |
| Creditors payments                             | Financial Accounting (Expenditure) | % of approved (compliant) invoices paid within 30 days  | FV03       | Internal | Internal | 100%             | 100%                         | 100%   | Achieved     | None                  | None  | None               | Approved (compliant) invoices register   |  |
| Implementation of annual and adjustment budget | Budget Management                  | Submission of MTRE Budget to Council for approval by the 31 May 2019                              | FV05       | Internal | Internal | 1                | 1                            | 1      | Achieved     | None                  | None  | None               | Approved Budget and Council resolution   |  |
| Policies                                       | Policies                           | # of new / reviewed policies adopted by Council by 31 March 2019 (BTO only)                       | New        | Internal | Internal | 1                | 12                           | 12     | Achieved     | None                  | None  | None               | Approved policies and Council resolution |  |
| Implementation of SCM regulations and policies | Supply Chain Management            | # of quarterly SCM procurement plan reports submitted to the Executive Committee by June 2019     | FV07       | Internal | Internal | 4                | 4                            | 4      | Achieved     | None                  | None  | None               | Quarterly SCM reports                    |  |

| Project Name        | Priority Programme   | KPI   | IDP Ref No | R-000's  |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |            | Portfolio of Evidence | Responsible Department      |                   |
|---------------------|----------------------|---|------------|----------|----------|------------------|------------------------------|--------|--------------|------------|-----------------------|-----------------------------|-------------------|
|                     |                      |   |            | Budget   | Actual   |                  | Target                       | Actual | Achievements | Challenges |                       |                             | Corrective Action |
|                     |                      | # of quarterly deviation reports submitted to the MM by June 2019                 | FV 07      | Internal | Internal | 12               | 12                           | 12     | 12           | Achieved   | None                  | Quarterly SCM reports       |                   |
| AFS                 | Financial Management | Draft Annual Financial Statements (AFS) submitted on or before the 31 August 2018 | FV10       | Internal | Internal | 1                | 1                            | 1      | 1            | Achieved   | None                  | Proof of submission from AG |                   |
| FMG grant           |                      | % of FMG grant spent by June 2019   | FV11       | Internal | Internal | 100%             | 100%                         | 100%   | 100%         | Achieved   | None                  | FMG report                  |                   |
| Financial Reporting |                      | # of quarterly section 52(d) MFMA reports submitted to the Mayor by June 2019     | FV 06      | Internal | Internal | 4                | 4                            | 4      | 4            | Achieved   | None                  | Section 71 report           |                   |
|                     |                      | # of monthly section 71 MFMA reports submitted to EXCO by June 2019               | FV 06      | Internal | Internal | 12               | 12                           | 12     | 12           | Achieved   | None                  | Section 52(d) report        |                   |
|                     |                      | Section 72 (midyear) MFMA report submitted to the Mayor by June 2019              | FV 06      | Internal | Internal | 1                | 1                            | 1      | 1            | Achieved   | None                  | Section 72 report           |                   |
| Financial Reporting | Financial Management | # of MFMA checklists submitted per quarter as legislated                          | FV 06      | Internal | Internal | 4                | 4                            | 4      | 4            | Achieved   | None                  | MFMA checklists             |                   |
|                     | Asset Management     | Annual submission of the asset verification report to the MM by 30 Sept 2018      | New        | Internal | Internal | 1                | 1                            | 1      | 1            | Achieved   | None                  | Asset verification report   |                   |

| Object Name | Priority Programme | KPI  | IDP Ref No | R 000's  |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |            | Portfolio of Evidence | Responsible Department |                                 |  |
|-------------|--------------------|--|------------|----------|----------|------------------|------------------------------|--------|------------|-----------------------|------------------------|---------------------------------|--|
|             |                    |  |            | Budget   | Actual   |                  | Target                       | Actual | Challenges |                       |                        | Corrective Action               |  |
|             |                    | # of Fleet Management reports submitted to Council by 30 June 2019 | FV 09      | Internal | Internal | 4                | 4                            | 4      | Achieved   | None                  | None                   | Monthly Fleet Management report |  |

**KPA 6: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**  
**Strategic Objective: Sound Governance through effective oversight**

| Object Name                          | Priority Programme   | KPI   | IDP Ref No | R 000's    |            | Baseline 2015/16 | 2018/2019 Annual Performance |        |              | Portfolio of Evidence               | Responsible Department                                     |                               |                    |
|--------------------------------------|----------------------|---|------------|------------|------------|------------------|------------------------------|--------|--------------|-------------------------------------|--|-------------------------------|--------------------|
|                                      |                      |   |            | Budget     | Actual     |                  | Target                       | Actual | Challenges   |                                     |  | Corrective Action             |                    |
| Special programs                     | Transversal          | # of quarterly Special Programs held in terms of the (Elderly, Children, Disabled, Traditional healers, LGBT and other marginalised groups by June 2019 | GG01       | 227 892.00 | 133 733.22 | 14               | 12                           | 12     | Achieved     | None                                | None   | Special programme reports     | Corporate Services |
| Mayoral programme: Youth development |                      | # of Youth programmes / initiatives implemented each quarter  | GG04       | 131 904.00 | 129 880    | 3                | 4                            | 2      | Not Achieved | No annual plan for youth activities | Developed annual plan for youth activities                 | Quarterly Youth reports       |                    |
| Public participation                 | Public Participation | # of Community stakeholder meetings facilitated and   | GG02       | 681 560    | 449 388.26 | 11               | 12                           | 10     | Not Achieved | Capacity constraints                | To be finalised during the 1 <sup>st</sup> quarter 2019/20 | Council Resolution and agenda |                    |

| Project Name           | Priority Programme                            | KPI  | IDP Ref No | '000's         |            | Baseline 2015/16 | 2018/2019 Annual Performance |        |              | Portfolio of Evidence   | Responsible Department              |   |                    |
|------------------------|---|--|------------|----------------|------------|------------------|------------------------------|--------|--------------|---|-------------------------------------|---|--------------------|
|                        |   |  |            | Budget         | Actual     |                  | Target                       | Actual | Achievements |   |                                     | Challenges  | Corrective Action  |
| Ward committee support | Ward Committee                                | attended by 30th Jun 2019<br># of monthly Ward Committees meetings held by June 2019             | GG03       | 1 800 000 0.00 | 1 732 000  | 196              | 196                          | 196    | Achieved     | None  | Participation schedule              | Quarterly ward committee's reports                      |                    |
|                        |   | Hosting of Annual Ward Committee Conference by June 2019   |            | 136 048.00     | 77 200.45  | 1                | 1                            | 1      | Achieved     | None  | None                                | Ward Committee Conference                               |                    |
|                        |   | # of annual Ward Committee operational plans submitted to Council by June 2019                   |            | Internal       | Internal   | 1                | 1                            | 1      | Achieved     | None  | None                                | Annual ward committee report                            |                    |
|                        |   | # of Ward Committee Training conducted by June 2019  |            | 224 724.24     | 143 793.09 | New              | 1                            | 1      | Achieved     | None  | None                                | Training Report & attendance register                   |                    |
|                        | Indigents                                     | % of (indigents) households with access to free basic electricity services by 30 Jun 2019 (GKPI) | New        | Internal       | Internal   | 100%             | 100%                         | 100%   | Achieved     | None  | None                                | Approved monthly indigent register submitted to Council | Corporate Services |
| Municipal Newsletter   | Customer/ Stakeholder Relationship Management | # of quarterly newsletters published by June 2019  | GG05       | 248 380        | 127 457    | 4                | 4                            | 3      | Not Achieved | Q2 newsletter not printed due to Failure of emails caused by crushed sever system | Maintenance of sever system on time | Published Newsletters                                   |                    |

| Project Name           | Priority Programme            | KPI   | IDP Ref No | '000's   |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |            | Portfolio of Evidence | Responsible Department                                  |                                 |
|------------------------|-------------------------------|---|------------|----------|----------|------------------|------------------------------|--------|--------------|------------|-----------------------|---|---------------------------------|
|                        |                               |   |            | Budget   | Actual   |                  | Target                       | Actual | Achievements | Challenges |                       |   | Corrective Action               |
| Council functionality  | Good Governance and Oversight | # of ordinary Council meeting held by June 2019 as per the approved Calendar of Events            | GG07       | Internal | Internal | 15               | 12                           | 20     | Achieved     | None       | None                  | Council meeting minutes                                 |                                 |
|                        |                               | # of Council meetings resolved within the prescribed timeframe of (3) months (Total organisation) | GG07       | Internal | Internal | 4                | 4                            | 4      | Achieved     | None       | None                  | Quarterly status report of Council resolutions resolved |                                 |
|                        |                               | # of monthly EXCO meetings held by June 2019  | GG07       | Internal | Internal | 15               | 12                           | 15     | Achieved     | None       | None                  | EXCO meeting minutes                                    |                                 |
|                        |                               | # of Section 79 Committee meetings held each quarter  | GG07       | Internal | Internal | 14               | 12                           | 14     | Achieved     | None       | None                  | Agenda and minutes of Section 79 Committee meeting      |                                 |
|                        |                               | # of quarterly Compliance Register Reports submitted to Council by June 2019                      | New        | Internal | Internal | New              | 4                            | 4      | Achieved     | None       | None                  | Quarterly Compliance Register Report                    |                                 |
| MPAC functionality     | Good Governance and Oversight | # of quarterly MPAC meetings held by June 2019  | New        | Internal | Internal | 3                | 4                            | 4      | Achieved     | None       | None                  | MPAC meeting reports                                    | Corporate Services              |
| Performance management |                               | Draft Consolidated Annual Report submitted to Council   | New        | Internal | Internal | 1                | 1                            | 1      | Achieved     | None       | None                  | Draft consolidated Annual Report                        | Office of the Municipal Manager |

| Project Name | Priority Programme     | KPI  | IDP:Ref No | '000's   |           | Baseline 2015/16 | 2018/2019 Annual Performance |             |                     |                                    | Portfolio of Evidence   | Responsible Department                   |
|--------------|------------------------|--|------------|----------|-----------|------------------|------------------------------|-------------|---------------------|------------------------------------|-------------------------|--|
|              |                        |  |            | Budget   | Actual    |                  | Target                       | Actual      | Achievements        | Challenges                         |                         |  |
|              |                        | on or before the 31st Aug 2018   |            |          |           |                  |                              |             |                     |                                    |                         |  |
|              |                        | Submission of Final audited consolidated Annual Report to Council on or before 28 January 2019 | New        | Internal | 1         | 1                | 1                            | 1           | Achieved            | None                               | None                    | Final consolidated Annual Report         |
|              |                        | Submission of Oversight Report to Council by the 30th March 2019                               | New        | Internal | 1         | 1                | 1                            | 1           | Achieved            | None                               | None                    | Annual Performance Oversight Report      |
|              |                        | Obtain a Unqualified Auditor General opinion for the 2017/2018 financial year                  | GG 12      | Internal | Qualified | Unqualified      | Unqualified                  | Unqualified | Achieved            | None                               | None                    | Final AG Management Letter               |
|              |                        | Adjusted Budget and SDBIP approved by the Mayor by the end of February 2019                    | New        | Internal | 1         | 1                | 1                            | 1           | Achieved            | None                               | None                    | Copy of Adjustment Budget and SDBIP      |
|              |                        | Final SDBIP approved by the Mayor within 28 days after approval of Budget                      | New        | Internal | 1         | 1                | 1                            | 1           | Achieved            | None                               | None                    | Copy of Final approved SDBIP             |
|              | Performance Management | % of KPIs attaining organisational targets by 30 Jun 2019 (Total organisation)                 | New        | Internal | 73%       | 100%             | 74%                          | 74%         | <b>Not Achieved</b> | Poor planning of projects schedule | Enforce proper planning | Quarterly Performance Report             |
|              |                        | # of reports submitted to Council per quarter in terms of compliance to the CoGHSTA Back to    | New        | Internal | 4         | 4                | 4                            | 4           | Achieved            | None                               | None                    | Quarterly CoGHSTA Back to Basics reports |

| Project Name         | Priority Programme | KPI  | IDP Ref No | 000's    |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |              | Corrective Action             | Portfolio of Evidence   | Responsible Department          |
|----------------------|--------------------|--|------------|----------|----------|------------------|------------------------------|--------|--------------|-------------------------------|---|---------------------------------|
|                      |                    |  |            | Budget   | Actual   |                  | Target                       | Actual | Challenges   |                               |   |                                 |
|                      |                    | Basics reporting system  |            |          |          |                  |                              |        |              |                               |   |                                 |
| Internal Audit       | Risk Based audit   | Internal Audit Policies reviewed by the Council by the 30th June 2019  | GG10       | Internal | Internal | 3                | 3                            | 3      | Achieved     | None                          | Council resolution  | Office of the Municipal Manager |
|                      |                    | Strategic Internal Audit Plan and Annual Internal Audit Plan approved by Audit Committee by 30th Jun 2019  |            | Internal | Internal | 1                | 1                            | 4      | Achieved     | None                          | 3 year strategic audit plan and Annual Internal Audit Plan      |                                 |
|                      |                    | # of Internal Audit report submitted to the Audit Committee per quarter (the internal audit report will comprise of the audit reports due as per the approved annual audit plan) |            | 143 000  | 9431.73  | 4                | 4                            | 6      | Achieved     | None                          | Quarterly Internal audit report with separate due audit reports |                                 |
|                      |                    | % of Internal Audit Findings resolved per quarter as per the Internal Audit Action Plan by 30 Jun 2019 (Total Organisation)  |            | Internal | Internal | 80%              | 100%                         | 40%    | Not Achieved | Appointment of internal audit | Quarterly Internal audit report                                 |                                 |
| Audit of performance | Performance Audit  | # of AOPi audit reports compiled by June 2019  | GG11       | Internal | Internal | 4                | 4                            | 4      | Achieved     | None                          | Quarterly AOPi reports  |                                 |

| Project Name                                    | Priority Programme            | KPI  | IDP Ref No | 000's      |            | Baseline 2015/16 | 2018/2019 Annual Performance |        |              |                            | Portfolio of Evidence                     | Responsible Department                    |                                 |
|---|-------------------------------|--|------------|------------|------------|------------------|------------------------------|--------|--------------|----------------------------|---|---|---------------------------------|
|   |                               |  |            | Budget     | Actual     |                  | Target                       | Actual | Achievements | Challenges                 |   |   | Corrective Action               |
| Information (AOPI) Generation Clean Audit(OPCA) | OPCA                          | Action Plan on issues raised by the Auditor General compiled and tabled to Council by January 2019               | GG12       | Internal   | Internal   | New              | 1                            | 1      | Achieved     | None                       | None                                      | Approved Action Plan                      | Office of the Municipal Manager |
|   |                               | % of Auditor General matters resolved as per the approved Audit Action plan by 30 June 2019 (Total organisation) |            | Internal   | Internal   | 84%              | 100%                         | 95%    | Not Achieved | Year-end processes         | Update and verify progress after year end | Quarterly AG Action Plan report           |                                 |
| Audit & Performance Committee                   | Audit & Performance Committee | # of quarterly Audit & Performance Committee Meetings held by June 2019  | GG13       | 470 556.00 | 654 503.79 | 4                | 4                            | 6      | Achieved     | None                       | None                                      | Agenda pack of the A&P Committee meetings |                                 |
| Enterprise Risk Management                      | Risk Services                 | Risk Management Policies reviewed by the committee by the 31st May 2019  | GG14       | Internal   | Internal   | 5                | 5                            | 5      | Achieved     | None                       | None                                      | Council resolution                        |                                 |
|   |                               | Risk Management Implementation Plan approved by 30th Jun 2019  |            | Internal   | Internal   | 1                | 1                            | 1      | Achieved     | None                       | None                                      | Risk Management Implementation Plan       |                                 |
|   |                               | % execution of Risk Management Implementation Plan within prescribed   |            | Internal   | Internal   | 71%              | 100%                         | 71.3%  | Not Achieved | Non response from bidders, | Roll over non implemented actions to the  | Quarterly Risk management reports         |                                 |

| Project Name                             | Priority Programme | KPI  | IDP Ref No | '000's   |          | Baseline 2015/16 | 2018/2019 Annual Performance |        |              | Corrective Action                               | Portfolio of Evidence   | Responsible Department |
|--|--------------------|--|------------|----------|----------|------------------|------------------------------|--------|--------------|---|---|------------------------|
|  |                    |  |            | Budget   | Actual   |                  | Target                       | Actual | Achievements |   |   |                        |
|  |                    | timeframes per quarter (Total organisation)  |            |          |          |                  |                              |        |              |   | and separate due activity reports   |                        |
|  |                    | # of developed Consequence Management procedure manual (with legal services) by June 2019                          | New        | Internal | Internal | *New             | 1                            | 0      | Not Achieved | Capacity Constraints in risk monitoring report. | The development of Consequence Management procedure manual to be facilitated by Legal Division. |                        |
| Anti-fraud awareness workshops/campaigns |                    | Anti-fraud and Corruption Activity plan approved by 30th Jun 2019  | GG15       | Internal | Internal | 1                | 1                            | 1      | Achieved     | None  | Anti-fraud and corruption activity plan   |                        |
|  |                    | % execution per quarter of activities outlined in the Anti-fraud and corruption activity plan (Total Organisation) |            | Internal | Internal | 87.5%            | 100%                         | 100%   | Achieved     | None  | Quarterly Risk management reports and activity reports  |                        |
|  |                    | # of quarterly anti-fraud and corruption awareness campaigns held by June 2019                                     |            | Internal | Internal | 1                | 4                            | 4      | Achieved     | None  | Awareness presentation & Attendance registers   |                        |

| Project Name                 | Priority Programme | KPI   | IDP Ref No | '000's     |           | Baseline 2015/16 | 2018/2019 Annual Performance |        |            | Portfolio of Evidence  | Responsible Department                                       |                                   |  |
|------------------------------|--------------------|---|------------|------------|-----------|------------------|------------------------------|--------|------------|--|--|-----------------------------------|--|
|                              |                    |   |            | Budget     | Actual    |                  | Target                       | Actual | Challenges |  |  | Corrective Action                 |  |
| Risk Management Committee    |                    | # of quarterly Risk Committee Meetings held by June 2019  | GG16       | Internal   | Internal  | 4                | 4                            | 4      | 4          | None   | None   | Risk committee Agenda pack        |  |
|                              |                    | # of Risk Management reports submitted to the Audit Committee per quarter                         |            | Internal   | Internal  | 4                | 4                            | 4      | 4          | None   | None   | Quarterly Risk Report             |  |
|                              |                    | % execution of Risk management plan within prescribed timeframes per quarter (Total organisation) |            | Internal   | Internal  | 71%              | 100%                         | 71.3%  | 100%       | Non response from bidders, Unfinished previously registered projects and many other challenges as indicated in risk monitoring report. | Roll over non implemented actions to the new financial year. | Quarterly Risk management reports |  |
| Security Management Services | Security Services  | Security risk assessment conducted and approved by 31 <sup>st</sup> July 2018                     | GG17       | Internal   | Internal  | New              | 1                            | 1      | 1          | None   | None   | Approved Security risk assessment |  |
|                              |                    | Security upgrade plan developed and approved by 31 <sup>st</sup> July 2018                        |            | Internal   | Internal  | New              | 1                            | 1      | 1          | None   | None   | Approved Security upgrade plan    |  |
|                              |                    | % implementation of Security upgrade plan activities within                                       |            | 102 004.00 | 87 984.00 | New              | 100%                         | 50%    | 100%       | Budget constrains  | Allocate sufficient budget                                   | Security monitoring & Incident    |  |

| Project Name | Priority Programme | KPI   | IDP Ref No | 000's                     |            | Baseline 2015/16 | 2018/2019 Annual Performance |        |                     |                       | Portfolio of Evidence | Responsible Department   |                   |
|--------------|--------------------|---|------------|---------------------------|------------|------------------|------------------------------|--------|---------------------|-----------------------|-----------------------|--|-------------------|
|              |                    |   |            | Budget                    | Actual     |                  | Target                       | Actual | Achievements        | Challenges            |                       |  | Corrective Action |
|              |                    | prescribed time-frames  |            |                           |            |                  |                              |        |                     |                       |                       | management reports   |                   |
|              |                    | # of Municipal Community halls safe-guarded through EPWP programme                    |            | 1 594 000.00 (EPWP Grant) | 1614064.90 | 10               | 10                           | 10     | Achieved            | None                  | None                  | Security monitoring & Incident management reports                          |                   |
|              |                    | # of Security monitoring & Incident management reports compiled                       |            | Internal                  | Internal   | New              | 12                           | 12     | Achieved            | None                  | None                  | Security monitoring & Incident management reports                          |                   |
|              |                    | # of Security awareness/educational campaigns conducted                               |            | Internal                  | Internal   | New              | 4                            | 3      | <b>Not Achieved</b> | Unavailability of SSA | Engage with SSA       | Security monitoring & Incident management reports and Attendance registers |                   |
|              |                    | # of Municipal Buildings Safe-guarded through contracted service provider (Mabotwane) | GG21       | 5 460 000.00              | 5080013.61 | 19               | 19                           | 19     | Achieved            | None                  | None                  | Security Monitoring and Incident Management reports                        |                   |

**PERFORMANCE OF SERVICE PROVIDERS FOR 2018/2019 FINANCIAL YEAR**

Section 76(b) of the Municipal Systems Act (MSA) states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. According to Auditor General (AG) of South Africa:

- a) Service provider means a person or institution or any combination of persons and institutions which provide a municipal service;
- b) External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality; and
- c) Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

- The performance of each service provider;
- A Comparison of the performance with targets set for and performances in the previous financial year; and
- Measures taken to improve performance.

The following is an analysis of products and services procured by the Municipality for R 200, 000 and more.

This report is prepared in accordance with Section 46(1) (a) of the Local Government Municipal Systems Act 32 of 2000 which requires that a municipality must prepare for each financial year a performance report reflecting the performance of the municipality and each of the service providers during the financial year.

The table below indicate service providers utilized according to functional areas:

| Service /Project        | Service Provider      | Date appointed | End of the Contract | Revised completion date | Bid Amount   | Expenditure  | Performance Rating 1-5 |
|-------------------------|-----------------------|----------------|---------------------|-------------------------|--------------|--------------|------------------------|
| g Main Unit Maintenance | Mandlakazi Electrical | 05/06/2018     | 30/09/2018          | NA                      | R 310 343.20 | R 306 890.44 | 3                      |

| Service /Project                  | Service Provider  | Date appointed | End of the Contract | Revised completion date | Bid Amount  | Expenditure  | Performance Rating 1-5 |
|-----------------------------------|---|----------------|---------------------|-------------------------|---|--|------------------------|
| Public Lighting Master Plan       | Pro-Eng Consulting Engineers  | 06/06/2018     | 06/12/2018          | 28/02/2019              | R 707 250.00                                      | R266 800.00  | 2                      |
| com SA                            | Provision of Telephone System   | 14/04/2011     | Month to month      | N/A                     | Quarterly cost: R245803.54                        | R334 306.09  | 5                      |
| com SA                            | Provision of Telephone System   | 14/04/2011     | Month to month      | N/A                     | Quarterly cost: R245803.54                        |  |                        |
| Iti-Net Systems (Pty) Ltd         | Maintenance of Fire Suppressors and Fingerprint Access Control (Records Office) | 19 August 2014 | Month to month      | N/A                     | Once off repair of Fire Extinguishers @ R26594.33 | R26 594.33   | 5                      |
| Ika Group Pty Ltd                 | Supply, Delivery, Installation and Maintenance of Copier Machines               | 15 March 2018  | 30 June 2021        | N/A                     | R3 099 600.00                                     | <b>Rental Cost:</b><br>R230 608.68<br><b>Cost per paper:</b><br>R147 018.29<br>Total:<br>R377 626.97 | 5                      |
| roll                              | SAGE (VIP)  | 06/01/2011     | ANNUAL CONTRACT     | N/A                     | Schedule of rates                                 | R 3829   | 4                      |
| iting of statements               | CAB   | 01/12/2016     | 30/11/2018          | N/A                     | Rates per statement                               | R63,686  | 4                      |
| paid vending services             | CONLOG  | 16/11/2016     | ANNUAL CONTRACT     | 30/11/2018              | Schedule of rates                                 | R 69480  | 4                      |
| king Services                     | FNB   | 01/07/2017     | 30/06/2022          | N/A                     | Schedule of rates                                 | R 117225   | 4                      |
| eral Valuation roll for 2017-2022 | Manna Holding   | 18/08/2016     | 30/06/2022          | N/A                     | R883,262.50                                       | R 14 058   | 4                      |
| urance                            | Indwe   | 01/07/2016     | 30/06/2019          | N/A                     | R713 905.   | R515 420.83  | 3                      |

| Service /Project   | Service Provider                                    | Date appointed    | End of the Contract | Revised completion date | Bid Amount                 | Expenditure  | Performance Rating 1-5 |
|--|---|-------------------|---------------------|-------------------------|----------------------------|--------------|------------------------|
| Financial software   | Munsoft (Pty) Ltd                                   | 03 July 2017      | 27 June 2020        | N/A                     | Schedule of rates          | R 725376.94  | 4                      |
| Ironmountain (Pty) Ltd, formerly (Docufile Pty Ltd)                  | Offsite Document Archiving                          | 15 May 2014       | Month to month      | N/A                     | Monthly cost: R1048.80     | R3 174.00    | 5                      |
| Internal Environmental Compliance Audit for the Marble Hall Landfill | Environmental Sustainable Solutions                 | 4 March 2019      | 29 March 2019       | N/A                     | R 44 422,20                | R44 422,20   | 4                      |
| Municipal Lighting Master Plan                                       | Pro-Eng Consulting Engineers                        | 05/06/2018        | 06/12/2018          | 28/02/2019              | R 707 250.00               | R690 000.00  | 2                      |
| Substation Protection Audit and Testing                              | 115 Electrical Solutions                            | 29/05/2019        | 29/08/2019          |                         | R 297 505.00               | R 274 505.00 | 3                      |
| Substation repair Stand 906  | Jusben Engineering Services                         | 14/05/2019        | 14/08/2019          |                         | R 346 207.50               | R 173 103.75 | 3                      |
| Supply and installation of 740m PILC 11kV cables in Ext 5            | 115 Electrical Solutions                            | 05/06/2019        | 05/09/2019          |                         | R 1 159 308.20             | R 0.00       | 2                      |
| Replacement of 500kVA Transformer in Marble Hall Ext 4               | 115 Solutions                                       | 04/06/2019        | 05/09/2019          |                         | R 370 946.08               | R 342 702.08 | 3                      |
| Gravel at Landfill site  | Mit Group   | 19 June 2019      | 28 June 2019        | N/A                     | R 198 900.00               | R 198 900.00 | 4                      |
| Provision of telephone system  | Telkom SA   | 14/04/2011        | Month to month      | N/A                     | Quarterly cost: R245803.54 | R            | 5                      |
| Provision of VBN System  | Telekom SA  | 14/04/2011        | Month to month      | N/A                     | Quarterly cost: R245803.54 |              | 5                      |
| Offsite Document Archiving   | Ironmountain (Pty) Ltd, formerly (Docufile Pty Ltd) | 15 May 2014       | Month to month      | N/A                     | Monthly cost: R1048.80     | R3 174.00    | 5                      |
| Supply and delivery of Water Dispensers                              | Thuthuto Setshabene Trading                         | 18 September 2018 | 08 November 2018    | N/A                     | Once of R30 600.00         | R30 600.00   | 5                      |
| Supply, Delivery, Installation and Maintenance of Copier Machines    | Anaka Group Pty Ltd                                 | 15 March 2018     | 30 June 2021        | N/A                     | R3 099 600.00              |              | 5                      |

| Service /Project   | Service Provider                | Date appointed    | End of the Contract | Revised completion date | Bid Amount                     | Expenditure | Performance Rating 1-5 |
|--|---------------------------------|-------------------|---------------------|-------------------------|--------------------------------|-------------|------------------------|
| Financial software   | Munsoft Pty) Ltd                | 03 July 2017      | 27 June 2020        | N/A                     | Schedule of rates              | R 725376.94 | 4                      |
| Supply, Delivery and Installation of Steel lining Cabinet in the office of Municipal manager and mayor | Magley Trading and Project      | 27 September 2018 | 08 November 2018    | N/A                     | Once off payment of R64 396.80 | R64 396.80  | 5                      |
| Supply, Delivery and Assembly of Office furniture  | Lesh M Distributors and Project | 10 June 2019      | 10 June 2020        | N/A                     | R529 404.00                    | R529 404.00 | 5                      |
| Maintenance of municipal website   | SITA                            | 01/07/2013        | Month to month      | N/A                     |                                | 16 661,34   | 5                      |
| Internet line-internet system  | Telkom SA                       | 19/09/2013        | Month to month      | N/A                     |                                |             |                        |
| Printers   | Nashua                          | 24/04/2012        | Month to month      | N/A                     |                                | 11 375,62   | 5                      |
| IT Support and Maintenance   | IT Iq hazululo                  | 07/01/2013        | Month to month      | N/A                     |                                | 82 800,00   | 5                      |
| Wireless inter office connection   | HCIT Solutions                  | 10/01/2012        | Month to month      | N/A                     |                                | 120 750,00  | 5                      |
| Municipal Uncapped ADSL Network  | XDSL Networking                 | 1/11/2016         | Month to month      | N/A                     |                                | 8 151.66    | 4                      |
| Multifunction printers   | Ricoh                           |                   | Month to month      | N/A                     |                                | 10 850.87   | 4                      |
| Integrated Financial Management and internal control systems   | Munsoft                         | 3/07/2017         | Month to month      | N/A                     |                                | 364 142.88  | 5                      |
| Maintenance of gravel roads for as and when required for 24 months                                     | NJ Nkosana                      | 11/10/2019        | 31/10/2020          | N/A                     | Rates                          |             | 5                      |
| Supply and delivery of hot ,cold mix asphalt as and when required for 24 months                        | Rakgole and Sons                | 11/10/2019        | 31/10/2020          | N/A                     | Rates                          |             | 5                      |

| Service /Project                               | Service Provider  | Date appointed | End of the Contract | Revised completion date | Bid Amount      | Expenditure     | Performance Rating 1-5 |
|--|---|----------------|---------------------|-------------------------|-----------------|-----------------|------------------------|
| Marble Hall Ext.6 Stormwater-                  | Mulalo Consulting Engineers and Kgwadi Ya Madiba Projects         | 22/12/2015     | Multi-year          | Multi-year (TBA)        | R5,000,000.00   | R 4 680 034.69  | 2                      |
| Upgrading of Letebejane - Ditholong roads      | Ubona Engineers and Mothakge Phadima Construction                 | 02/08/2017     | Multi-year          | Multi-year 28/06/2019   | R4 032 570.63   | R4 032 570.63   | 1                      |
| Upgrading of roads and stormwater in Gwalemong | T3 Consulting Engineers and Mokatemone/Splish Splash Construction | 02/05/2017     | Multi-year          | Multi-year 28/09/2018   | R4 184 226.58   | R 2 827 716.96  | 2                      |
| Upgrading of Mashemong/Mooihoek roads          | MVE Consulting Engineers  | 13/12/2016     | TBA                 | TBA                     | R4 000 682.95   | R 3 044 767.39  | 4                      |
| Construction of Mamphokgo Sports Complex.      | Disema Consulting Engineers and AL Mphakgo JV                     | 02/08/2017     | Multi-year          | 28/06/2019              | R 27 782 625.36 | R 26 686 906.88 | 2                      |
| Construction of Leeuwfontein Sports Facility.  | Dolmen Engineers and Maduke Trading                               | 04/06/2019     | 16/09/2019          | 16/09/2019              | R 7 443 085.75  | R 0.00          | 1                      |

## DESCRIPTION OF PERFORMANCE SCORING

| Level | Terminology                                  | Description   |
|-------|--|---|
| 5     | Outstanding performance                      | Performance far exceeds the standard expected                             |
| 4     | Performance significantly above expectations | Performance is significantly higher than the standard expected in the job |
| 3     | Fully effective                              | Performance fully meets the standards expected in all areas of the job    |
| 2     | Not fully effective                          | Performance is below the standard required for the job in key areas       |
| 1     | Unacceptable performance                     | Performance does not meet the standard expected for the job               |

## CHAPTER 4 – HUMAN RESOURCE MANAGEMENT

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

Human resource services for the municipality are effective and efficient, and meet the expectations of the community at large. Human resources have the following service delivery priorities:

- Attracting skilled workforce
- Ensuring that the workforce is motivated to perform the required tasks
- Continuous capacity building of personnel
- Retaining the existing staff
- Employees Assistance programme
- Employees Occupational Health and Safety
- Sound labour relations

At the beginning of the financial year 2018/2019 municipality had employed 269 with the total of 06 vacancies. Municipality filled **269** vacant posts prioritised during the year under review. This include the appointment of the Municipal Manager.

The municipality has succeeded in retaining 98% of the workforce.

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacant posts are advertised in the local and national print media and on the municipal website. Most internal staff does not apply for some post due to the salary of the positions advertised which are lower than their present salary and senior posts because of lack of experience and/or not meeting the minimum required as required by legislations for the post. The municipality assists officials by enrolling them at accredited institutions for capacity building, so that they can meet the requirements of advertised senior posts in future.

| Employees             |           |                |           |          |      |
|-----------------------|-----------|----------------|-----------|----------|------|
| Description           | 2017/2018 | 2018/2019      |           | Variance |      |
|                       | Employees | Approved Posts | Employees |          |      |
|                       | No.       | No.            | No.       | No.      | %    |
| Electricity           | 12        | 13             | 12        | 1        | 7.7% |
| Roads and storm water | 43        | 49             | 43        | 3        | 6.1% |

|                                   |            |            |            |           |             |
|-----------------------------------|------------|------------|------------|-----------|-------------|
| Transport/Fleet                   | 6          | 7          | 6          | 1         | 14%         |
| Planning                          | 9          | 11         | 9          | 2         | 18%         |
| Local Economic Development        | 2          | 2          | 2          | 0         | 0%          |
| Planning (Strategic & Regulatory) | 1          | 1          | 1          | 0         | 0%          |
| Community & Social Services       | 127        | 140        | 127        | 7         | 5%          |
| Environmental Protection          | 0          | 0          | 0          | 0         | 0%          |
| Corporate Services                | 45         | 48         | 45         | 3         | 6.3%        |
| Support/IT & Communication        | 3          | 4          | 3          | 1         | 25%         |
| <b>Totals</b>                     | <b>248</b> | <b>275</b> | <b>248</b> | <b>18</b> | <b>6.5%</b> |

| Vacancy Rate 2018/2019 |                       |   |  |
|------------------------|-----------------------|---|--|
| Designations           | *Total Approved Posts | *Variances (Total time that vacancies exist using fulltime equivalents) | *Variances (as a proportion of total posts in each category) |
|                        | No.                   | No.   | %  |
| <b>Total</b>           | <b>275</b>            | <b>18</b>   | <b>6.5%</b>  |

| Turn-over Rate |  |  |                 |
|----------------|--|--|-----------------|
| Details        | Total Appointments as of beginning of Financial Year | Terminations during the Financial Year | Turn-over Rate* |
|                | No.  | No.                                    |                 |
| 2018/2019      | 7  | 1                                      | 2.9%            |

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

EPMLM has established policies and procedures for the management of workforce. It has the following divisions that ensure that employee rights and needs are being met through appropriate and legitimate processes and systems. Compliance is achieved in terms of approved municipal policies and procedures which are in line with the SLGA Collective agreement and relevant national legislation.

The Municipality has also developed systems in terms of MSA 2000 S67 by developing an Employment Equity Plan (EEP) which has been reviewed for the next five years (2012-2018). The old EEP targets were not achieved as planned because of lack of proper monitoring and supervision of the plan, however, a reviewed EEP has been developed for five years which is adopted by the Council.

### 4.2 POLICIES

The municipality has developed numerous policies as a guideline to all officials. The following policies are in place:

#### Approved and reviewed policies

| Ref | Policy Name                             | Approved | Reviewed   | File/Resolution Number |
|-----|---|----------|------------|------------------------|
| 1   | Asset Management policy                 | Yes      | 24/05/2019 | 5/6/P                  |
| 2   | Credit Control & Debt Collection policy | Yes      | 24/05/2019 | 5/6/P                  |
| 4   | Indigent policy                         | Yes      | 24/05/2019 | 5/6/P                  |
| 5   | Property Rates policy                   | Yes      | 24/05/2019 | 5/6/P                  |
| 6   | SCM Policy                              | Yes      | 24/05/2019 | 5/6/P                  |
| 7   | Funding and Reserve policy              | Yes      | 24/05/2019 | 5/6/P                  |
| 8   | Fleet Management policy                 | Yes      | 24/05/2019 | 5/6/P                  |

| Ref | Policy Name                       | Approved | Reviewed   | File/Resolution Number |
|-----|-----------------------------------|----------|------------|------------------------|
| 9   | Budget policy                     | Yes      | 24/05/2019 | 5/6/P                  |
| 10  | Virement policy                   | Yes      | 24/05/2019 | 5/6/P                  |
| 13  | Tariffs and Rates policy          | Yes      | 24/05/2019 | 5/6/P                  |
| 14  | Investment policy                 | Yes      | 24/05/2019 | 5/6/P                  |
| 15  | Appointment of Consultants policy | Yes      | 24/05/2019 | 5/6/P                  |
| 17  | Unknown Direct Deposit policy     | Yes      | 24/05/2019 | 5/6/P                  |

#### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

- Four officials were suspended from duty for misconduct during the year under review.
- Three injuries were reported on duty and the incidents were reported to the Department of Labour.

| Number and Cost of Injuries on Duty   |                    |                              |   |                                   |                      |
|---------------------------------------|--------------------|------------------------------|---|-----------------------------------|----------------------|
| Type of injury                        | Injury Leave Taken | Employees using injury leave | Average injury leave taken per employee | Average Injury Leave per employee | Total Estimated Cost |
|                                       | Days               | No.                          | %                                       | Days                              | R'000                |
| Required basic medical attention only | 9                  | 3                            | 33.33%                                  | 3                                 | R1 200.00            |
| Temporary total disablement           | 0                  | 0                            | 0%                                      | 0                                 | 0                    |
| Permanent disablement                 | 0                  | 0                            | 0%                                      | 0                                 | 0                    |
| Fatal                                 | 0                  | 0                            | 0%                                      | 0                                 | 0                    |
| Total                                 | 0                  | 0                            | 0%                                      | 0                                 | 0                    |

#### 4.4 PERFORMANCE REWARDS

The municipality's performance management is limited to Section 56 managers only.

The municipality has conducted the 2017/2018 annual performance assessment and 2018/2019 Mid-year performance assessments for two Directors who signed the performance agreement with the municipality, and one qualified for performance rewards.

The mid-year assessment is the measure taken by municipality in improving performance because through the session Directors are offered an opportunity to state their challenges and they are assisted by panel members as to how they can overcome those challenges and be able to achieve their target by the end of the financial year.

### COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

#### 4.5 SKILLS DEVELOPMENT AND TRAINING

##### **Workplace Skills Plan (WSP)**

The municipality has a Workplace Skills Plan (WSP) that is utilised for capacity building of staff.

Each department is requested to forward their training plans to corporate services in May each year, in order to be included in the WSP - which serves as a guide as to how many officials should undergo training in the next financial year. The plan is also used to determine the expenditure for training. For the year under review 56 employees received different training. The WSP and annual training report were submitted to LGSETA at the end of the financial year. Municipality spent **R606 526.00** on employees training.

##### ***Training for officials***

| PROGRAMME                | NO. OF OFFICIALS | STATUS    |
|--------------------------|------------------|-----------|
| MFMP                     | 7                | Completed |
| Electronic Recordkeeping | 0                | None      |
| Computer training        | 0                | None      |
| Secretariat Course       | 0                | None      |
| <b>Total</b>             | <b>7</b>         |           |

### Training for Councillors

| PROGRAMME                       | NO. OF COUNCILLORS | STATUS    |
|---------------------------------|--------------------|-----------|
|                                 | 1                  |           |
| Municipal Governance            | 2                  | Completed |
| Councillors Induction Programme | 20                 | Completed |
| MFMP                            | 2                  | Completed |
| <b>Total</b>                    | <b>24</b>          |           |

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### 4.6 EMPLOYEE EXPENDITURE

The municipality manages its workforce expenditure very well, as we have policies in place such as Standby and overtime policies, travelling allowance policies, Cellphone Allowance Policy that are complied with before any expenditure can be incurred. The municipality has the organisational structure that is aligned to the IDP and budget, to ensure that all workforce expenditure has been budgeted for. The three documents - IDP, budget and organisational structure - are approved by council every year.

| Employees Appointed to Posts Not Approved |       |                     |               |  |
|---|-------|---------------------|---------------|--|
| Department                                | Level | Date of appointment | Not appointed | Reason for appointment when no established post exists |
| None                                      | 0     | 0                   | 0             | 0  |
| None                                      | 0     | 0                   | 0             | 0  |
| None                                      | 0     | 0                   | 0             | 0  |

Disclosure forms were given to employees and Councillors at the beginning of the financial year for completion. No conflict of interest were identified.

**Disclosure of financial interest****Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded**

| <b>Beneficiaries</b>                    | <b>Gender</b> | <b>Total</b> |
|---|---------------|--------------|
| Lower skilled (levels 1-2)              | Female        | 0            |
|   | Male          | 5            |
| Skilled (levels 3-5)                    | Female        | 4            |
|   | Male          | 0            |
| Highly skilled production (levels 6-8)  | Female        |              |
|   | Male          | 0            |
| Highly skilled supervision (levels9-12) | Female        |              |
|   | Male          |              |
| Senior management (levels13-16)         | Female        | 0            |
|   | Male          | 1            |
| MM and S 57                             | Female        | 0            |
|   | Male          | 0            |
| <b>Total</b>                            |               | <b>11</b>    |

## CHAPTER 5: FINANCIAL PERFORMANCE

### **Introduction**

The Ephraim Mogale Local Municipality handed over the annual financial statements to the Auditor General Limpopo, as per the Municipal Finance Management Act, on 30 August 2019 for the financial year 2018/2019. The aforesaid components of the financial statements discussed in detail below:

## 5.1 STATEMENT OF FINANCIAL PERFORMANCE

| Description  | Ref | 2017/18          | Budget Year 2018/19 |                 |                |                 |                 |                |                    |
|--|-----|------------------|---------------------|-----------------|----------------|-----------------|-----------------|----------------|--------------------|
|  |     | Audited Outcome  | Original Budget     | Adjusted Budget | YearTD actual  | YearTD budget   | YTD variance    | YTD variance % | Full Year Forecast |
| <b>R thousands</b>   |     |                  |                     |                 |                |                 |                 |                |                    |
| <b>Revenue By Source</b>   |     |                  |                     |                 |                |                 |                 |                |                    |
| Property rates   |     | 33,428           | 37,810              | 35,655          | 36,282         | 35,655          | 627             | 2%             | 35,655             |
| Service charges - electricity revenue  |     | 43,831           | 50,000              | 53,800          | 50,358         | 53,800          | (3,442)         | -6%            | 53,800             |
| Service charges - water revenue  |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| Service charges - sanitation revenue   |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| Service charges - refuse revenue   |     | 3,909            | 4,232               | 4,232           | 3,994          | 4,232           | (239)           | -6%            | 4,232              |
| Service charges - other  |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| Rental of facilities and equipment   |     | 256              | 225                 | 155             | 155            | 155             | (0)             | 0%             | 155                |
| Interest earned - external investments   |     | 7,712            | 9,274               | 3,503           | 3,996          | 3,503           | 493             | 14%            | 3,503              |
| Interest earned - outstanding debtors  |     | 6,002            | 6,020               | 7,094           | 7,499          | 7,094           | 405             | 6%             | 7,094              |
| Dividends received   |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| Fines, penalties and forfeits  |     | 1,010            | 96                  | 96              | 1,290          | 96              | 1,194           | 1241%          | 96                 |
| Licences and permits   |     | 3,895            | 3,530               | 3,530           | 3,271          | 3,530           | (259)           | -7%            | 2,642              |
| Agency services  |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| Transfers and subsidies  |     | 127,358          | 133,485             | 133,485         | 133,485        | 133,485         | -               | -              | 133,485            |
| Other revenue  |     | 8,263            | 2,918               | 2,805           | 20,418         | 2,805           | 17,613          | 628%           | 2,805              |
| Gains on disposal of PPE   |     | 100              | -                   | -               | -              | -               | -               | -              | -                  |
| <b>Total Revenue (excluding capital transfers and contributions)</b>   |     | <b>235,764</b>   | <b>247,591</b>      | <b>244,354</b>  | <b>260,746</b> | <b>244,354</b>  | <b>16,393</b>   | <b>7%</b>      | <b>243,466</b>     |
| <b>Expenditure By Type</b>   |     |                  |                     |                 |                |                 |                 |                |                    |
| Employee related costs   |     | 74,433           | 92,789              | 90,906          | 77,767         | 90,906          | (13,138)        | -14%           | 90,906             |
| Remuneration of councillors  |     | 13,389           | 13,525              | 13,525          | 13,236         | 13,525          | (289)           | -2%            | 13,525             |
| Debt impairment  |     | 5,785            | 17,679              | 17,679          | 12,472         | 17,679          | (5,206)         | -29%           | 17,679             |
| Depreciation & asset impairment  |     | 47,312           | 47,700              | 47,700          | 51,853         | 47,700          | 4,153           | 9%             | 47,700             |
| Finance charges  |     | 3,598            | 448                 | 448             | 3,841          | 448             | 3,393           | 758%           | 448                |
| Bulk purchases   |     | 30,470           | 34,341              | 36,400          | 33,901         | 36,400          | (2,499)         | -7%            | 36,400             |
| Other materials  |     | 5,565            | 12,214              | 12,214          | 6,403          | 12,214          | (5,811)         | -48%           | 12,214             |
| Contracted services  |     | 14,552           | 12,288              | 12,313          | 15,024         | 12,313          | 2,711           | 22%            | 12,313             |
| Transfers and subsidies  |     | 2,571            | 2,653               | 2,653           | 1,378          | 2,653           | (1,275)         | -48%           | 2,653              |
| Other expenditure  |     | 141,199          | 50,627              | 53,735          | 45,750         | 53,735          | (7,986)         | -15%           | 53,735             |
| Loss on disposal of PPE  |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| <b>Total Expenditure</b>   |     | <b>338,873</b>   | <b>284,263</b>      | <b>287,571</b>  | <b>261,624</b> | <b>287,571</b>  | <b>(25,947)</b> | <b>-9%</b>     | <b>287,571</b>     |
| <b>Surplus/(Deficit)</b>   |     | <b>(103,109)</b> | <b>(36,672)</b>     | <b>(43,217)</b> | <b>(878)</b>   | <b>(43,217)</b> | <b>42,340</b>   | <b>(0)</b>     | <b>(44,105)</b>    |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)  |     | 43,008           | 32,823              | 34,625          | 33,446         | 34,625          | (1,178)         | (0)            | 34,625             |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| Transfers and subsidies - capital (in-kind - all)  |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b>   |     | <b>(60,100)</b>  | <b>(3,849)</b>      | <b>(8,592)</b>  | <b>32,569</b>  | <b>(8,592)</b>  |                 |                | <b>(9,480)</b>     |
| Taxation   |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| <b>Surplus/(Deficit) after taxation</b>  |     | <b>(60,100)</b>  | <b>(3,849)</b>      | <b>(8,592)</b>  | <b>32,569</b>  | <b>(8,592)</b>  |                 |                | <b>(9,480)</b>     |
| Attributable to minorities   |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| <b>Surplus/(Deficit) attributable to municipality</b>  |     | <b>(60,100)</b>  | <b>(3,849)</b>      | <b>(8,592)</b>  | <b>32,569</b>  | <b>(8,592)</b>  |                 |                | <b>(9,480)</b>     |
| Share of surplus/ (deficit) of associate   |     | -                | -                   | -               | -              | -               | -               | -              | -                  |
| <b>Surplus/ (Deficit) for the year</b>   |     | <b>(60,100)</b>  | <b>(3,849)</b>      | <b>(8,592)</b>  | <b>32,569</b>  | <b>(8,592)</b>  |                 |                | <b>(9,480)</b>     |

## **Comments on Financial Performance: Revenue**

### **Property rates**

The original budgeted for property rates for 2018/2019 financial year was R37.8 Million which was adjusted to R35.6 Million. The actual revenue generated was R35 million. This was due to monthly property rates reconciliation which lead to unfavorable adjustment during the year.

### **Service charges**

This is made up of service charges for electricity and refuse removal and the budget thereof was R54 Million which was adjusted to R58 Million. The actual revenue generated was R54 Million which reflect unfavorable variance of R3 Million which arises as a results of separating basic electricity levy from normal sale of electricity.

### **Investment revenue**

The original budget for interest on investment was R9 million which was adjusted to R3.5 million. The actual on investment revenue was R3.9 Million and this resulted in to a favorable variance of 14%.

### **Transfer recognized – operational**

This is revenue realized from both conditional and unconditional operating grants and subsidies including equitable share. All the operating grants were fully spent.

### **Transfer recognized – Capital**

This is revenue realized from MIG grant. The original budget amounted to R32.8 Million which was adjusted to R34.6 Million. The actual spending was 33.4 Million leading to unspent grant of R1 Million manly as a results of Leeufontain sports complex project which a contactor abandoned site.

## **Comments on Financial Performance: Expenditure**

### **Employee related cost**

The original budget was R92 million and it was adjusted upwards to R90 million. The actual expenditure incurred is R77.7 million and this resulted in a saving of R13 Million manly as a result of vacant positions which were not filled in 2018/2019 Financial year.

### **Depreciation and asset impairment**

Provision was made in the budget for capital asset depreciation and impairment and the budget thereof was R47.7 which remain the same in the adjustment budget and the actual depreciation and impairment of assets is R51.8 million resulting in to unfavorable variance of 9%.

## Bulk purchases

The major portion of this line item was mainly for purchase of electricity. The original budget thereof was R34 million which was adjustment to R36 Million. The actual expenditure incurred was R33.9 million and this resulted in a variance of 7%.

## Other expenditure

The original budget was R50 million and it was adjusted downward to R 53 million and the actual expenditure incurred was R45 million and this resulted in an unfavorable variance of 15% mainly as a results of not spending 100% in operational budget.

## 5.2 GRANTS

| Description   | Ref | 2017/18         | Budget Year 2018/19 |                 |                |                |              |                |                    |
|---|-----|-----------------|---------------------|-----------------|----------------|----------------|--------------|----------------|--------------------|
|   |     | Audited Outcome | Original Budget     | Adjusted Budget | YearTD actual  | YearTD budget  | YTD variance | YTD variance % | Full Year Forecast |
| <b>R thousands</b>  |     |                 |                     |                 |                |                |              |                |                    |
| <b>EXPENDITURE</b>  |     |                 |                     |                 |                |                |              |                |                    |
| <b>Operating expenditure of Transfers and Grants</b>        |     |                 |                     |                 |                |                |              |                |                    |
| <b>National Government:</b>                                 |     | 127,358         | 133,485             | 133,485         | 133,485        | 133,485        | -            |                | 133,485            |
| Local Government Equitable Share                            |     | 123,766         | 129,676             | 129,676         | 129,676        | 129,676        | -            |                | 129,676            |
| Energy Efficiency and Demand Management                     |     |                 |                     |                 |                |                | -            |                |                    |
| Finance Management  |     | 2,145           | 2,215               | 2,215           | 2,215          | 2,215          | -            |                | 2,215              |
| EPWP Incentive  |     | 1,447           | 1,594               | 1,594           | 1,594          | 1,594          | -            |                | 1,594              |
| <b>Total operating expenditure of Transfers and Grants:</b> |     | <b>127,358</b>  | <b>133,485</b>      | <b>133,485</b>  | <b>133,485</b> | <b>133,485</b> | <b>-</b>     |                | <b>133,485</b>     |

| Description                                 | 2015/16         | Budget Year 2016/2017 |                 | YearTD actual  | YearTD budget  | YTD variance | YTD variance % |
|---|-----------------|-----------------------|-----------------|----------------|----------------|--------------|----------------|
|   | Audited Outcome | Original Budget       | Adjusted Budget |                |                |              |                |
| <b>R thousands</b>                          |                 |                       |                 |                |                |              |                |
| <b>RECEIPTS:</b>                            |                 |                       |                 |                |                |              |                |
| <b>Operating Transfers and Grants</b>       |                 |                       |                 |                |                |              |                |
| <b>National Government:</b>                 | 110,374         | 120,624               | 120,624         | 120,535        | 120,624        | -            |                |
| Local Government Equitable Share            | 106,323         | 117,556               | 117,556         | 117,467        | 117,556        | 89           | 0.1%           |
| Energy Efficiency and Demand Management     |                 | -                     |                 |                |                |              |                |
| Finance Management                          | 1,675           | 1,810                 | 1,810           | 1,810          | 1,810          |              |                |
| EPWP Incentive                              | 1,157           | 1,258                 | 1,258           | 1,258          | 1,258          |              |                |
| Municipal Systems Improvement               | 1,219           |                       |                 |                |                |              |                |
| <b>Total Operating Transfers and Grants</b> | <b>110,374</b>  | <b>120,624</b>        | <b>120,624</b>  | <b>120,535</b> | <b>120,624</b> | <b>-</b>     |                |

| Description  | Ref | 2017/18         | Budget Year 2018/19 |                 |                |                |                |              |                    |
|--|-----|-----------------|---------------------|-----------------|----------------|----------------|----------------|--------------|--------------------|
|  |     | Audited Outcome | Original Budget     | Adjusted Budget | YearTD actual  | YearTD budget  | YTD variance   | YTD variance | Full Year Forecast |
| <b>Capital expenditure of Transfers and Grants</b>       |     |                 |                     |                 |                |                |                |              |                    |
| National Government:                                     |     | 43,008          | 32,823              | 34,625          | 33,446         | 34,625         | (1,178)        | -3.4%        | 34,625             |
| Municipal Infrastructure Grant (MIG)                     |     | 43,008          | 32,823              | 34,625          | 33,446         | 34,625         | (1,178)        | -3.4%        | 34,625             |
| <b>Total capital expenditure of Transfers and Grants</b> |     | <b>43,008</b>   | <b>32,823</b>       | <b>34,625</b>   | <b>33,446</b>  | <b>34,625</b>  | <b>(1,178)</b> | <b>-3.4%</b> | <b>34,625</b>      |
| <b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>         |     | <b>170,366</b>  | <b>166,308</b>      | <b>168,110</b>  | <b>166,931</b> | <b>168,110</b> | <b>(1,178)</b> | <b>-0.7%</b> | <b>168,110</b>     |

### Comment on Operating Transfers and Grants

All grants gazetted for 2018/2019 financial year were received. The total amount received on operational grants amounted to R133 Million during the 2018/2019 financial year. Nonetheless, gazetted capital grants were also received in full during the financial year. However R1 Million was unspent.

### Comment on Conditional Grants and Grants Received From Other Sources

No grants were received from other sources.

## 5.3 ASSET MANAGEMENT

| Description                   | Ref | 2017/18         | Budget Year 2018/19 |                 |               |               |              |              |                    |
|-------------------------------|-----|-----------------|---------------------|-----------------|---------------|---------------|--------------|--------------|--------------------|
|                               |     | Audited Outcome | Original Budget     | Adjusted Budget | YearTD actual | YearTD budget | YTD variance | YTD variance | Full Year Forecast |
| Total Assets register Summary |     | 925,078         | 929,000             | 929,000         | 844,473       | 929,000       | (84,527)     | -9.1%        | 929,000            |
|                               |     | 170,366         | 166,308             | 168,110         | 166,931       | 168,110       | (1,178)      | -0.7%        | 168,110            |

### Comment on Asset Management:

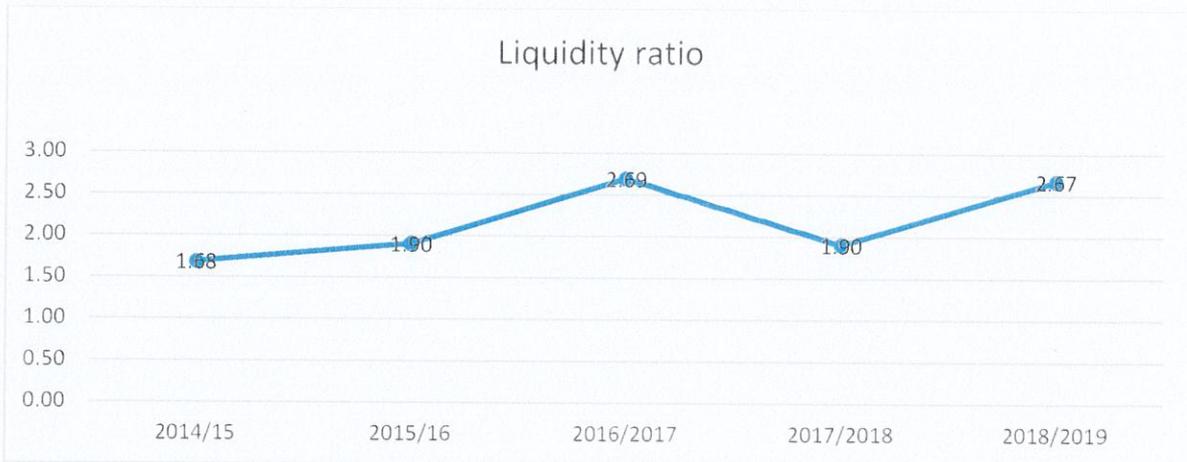
The asset register value for 2018/2019 was budget for R925 million which was not adjusted. The actual book value as at end of 2018/18 financial year is R844 million.

The movement that affect the asset register was with regards to Depreciation and asset impairment that had an actual amount R47 million. Cognizance should be taken that this from budget point of view is a non-cash item (i.e. the movement did not have cash flow implication) and as a result it is pure financial accounting transaction.

## 5.4 FINANCIAL RATIO'S

### Graph 1: Liquidity ratio

Liquidity Ratio – Measures the municipality's ability to pay its bills, and is calculated by dividing the monetary assets by the municipality's current liabilities. A higher ratio is better.



### Graph 2: Outstanding Debtors to revenue

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



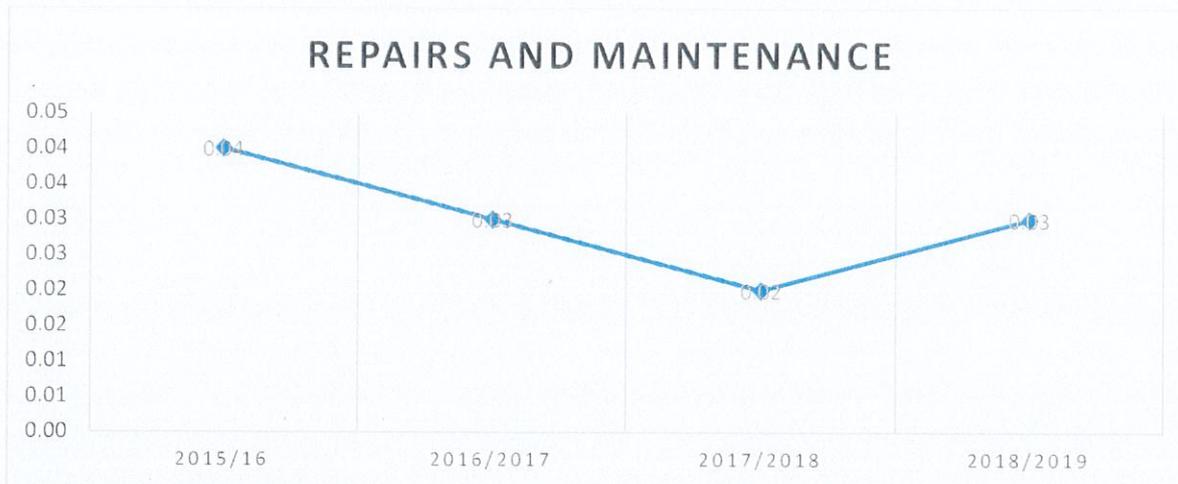
### Graph 3: Employee cost

Employee related cost ratio measures what portion of revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue



### Graph 4: Repairs and maintenance

Repairs and Maintenance - This represent the proportion of operating expenditure spent, and is calculated by dividing the total repairs and maintenance by total revenue excluding capital revenue.



**Comment on Financial Ratios:**

The municipality is in a process of improving its ability to spend the 8% threshold of operating expenditure for repairs and maintenance. Liquidity will also improve as the municipality has placed stringent internal controls over unnecessary expenditure, in order to improve the cash flow situation

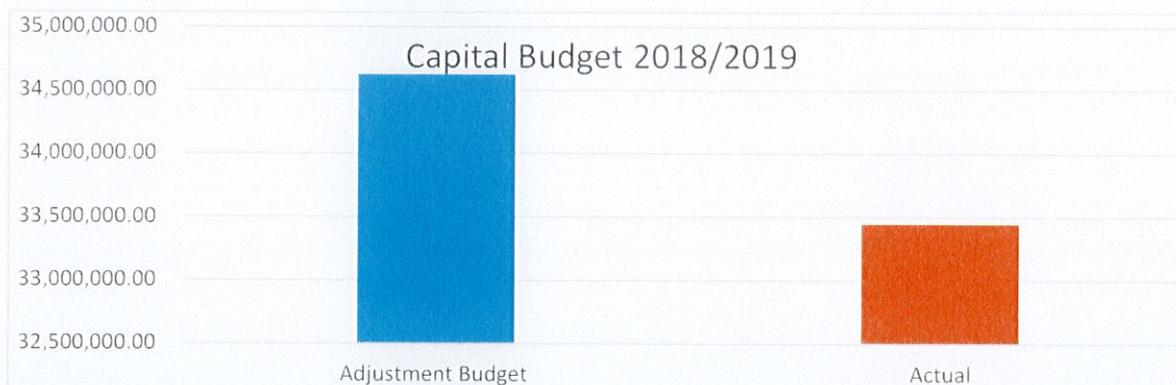
**COMPONENT B: SPENDING AGAINST CAPITAL BUDGET**

**5.5 CAPITAL EXPENDITURE**

**Introduction**

Capital expenditure relates mainly to construction of projects that will have value lasting over many years. Capital expenditure is funded from grants and own revenue. Component B deals with capital spending, indicating where the funding comes from and whether the Municipality is able to spend the available funding as planned. In this component, it is important to indicate the different sources of funding as well as how these funds are spent.

**Graph 5: Capital Expenditure 2018/2019**



## 5.6 SOURCE OF FINANCE

| Vote Description   | Ref | 2017/18         | Budget Year 2018/19 |                 |                |               |               |              |                |                    |
|--|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|--------------|----------------|--------------------|
|  |     | Audited Outcome | Original Budget     | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| <b>R thousands</b>   | 1   |                 |                     |                 |                |               |               |              |                |                    |
| <b>Capital Expenditure - Functional Classification</b>       |     |                 |                     |                 |                |               |               |              |                |                    |
| <i>Governance and administration</i>                         |     | 869             | 1,223               | 1,514           | 1,673          | 2,015         | 1,514         | 502          | 33%            | 1,223              |
| Executive and council  |     |                 |                     |                 |                |               |               | -            |                |                    |
| Finance and administration                                   |     | 869             | 1,223               | 1,514           | 1,673          | 2,015         | 1,514         | 502          | 33%            | 1,223              |
| Internal audit   |     |                 |                     |                 |                |               |               | -            |                |                    |
| <i>Community and public safety</i>                           |     | 962             | 1,550               | 1,535           | 1              | 1,216         | 1,535         | (319)        | -21%           | 1,550              |
| Community and social services                                |     | 140             | 750                 | 750             | 1              | 743           | 750           | (7)          | -1%            | 750                |
| Sport and recreation   |     |                 |                     |                 |                |               |               | -            |                |                    |
| Public safety  |     | 796             | 500                 | 585             | -              | 304           | 585           | (282)        | -48%           | 500                |
| Housing  |     | 25              | 300                 | 200             | -              | 169           | 200           | (31)         | -15%           | 300                |
| Health   |     |                 |                     |                 |                |               |               | -            |                |                    |
| <i>Economic and environmental services</i>                   |     | 48,248          | 34,509              | 34,876          | 4,642          | 28,954        | 34,876        | (5,922)      | -17%           | 34,509             |
| Planning and development                                     |     |                 |                     |                 |                |               |               | -            |                |                    |
| Road transport   |     | 48,248          | 34,509              | 34,876          | 4,642          | 28,954        | 34,876        | (5,922)      | -17%           | 34,509             |
| Environmental protection                                     |     |                 |                     |                 |                |               |               | -            |                |                    |
| <i>Trading services</i>                                      |     | 2,029           | 8,360               | 8,540           | 1,739          | 1,234         | 8,540         | (7,306)      | -86%           | 8,360              |
| Energy sources   |     | 2,029           | 6,310               | 6,490           | 1,739          | 601           | 6,490         | (5,889)      | -91%           | 6,310              |
| Water management   |     |                 |                     |                 |                |               |               | -            |                |                    |
| Waste water management                                       |     |                 |                     |                 |                |               |               | -            |                |                    |
| Waste management   |     | -               | 2,050               | 2,050           | -              | 634           | 2,050         | (1,416)      | -69%           | 2,050              |
| <i>Other</i>   |     |                 |                     |                 |                |               |               | -            |                |                    |
| <b>Total Capital Expenditure - Functional Classification</b> | 3   | 52,107          | 45,642              | 46,465          | 8,055          | 33,420        | 46,465        | (13,044)     | -28%           | 45,642             |
| <b>Funded by:</b>  |     |                 |                     |                 |                |               |               |              |                |                    |
| National Government  |     | 43,008          | 31,576              | 34,876          | 4,642          | 28,954        | 34,876        | (5,922)      | -17%           | 31,576             |
| Provincial Government  |     |                 |                     |                 |                |               |               | -            |                |                    |
| District Municipality  |     |                 |                     |                 |                |               |               | -            |                |                    |
| Other transfers and grants                                   |     |                 |                     |                 |                |               |               | -            |                |                    |
| Transfers recognised - capital                               |     | 43,008          | 31,576              | 34,876          | 4,642          | 28,954        | 34,876        | (5,922)      | -17%           | 31,576             |
| Public contributions & donations                             | 5   |                 |                     |                 |                |               |               | -            |                |                    |
| Borrowing  | 6   |                 |                     |                 |                |               |               | -            |                |                    |
| Internally generated funds                                   |     | 9,099           | 14,078              | 11,589          | 2,016          | 4,466         | 11,589        | (7,123)      | -61%           | 14,078             |
| <b>Total Capital Funding</b>                                 |     | 52,107          | 45,654              | 46,465          | 6,658          | 33,420        | 46,465        | (13,044)     | -28%           | 45,654             |

**Comment on Sources of Funding:**

The original capital budget for 2018/2019 financial was R45.6 million that was adjusted upward to R46.4million. The actual expenditure was R33.4 million and reflects under-spending variance of R7 Million on the adjusted budget which was mainly as a results not spending on internal funded projects

**The Budget was funded as Follows:**

Original budget – R31 million was funded by grants and R14 million was funded internally

Adjusted budget – R34 million was funded by grants and R11 million was funded internally

Actual expenditure – R28 million was funded by grants and R4 million was funded internally. These figures excludes VAT.

**5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS**

|  | Original Budget | Adjustment Budget |
|--|-----------------|-------------------|
| Upgrading Of Letebejane/Ditholong Internal Streets | 7,565,141.00    | 3,796,502.59      |
| Ngwalemong Internal Streets                        | 7,791,947.00    | 4,184,226.58      |
| E6 STORM WATER                                     |                 | 300,000.00        |
| Mamphogo Sports Complex (650/305178)               | 12,151,228.00   | 12,151,228.00     |
| Leeufontein Sports Complex                         | -               | 7,443,085.75      |
| Mashemong/Mooihoek Internal Street                 | 7,000,683.00    | 7,000,683.00      |

|                              |  |
|------------------------------|--|
| <b>Name of Project - A</b>   | Mashemong/mooihoek Internal Road                                     |
| Objective of project         | To improve municipal roads' infrastructure for socio-economic growth |
| Delays                       | None   |
| Future challenges            | None   |
| Anticipated citizen benefits | Job creation, skills transferred and improved road infrastructure    |
| <b>Name of Project - B</b>   | Ngwalemong Internal Streets  |
| Objective of project         | To improve municipal roads' infrastructure for socio-economic growth |
| Delays                       | None   |
| Future challenges            | None   |

|                              |  |
|------------------------------|--|
| Anticipated citizen benefits | Job creation, skills transferred and improved road infrastructure    |
|                              |  |
| <b>Name of Project - C</b>   | LEEUFONTAIN SPORTS COMPLEX   |
| Objective of project         | To improve municipal roads' infrastructure for socio-economic growth |
| Delays                       | None   |
| Future challenges            | None   |
| Anticipated citizen benefits | Job creation, skills transferred and improved town development       |
|                              |  |
| <b>Name of Project - D</b>   | Upgrading Of Letebejane/Ditholong Internal Streets                   |
| Objective of project         | To improve municipal roads' infrastructure for socio-economic growth |
| Delays                       | No   |
| Future challenges            | None   |
| Anticipated citizen benefits | Job creation, skills transferred and improved road infrastructure    |
|                              |  |
| <b>Name of Project -E</b>    | Stormwater Extension 6(650/305147)                                   |
| Objective of project         | To improve municipal roads' infrastructure for socio-economic growth |
| Delays                       | No   |
| Future challenges            | None   |
| Anticipated citizen benefits | Job creation, skills transferred and improved road infrastructure    |
|                              |  |

### Comment on Capital Projects:

During 2018/2019 Financial Year, the Municipality received the Total Allocation of R34 million MIG grant of which the municipality has spent 33 Million. The Municipality had R1 Million as unspent.

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

### Introduction

There is still huge backlog in terms of Basic Infrastructure that is Water and Sanitation which is implemented at District level. The backlog for Electricity is not that huge as most households have access to electricity. There is also a backlog on roads projects as most of the wards do not have tarred roads due to lack of funds.

| Municipal Infrastructure Grant (MIG)* Expenditure 2018/2019 on Service backlogs |         |                   |          |          |                   |   |
|---|---------|-------------------|----------|----------|-------------------|---|
| R' 000  |         |                   |          |          |                   |   |
| Details   | Budget  | Adjustment Budget | Actual   | Variance |                   | Major conditions applied by donor (continue below if necessary) |
|   |         |                   |          | Budget   | Adjustment Budget |   |
| <b>Infrastructure - Road transport</b>  |         |                   |          |          |                   |   |
| <i>Roads, Pavements &amp; Bridges</i>   | R44,810 | R 44,810          | R 43,008 | R1,800   | R1,800            |   |
| <i>Storm water</i>  | R0      | R0                | R0       | R0       | R0                |   |
| <b>Infrastructure - Electricity</b>   |         |                   |          |          |                   |   |
| <i>Generation</i>   | R0      | R0                | R0       | R0       | R0                |   |
| <i>Street Lighting</i>  | R0      | R0                | R0       | R0       | R0                |   |
| <b>Infrastructure - Other</b>   |         |                   |          |          |                   |   |
| <i>Transportation</i>   | R0      | R0                | R0       | R0       | R0                |   |
| <i>Gas</i>  | R0      | R0                | R0       | R0       | R0                |   |
| <b>Other Specify:</b>   |         |                   |          |          |                   |   |
| <i>Cemetries</i>  | R0      | R0                | R0       | R0       | R0                |   |
| <i>Street Parking</i>   | R0      | R0                | R0       | R0       | R0                |   |
| <i>Waste Management</i>   | R0      | R0                | R0       | R0       | R0                |   |
| <b>Total</b>  | R44,810 | R 44,810          | R 43,008 | R1,800   | R1,800            |   |

| <b>Service Backlogs as at 30 June 2019</b> |  |              |   |              |
|--|--|--------------|---|--------------|
| <b>Households (HHs)</b>                    |  |              |   |              |
|  | <b>*Service level above minimum standard</b> |              | <b>**Service level below minimum standard</b> |              |
|  | <b>No HHs</b>                                | <b>% HHs</b> | <b>No HHs</b>                                 | <b>% HHs</b> |
| Electricity                                | 32 745                                       | 96.5%        | 1191  | 3.5%         |
| Waste management                           | 6369   | 18.2%        | 27567   | 81.8%        |
| Housing                                    | n/a  | n/a          | n/a   | n/a          |

**Comment on Backlogs:**

All residential areas have been electrified. Only electrification of new extensions and infills through ESKOM with the INEP grant allocation.

Roads and storm water as key function of the municipality is being implemented by MIG funds and own funding. The municipality has a serious backlog on roads and storm water and has challenges of resources and lack of funding to enable them to deal with the backlog.

There is a backlog of 81.8% on waste management as the access to collection service is only provided in three (3) wards and which is one formal town and 2 former R 293 towns.

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### Introduction

The cash flow outcome presents the actual revenue and actual payments made during the year under review. Actual revenue realised should be differentiated from revenue billed because revenue billed does not portray the holistic financial position and performance of the municipality.

As a result, the cash flow outcome is presented on cash basis as opposed accrual basis of accounting.

### 5.9 CASH FLOW

Comment on Cash-Flow Outcomes:

Cash and cash equivalent at the beginning of the financial year was R68 million. The actual cash and cash equivalent as at end of the financial year is R107 million.

Cognizance should be taken that the municipality is still dependent on grants since a major portion of revenue realized is made up of Transfer recognized (both operating and capital). The Municipality invested R80 Million with VBS Mutual Bank which was impaired hence the low cash and cash equivalent at the end of the 2017/2018 financial year.

| Description                                       | Ref | 2017/18          | Budget Year 2018/19 |                 |                 |                 |               |              |                    |
|---|-----|------------------|---------------------|-----------------|-----------------|-----------------|---------------|--------------|--------------------|
|   |     | Audited Outcome  | Original Budget     | Adjusted Budget | YearTD actual   | YearTD budget   | YTD variance  | YTD variance | Full Year Forecast |
| <b>R thousands</b>                                | 1   |                  |                     |                 |                 |                 |               | %            |                    |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |     |                  |                     |                 |                 |                 |               |              |                    |
| <b>Receipts</b>                                   |     |                  |                     |                 |                 |                 |               |              |                    |
| Property rates                                    |     | 23,709           | 30,248              | 30,248          | 28,457          | 25,207          | 3,250         | 13%          | 30,248             |
| Service charges                                   |     | 54,454           | 43,386              | 43,386          | 49,913          | 36,155          | 13,758        | 38%          | 43,386             |
| Other revenue                                     |     | 24,182           | 6,769               | 6,769           | 11,495          | 5,077           | 6,418         | 126%         | 6,769              |
| Government - operating                            |     | 127,233          | 133,485             | 133,485         | 133,485         | 111,238         | 22,248        | 20%          | 133,485            |
| Government - capital                              |     | 44,810           | 32,823              | 32,823          | 32,823          | 27,353          | 5,471         | 20%          | 32,823             |
| Interest  |     | 10,055           | 15,294              | 15,294          | 1,029           | 12,745          | (11,716)      | -92%         | 15,294             |
| Dividends   |     |                  | -                   | -               |                 |                 | -             |              |                    |
| <b>Payments</b>                                   |     |                  |                     |                 |                 |                 |               |              |                    |
| Suppliers and employees                           |     | (174,698)        | (214,590)           | (214,590)       | (182,682)       | (70,291)        | 112,391       | -160%        | (214,590)          |
| Finance charges                                   |     | (3,598)          | (448)               | (448)           | (313)           | (112)           | 201           | -179%        | (448)              |
| Transfers and Grants                              |     | (2,571)          | (2,653)             | (2,653)         | (1,326)         | (663)           | 663           | -100%        | (2,653)            |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  |     | <b>103,577</b>   | <b>44,315</b>       | <b>44,315</b>   | <b>72,881</b>   | <b>146,708</b>  | <b>73,827</b> | <b>50%</b>   | <b>44,315</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |     |                  |                     |                 |                 |                 |               |              |                    |
| <b>Receipts</b>                                   |     |                  |                     |                 |                 |                 |               |              |                    |
| Proceeds on disposal of PPE                       |     | (71,893)         |                     |                 | 194             |                 | 194           | #DIV/0!      |                    |
| Decrease (Increase) in non-current debtors        |     |                  |                     |                 |                 |                 | -             |              |                    |
| Decrease (increase) other non-current receivables |     |                  |                     |                 |                 |                 | -             |              |                    |
| Decrease (increase) in non-current investments    |     | (84,077)         |                     |                 |                 |                 | -             |              |                    |
| <b>Payments</b>                                   |     |                  |                     |                 |                 |                 |               |              |                    |
| Capital assets                                    |     | -                | (44,654)            | (44,654)        | (33,934)        | (18,606)        | 15,328        | -82%         | (44,654)           |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  |     | <b>(155,970)</b> | <b>(44,654)</b>     | <b>(44,654)</b> | <b>(33,740)</b> | <b>(18,606)</b> | <b>15,134</b> | <b>-81%</b>  | <b>(44,654)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |     |                  |                     |                 |                 |                 |               |              |                    |
| <b>Receipts</b>                                   |     |                  |                     |                 |                 |                 |               |              |                    |
| Short term loans                                  |     |                  |                     |                 |                 |                 | -             |              |                    |
| Borrowing long term/refinancing                   |     |                  |                     |                 |                 |                 | -             |              |                    |
| Increase (decrease) in consumer deposits          |     |                  |                     |                 |                 |                 | -             |              |                    |
| <b>Payments</b>                                   |     |                  |                     |                 |                 |                 |               |              |                    |
| Repayment of borrowing                            |     | (1,943)          | (1,535)             | (1,535)         | (236)           | (640)           | (404)         | 63%          | (1,535)            |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  |     | <b>(1,943)</b>   | <b>(1,535)</b>      | <b>(1,535)</b>  | <b>(236)</b>    | <b>(640)</b>    | <b>(404)</b>  | <b>63%</b>   | <b>(1,535)</b>     |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      |     | <b>(54,337)</b>  | <b>(1,875)</b>      | <b>(1,875)</b>  | <b>38,905</b>   | <b>127,462</b>  |               |              | <b>(1,875)</b>     |
| Cash/cash equivalents at beginning:               |     | 122,982          | 124,746             | 124,746         | 68,645          | 124,746         |               |              | 68,645             |
| Cash/cash equivalents at month/year end:          |     | 68,645           | 122,871             | 122,871         | 107,550         | 252,209         |               |              | 66,771             |

## 5.10 BORROWING AND INVESTMENTS

| <b>Actual Borrowings 2016/2017 -2018/2019 - R'000</b> |                |                  |                  |
|---|----------------|------------------|------------------|
| <b>Instrument</b>                                     | <b>2015/16</b> | <b>2016/2017</b> | <b>2018/2019</b> |
| <b><u>Municipality</u></b>                            |                |                  |                  |
| Long-term loans (annuity/reducing balance)            | n/a            | n/a              | n/a              |
| Long-term loans (non-annuity)                         | n/a            | n/a              | n/a              |
| Local registered stock                                | n/a            | n/a              | n/a              |

| <b>Actual Borrowings 2016/2017 -2018/2019 - R'000</b> |            |            |            |
|---|------------|------------|------------|
| Instalment credit                                     | n/a        | n/a        | n/a        |
| Financial leases                                      | 2 946      | 1 538      | n/a        |
| PPP liabilities                                       | n/a        | n/a        | n/a        |
| Finance granted by cap equipment supplier             | n/a        | n/a        | n/a        |
| Marketable bonds                                      | n/a        | n/a        | n/a        |
| Non-marketable bonds                                  | n/a        | n/a        | n/a        |
| Bankers acceptances                                   | n/a        | n/a        | n/a        |
| Financial derivatives                                 | n/a        | n/a        | n/a        |
| Other securities                                      | n/a        | n/a        | n/a        |
| <b>Municipal Total</b>                                | <b>n/a</b> | <b>n/a</b> | <b>n/a</b> |
| <b><u>Municipal Entities</u></b>                      | <b>n/a</b> | <b>n/a</b> | <b>n/a</b> |
| Long-term Loans (annuity/reducing balance)            | n/a        | n/a        | n/a        |
| Long-term Loans (non-annuity)                         | n/a        | n/a        | n/a        |
| Local registered stock                                | n/a        | n/a        | n/a        |
| Instalment credit                                     | n/a        | n/a        | n/a        |
| Financial leases                                      | n/a        | n/a        | n/a        |
| PPP liabilities                                       | n/a        | n/a        | n/a        |
| Finance granted by cap equipment supplier             | n/a        | n/a        | n/a        |
| Marketable bonds                                      | n/a        | n/a        | n/a        |
| Non-Marketable bonds                                  | n/a        | n/a        | n/a        |
| Bankers acceptances                                   | n/a        | n/a        | n/a        |
| Financial derivatives                                 | n/a        | n/a        | n/a        |
| Other Securities                                      | n/a        | n/a        | n/a        |
| <b>Entities Total</b>                                 | <b>n/a</b> | <b>n/a</b> | <b>n/a</b> |

| <b>Municipal and Entity Investments 2015/16 - 2018/2019 - R'000</b> |                |                  |                  |
|---|----------------|------------------|------------------|
| <b>Investment type</b>  | <b>2015/16</b> | <b>2016/2017</b> | <b>2018/2019</b> |
|   | <b>Actual</b>  | <b>Actual</b>    | <b>Actuals</b>   |
| <b><u>Municipality</u></b>  |                |                  |                  |
| Securities - national government                                    | -              | -                | -                |
| Listed corporate bonds  | -              | -                | -                |
| Deposits –bank  | 23 838         | 25 510           | -                |
| Deposits -public investment commissioners                           | -              | -                | -                |
| Deposits -corporation for public deposits                           | -              | -                | -                |
| Bankers' acceptance certificates                                    | -              | -                | -                |
| Negotiable certificates of deposit - Banks                          | -              | -                | -                |
| Guaranteed endowment policies (sinking)                             | -              | -                | -                |
| Repurchase agreements - Banks                                       | -              | -                | -                |
| Municipal bonds   | -              | -                | -                |
| Other   | -              | -                | -                |
|   |                |                  |                  |
| <b><u>Municipal Entities</u></b>                                    |                |                  |                  |
| Securities - National government                                    | -              | -                | -                |
| Listed corporate bonds  | -              | -                | -                |
| Deposits – Bank   | -              | -                | -                |
| Deposits - Public Investment Commissioners                          | -              | -                | -                |
| Deposits - Corporation for Public Deposits                          | -              | -                | -                |
| Bankers' acceptance certificates                                    | -              | -                | -                |
| Negotiable certificates of deposit- Banks                           | -              | -                | -                |

| <b>Municipal and Entity Investments 2015/16 - 2018/2019 - R'000</b> |                |                  |                  |
|---|----------------|------------------|------------------|
| <b>Investment type</b>  | <b>2015/16</b> | <b>2016/2017</b> | <b>2018/2019</b> |
|   | <b>Actual</b>  | <b>Actual</b>    | <b>Actuals</b>   |
| Guaranteed endowment policies (sinking)                             | -              | -                | -                |
| Repurchase agreements – Banks                                       | -              | -                | -                |
| Municipal bonds   | -              | -                | -                |
| Other   | -              | -                | -                |
| <b>Entities Sub-Total</b>   | <b>-</b>       | <b>-</b>         | <b>-</b>         |
| <b>Consolidated Total:</b>  | <b>0</b>       | <b>0</b>         | <b>0</b>         |

Comment on Borrowing and Investments:

The Municipality had invested R80 Million with VBS Mutual Bank which is now under curatorship. The R80 Million was impaired.

#### 5.11 PUBLIC PRIVATE PARTNERSHIPS

Not applicable

#### COMPONENT D: OTHER FINANCIAL MATTERS

#### 5.12 SUPPLY CHAIN MANAGEMENT

The financial statements for the 2018/2019 present an irregular expenditure of R7 million as a closing balance.

#### 5.13 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules and principles by which municipalities are required to abide by in preparing the financial statements. Successful GRAP compliance and implementation will ensure that municipal accounts are transparent, comparable and more informative to the users of the financial statements.



**Ephraim Mogale Local Municipality**  
**Annual Financial Statements**  
**for the year ended 30 June 2019**  
Draft Statements Audited by - Office of the Auditor General South Africa (Polokwane office)  
Published 30 August 2019

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## General Information

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|  |  |
|--|--|
| <b>Legal form of entity</b>                        | Category C Municipality  |
| <b>Nature of business and principal activities</b> | Provision of basic services  |
| <b>Council</b>                                     |  |
| Mayor  | Cllr Kupa CR (Until 6 March 2019)<br>Cllr Mothogwane MD (From 7 March 2019)  |
| Speaker  | Cllr Mothogwane MD (Until 7 March 2019)<br>Cllr Modisha LB (From 7 March 2019)   |
| Chief Whip   | Cllr Modisha LB (Until 7 March 2019)<br>Cllr Sedibane FS (From 7 March 2019)   |
| Traditional leaders                                | Kgoshi - Lehwelere-Matlala MA<br>Kgoshi - Matlala RD<br>Kgoshi - Rahlagane MP  |
| Councillors  | Cllr Aphane MK<br>Cllr Boshielo C<br>Cllr De Beer FJC<br>Cllr Jacobs PR<br>Cllr Kekana MJ<br>Cllr Lentsoane MC<br>Cllr Lentsoane RM<br>Cllr Mabaso TL<br>Cllr Madileng DO<br>Cllr Makanyane GN<br>Cllr Makola ML<br>Cllr Maloka MF<br>Cllr Manasoe MT<br>Cllr Mashigo MPM<br>Cllr Mashoeshoe RHS<br>Cllr Matlala MF<br>Cllr Matji PT<br>Cllr Mohlala R<br>Cllr Moimana GMH<br>Cllr Molatudi ML<br>Cllr Monama M<br>Cllr Motsepe MJ<br>Cllr Kupa CR (From 7 March 2019)<br>Cllr Sebothoma RG (Formerly Maiden Surname Cllr Phokwane RG)<br>Cllr Ranolo P<br>Cllr Sedibane FS (Until 7 March 2019)<br>Cllr Sindana RR<br>Cllr Tema SA<br>Cllr Letsela N<br>Cllr Tshiguvho EM |
| <b>Grading of local authority</b>                  | 2  |
| <b>Capacity of local authority</b>                 | Low Capacity   |
| <b>Municipal demarcation code</b>                  | LIM 471  |
| <b>Accounting Officer</b>                          | Mrs MM Mathebela (Suspended from 14 December 2018)<br>Mr K Sithole(Acting from 1 September 2019)   |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## General Information

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|                                    |  |
|------------------------------------|--|
| <b>Chief Finance Officer (CFO)</b> | Mrs K Ramosibi (until 7 March 2019)<br>Mr O Kekana (Acting from 14 December 2018 to 11 June 2019)<br>Mr K Mabija (Acting from 11 June 2019)  |
| <b>Registered office</b>           | No. 13 Ficus street<br>Civic centre<br>Marble Hall<br>Limpopo<br>0450  |
| <b>Business address</b>            | No. 13 Ficus street<br>Civic centre<br>Marble Hall<br>Limpopo<br>0450  |
| <b>Postal address</b>              | PO Box 111<br>Marble Hall<br>Limpopo<br>0450   |
| <b>Bankers</b>                     | First National Bank (Primary bank account)<br>ABSA Bank<br>VBS - in liquidation<br>Nedbank   |
| <b>Auditors</b>                    | Draft Statements Audited by - Office of the Auditor General South Africa (Polokwane office)  |
| <b>Attorneys</b>                   | Mohale Incorporated Attorneys<br>Kgohlishi Abie Mamabolo Attorneys<br>Noko Maimela Attorneys<br>Machaka NC Incorporated Attorneys<br>Lucky Thekiso Incorporated Attorneys<br>Adv Jimmy Hlongwane<br>Popela Maaka |

# **Ephraim Mogale Local Municipality**

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

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|         |  |
|---------|--|
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP    | Generally Recognised Accounting Practice                           |
| SALGA   | South African Local Government Association                         |
| IMFO    | Institute of Municipal Finance Officers                            |
| IPSAS   | International Public Sector Accounting Standards                   |
| MEC     | Member of the Executive Council                                    |
| MFMA    | Municipal Finance Management Act                                   |
| MIG     | Municipal Infrastructure Grant (Previously CMIP)                   |
| CPI     | Consumer Price Index   |
| GIS     | Geographic Information System                                      |
| GLCCM   | General Landfill Closure Costing Model                             |

# **Ephraim Mogale Local Municipality**

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Responsibilities and Approval**

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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 she 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.

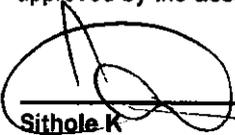
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal 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, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in notes to these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 81 which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed by:

  
\_\_\_\_\_  
**Sithole K**  
**Municipal Manager (Acting)**

**Friday, 30 August 2019**

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Audit Committee Report

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We are pleased to present our report for the annual financial year ended 30 June 2019.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 11 meetings were held.

| Name of member          | Number of meetings attended |
|-------------------------|-----------------------------|
| Letsela M (Chairperson) | 10                          |
| Ravhudzulo PK           | 6                           |
| Nevondwe TL             | 8                           |
| Chuene VK               | 11                          |
| Nchabeleng MF           | 7                           |

### Audit committee responsibility

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

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

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### Performance management

The committee noticed that management's efforts in implementing issues raised by Audit in performance management are yielding positive results; such is evidenced by improvements in the AGSA's report. However, the committee now urges management to cascade the implementation of its performance management framework to levels lower than Senior Management; as it has now been more than three years that the AGSA has been reporting such a non-compliance.

### Evaluation of annual financial statements

The audit committee has:

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

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

### Internal audit

The audit committee is not satisfied that the internal audit function is operating effectively due to being short staffed has however addressed the risks pertinent to the municipality and its audits.

## Ephraim Mogale Local Municipality

(Registration number LIM 471)

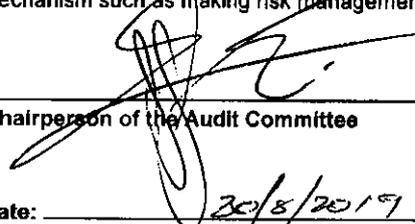
Annual Financial Statements for the year ended 30 June 2019

### Audit Committee Report

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#### Risk Management

The committee discussed risk management reports received from the municipality's risk management committee. Having considered management's strides in institutionalizing enterprise risk management in the municipality, the committee is pleased with outcomes thereof. However, management is urged to put more effort in ensuring that enterprise risk management is embedded in the municipality's operational processes all across. Such will be achieved through continuous monitoring mechanism such as making risk management a standing item in all management meetings.

  
\_\_\_\_\_  
Chairperson of the Audit Committee

Date: \_\_\_\_\_

20/8/2019

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality is engaged in provision of basic services.

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.

Net surplus of the municipality was R 32 588 638 (2018: deficit R 64 486 822).

### 2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 956 144 644 and that the municipality's total assets exceed its liabilities by R 956 265 746.

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 certain for the foreseeable medium term revenue and expenditure framework and medium term budget periods as submitted to National Treasury. The only significant of uncertainty of these is that the accounting officer has to resolve the possible outcome of the placing under administration of VBS mutual bank that may place a restriction on expansion and capital projects funded from own funds by the municipality.

### 3. Subsequent events

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

### 4. Accounting policies

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

### 5. Accounting Officer

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

| Name         | Nationality   | Changes  |
|--------------|---------------|--|
| Mathebela MM | South African | (Currently suspended from 14 December 2018)      |
| Lekola MJ    | South African | (Acting from 14 December 2018 until August 2019) |
| Sithole K    | South African | (Currently acting from September 2019)           |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

| Figures in Rand                                  | Note(s) | 2019                 | 2018<br>Restated*    |
|--|---------|----------------------|----------------------|
| <b>Assets</b>                                    |         |                      |                      |
| <b>Current Assets</b>                            |         |                      |                      |
| Inventories                                      | 11      | 37 044 535           | 754 565              |
| Receivables from exchange transactions *Restated | 5&4     | 660 366              | 557 783              |
| Receivables from non-exchange transactions       | 6&4     | 764 126              | 558 927              |
| VAT receivable                                   | 9       | 2 034 232            | -                    |
| Consumer debtors from exchange transactions      | 7       | 16 584 457           | 14 045 599           |
| Consumer debtors from non exchange transactions  | 7       | 36 228 176           | 29 602 006           |
| Cash and cash equivalents *Restated              | 3       | 107 550 221          | 68 645 417           |
|  |         | <b>200 866 113</b>   | <b>114 164 297</b>   |
| <b>Non-Current Assets</b>                        |         |                      |                      |
| Investment property                              | 12      | 60 102 001           | 87 629 001           |
| Property, plant and equipment *Restated          | 13      | 784 249 642          | 802 529 053          |
| Heritage assets                                  | 14      | 121 102              | 112 550              |
| Eskom Deposits                                   | 8       | 520 469              | 450 463              |
|  |         | <b>844 993 214</b>   | <b>890 721 067</b>   |
| <b>Total Assets</b>                              |         | <b>1 045 859 327</b> | <b>1 004 885 364</b> |
| <b>Liabilities</b>                               |         |                      |                      |
| <b>Current Liabilities</b>                       |         |                      |                      |
| Finance lease obligation                         | 17      | -                    | 235 884              |
| Payables from exchange transactions              | 15      | 37 496 364           | 31 485 186           |
| VAT payable                                      | 10      | -                    | 88 602               |
| Consumer deposits                                | 16      | 1 368 883            | 1 399 552            |
| Unspent conditional grants and receipts          | 18      | 1 178 459            | 1 801 783            |
| Provisions                                       | 19      | 285 568              | 285 568              |
|  |         | <b>40 329 274</b>    | <b>35 296 575</b>    |
| <b>Non-Current Liabilities</b>                   |         |                      |                      |
| Employee benefit obligation                      | 20      | 21 124 838           | 21 276 921           |
| Provisions                                       | 19      | 28 139 469           | 24 623 315           |
|  |         | <b>49 264 307</b>    | <b>45 900 236</b>    |
| <b>Total Liabilities</b>                         |         | <b>89 593 581</b>    | <b>81 196 811</b>    |
| <b>Net Assets</b>                                |         | <b>956 265 746</b>   | <b>923 688 553</b>   |
| <b>Reserves</b>                                  |         |                      |                      |
| Revaluation reserve                              |         | 121 102              | 112 550              |
| Accumulated surplus                              |         | 956 144 644          | 923 576 003          |
| <b>Total Net Assets</b>                          |         | <b>956 265 746</b>   | <b>923 688 553</b>   |

\* See Note 48

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

| Figures in Rand   | Note(s) | 2019                 | 2018<br>Restated*    |
|---|---------|----------------------|----------------------|
| <b>Revenue</b>  |         |                      |                      |
| <b>Revenue from exchange transactions</b>                 |         |                      |                      |
| Sale of goods   |         | 165 466              | 149 607              |
| Service charges *Restated                                 | 21      | 54 351 436           | 47 482 000           |
| Rental of facilities and equipment                        |         | 154 991              | 361 866              |
| Licences and permits *Restated                            |         | 3 270 546            | 4 106 130            |
| Other income  | 22      | 863 469              | 816 776              |
| Interest received   | 23      | 11 494 616           | 13 713 715           |
| <b>Total revenue from exchange transactions</b>           |         | <b>70 300 524</b>    | <b>66 630 094</b>    |
| <b>Revenue from non-exchange transactions</b>             |         |                      |                      |
| <b>Taxation revenue</b>                                   |         |                      |                      |
| Property rates  | 24      | 36 281 987           | 33 428 446           |
| <b>Transfer revenue and other receipts</b>                |         |                      |                      |
| Government grants & subsidies                             | 25      | 166 931 324          | 170 366 217          |
| Basic Electricity levy                                    |         | 7 118 851            | 7 031 603            |
| Fines, Penalties and Forfeits                             |         | 1 290 350            | 1 010 220            |
| <b>Total revenue from non-exchange transactions</b>       |         | <b>211 622 512</b>   | <b>211 836 486</b>   |
| <b>Total revenue</b>                                      |         | <b>281 923 036</b>   | <b>278 466 580</b>   |
| <b>Expenditure</b>  |         |                      |                      |
| Employee related costs                                    | 26      | (77 767 223)         | (74 519 632)         |
| Remuneration of councillors                               | 27      | (13 235 961)         | (13 388 894)         |
| Repairs and Maintenance                                   |         | (6 402 898)          | (5 445 836)          |
| Depreciation and amortisation *Restated                   | 28      | (51 853 311)         | (50 813 130)         |
| Impairment loss VBS Bank                                  | 50      | -                    | (83 658 548)         |
| Finance costs (Current service cost remapped to salaries) | 29      | (3 840 961)          | (3 597 669)          |
| Operating Lease Expense                                   | 49      | (1 424 845)          | (1 606 980)          |
| Debt Impairment   | 30      | (12 472 193)         | (20 840 867)         |
| Bad debts written off                                     |         | -                    | (5 785 065)          |
| Bulk purchases  | 31      | (33 900 539)         | (30 469 771)         |
| Contracted services                                       | 32      | (15 023 729)         | (14 551 505)         |
| Grants and Subsidies                                      |         | (2 909 536)          | (2 571 011)          |
| General Expenses  | 33      | (41 686 596)         | (40 023 886)         |
| <b>Total expenditure</b>                                  |         | <b>(260 517 792)</b> | <b>(347 272 794)</b> |
| <b>Operating surplus (deficit)</b>                        |         | <b>21 405 244</b>    | <b>(68 806 214)</b>  |
| Profit / (Loss) on disposal of fixed assets               |         | (1 106 390)          | (137 551)            |
| Fair value adjustments                                    | 34      | 9 343 000            | 1 094 300            |
| Actuarial gains/losses                                    | 20      | 2 926 784            | 3 362 643            |
|   |         | <b>11 163 394</b>    | <b>4 319 392</b>     |
| <b>Surplus (deficit) for the year</b>                     |         | <b>32 568 638</b>    | <b>(64 486 822)</b>  |

\* See Note 48

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

| Figures in Rand  | Revaluation reserve | Accumulated surplus | Total net assets    |
|--|---------------------|---------------------|---------------------|
| Opening balance as previously reported   | 106 798             | 1 018 640 652       | 1 018 747 450       |
| Adjustments  |                     |                     |                     |
| Correction of prior period error   | -                   | (30 577 827)        | (30 577 827)        |
| <b>Balance at 01 July 2017 as restated*</b>  | <b>106 798</b>      | <b>988 062 825</b>  | <b>988 169 623</b>  |
| Changes in net assets  |                     |                     |                     |
| Surplus for the year   | -                   | (64 486 822)        | (64 486 822)        |
| Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities | 5 752               | -                   | 5 752               |
| <b>Total changes</b>   | <b>5 752</b>        | <b>(64 486 822)</b> | <b>(64 481 070)</b> |
| Opening balance as previously reported   | 112 550             | 957 767 799         | 957 880 349         |
| Adjustments  |                     |                     |                     |
| Prior year adjustments   | -                   | (34 191 793)        | (34 191 793)        |
| <b>Balance at 01 July 2018 as restated*</b>  | <b>112 550</b>      | <b>923 576 006</b>  | <b>923 688 556</b>  |
| Changes in net assets  |                     |                     |                     |
| Surplus for the year   | -                   | 32 568 638          | 32 568 638          |
| Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities | 8 552               | -                   | 8 552               |
| <b>Total changes</b>   | <b>8 552</b>        | <b>32 568 638</b>   | <b>32 577 190</b>   |
| <b>Balance at 30 June 2019</b>   | <b>121 102</b>      | <b>956 144 644</b>  | <b>956 265 746</b>  |

\* See Note 48

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

| Figures in Rand   | Note(s) | 2019                       | 2018<br>Restated*           |
|---|---------|----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                   |         |                            |                             |
| <b>Receipts</b>   |         |                            |                             |
| Government grants and subsidies                               |         | 166 308 000                | 172 043 305                 |
| Services *Restated  |         | 78 369 655                 | 78 374 336                  |
| Interest income   |         | 11 494 616                 | 10 055 167                  |
| Other receipts  |         | 1 028 935                  | 6 983 199                   |
|   |         | <u>257 201 206</u>         | <u>267 456 007</u>          |
| <b>Payments</b>   |         |                            |                             |
| Employee costs  |         | (89 928 260)               | (86 827 195)                |
| Suppliers   |         | (94 079 313)               | (101 974 844)               |
| Finance costs   |         | (312 660)                  | (1 715 383)                 |
| Bank Adjustment   |         | -                          | (79 329)                    |
|   |         | <u>(184 320 233)</u>       | <u>(190 596 751)</u>        |
| <b>Net cash flows from operating activities</b>               | 36      | <u><b>72 880 973</b></u>   | <u><b>76 859 256</b></u>    |
| <b>Cash flows from investing activities</b>                   |         |                            |                             |
| Purchase of property, plant and equipment *restated           | 13      | (33 933 804)               | (51 204 873)                |
| Proceeds from sale of property, plant and equipment *restated | 13      | 193 515                    | -                           |
| Capital investment VBS Investment                             |         | -                          | (80 000 000)                |
| <b>Net cash flows from investing activities</b>               |         | <u><b>(33 740 289)</b></u> | <u><b>(131 204 873)</b></u> |
| <b>Cash flows from financing activities</b>                   |         |                            |                             |
| Finance lease payments  |         | (235 884)                  | (1 834 665)                 |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |         | <u><b>38 904 800</b></u>   | <u><b>(56 180 282)</b></u>  |
| Cash and cash equivalents at the beginning of the year        |         | 68 645 417                 | 124 746 340                 |
| Bank Adjustment   |         | -                          | 79 359                      |
| <b>Cash and cash equivalents at the end of the year</b>       | 3       | <u><b>107 550 217</b></u>  | <u><b>68 645 417</b></u>    |

\* See Note 48

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

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 on comparable basis | Difference between final budget and actual | Reference as per note 47 |
|---|----------------------|--------------------|----------------------|------------------------------------|--|--------------------------|
| <b>Figures in Rand</b>                              |                      |                    |                      |                                    |  |                          |
| <b>Statement of Financial Performance</b>           |                      |                    |                      |                                    |  |                          |
| <b>Revenue</b>                                      |                      |                    |                      |                                    |  |                          |
| <b>Revenue from exchange transactions</b>           |                      |                    |                      |                                    |  |                          |
| Sale of goods                                       | -                    | -                  | -                    | 165 466                            | 165 466                                    | 1                        |
| Service charges                                     | 54 232 000           | 3 800 000          | 58 032 000           | 54 351 436                         | (3 680 564)                                | 2                        |
| Rental of facilities and equipment                  | 225 000              | (70 000)           | 155 000              | 154 991                            | (9)  | 3                        |
| Licences and permits                                | 2 642 000            | -                  | 2 642 000            | 3 270 546                          | 628 546                                    | 4                        |
| Other income - (rollup)                             | 3 806 000            | (114 000)          | 3 692 000            | 863 469                            | (2 828 531)                                | 5                        |
| Interest received                                   | 15 294 000           | (4 698 000)        | 10 596 000           | 11 494 616                         | 898 616                                    | 6                        |
| <b>Total revenue from exchange transactions</b>     | <b>76 199 000</b>    | <b>(1 082 000)</b> | <b>75 117 000</b>    | <b>70 300 524</b>                  | <b>(4 816 476)</b>                         |                          |
| <b>Revenue from non-exchange transactions</b>       |                      |                    |                      |                                    |  |                          |
| <b>Taxation revenue</b>                             |                      |                    |                      |                                    |  |                          |
| Property rates                                      | 37 810 000           | (2 156 000)        | 35 654 000           | 36 281 987                         | 627 987                                    | 7                        |
| <b>Transfer revenue</b>                             |                      |                    |                      |                                    |  |                          |
| Government grants & subsidies                       | 166 308 500          | 1 802 000          | 168 110 500          | 166 931 324                        | (1 179 176)                                | 8                        |
| Levies  | -                    | -                  | -                    | 7 118 851                          | 7 118 851                                  | 9                        |
| Fines, Penalties and Forfeits                       | 96 500               | -                  | 96 500               | 1 290 350                          | 1 193 850                                  | 10                       |
| <b>Total revenue from non-exchange transactions</b> | <b>204 215 000</b>   | <b>(354 000)</b>   | <b>203 861 000</b>   | <b>211 622 512</b>                 | <b>7 761 512</b>                           |                          |
| <b>Total revenue</b>                                | <b>280 414 000</b>   | <b>(1 436 000)</b> | <b>278 978 000</b>   | <b>281 923 036</b>                 | <b>2 945 036</b>                           |                          |
| <b>Expenditure</b>                                  |                      |                    |                      |                                    |  |                          |
| Personnel   | (92 789 000)         | 1 883 000          | (90 906 000)         | (77 767 223)                       | 13 138 777                                 | 11                       |
| Remuneration of councillors                         | (13 525 000)         | -                  | (13 525 000)         | (13 235 961)                       | 289 039                                    | 12                       |
| Depreciation and amortisation                       | (47 700 000)         | -                  | (47 700 000)         | (51 853 311)                       | (4 153 311)                                | 13                       |
| Finance costs                                       | (448 000)            | -                  | (448 000)            | (3 840 961)                        | (3 392 961)                                | 14                       |
| Lease rentals on operating lease                    | -                    | -                  | -                    | (1 424 845)                        | (1 424 845)                                | 15                       |
| Debt Impairment                                     | (17 679 000)         | -                  | (17 679 000)         | (12 472 193)                       | 5 206 807                                  | 16                       |
| Repairs and maintenance                             | (12 214 000)         | -                  | (12 214 000)         | (6 402 898)                        | 5 811 102                                  | 17                       |
| Bulk purchases                                      | (34 341 000)         | (2 059 000)        | (36 400 000)         | (33 900 539)                       | 2 499 461                                  | 18                       |
| Contracted Services                                 | (12 287 500)         | (24 500)           | (12 312 000)         | (15 023 729)                       | (2 711 729)                                | 19                       |
| Transfers and Subsidies                             | (2 652 500)          | -                  | (2 652 500)          | (2 909 536)                        | (257 036)                                  | 20                       |
| General Expenses                                    | (50 627 000)         | (3 107 500)        | (53 734 500)         | (41 686 596)                       | 12 047 904                                 | 21                       |
| <b>Total expenditure</b>                            | <b>(284 263 000)</b> | <b>(3 308 000)</b> | <b>(287 571 000)</b> | <b>(260 517 792)</b>               | <b>27 053 208</b>                          |                          |
| <b>Operating surplus</b>                            | <b>(3 849 000)</b>   | <b>(4 744 000)</b> | <b>(8 593 000)</b>   | <b>21 405 244</b>                  | <b>29 998 244</b>                          |                          |
| Loss on disposal of assets and liabilities          | -                    | -                  | -                    | (1 106 390)                        | (1 106 390)                                | 23                       |
| Fair value adjustments                              | -                    | -                  | -                    | 9 343 000                          | 9 343 000                                  | 22                       |
| Actuarial gains/losses                              | -                    | -                  | -                    | 2 926 784                          | 2 926 784                                  | 23                       |
|   | -                    | -                  | -                    | 11 163 394                         | 11 163 394                                 |                          |
| <b>Surplus before taxation</b>                      | <b>(3 849 000)</b>   | <b>(6 545 000)</b> | <b>(10 394 000)</b>  | <b>32 568 638</b>                  | <b>42 962 638</b>                          |                          |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget | Adjustments        | Final Budget      | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference as<br>per note 47 |
|--|--------------------|--------------------|-------------------|--|---|-----------------------------|
| Figures in Rand  |                    |                    |                   |  |   |                             |
| <b>Actual Amount on Comparable<br/>Basis as Presented in the<br/>Budget and Actual<br/>Comparative Statement</b> | <b>28 974 000</b>  | <b>(4 743 000)</b> | <b>24 231 000</b> | <b>32 568 638</b>                        | <b>8 337 638</b>                                    |                             |
| <b>Reconciliation</b>  |                    |                    |                   |  |   |                             |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

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 on comparable basis | Difference between final budget and actual | Reference as per note 47 |
|--|----------------------|-------------|----------------------|------------------------------------|--|--------------------------|
| <b>Figures in Rand</b>   |                      |             |                      |                                    |  |                          |
| <b>Statement of Financial Position</b>                         |                      |             |                      |                                    |  |                          |
| <b>Assets</b>  |                      |             |                      |                                    |  |                          |
| <b>Current Assets</b>  |                      |             |                      |                                    |  |                          |
| Inventories  | 820 000              | -           | 820 000              | 37 044 535                         | 36 224 535                                 | 24                       |
| Other financial assets   | -                    | -           | -                    | 660 366                            | 660 366                                    | 24                       |
| Receivables from non-exchange transactions                     | -                    | -           | -                    | 764 126                            | 764 126                                    | 24                       |
| VAT receivable   | -                    | -           | -                    | 37 849 532                         | 37 849 532                                 | 24                       |
| Consumer debtors   | 31 600 000           | -           | 31 600 000           | 52 812 633                         | 21 212 633                                 | 24                       |
| Eskom Deposits   | -                    | -           | -                    | 520 469                            | 520 469                                    | 24                       |
| Cash and cash equivalents                                      | 124 314 000          | -           | 124 314 000          | 107 550 221                        | (16 763 779)                               | 24                       |
| *Restated  |                      |             |                      |                                    |  |                          |
|  | <b>156 734 000</b>   | <b>-</b>    | <b>156 734 000</b>   | <b>237 201 882</b>                 | <b>80 467 882</b>                          |                          |
| <b>Non-Current Assets</b>                                      |                      |             |                      |                                    |  |                          |
| Investment property  | 89 000 000           | -           | 89 000 000           | 60 102 001                         | (28 897 999)                               | 24                       |
| Property, plant and equipment                                  | 840 000 000          | -           | 840 000 000          | 784 249 642                        | (55 750 358)                               | 24                       |
| *Restated  |                      |             |                      |                                    |  |                          |
| Heritage assets  | -                    | -           | -                    | 121 102                            | 121 102                                    | 24                       |
|  | <b>929 000 000</b>   | <b>-</b>    | <b>929 000 000</b>   | <b>844 472 745</b>                 | <b>(84 527 255)</b>                        |                          |
| <b>Total Assets</b>  | <b>1 085 734 000</b> | <b>-</b>    | <b>1 085 734 000</b> | <b>1 081 674 627</b>               | <b>(4 059 373)</b>                         |                          |
| <b>Liabilities</b>   |                      |             |                      |                                    |  |                          |
| <b>Current Liabilities</b>                                     |                      |             |                      |                                    |  |                          |
| Payables from exchange transactions                            | 39 000 000           | -           | 39 000 000           | 37 496 364                         | (1 503 636)                                | 25                       |
| VAT payable  | -                    | -           | -                    | 35 815 300                         | 35 815 300                                 |                          |
| Consumer deposits  | -                    | -           | -                    | 1 368 883                          | 1 368 883                                  | 25                       |
| Unspent conditional grants and receipts                        | 1 200 000            | -           | 1 200 000            | 1 178 459                          | (21 541)                                   | 25                       |
| Provisions   | -                    | -           | -                    | 285 568                            | 285 568                                    | 25                       |
|  | <b>40 200 000</b>    | <b>-</b>    | <b>40 200 000</b>    | <b>76 144 574</b>                  | <b>35 944 574</b>                          |                          |
| <b>Non-Current Liabilities</b>                                 |                      |             |                      |                                    |  |                          |
| Employee benefit obligation                                    | 201 000              | -           | 201 000              | 21 124 838                         | 20 923 838                                 | 25                       |
| Provisions   | 30 000 000           | -           | 30 000 000           | 28 139 469                         | (1 860 531)                                | 25                       |
|  | <b>30 201 000</b>    | <b>-</b>    | <b>30 201 000</b>    | <b>49 264 307</b>                  | <b>19 063 307</b>                          |                          |
| <b>Total Liabilities</b>                                       | <b>70 401 000</b>    | <b>-</b>    | <b>70 401 000</b>    | <b>125 408 881</b>                 | <b>55 007 881</b>                          |                          |
| <b>Net Assets</b>  | <b>1 015 333 000</b> | <b>-</b>    | <b>1 015 333 000</b> | <b>956 265 746</b>                 | <b>(59 067 254)</b>                        |                          |
| <b>Net Assets</b>  |                      |             |                      |                                    |  |                          |
| <b>Net Assets Attributable to Owners of Controlling Entity</b> |                      |             |                      |                                    |  |                          |
| <b>Reserves</b>  |                      |             |                      |                                    |  |                          |
| Revaluation reserve  | -                    | (1 000 000) | (1 000 000)          | 121 102                            | 1 121 102                                  | 26                       |
| Rounding amount  | -                    | -           | -                    | (11)                               | (11)                                       |                          |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

|                         | Approved<br>budget   | Adjustments | Final Budget           | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference as<br>per note 47 |
|-------------------------|----------------------|-------------|------------------------|--|---|-----------------------------|
| Figures in Rand         |                      |             |                        |  |   |                             |
| Accumulated surplus     | 1 015 333 000        | 1 000 000   | 1 016 333 000          | 956 144 655                              | (60 188 345)  | 26                          |
| <b>Total Net Assets</b> | <b>1 015 333 000</b> |             | <b>- 1 015 333 000</b> | <b>956 265 746</b>                       | <b>(59 067 254)</b>                                 |                             |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

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 on comparable basis | Difference between final budget and actual | Reference as per note 47 |
|---|----------------------|-------------|----------------------|------------------------------------|--|--------------------------|
| <b>Figures in Rand</b>                          |                      |             |                      |                                    |  |                          |
| <b>Cash Flow Statement</b>                      |                      |             |                      |                                    |  |                          |
| <b>Cash flows from operating activities</b>     |                      |             |                      |                                    |  |                          |
| <b>Receipts</b>                                 |                      |             |                      |                                    |  |                          |
| Receipt from goods, services, rates and fines   | 73 634 000           | -           | 73 634 000           | 78 162 958                         | 4 528 958                                  | 27                       |
| Grants  | 166 308 000          | -           | 166 308 000          | 172 043 305                        | 5 735 305                                  | 27                       |
| Interest income                                 | 15 294 000           | -           | 15 294 000           | -                                  | (15 294 000)                               | 27                       |
| Other income                                    | 6 789 000            | -           | 6 769 000            | 6 983 199                          | 214 199                                    | 27                       |
|   | <b>262 005 000</b>   | <b>-</b>    | <b>262 005 000</b>   | <b>257 189 462</b>                 | <b>(4 815 538)</b>                         |                          |
| <b>Payments</b>                                 |                      |             |                      |                                    |  |                          |
| Employee costs                                  | (106 313 000)        | 1 883 000   | (104 430 000)        | (86 741 036)                       | 17 688 964                                 | 27                       |
| Suppliers                                       | (111 378 000)        | (1 883 000) | (113 261 000)        | (103 622 920)                      | 9 638 080                                  | 27                       |
| Other payments                                  | -                    | -           | -                    | (1 715 383)                        | (1 715 383)                                | 27                       |
|   | <b>(217 691 000)</b> | <b>-</b>    | <b>(217 691 000)</b> | <b>(192 079 339)</b>               | <b>25 611 661</b>                          |                          |
| <b>Net cash flows from operating activities</b> | <b>44 314 000</b>    | <b>-</b>    | <b>44 314 000</b>    | <b>65 110 123</b>                  | <b>20 796 123</b>                          |                          |

## Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

|   | Approved<br>budget | Adjustments | Final Budget | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference as<br>per note 47 |
|---|--------------------|-------------|--------------|--|---|-----------------------------|
| <b>Figures in Rand</b>                                    |                    |             |              |  |   |                             |
| <b>Cash flows from investing activities</b>               |                    |             |              |  |   |                             |
| Capital Assets  | (44 654 000)       | -           | (44 654 000) | -  | 44 654 000  | 28                          |
| <b>Cash flows from financing activities</b>               |                    |             |              |  |   |                             |
| Repayment of borrowing                                    | (1 535 000)        | -           | (1 535 000)  | -  | 1 535 000   | 29                          |
| Net increase/(decrease) in cash<br>and cash equivalents   | (1 875 000)        | -           | (1 875 000)  | 65 110 123                               | 66 985 123  |                             |
| Cash and cash equivalents at<br>the beginning of the year | 124 746 000        | -           | 124 746 000  | -  | (124 746 000)                                       | 30                          |
| Cash and cash equivalents at<br>the end of the year       | 122 871 000        | -           | 122 871 000  | 65 110 123                               | (57 760 877)  |                             |
| <b>Reconciliation</b>                                     |                    |             |              |  |   |                             |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

#### 1.1 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.

#### 1.2 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:

##### Receivables

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

The impairment for 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 assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

##### Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

# **Ephraim Mogale Local Municipality**

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

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

Goodwill is tested on an annual basis for impairment.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - 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**

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 20.

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

#### Effective interest rate

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

#### 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.

### 1.3 Investment property

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

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

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

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

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

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

#### Fair value

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

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

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

The 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.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Managements' intended usage of the property; and
- the extent to which it is owner occupied.

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 refer note 28.

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Property, plant and equipment \*Restated

Property, plant and equipment \*Restated 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 \*restated 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 \*Restated are initially measured at cost.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment \*restated 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 \*restated, 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 \*restated, 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 \*restated 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 spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment \*Restated is depreciated over the expected useful lives to the estimated residual value. The depreciation charge for each period is recognised in surplus or deficit. Small assets with cost or deemed cost of less than R1000 will not be subject to perpetual restatement of useful life. Management indicated that due to the nature of these items like chairs and dustbins, once the initial depreciation period has passed it will be deemed to be fully used and any further use to be incidental by nature and that asset values should not be attached to these high risk incidental benefits.

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

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

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| Item      | Depreciation method | Average useful life |
|-----------|---------------------|---------------------|
| Buildings | Straight line       | 20-30 years         |

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# Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Property, plant and equipment \*Restated (continued)

|                       |               |              |
|-----------------------|---------------|--------------|
| Community assets      | Straight line | 5-25 years   |
| Infrastructure assets | Straight line | 2-100 years  |
| IT equipment          | Straight line | 3-10 years   |
| Land                  | Straight line | Indefinite   |
| Landfill site         | Straight line | 2-100 years  |
| Community Assets      | Straight line | 10-100 years |
| Motor vehicle         | Straight line | 5 years      |
| Office equipment      | Straight line | 4-7 years    |
| Plant and machinery   | Straight line | 10-100 years |
| Leased assets         | Straight line | 3-10 years   |

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 \*restated 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 \*restated 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 \*restated 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 \*restated in the notes to the financial statements refer note 32.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements refer note 12.

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

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment \*restated. Such obligations are referred to as 'decommissioning, rehabilitation and similar liabilities'. The cost of an item of property, plant and equipment \*restated 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.

### 1.6 Heritage assets

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

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

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.6 Heritage assets (continued)

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 14 - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement after recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at a date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements refer note 28.

### 1.7 Impairment of cash-generating assets

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating asset are as follows:  
The extent to which the asset is used for service delivery.

#### Identification

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

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

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

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

#### 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:

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

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

#### 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.

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating asset are as follows: The extent to which the asset is used for service delivery.

#### Identification

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

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

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### 1.8 Impairment of non-cash-generating assets (continued)

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

#### Reversal of an impairment loss

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

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

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

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

#### 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.

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### 1.9 Financial Instruments

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

#### Classification

| <b>Class</b>   | <b>Category</b>                            |
|--|--|
| Cash and cash equivalents *Restated                        | Financial asset measured at amortised cost |
| Trade and other receivables from exchange transactions     | Financial asset measured at amortised cost |
| Trade and other receivables from non exchange transactions | 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:

| <b>Class</b>                        | <b>Category</b>                                |
|-------------------------------------|--|
| Finance lease obligation            | Financial liability measured at amortised cost |
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits                   | Financial liability measured at fair value     |
| Unspent conditional grants          | Financial liability measured at fair value     |

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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### 1.9 Financial Instruments (continued)

#### 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.

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the 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.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

#### Financial assets measured at amortised cost:

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

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### 1.9 Financial Instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

#### Financial liabilities

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

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

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

### 1.10 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:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- 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.

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### 1.10 Statutory receivables (continued)

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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:

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

#### Accrued interest

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:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- 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:

- the rights to the cash flows from the receivable are settled, expire or are waived;

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### 1.10 Statutory receivables (continued)

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- 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 unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - 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.

### 1.11 Inventories

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

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

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### Inventory - unsold property held for sale

Unsold properties that was approved for sale by the Council is held as inventory. The properties previously held as investment property at market value is transferred in terms of GRAP 16 and GRAP 12 at market value as the deemed cost of the individual properties. The market value is then considered to be the deemed cost are then considered as the carrying value of the item from the date transferred to unsold properties held for sale. 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.

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### **1.11 Inventories (continued)**

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 occur

### **1.12 Value-added Tax (VAT)**

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

### **1.13 Employee benefits**

#### **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:

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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
- 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 estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

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

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### 1.13 Employee benefits (continued)

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

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the 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
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

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

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

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

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

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

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

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost.

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

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

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### 1.13 Employee benefits (continued)

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine is the present value of the obligations.

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

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

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately.

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### 1.13 Employee benefits (continued)

#### Termination benefits

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

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

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

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

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

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

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

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

# Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

Where the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

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.

### 1.15 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.

### 1.16 Accounting by principals and agents

#### Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

The assessment of whether the municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the municipality re-assesses whether it act as a principal or an agent.

#### Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

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## Accounting Policies

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### 1.16 Accounting by principals and agents (continued)

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.17 Revenue from exchange transactions

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

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

#### Interest and dividends

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

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

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

# **Ephraim Mogale Local Municipality**

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## **Accounting Policies**

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### **1.18 Revenue from non-exchange transactions**

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.

#### **Recognition**

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

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

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

#### **Measurement**

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

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

#### **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.

#### **Transfers**

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

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

# **Ephraim Mogale Local Municipality**

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## **Accounting Policies**

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### **1.18 Revenue from non-exchange transactions (continued)**

#### **Debt forgiveness and assumption of liabilities**

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### **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 disclose the nature and type of services in-kind received during the reporting period.

#### **Concessionary loans received**

A concessionary loan is a loan granted to or received by the property, plant and equipment \*restated on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### **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.

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## Accounting Policies

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### 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.

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 municipality's incremental borrowing rate.

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

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

#### Operating leases - lessor

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

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.

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

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

### 1.22 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.23 Comparative figures

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassifications have no impact on the net asset value of the municipality

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 47.

# Ephraim Mogale Local Municipality

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## Accounting Policies

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### 1.24 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:

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

### 1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

### 1.27 Irregular expenditure

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

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

### 1.28 Budget Information

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

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

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

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

### 1.29 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.

# **Ephraim Mogale Local Municipality**

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## **Accounting Policies**

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### **1.29 Related parties (continued)**

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

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

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

### **1.30 Events after reporting date**

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

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

The municipality 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.

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## Notes to the Annual Financial Statements

Figures in Rand 2019      2018 Restated

### 2. New standards and interpretations

#### 2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or<br>after | Expected impact:                   |
|--|---|------------------------------------|
| • GRAP 104 (amended): Financial Instruments                                      | 01 April 2009                                     | The impact of the is not material. |
| • Guideline: Guideline on Accounting for Landfill Sites                          | 01 April 2009                                     | The impact of the is not material. |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | 01 April 2009                                     | The impact of the is not material. |

#### 2.2 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:

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or<br>after | Expected impact:                         |
|--|---|--|
| • GRAP 34: Separate Financial Statements   | 01 April 2020                                     | Unlikely there will be a material impact |
| • GRAP 35: Consolidated Financial Statements   | 01 April 2020                                     | Unlikely there will be a material impact |
| • GRAP 36: Investments in Associates and Joint Ventures  | 01 April 2020                                     | Unlikely there will be a material impact |
| • GRAP 37: Joint Arrangements  | 01 April 2020                                     | Unlikely there will be a material impact |
| • GRAP 38: Disclosure of Interests in Other Entities   | 01 April 2020                                     | Unlikely there will be a material impact |
| • GRAP 110 (as amended 2016): Living and Non-living Resources  | 01 April 2020                                     | Unlikely there will be a material impact |
| • Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges | 01 April 2019                                     | Unlikely there will be a material impact |
| • Directive 7 (revised): The Application of Deemed Cost  | 01 April 2019                                     | Unlikely there will be a material impact |
| • GRAP 18 (as amended 2016): Segment Reporting   | 01 April 2019                                     | Unlikely there will be a material impact |
| • GRAP 32: Service Concession Arrangements: Grantor  | 01 April 2019                                     | Unlikely there will be a material impact |
| • GRAP 108: Statutory Receivables  | 01 April 2019                                     | Unlikely there will be a material impact |
| • IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset                 | 01 April 2019                                     | Unlikely there will be a material impact |
| • IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land                                      | 01 April 2019                                     | Unlikely there will be a material impact |

### 3. Cash and cash equivalents \*Restated

Cash and cash equivalents consist of:

|               |                    |                   |
|---------------|--------------------|-------------------|
| Cash on hand  | 5 020              | 5 000             |
| Bank balances | 107 545 201        | 68 640 417        |
|               | <b>107 550 221</b> | <b>68 645 417</b> |

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 3. Cash and cash equivalents \*Restated (continued)

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

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

During the financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 83 658 548. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R 83 658 548 since there are no future cash flow expected from the VBS Mutual bank. The letter issued by the curator on the 11<sup>th</sup> March 2018 stated that the bank will cease to accrue further interest as at the date it has been placed under curatorship. As such the R83 658 548 has been determined using a straight line method to accrue interest since end of February and 11 March 2018.

The municipality did not receive any confirmation from the curator and it was confirmed that the investment should be fully impaired for the financial year ending 30 June 2019.

#### Credit rating

AAA

107 412 800 68 643 774

#### 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       |
| First National Bank - Cheque account | 107 412 800             | 68 643 774        | 16 840 104         | 107 550 135        | 68 645 367        | 16 259 934         |
| First National Bank - Cheque account | -                       | -                 | -                  | 107                | 107               | 107                |
| ABSA Bank account                    | -                       | -                 | 81 257 084         | (5 060)            | (5 060)           | 82 971 462         |
| Nedbank Call Account                 | -                       | -                 | 25 509 837         | -                  | -                 | 25 509 837         |
| Cash on hand                         | 2 338                   | 6 200             | -                  | 5 020              | 5 000             | 5 000              |
| <b>Total</b>                         | <b>107 415 138</b>      | <b>68 649 974</b> | <b>123 607 025</b> | <b>107 550 202</b> | <b>68 645 414</b> | <b>124 746 340</b> |

### 4. Receivables

#### Gross balances

Receivables- other  
Fines

660 366 557 783

6 223 361 5 019 711

**6 883 727 5 577 494**

#### Less: Allowance for impairment

Fines

(5 459 235) (4 460 784)

#### Net balance

Receivables- other  
Fines

660 366 557 783

764 126 558 927

**1 424 492 1 116 710**

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

| Figures in Rand   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>4. Receivables (continued)</b>                                     |                     |                     |
| <b>Fines</b>  |                     |                     |
| Current (0 -30 days)  | 97 000              | 57 000              |
| 31 - 60 days  | 13 100              | 58 000              |
| 61 - 90 days  | 132 950             | 59 750              |
| 91 - 120 and over days  | 5 980 311           | 4 844 961           |
| Less : Impairment of fines  | (5 459 235)         | (4 460 784)         |
|   | <b>764 126</b>      | <b>558 927</b>      |
| <b>Other (specify)</b>  |                     |                     |
| Current (0 -30 days)  | 102 583             | -                   |
| > 365 days  | 557 783             | 557 783             |
|   | <b>660 366</b>      | <b>557 783</b>      |
| <b>Reconciliation of allowance for impairment</b>                     |                     |                     |
| Balance at beginning of the year                                      | (4 460 784)         | (3 390 780)         |
| Contributions to allowance  | (998 451)           | (1 070 004)         |
|   | <b>(5 459 235)</b>  | <b>(4 460 784)</b>  |
| <b>5. Receivables from exchange transactions *Restated</b>            |                     |                     |
| Operational and Sundry debtors  | 660 366             | 557 783             |
| <b>Receivables from exchange transactions pledged as security</b>     |                     |                     |
| None of the receivables were pledged as a security.                   |                     |                     |
| <b>6. Receivables from non-exchange transactions</b>                  |                     |                     |
| Fines   | 764 126             | 558 927             |
| <b>Receivables from non-exchange transactions pledged as security</b> |                     |                     |
| None of the receivables were pledged as security.                     |                     |                     |
| <b>7. Consumer debtors</b>  |                     |                     |
| <b>Gross balances</b>   |                     |                     |
| Rates   | 74 230 113          | 61 544 932          |
| Electricity   | 7 963 104           | 6 869 860           |
| Refuse  | 3 784 052           | 3 194 415           |
| Basic electricity - Non Exchange                                      | 4 714 938           | 4 084 552           |
| Other (specify)   | 27 729 843          | 22 089 321          |
|   | <b>118 421 850</b>  | <b>97 783 080</b>   |
| <b>Less: Allowance for impairment</b>                                 |                     |                     |
| Rates   | (40 186 115)        | (33 847 190)        |
| Electricity   | (3 916 441)         | (3 427 668)         |
| Refuse  | (2 576 707)         | (2 119 230)         |
| Basic electricity - Non Exchange                                      | (2 530 760)         | (2 180 289)         |
| Other (specify)   | (16 399 194)        | (12 561 098)        |
|   | <b>(65 609 217)</b> | <b>(54 135 475)</b> |

# Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

| Figures in Rand  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>7. Consumer debtors (continued)</b>   |                   |                   |
| <b>Net balance</b>   |                   |                   |
| Rates  | 34 043 998        | 27 697 742        |
| Electricity  | 4 046 663         | 3 442 192         |
| Refuse   | 1 207 345         | 1 075 185         |
| Basic electricity - Non Exchange   | 2 184 178         | 1 904 263         |
| Other  | 11 330 449        | 9 528 223         |
|  | <b>52 812 633</b> | <b>43 647 605</b> |
| <b>Included in above is receivables from exchange transactions</b>                           |                   |                   |
| Electricity  | 4 046 663         | 3 442 192         |
| Refuse   | 1 207 345         | 1 075 185         |
| Other  | 11 330 449        | 9 528 222         |
|  | <b>16 584 457</b> | <b>14 045 599</b> |
| <b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b> |                   |                   |
| Rates  | 34 043 998        | 27 697 742        |
| Basic electricity - non exchange   | 2 184 178         | 1 904 263         |
|  | <b>36 228 176</b> | <b>29 602 005</b> |
| <b>Net balance</b>   | <b>52 812 633</b> | <b>43 647 604</b> |
| <b>Rates</b>   |                   |                   |
| Current (0 -30 days)   | 2 841 704         | 8 021 364         |
| 31 - 60 days   | 1 444 761         | 1 380 427         |
| 61 - 90 days   | 1 417 124         | 1 302 084         |
| 91 - 365 days and more than one year   | 68 526 524        | 52 223 305        |
| Less : Allowance for impairment  | (40 186 115)      | (33 847 190)      |
| Rates correction 2018 overbilled   | -                 | (1 382 248)       |
|  | <b>34 043 998</b> | <b>27 697 742</b> |
| <b>Electricity</b>   |                   |                   |
| Current (0 -30 days)   | 3 382 271         | 3 235 252         |
| 31 - 60 days   | 1 344 198         | 217 994           |
| 61 - 90 days   | 77 262            | 164 838           |
| 91 - 365 days and more than one year   | 3 159 372         | 3 251 775         |
| Less : Allowance for impairment  | (3 916 440)       | (3 427 667)       |
|  | <b>4 046 663</b>  | <b>3 442 192</b>  |
| <b>Refuse</b>  |                   |                   |
| Current (0 -30 days)   | 314 830           | 271 487           |
| 31 - 60 days   | 101 625           | 111 962           |
| 61 - 90 days   | 94 554            | 99 244            |
| 91 - 365 days and more than one year   | 3 273 044         | 2 711 723         |
| Less : Allowance for impairment  | (2 576 708)       | (2 119 231)       |
|  | <b>1 207 345</b>  | <b>1 075 185</b>  |

**Notes to the Annual Financial Statements**

| Figures in Rand                         | 2019              | 2018             |
|---|-------------------|------------------|
| <b>7. Consumer debtors (continued)</b>  |                   |                  |
| <b>Basic electricity - non exchange</b> |                   |                  |
| Current (0 -30 days)                    | 569 042           | 601 300          |
| 31 - 60 days                            | 143 768           | 173 331          |
| 61 - 90 days                            | 130 963           | 128 269          |
| 91 - 365 days and more than one year    | 3 871 165         | 3 181 652        |
| Less : Allowance for impairment         | (2 530 780)       | (2 180 289)      |
|   | <b>2 184 178</b>  | <b>1 904 263</b> |
| <b>Other (specify)</b>                  |                   |                  |
| Current (0 -30 days)                    | 1 332 781         | 2 407 614        |
| 31 - 60 days                            | 900 200           | 582 454          |
| 61 - 90 days                            | 688 066           | 558 047          |
| 91 - 365 days and more than one year    | 24 808 595        | 18 541 205       |
| Less : Allowance for impairment         | (16 399 193)      | (12 561 097)     |
|   | <b>11 330 449</b> | <b>9 528 223</b> |



**Ephraim Mogale Local Municipality**  
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# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

| Figures in Rand                                      | 2019                | 2018                |
|--|---------------------|---------------------|
| <b>7. Consumer debtors (continued)</b>               |                     |                     |
| <b>Summary of debtors by customer classification</b> |                     |                     |
| <b>Consumers</b>                                     |                     |                     |
| Current (0 -30 days)                                 | 2 371 653           | 8 349 851           |
| 31 - 60 days   | 2 228 411           | 755 480             |
| 61 - 90 days   | 750 080             | 684 635             |
| 91 - 365 days and more than one year                 | 35 588 298          | 23 812 893          |
|  | <b>40 938 442</b>   | <b>33 602 859</b>   |
| Less: Allowance for impairment                       | (20 451 183)        | (15 935 863)        |
|  | <b>20 487 259</b>   | <b>17 666 996</b>   |
| <b>Industrial/ commercial</b>                        |                     |                     |
| Current (0 -30 days)                                 | 6 039 519           | 6 092 375           |
| 31 - 60 days   | 1 698 786           | 1 652 007           |
| 61 - 90 days   | 1 652 882           | 1 507 043           |
| 91 - 365 days and more than one year                 | 67 794 784          | 55 242 112          |
| Rates correction 2018 overbilled                     | -                   | (1 382 248)         |
|  | <b>77 185 951</b>   | <b>63 111 289</b>   |
| Less: Allowance for impairment                       | (45 006 055)        | (37 657 854)        |
|  | <b>32 179 896</b>   | <b>25 453 435</b>   |
| <b>National and provincial government</b>            |                     |                     |
| Current (0 -30 days)                                 | 29 455              | 94 791              |
| 31 - 60 days   | 7 374               | 60 681              |
| 61 - 90 days   | 5 007               | 80 803              |
| 91 - 120 days  | 297 455             | 854 655             |
|  | <b>339 291</b>      | <b>1 070 930</b>    |
| Less: Allowance for impairment                       | (151 980)           | (541 758)           |
|  | <b>187 311</b>      | <b>529 172</b>      |
| <b>Total</b>   |                     |                     |
| Current (0 -30 days)                                 | 8 440 627           | 14 537 017          |
| 31 - 60 days   | 3 934 551           | 2 466 168           |
| 61 - 90 days   | 2 407 971           | 2 252 481           |
| 91 - 120 days  | 103 638 702         | 79 909 662          |
| Rates correction 2018 overbilled                     | -                   | (1 382 248)         |
|  | <b>118 421 851</b>  | <b>97 783 080</b>   |
| Less: Allowance for impairment                       | (65 609 218)        | (54 135 475)        |
|  | <b>52 812 633</b>   | <b>43 647 605</b>   |
| <b>Less: Allowance for impairment</b>                |                     |                     |
| Total  | (65 609 217)        | (54 135 475)        |
| <b>Reconciliation of allowance for impairment</b>    |                     |                     |
| Balance at beginning of the year                     | (54 135 475)        | (34 364 613)        |
| Contributions to allowance                           | (11 473 742)        | (19 770 862)        |
|  | <b>(65 609 217)</b> | <b>(54 135 475)</b> |
| <b>8. Eskom Deposits</b>                             |                     |                     |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

| Figures in Rand                      | 2019    | 2018    |
|--------------------------------------|---------|---------|
| <b>8. Eskom Deposits (continued)</b> |         |         |
| Eskom Deposit                        | 520 469 | 450 463 |

A security deposit of 2018/2019 R 520 469 (2017/2018: R 450 463) is held by Eskom who is the bulk electricity supplier of the municipality. Eskom pays interest on the security deposit annually and it is held as a security for payment of the Eskom accounts of the municipality.

### 9. VAT

The Municipality is registered on the Cash basis for Value Added Tax.

### 10. VAT receivable and payable

|                  |                 |
|------------------|-----------------|
| <b>2 034 232</b> | <b>(88 602)</b> |
|------------------|-----------------|

### 11. Inventories

|                                   |                   |                |
|-----------------------------------|-------------------|----------------|
| Consumables                       | 1 114 535         | 754 565        |
| Unsold Properties Held for Resale | 35 930 000        | -              |
|                                   | <b>37 044 535</b> | <b>754 565</b> |

Inventory classification Consumables are held in stock for use in the municipalities day to day operations. This is then drawn from the account on an as need basis. Unsold Properties Held for Resale is unsold stands are held in inventory as the Council resolved to sell stands in Extension 6. These stands are available for sale and due processes are being put in place for the sale thereof. These stands were transferred from investment properties during the 2018/2019 financial year..

### 12. Investment property

|                          | 2019             |   |                | 2018             |   |                |
|--------------------------|------------------|---|----------------|------------------|---|----------------|
|                          | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property land | 60 102 001       | -   | 60 102 001     | 87 629 001       | -   | 87 629 001     |

#### Reconciliation of investment property - 2019

|                          | Opening balance | Disposals | Transfers    | Fair value adjustments | Total      |
|--------------------------|-----------------|-----------|--------------|------------------------|------------|
| Investment property land | 87 629 001      | (940 000) | (35 930 000) | 9 343 000              | 60 102 001 |

#### Reconciliation of investment property - 2018

|                          | Opening balance | Disposals   | Fair value adjustments | Total      |
|--------------------------|-----------------|-------------|------------------------|------------|
| Investment property land | 87 699 701      | (1 165 000) | 1 094 300              | 87 629 001 |

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

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### 12. Investment property (continued)

#### Pledged as security

None of the investment property has been pledged as security.

There are no restrictions on the realisability of investment property or the remittance of the revenue and proceeds of disposal. The municipality does not have any contractual obligation to purchase, construct or develop investment property or for repair, maintenance or enhancement as at the end of the period under review. 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.

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

#### Details of valuation

The effective date of the revaluations was Sunday, 30 June 2019. Valuations were performed by an independent valuer, Manna Holdings (Pty) Ltd, that are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on the land and improvement value methodology, referring to the costing approach i.e. the replacement value less provisional depreciation for improvements plus land value. Both the land and building costing were based on comparable data and statistical analyses.

Amounts recognised in surplus and deficit for the year.

# Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment \*Restated

|                     | 2019                 |   | 2018               |                      |   |                    |
|---------------------|----------------------|---|--------------------|----------------------|---|--------------------|
|                     | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     | Cost /<br>Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     |
| Land                | 5 975 219            | -   | 5 975 219          | 5 975 219            | -   | 5 975 219          |
| Buildings           | 38 494 655           | (11 852 319)  | 26 642 336         | 38 332 308           | (10 575 255)  | 27 757 053         |
| Plant and machinery | 28 009 385           | (12 665 545)  | 15 343 840         | 26 914 260           | (10 612 113)  | 16 302 147         |
| Motor vehicles      | 9 160 867            | (4 149 282)   | 5 011 585          | 9 623 748            | (3 297 487)   | 6 326 261          |
| Office equipment    | 6 473 939            | (3 347 279)   | 3 126 660          | 5 826 541            | (2 953 670)   | 2 872 871          |
| IT equipment        | 2 948 340            | (1 393 233)   | 1 555 107          | 2 750 654            | (1 147 886)   | 1 602 768          |
| Infrastructure      | 1 023 709 900        | (376 572 435)   | 647 137 465        | 1 004 078 583        | (331 426 933)   | 672 651 650        |
| Community           | 27 054 739           | (5 281 247)   | 21 773 492         | 26 311 587           | (4 361 979)   | 21 949 608         |
| Work in progress    | 55 766 359           | -   | 55 766 359         | 44 697 623           | -   | 44 697 623         |
| Leased assets       | 8 112 668            | (6 195 089)   | 1 917 579          | 8 112 668            | (5 718 815)   | 2 393 853          |
| <b>Total</b>        | <b>1 205 706 071</b> | <b>(421 456 429)</b>  | <b>784 249 642</b> | <b>1 172 623 191</b> | <b>(370 094 138)</b>  | <b>802 529 053</b> |

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment \*Restated (continued)

#### Reconciliation of property, plant and equipment \*restated - 2019

|                     | Opening balance    | Additions         | Costs on Disposals | Transfers received | Other changes, movements - including accumulated depreciation on disposal | Depreciation        | Total              |
|---------------------|--------------------|-------------------|--------------------|--------------------|---|---------------------|--------------------|
| Land                | 5 975 219          | -                 | -                  | -                  | -   | -                   | 5 975 219          |
| Buildings           | 27 757 053         | 169 344           | (6 998)            | -                  | 2 800   | (1 279 863)         | 26 642 336         |
| Plant and machinery | 16 302 147         | 1 312 842         | (217 718)          | -                  | 70 974  | (2 124 405)         | 15 343 840         |
| Motor vehicles      | 6 326 261          | -                 | (462 881)          | -                  | 284 228   | (1 136 023)         | 5 011 585          |
| Office equipment    | 2 872 871          | 721 501           | (74 104)           | -                  | 73 563  | (467 171)           | 3 126 660          |
| IT equipment        | 1 602 768          | 286 912           | (89 226)           | -                  | 59 458  | (304 805)           | 1 555 107          |
| Infrastructure      | 672 651 650        | 585 863           | -                  | 19 065 454         | -   | (45 145 502)        | 647 137 465        |
| Community           | 21 949 608         | 743 152           | -                  | -                  | -   | (919 268)           | 21 773 492         |
| Work in progress    | 44 697 623         | 30 134 190        | -                  | (19 065 454)       | -   | -                   | 55 766 359         |
| Leased assets       | 2 393 853          | -                 | -                  | -                  | -   | (476 274)           | 1 917 579          |
|                     | <b>802 529 053</b> | <b>33 933 804</b> | <b>(850 927)</b>   | <b>-</b>           | <b>491 023</b>  | <b>(51 853 311)</b> | <b>784 249 642</b> |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)  
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## Notes to the Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment \*Restated (continued)

#### Reconciliation of property, plant and equipment \*restated - 2018

|                     | Opening balance    | Additions         | Costs on Disposals | Transfers received | Accumulated depreciation - Restatements | Other changes, including movements - accumulated depreciation on disposal | Depreciation        | Total              |
|---------------------|--------------------|-------------------|--------------------|--------------------|---|---|---------------------|--------------------|
| Land                | 5 975 219          | -                 | -                  | -                  | -                                       | -   | -                   | 5 975 219          |
| Buildings           | 28 347 738         | 270 800           | -                  | -                  | 409 600                                 | -   | (1 271 085)         | 27 757 053         |
| Plant and machinery | 16 150 721         | 1 450 040         | (2 440 902)        | -                  | 1 054 914                               | 2 094 236   | (2 006 862)         | 16 302 147         |
| Motor Vehicles      | 4 728 038          | 977 077           | -                  | -                  | 1 574 603                               | -   | (953 457)           | 6 326 261          |
| Office equipment    | 2 039 839          | 149 170           | (463 567)          | -                  | 1 252 554                               | 352 516   | (457 641)           | 2 872 871          |
| IT equipment        | 1 454 410          | 447 505           | (293 980)          | -                  | 71 754                                  | 174 350   | (251 271)           | 1 602 768          |
| Infrastructure      | 691 025 069        | 2 525 457         | (160 199)          | 58 885 206         | (35 872 329)                            | 53 899  | (43 805 443)        | 672 651 650        |
| Community           | 21 868 242         | 649 293           | -                  | 233 560            | 90 351                                  | -   | (891 838)           | 21 949 808         |
| Work in progress    | 59 080 858         | 44 735 531        | -                  | (59 118 766)       | -                                       | -   | -                   | 44 697 623         |
| Leased assets       | 3 569 387          | -                 | -                  | -                  | -                                       | -   | (1 175 534)         | 2 393 853          |
| <b>Total</b>        | <b>834 239 521</b> | <b>51 204 873</b> | <b>(3 358 648)</b> | <b>-</b>           | <b>(31 418 553)</b>                     | <b>2 674 991</b>  | <b>(50 813 131)</b> | <b>802 529 053</b> |

Pledged as security

Carrying value of assets pledged as security : None

Assets subject to finance lease (Net carrying amount)

|                              |                  |
|------------------------------|------------------|
| Plant and machinery          | 140 350          |
| Vehicles and heavy machinery | 2 393 853        |
|                              | <u>1 917 579</u> |
|                              | <u>2 534 203</u> |

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

| Figures in Rand   | 2019              | 2018     |
|---|-------------------|----------|
| <b>13. Property, plant and equipment *Restated (continued)</b>  |                   |          |
| <b>Property, plant and equipment in the process of being constructed or developed</b>   |                   |          |
| <b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b> |                   |          |
| Extension of Cemetery   | 750 000           | -        |
| - Beatification and consolidation of stand is remaining as well as the legal process for establishment                                |                   |          |
| <b>- The following projects are not complete due to the fact that they are multi year projects -</b>                                  |                   |          |
| Leeufontein Sports Complex  | 5 287 518         | -        |
| Mamphogo Sports Complex   | 23 478 812        | -        |
| Mashemong/Moolhoek Internal Streets   | 3 200 897         | -        |
| Rehabilitation of Internal Street   | 2 698 864         | -        |
| Stormwater EXT:6  | 3 658 558         | -        |
| Upgrading Of Letebejane/Ditholong Internal Streets  | 16 057 987        | -        |
|   | <b>55 132 636</b> | <b>-</b> |

### Reconciliation of Work-in-Progress 2019

|                                | Included within Infrastructure Assets | Included within Community Assets | Total             |
|--------------------------------|---------------------------------------|----------------------------------|-------------------|
| Opening balance                | 35 179 562                            | 9 518 060                        | 44 697 622        |
| Additions/capital expenditure  | 10 885 922                            | 19 248 270                       | 30 134 192        |
| Transferred to completed items | (22 808 325)                          | -                                | (22 808 325)      |
|                                | <b>23 257 159</b>                     | <b>28 766 330</b>                | <b>52 023 489</b> |

### 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

|  |                   |          |
|--|-------------------|----------|
| Infrastructure                                   | 2 940 962         | -        |
| Vehicles   | 2 524 118         | -        |
| Buildings  | 420 060           | -        |
| IT Equipment                                     | 2 628             | -        |
| Community Assets                                 | 11 870            | -        |
| Plant and equipment                              | 208 738           | -        |
| Contracted services - Fleet maintenance services | 5 578 216         | -        |
| Office Equipment                                 | 4 500             | -        |
|  | <b>11 691 092</b> | <b>-</b> |

During the year no instances of delayed maintenance was identified that would have an effect on the lifespan or capacity of any asset.

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.

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

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### 14. Heritage assets

|                | 2019             |                               |                | 2018             |                               |                |
|----------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
|                | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Sculptures     | 65 230           | -                             | 65 230         | 59 300           | -                             | 59 300         |
| Artefacts      | 500              | -                             | 500            | 500              | -                             | 500            |
| Mayoral chains | 55 372           | -                             | 55 372         | 52 750           | -                             | 52 750         |
| <b>Total</b>   | <b>121 102</b>   | <b>-</b>                      | <b>121 102</b> | <b>112 550</b>   | <b>-</b>                      | <b>112 550</b> |

#### Reconciliation of heritage assets 2019

|                | Opening balance | Revaluation increase/(decrease) | Total          |
|----------------|-----------------|---------------------------------|----------------|
| Sculptures     | 59 300          | 5 930                           | 65 230         |
| Artefacts      | 500             | -                               | 500            |
| Mayoral chains | 52 750          | 2 622                           | 55 372         |
|                | <b>112 550</b>  | <b>8 552</b>                    | <b>121 102</b> |

#### Reconciliation of heritage assets 2018

|                | Opening balance | Revaluation increase/(decrease) | Total          |
|----------------|-----------------|---------------------------------|----------------|
| Sculptures     | 54 300          | 5 000                           | 59 300         |
| Artefacts      | 500             | -                               | 500            |
| Mayoral chains | 51 998          | 752                             | 52 750         |
|                | <b>106 798</b>  | <b>5 752</b>                    | <b>112 550</b> |

#### Pledged as security

None of the Heritage assets of the municipality was pledged as security.

#### Revaluations

##### Mayoral chains & sculptures

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following.

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2019. The key values for gold was utilised per gram of gold at the spot rate R13.77 / dollar. The valuations were performed utilising standards set by the Jewellery Council of South Africa of which the company is a member of.

The sculptures (memorial stones) were valued by the independent valuers, Messer's van Wyk Tombstones of Marblehall on a replacement cost value. The effective date of valuation being 30 June 2019. These items were valued utilising cost effective methods as they are relatively low value items and management deemed these valuations fair and reasonable for the items disclosed.

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## Notes to the Annual Financial Statements

| Figures in Rand                                      | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>15. Payables from exchange transactions</b>       |                   |                   |
| Trade payables                                       | 12 692 806        | 7 054 423         |
| Accrued leave  | 6 692 376         | 6 790 547         |
| Accrued 13th cheque                                  | 1 702 403         | 1 575 038         |
| Retentions   | 12 318 535        | 11 231 719        |
| Credit balances on receivables                       | 3 231 872         | 4 319 460         |
| Accrued salaries                                     | 238 303           | 154 965           |
| Other creditors                                      | 66 271            | 66 271            |
| Unallocated deposit account                          | 450 329           | 43 311            |
| License and Motor vehicle agency function- *Restated | 103 469           | 249 452           |
|  | <b>37 496 364</b> | <b>31 485 186</b> |

### 16. Consumer deposits

|             |           |           |
|-------------|-----------|-----------|
| Electricity | 1 368 883 | 1 399 552 |
|-------------|-----------|-----------|

On application for the provision of municipal services the prescribed consumer deposit shall be paid. The minimum deposit payable is determined annually by the council and is contained in the tariff book produced annually.

### 17. Finance lease obligation

|  |   |                |
|--|---|----------------|
| <b>Minimum lease payments due</b>                  |   |                |
| - within one year                                  | - | 238 348        |
|  | - | 238 348        |
| less: future finance charges                       | - | (2 464)        |
| <b>Present value of minimum lease payments</b>     | - | <b>235 884</b> |
| <b>Present value of minimum lease payments due</b> |   |                |
| - within one year                                  | - | 235 884        |

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

The average lease term was 4 - 5 years and the average effective borrowing rate was -% (2018: 9%).

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

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

|   |                  |                  |
|---|------------------|------------------|
| Municipal Infrastructure Grant                    | 1 178 459        | 1 801 783        |
| <b>Movement during the year</b>                   |                  |                  |
| Balance at the beginning of the year              | 1 801 783        | 124 695          |
| Additions during the year                         | 36 632 000       | 44 810 000       |
| Income recognition during the year                | (37 255 324)     | (43 008 217)     |
| Amount repaid to National Treasury for the period | -                | (124 695)        |
|   | <b>1 178 459</b> | <b>1 801 783</b> |

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

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 19. Provisions

#### Reconciliation of provisions - 2019

|                              | Opening Balance   | Interest Charge  | Change in discount factor | Total             |
|------------------------------|-------------------|------------------|---------------------------|-------------------|
| Environmental rehabilitation | 24 623 315        | 1 718 831        | 1 797 323                 | 28 139 469        |
| Legal proceedings            | 285 568           | -                | -                         | 285 568           |
|                              | <b>24 908 883</b> | <b>1 718 831</b> | <b>1 797 323</b>          | <b>28 425 037</b> |

#### Reconciliation of provisions - 2018

|                              | Opening Balance   | Change in discount factor | Total             |
|------------------------------|-------------------|---------------------------|-------------------|
| Environmental rehabilitation | 17 206 381        | 7 416 934                 | 24 623 315        |
| Legal proceedings            | 285 568           | -                         | 285 568           |
|                              | <b>17 491 949</b> | <b>7 416 934</b>          | <b>24 908 883</b> |

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Non-current liabilities | 28 139 469        | 24 623 315        |
| Current liabilities     | 285 568           | 285 568           |
|                         | <b>28 425 037</b> | <b>24 908 883</b> |

#### Environmental rehabilitation provision

The environment rehabilitation provision relates to the decommissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

Major uncertainties surround the final decommissioning and rehabilitation costs at the end of the useful life and the remaining useful life of the landfill site.

The 2019 and 2018 valuation was performed by Mr Seakle Godschalk (*Pr Sci Nat, GIMFO*) and Dr Maryana Mohr - Swart, both partners in Environmental & Sustainability Solutions (ESS).

The effective date of the latest valuation is 30 June 2019. Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately. The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end. The average of the CPI for the last three months amounted to 4.1947 % (4.4805% : 2018). The government bond rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used as the discount rate. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 2.5% above CPI. The current discount rate used for 30 June 2019 is calculated as 7.6947% (6.9805% : 2018)

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### 20. Employee benefit obligations

#### Defined benefit plan

The plan is a post employment medical benefit plan.

#### Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

#### Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

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

#### Carrying value

|   |                     |                     |
|---|---------------------|---------------------|
| Present value of the defined benefit obligation-wholly unfunded | (17 509 058)        | (17 875 370)        |
| Present value of the defined benefit obligation-wholly unfunded | (3 615 778)         | (3 401 549)         |
|   | <u>(21 124 836)</u> | <u>(21 276 919)</u> |

Changes in the present value of the defined benefit obligation (medical aid benefit) are as follows:

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 17 875 340        | 18 601 078        |
| Benefits paid  | (284 799)         | (276 763)         |
| Net expense recognised in the statement of financial performance | (81 513)          | (448 975)         |
|  | <u>17 509 028</u> | <u>17 875 340</u> |

Net expense of the defined benefit obligation (medical aid) recognised in the statement of financial performance

|                          |                 |                  |
|--------------------------|-----------------|------------------|
| Current service cost     | 995 969         | 1 087 428        |
| Interest cost            | 1 728 922       | 1 840 114        |
| Actuarial (gains) losses | (2 806 404)     | (3 376 517)      |
|                          | <u>(81 513)</u> | <u>(448 975)</u> |

Changes in the present value of the long service award obligation are as follows:

|   |                  |                  |
|---|------------------|------------------|
| Opening Balance                                       | 3 401 550        | 3 195 998        |
| Contributions by employer - Benefits Paid             | (289 659)        | (396 216)        |
| Net Expense - contributions and valuation adjustments | 503 887          | 601 768          |
|   | <u>3 615 778</u> | <u>3 401 550</u> |

Net expense of the long service award recognised in the statement of financial performance

|   |                |                |
|---|----------------|----------------|
| Current service costs                     | 347 823        | 338 860        |
| Expected return                           | 276 444        | 249 034        |
| Actuarial gains (losses)                  | (120 380)      | 13 874         |
| Contributions by employer - Benefits paid | (289 659)      | (396 216)      |
|   | <u>214 228</u> | <u>205 552</u> |

#### Key assumptions used

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### 20. Employee benefit obligations (continued)

Assumptions used at the reporting date:

|   |         |        |
|---|---------|--------|
| Discount rates used - Post employment continued medical aid | 10.68 % | 9.75 % |
| Discount rates used - Long service leave provision          | 8.18%   | 8.57%  |
| Normal salary rate increase                                 | 5.43 %  | 6.18 % |
| Medical cost trend rates                                    | 7.98%   | 7.51%  |

#### 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<br>percentage<br>point increase | One<br>percentage<br>point<br>decrease |
|--|-------------------------------------|--|
| Effect on the aggregate of the service cost and interest cost - medical aid benefit - discount rate  | (2 649 062)                         | 3 289 469                              |
| Effect on the aggregate of the service cost and interest cost - Long service leave benefit           | 285 324                             | (246 604)                              |
| Effect on the aggregate of the service cost and interest cost - medical aid benefit - Inflation rate | 3 588 918                           | (2 913 829)                            |

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

|                            | 2019<br>R  | 2018<br>R  | 2017<br>R  | 2016<br>R  | 2015<br>R  |
|----------------------------|------------|------------|------------|------------|------------|
| Defined benefit obligation | 17 509 058 | 17 875 370 | 18 601 108 | 17 412 477 | 13 174 000 |
| Plan assets                | 3 615 778  | 3 401 550  | 3 156 898  | 2 950 397  | 4 177 000  |

#### Defined contribution plan

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

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

### 21. Service charges

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Sale of electricity          | 50 357 907        | 43 573 207        |
| Solid waste - Refuse removal | 3 993 529         | 3 908 793         |
|                              | <b>54 351 436</b> | <b>47 482 000</b> |

### 22. Other income

|   |                |                |
|---|----------------|----------------|
| Sundry income                                   | 57 659         | 59 567         |
| Staff Recoveries (Councillors Tablets included) | 569 008        | 418 377        |
| Fees  | 85 406         | 245 894        |
| Claims of skills development                    | 151 396        | 92 938         |
|   | <b>863 469</b> | <b>816 776</b> |

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### 23. Interest received

#### Interest revenue

|   |                   |                   |
|---|-------------------|-------------------|
| Interest on cash and cash equivalents       | 3 995 603         | 3 750 973         |
| Interest on outstanding receivable balances | 7 477 217         | 6 001 823         |
| Interest on investments                     | 21 796            | 3 960 919         |
|   | <b>11 494 616</b> | <b>13 713 715</b> |

### 24. Property rates

#### Rates received

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Agricultural            | 15 329 731        | 12 469 105        |
| Business and commercial | 10 312 735        | 9 623 497         |
| Residential             | 7 531 509         | 8 156 615         |
| State owned             | 3 108 012         | 3 179 229         |
|                         | <b>36 281 987</b> | <b>33 428 446</b> |

#### Valuations

|                               |                      |                      |
|-------------------------------|----------------------|----------------------|
| Agricultural                  | 2 420 033 647        | 2 420 033 647        |
| Business and commercial       | 441 616 000          | 440 736 000          |
| Educational                   | 34 130 000           | 34 780 000           |
| Municipal                     | 36 198 500           | 34 800 500           |
| Public benefit organisations  | 550 000              | 550 000              |
| Public service infrastructure | 1 571 100            | 1 571 100            |
| Religious                     | 26 225 000           | 26 225 000           |
| Residential                   | 977 665 000          | 972 506 000          |
| State owned                   | 4 802 000            | 4 800 000            |
| Vacant                        | 137 451 450          | 137 421 450          |
|                               | <b>4 080 242 697</b> | <b>4 073 423 697</b> |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Manna Holdings Pty (Ltd) is an independent registered valuer company and performed the valuation in terms of all the legal requirements.

Rates are levied on a month to month basis.

### 25. Government grants and subsidies

#### Operating grants

|                                       |                    |                    |
|---------------------------------------|--------------------|--------------------|
| Equitable share                       | 129 676 000        | 123 766 000        |
| Financial Management Grant            | 2 215 000          | 2 145 000          |
| Expanded Public Works Programme Grant | 1 594 000          | 1 447 000          |
|                                       | <b>133 485 000</b> | <b>127 358 000</b> |

#### Capital grants

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| Municipal Infrastructure Grant | 33 446 324         | 43 008 217         |
|                                | <b>166 931 324</b> | <b>170 366 217</b> |

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

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| <b>25. Government grants and subsidies (continued)</b> |                    |                    |
| Conditional grants received                            | 37 311 023         | 46 600 217         |
| Unconditional grants received                          | 129 255 000        | 123 766 000        |
|  | <b>166 566 023</b> | <b>170 366 217</b> |

### Municipal Infrastructure Grant

|   |                  |                  |
|---|------------------|------------------|
| Balance unspent at beginning of year    | 1 801 783        | -                |
| Current-year receipts                   | 32 823 000       | 44 810 000       |
| Conditions met - transferred to revenue | (33 446 324)     | (43 008 217)     |
|   | <b>1 178 459</b> | <b>1 801 783</b> |

This grant is for the provision of Municipal infrastructure.

### Financial Management Grant

|   |             |             |
|---|-------------|-------------|
| Current-year receipts                   | 2 215 000   | 2 145 000   |
| Conditions met - transferred to revenue | (2 215 000) | (2 145 000) |
|   | -           | -           |

Conditions still to be met - remain liabilities (see note 18).

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

### Expanded Public Works Programme Grant

|   |             |             |
|---|-------------|-------------|
| Balance unspent at beginning of year              | -           | 124 695     |
| Current-year receipts                             | 1 594 000   | 1 447 000   |
| Conditions met - transferred to revenue           | (1 594 000) | (1 447 000) |
| Amount repaid to National Treasury for the period | -           | (124 695)   |
|   | -           | -           |

Conditions still to be met - remain liabilities (see note 18).

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

### Equitable Share

|   |               |               |
|---|---------------|---------------|
| Current-year receipts                   | 129 255 000   | 123 766 000   |
| Conditions met - transferred to revenue | (129 255 000) | (123 766 000) |
|   | -             | -             |

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

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| <b>26. Employee related costs</b>   |                   |                   |
| Basic   | 47 842 789        | 46 141 434        |
| Acting allowances   | 432 544           | 299 171           |
| 13th Cheque   | 3 645 132         | 3 443 611         |
| Medical aid - company contributions   | 2 660 276         | 2 507 809         |
| UIF   | 397 732           | 390 297           |
| WCA   | 626 639           | 461 891           |
| Other payroll levies Bargaining Council   | 26 242            | 24 768            |
| Leave pay provision charge  | 2 150 887         | 2 241 133         |
| Group life insurance  | 157 401           | 134 125           |
| Standby allowance   | 379 214           | 342 412           |
| Short term benefit - Cellphone allowances   | 692 149           | 597 277           |
| Defined contribution plans  | 9 653 389         | 9 010 173         |
| Travel, motor car, accommodation, subsistence and other allowances - (Remapped Housing) | 3 981 986         | 3 791 005         |
| Overtime payments   | 1 829 235         | 1 803 709         |
| Current service cost - long service awards bonuses                                      | 347 823           | 338 860           |
| Housing benefits and allowances (Previous under other)                                  | 514 951           | 448 273           |
| EPWP Salaries   | 1 432 865         | 1 456 256         |
| Current service cost - Post employment medical aid incentive scheme                     | 995 969           | 1 087 428         |
|   | <b>77 767 223</b> | <b>74 519 632</b> |

### Remuneration of Municipal manager: Mathebela MM - (Currently suspended)

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 963 915          | 873 500          |
| Travel and subsistence allowance                | 100 316          | 89 822           |
| Performance Bonuses                             | -                | 1                |
| Contributions to UIF, Medical and Pension Funds | 154 994          | 134 624          |
| Other Allowances                                | 57 526           | 116 699          |
| Backpay   | 29 915           | 25 675           |
| Salga   | 105              | 99               |
| Leave pay out                                   | -                | 1                |
|   | <b>1 306 771</b> | <b>1 240 421</b> |

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### 26. Employee related costs (continued)

#### Remuneration of chief finance officer: Ramosibi KA (Resigned 7 March 2019)

|   |                |                  |
|---|----------------|------------------|
| Annual Remuneration                             | 578 674        | 814 631          |
| Backpay   | 22 739         | 32 682           |
| Travel and subsistence allowance                | 4 487          | 46 979           |
| Contributions to UIF, Medical and Pension Funds | 105 483        | 123 127          |
| Leave payout                                    | 90 733         | 18 959           |
| SALGA   | 79             | 99               |
| Other allowance                                 | 48 149         | 17 044           |
|   | <b>850 344</b> | <b>1 053 521</b> |

#### Remuneration of acting Position - Chief Financial Officer - O Kekana

|                  |       |   |
|------------------|-------|---|
| Acting Allowance | 7 670 | - |
|------------------|-------|---|

Person acted for the period May 2019

#### Remuneration of acting Position - Chief Financial Officer - K Mabija

|                  |       |   |
|------------------|-------|---|
| Acting Allowance | 1 845 | - |
|------------------|-------|---|

Person acted for the period June 2019

#### Remuneration of Director Corporate Services: Lekola MJ

|   |                  |                |
|---|------------------|----------------|
| Annual Remuneration                             | 651 314          | 488 464        |
| Travel and subsistence allowance                | 6 566            | 17 695         |
| Other allowances                                | 78 565           | 14 204         |
| Backpay   | 15 527           | 10 974         |
| Contributions to UIF, Medical and Pension Funds | 146 614          | 108 914        |
| Leave payout                                    | 69 021           | -              |
| Acting allowance                                | 99 143           | 31 977         |
| SALGA   | 105              | 83             |
|   | <b>1 066 855</b> | <b>672 311</b> |

#### Remuneration of acting position Director Corporate Services: Matseke MP

|                  |       |   |
|------------------|-------|---|
| Acting allowance | 5 072 | - |
|------------------|-------|---|

Person acted for the period June 2019

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### 26. Employee related costs (continued)

#### Remuneration of Director Technical Services: Monakedi ME (Resigned)

|   |   |                |
|---|---|----------------|
| Performance Bonuses                             | - | 21 905         |
| Contributions to UIF, Medical and Pension Funds | - | 149            |
| Leave payout                                    | - | 86 520         |
| Other allowances                                | - | 1 084          |
|   | - | <b>109 658</b> |

#### Remuneration of acting Position - Director of Technical services - Ramatsela TJ

|                  |       |       |
|------------------|-------|-------|
| Acting Allowance | 7 325 | 5 633 |
|------------------|-------|-------|

Person acted for the period August 2017 to June 2018 as well as October 2018

#### Remuneration of Director Planning: Me K Sithole (Currently Acting Municipal Manager)

|   |               |   |
|---|---------------|---|
| Annual Remuneration                             | 44 015        | - |
| Travel and subsistence allowance                | 10 990        | - |
| Contributions to UIF, Medical and Pension Funds | 9 451         | - |
| Other allowances                                | 1 520         | - |
| SALGA   | 9             | - |
|   | <b>65 985</b> | - |

#### Remuneration of Director Community Services : Phaahla H

|   |                |                |
|---|----------------|----------------|
| Annual Remuneration                             | 645 796        | 571 813        |
| Travel and subsistence allowance                | 4 914          | 25 037         |
| Performance Bonuses                             | -              | 41 084         |
| Contributions to UIF, Medical and Pension Funds | 139 237        | 140 435        |
| Backpay   | 15 277         | 16 413         |
| Other allowances                                | 50 777         | 17 044         |
| SALGA   | 105            | 99             |
|   | <b>856 106</b> | <b>481 988</b> |

#### Remuneration of acting position Director Community Services : Badenhorst CD

|                  |       |   |
|------------------|-------|---|
| Acting Allowance | 5 579 | - |
|------------------|-------|---|

Person acted for the period June 2019

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| <b>26. Employee related costs (continued)</b>                         |      |                |
| <b>Remuneration of Director Planning and Development - S Mashiane</b> |      |                |
| Annual Remuneration   | -    | 194 817        |
| Travel & subsistence allowance  | -    | 16 290         |
| Contributions to UIF, Medical and Pension Funds                       | -    | 20 832         |
| Leave pay out   | -    | 9 012          |
| Other Allowances  | -    | 4 261          |
| SALGA   | -    | 25             |
|   | -    | <b>245 237</b> |

### Remuneration of Employees:

The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

### Remuneration of acting position - Director Planning and Development - Uwane MS

|                  |   |        |
|------------------|---|--------|
| Acting allowance | - | 10 077 |
|------------------|---|--------|

Person acted for the period January 2018 to March 2018.

### Director of infrastructure - Mashile PT

|   |                |   |
|---|----------------|---|
| Annual Remuneration                             | 492 002        | - |
| Backpay   | 10 393         | - |
| Travel & Subsistence                            | 3 849          | - |
| Contributions to UIF, Medical and Pension Funds | 114 265        | - |
| SALGA   | 79             | - |
| Other   | 39 671         | - |
|   | <b>660 259</b> | - |

### 27. Remuneration of councillors

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
| Mayor                 | 884 057           | 858 400           |
| Chief Whip            | 687 680           | 700 584           |
| Executive Councillors | 2 921 882         | 2 804 526         |
| Speaker               | 707 919           | 699 218           |
| Councillors           | 8 034 423         | 8 326 166         |
|                       | <b>13 235 961</b> | <b>13 388 894</b> |

### In-kind benefits

#### Remuneration of Councillors:

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution. Refer to note 38 for the detailed breakdown of councillors' remuneration.

### 28. Depreciation and amortisation

|   |            |            |
|---|------------|------------|
| Property, plant and equipment *Restated | 51 853 311 | 50 813 130 |
|---|------------|------------|

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|--|-------------------|-------------------|
| <b>29. Finance costs</b>                   |                   |                   |
| Finance leases                             | 2 399             | 108 403           |
| Landfill site                              | 1 718 831         | 1 400 118         |
| Post-retirement medical aid benefit        | 1 728 922         | 2 089 148         |
| Long service awards                        | 276 444           | -                 |
| Other interest paid                        | 114 365           | -                 |
|  | <b>3 840 961</b>  | <b>3 597 669</b>  |
| <b>30. Debt impairment</b>                 |                   |                   |
| Contributions to debt impairment allowance | 12 472 193        | 20 840 867        |
| Bad debts written off                      | -                 | 5 785 065         |
|  | <b>12 472 193</b> | <b>26 625 932</b> |
| <b>31. Bulk purchases</b>                  |                   |                   |
| Electricity - Eskom                        | 33 900 539        | 30 469 771        |
| <b>32. Contracted services</b>             |                   |                   |
| <b>Presented previously</b>                |                   |                   |
| Information Technology Services            | 3 796 444         | 3 623 438         |
| Fleet Services and Security services       | 6 222 848         | 5 837 055         |
| Valuation services                         | 285 225           | 195 616           |
| Specialist Services                        | 986 751           | 1 304 162         |
| Other Contractors                          | 3 732 461         | 3 591 234         |
|  | <b>15 023 729</b> | <b>14 551 505</b> |

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| <b>33. General expenses</b>                                |                   |                   |
| Services: adverts and corporate image                      | 470 319           | 596 410           |
| Auditors remuneration                                      | 3 375 898         | 3 456 614         |
| Bank charges   | 267 331           | 324 757           |
| Cleaning and Municipal operating cost                      | 1 078 676         | 421 449           |
| Consulting - collection cost and legal fees                | 8 252 239         | 3 659 144         |
| Consumables  | 696 996           | 767 251           |
| Entertainment  | 16 504            | 10 092            |
| Insurance  | 549 067           | 671 877           |
| Community development                                      | 19 900            | 100 350           |
| Conferences and seminars                                   | 3 017 233         | 3 112 042         |
| Catering and Hire Charges                                  | 1 717 980         | 1 679 218         |
| Marketing  | 405 773           | 786 302           |
| Promotions and sponsorships                                | 349 502           | 284 320           |
| Skills Development Levies                                  | 613 955           | 675 922           |
| Motor vehicle expenses                                     | -                 | 222 213           |
| Fuel and oil   | 3 704 319         | 3 935 472         |
| Postage and courier  | 217 599           | 200 795           |
| Printing and stationery                                    | 247 940           | 68 998            |
| Protective clothing  | 638 301           | 354 511           |
| Royalties and license fees                                 | -                 | 47 240            |
| Ward Committee stipend                                     | 1 732 000         | 1 782 000         |
| CONLOG services  | 462 613           | 267 462           |
| Staff welfare  | 55 400            | 123 996           |
| Subscriptions and membership fees                          | 1 141 030         | 956 930           |
| Telephone and fax  | 1 133 571         | 1 155 148         |
| Transport and freight                                      | 622 995           | 640 033           |
| Training   | 91 438            | 531 214           |
| Travel - local   | 1 541 146         | 1 497 519         |
| Rehabilitation of landfill - current service cost          | 1 797 323         | 6 016 816         |
| Assets expensed  | 15 045            | 50 553            |
| Utilities - Other including increase in capacity 2019      | 6 556 582         | 2 907 957         |
| License fee agency cost                                    | -                 | 382 476           |
| Internal Audit outsourced and Audit committee              | 835 236           | 893 774           |
| Sewerage consumer account - Now utilities                  | 62 685            | 60 547            |
| Strategic planning - Now contracted services               | -                 | 460 699           |
| Other expenses - amounts written off by Council resolution | -                 | 921 785           |
|  | <b>41 686 596</b> | <b>40 023 886</b> |
| <b>34. Fair value adjustments</b>                          |                   |                   |
| Investment property (Fair value model)                     | 9 343 000         | 1 094 300         |
| <b>35. Auditors' remuneration</b>                          |                   |                   |
| Fees   | 3 375 898         | 3 456 614         |

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| <b>36. Cash generated from operations</b>                       |                   |                   |
| Surplus (deficit)   | 32 568 638        | (64 486 822)      |
| <b>Adjustments for:</b>   |                   |                   |
| Depreciation and amortisation *Restated                         | 51 853 311        | 50 813 130        |
| Gain or (Loss) - on sale of normal and heritage assets          | 1 106 390         | 137 551           |
| Actuarial gain / losses   | (2 926 784)       | (3 362 643)       |
| Fair value adjustments  | (9 343 000)       | (1 094 300)       |
| Impairment deficit  | -                 | 80 000 000        |
| Debt impairment   | 12 472 193        | 20 840 867        |
| Landfill interest   | 1 718 831         | 6 016 816         |
| Finance charges - landfill rehabilitation                       | 1 797 323         | 1 400 118         |
| Finance charges - employee benefits                             | 2 774 701         | 2 089 148         |
| Rehabilitation provision adjustment                             | -                 | 753 310           |
| Asset non cash adjustment                                       | -                 | 2 492 477         |
| <b>Changes in working capital:</b>                              |                   |                   |
| Inventories   | (359 970)         | (34 218)          |
| Receivables from non exchange & consumer debtors *Restated      | (3 587 690)       | (3 798 635)       |
| Receivables from non-exchange transactions and consumer debtors | (18 357 313)      | (8 150 606)       |
| Prepayments   | (70 006)          | (63 742)          |
| Payables from exchange transactions                             | 6 011 176         | (11 058 690)      |
| VAT   | (2 122 834)       | 2 715 128         |
| Unspent conditional grants and receipts                         | (623 324)         | 1 677 088         |
| Consumer deposits   | (30 669)          | (26 721)          |
|   | <b>72 880 973</b> | <b>76 859 256</b> |

### 37. Financial Instruments disclosure

#### Categories of financial Instruments

#### 2019

##### Financial assets

|  | At amortised cost  | Total              |
|--|--------------------|--------------------|
| Receivables from exchange transactions     | 557 783            | 557 783            |
| Receivables from non-exchange transactions | 764 126            | 764 126            |
| Consumer Debtors                           | 52 812 633         | 52 812 633         |
| Eskom Deposits                             | 520 469            | 520 469            |
| Cash and cash equivalents                  | 107 550 221        | 107 550 221        |
|  | <b>162 205 232</b> | <b>162 205 232</b> |

##### Financial liabilities

|                                      | At amortised cost | Total             |
|--------------------------------------|-------------------|-------------------|
| Payables from exchanges transactions | 37 496 363        | 37 496 363        |
| Consumer Deposits                    | 1 368 883         | 1 368 883         |
| Unspent conditional grants           | 1 178 459         | 1 178 459         |
|                                      | <b>40 043 705</b> | <b>40 043 705</b> |

#### 2018

##### Financial assets

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| <b>37. Financial instruments disclosure (continued)</b> |                          |                    |
|   | <b>At amortised cost</b> | <b>Total</b>       |
| Receivables from exchange transactions - *restated      | 557 783                  | 557 783            |
| Receivables from non exchange transactions              | 558 927                  | 558 927            |
| Consumer debtors  | 43 674 605               | 43 674 605         |
| Eskom deposits  | 450 463                  | 450 463            |
| Cash and cash equivalents- *restated                    | 68 645 417               | 68 645 417         |
|   | <b>113 887 195</b>       | <b>113 887 195</b> |
| <b>Financial liabilities</b>                            |                          |                    |
|   | <b>At amortised cost</b> | <b>Total</b>       |
| Finance lease obligation                                | 235 884                  | 235 884            |
| Payables from exchange transactions - *restated         | 31 485 186               | 31 485 186         |
| Consumer deposits                                       | 1 399 552                | 1 399 552          |
| Unspent conditional grants and receipts                 | 1 801 783                | 1 801 783          |
|   | <b>34 922 405</b>        | <b>34 922 405</b>  |
| <b>38. Commitments</b>                                  |                          |                    |
| <b>Authorised capital expenditure</b>                   |                          |                    |
| <b>Already contracted for but not provided for</b>      |                          |                    |
| • Property, plant and equipment                         | 8 001 388                | 35 366 737         |
| <b>Total capital commitments</b>                        |                          |                    |
| Already contracted for but not provided for             | 8 001 388                | 35 366 737         |
| <b>Authorised operational expenditure</b>               |                          |                    |
| <b>Already contracted for but not provided for</b>      |                          |                    |
| • Security  | 7 314 849                | 13 106 190         |
| • Consulting and training                               | 2 941 396                | 3 375 850          |
|   | <b>10 256 245</b>        | <b>16 482 040</b>  |
| <b>Total operational commitments</b>                    |                          |                    |
| Already contracted for but not provided for             | 10 256 245               | 16 482 040         |
| <b>39. Contingencies</b>                                |                          |                    |
| <b>Contingent Liabilities</b>                           |                          |                    |

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### 39. Contingencies (continued)

#### Mohlalerwa & Boledi Construction

The municipality awarded the plaintiff a tender for the rehabilitation of an admin block. The plaintiff submitted an invoice which the municipality refused to settle on the basis that the contractor has already been paid for the work done.

The amount of potential liability remains at R 1 605 515 (2018/2019) and R 1 605 515 (2017/2018).

#### Phillip Mphahlele

The applicant was employed by the municipality and he resigned in 2009 pending criminal investigation by the Hawks.

The Hawks did not proceed with criminal case.

The Applicant alleges that the municipality coerced him to resign and that his character has been defamed as a result of the allegations which have been investigated by the Hawks.

The amount of potential liability is R 2 105 500 (2018/2019) and R 2 105 500 (2017/2018).

#### Department of Water and Sanitation

The Department of Water & Sanitation sued the municipality the amount of R10 785 216.11 for the provision of water services to the municipality. municipality entered appearance to defend after applicants brought summary judgment application which was successfully opposed and municipality granted leave to defend. Municipality filed exception further on the basis that the particulars of claim does not disclose cause of action and therefore frivolous. It is the municipality's argument that EPMLM is incorrectly cited as the municipality is not water authority as the municipality does not have any contract with DWA. It is further our submission that DWA did not follow IGR processes in pursuing this matter provided for by National Treasury's intergovernmental dispute resolutions.

The amount of the potential liability remains at R10 785 216.11 (2018/2019) and R10 785 216.11 (2017/2018).

#### Moses Mogotleng Kgopane

The plaintiff sued the municipality the amount of R 250 000 for pain and suffering, loss of future income & others allegedly for falling into a pit which was allegedly dug and left opened by the municipal officials. The municipality is sued as the second defendant. The incident allegedly occurred on the 14 June 2014.

The amount of the potential liability remains at R 1 00 000 (2018/2019) and R 1 000 000 (2017/2018). The matter is still in progress

#### Ramatlane Construction and projects CC

The municipality awarded the plaintiff a tender for the rehabilitation of Leeufontein Streets. The plaintiff submitted an invoice which the municipality did not settle.

The amount of potential liability is R 511 540.04 (2018/2019) and R 511 540.04 (2017/2018).

#### Alfred Mothoa

The plaintiff claims the municipal councillor has defamed his character and he claims he can no longer attend community meetings.

The amount of potential liability is R 160 000 (2018/2019) and R 160 000 (2017/2018).

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### 40. Related parties

Relationships

Accounting Officer

Post employment benefit plan for employees

Members of key management

Refer to accounting officer's report

All qualifying employees

Refer to detail disclosure for Councillors Note 40 and Management Remuneration Note 26

### Remuneration of individual Councillors

#### 2018

| Employee Code         | Initials | Surname    | Salary     | Allowances | Back pay  | Contributions | Total       |
|-----------------------|----------|------------|------------|------------|-----------|---------------|-------------|
| <b>Mayor</b>          |          |            |            |            |           |               |             |
| C000001               | C        | KUPA       | 622549.74  | 35400.00   | 25107.94  | 157255.32     | 840313.00   |
| <b>Speaker</b>        |          |            |            |            |           |               |             |
| C000002               | M        | MOTHOGWANE | 528334.92  | 35400.00   | 21886.44  | 95509.68      | 681131.04   |
| <b>Chief Whip</b>     |          |            |            |            |           |               |             |
| C000003               | L        | MODISHA    | 371485.86  | 225795.37  | 21614.00  | 67155.36      | 686050.59   |
| <b>Executive</b>      |          |            |            |            |           |               |             |
| C000009               | M        | MOTSEPE    | 396251.64  | 199251.98  | 21507.44  | 71632.32      | 688643.38   |
| C000010               | P        | JACOBS     | 275054.04  | 38563.05   | 17011.20  | 49952.76      | 380581.05   |
| C000011               | G        | MAKANYANE  | 371485.86  | 223241.61  | 21614.02  | 67155.36      | 683496.85   |
| C000021               | R        | LENTSOANE  | 371485.86  | 214949.79  | 21614.00  | 67155.36      | 675205.01   |
| C000023               | M        | MAKOLA     | 206290.50  | 116298.30  | 17364.74  | 37464.48      | 377418.02   |
| <b>Ordinary</b>       |          |            |            |            |           |               |             |
| C000004               | M        | APHANE     | 167949.80  | 94284.52   | 15273.08  | 30225.24      | 307732.64   |
| C000005               | S        | TEMA       | 166429.02  | 92498.56   | 15273.08  | 30225.24      | 304425.90   |
| C000006               | P        | RANOTO     | 213583.50  | 115583.02  | 17050.68  | 38789.04      | 384986.24   |
| C000007               | M        | KEKANA     | 166429.02  | 89693.08   | 15273.08  | 30225.24      | 301620.42   |
| C000008               | F        | MATLALA    | 213583.50  | 110061.54  | 17050.68  | 38789.04      | 379484.76   |
| C000012               | F        | MALOKA     | 166429.02  | 91298.13   | 15273.08  | 30225.24      | 303225.47   |
| C000013               | F        | SEDIBANE   | 266979.48  | 38339.40   | 16776.24  | 48486.24      | 370581.36   |
| C000014               | R        | MASHOESHOE | 213583.50  | 125073.27  | 17050.68  | 38789.04      | 394496.49   |
| C000015               | M        | MONAMA     | 166429.02  | 84349.68   | 15273.08  | 30225.24      | 296277.02   |
| C000016               | C        | BOSHIELO   | 213583.50  | 115246.24  | 17050.68  | 38789.04      | 384669.46   |
| C000017               | T        | MABASO     | 209768.43  | 97096.65   | 76000.37  | 46154.39      | 429019.84   |
| C000018               | L        | MOLATUDI   | 213583.50  | 108412.65  | 17050.68  | 38789.04      | 377835.87   |
| C000019               | M        | MASHIGO    | 208036.26  | 41897.65   | 15059.24  | 37781.52      | 302774.67   |
| C000020               | G        | MOIMANA    | 164948.88  | 35400.00   | 14726.66  | 80868.90      | 295944.44   |
| C000024               | R        | SEBOTHOMA  | 166429.02  | 88933.10   | 15273.08  | 30225.24      | 300860.44   |
| C000025               | P        | MATJI      | 166429.02  | 89677.44   | 15273.08  | 30225.24      | 301804.78   |
| C000026               | D        | MADILENG   | 166429.02  | 88646.37   | 15273.08  | 30225.24      | 300573.71   |
| C000027               | M        | MANASOE    | 166429.02  | 88071.18   | 15273.08  | 30225.24      | 299998.52   |
| C000028               | L        | MOHLALA    | 166429.02  | 88456.52   | 15273.08  | 30225.24      | 300383.86   |
| C000029               | R        | SINDANA    | 166429.02  | 89705.14   | 15273.08  | 30225.24      | 301632.48   |
| C000030               | M        | LENTSOANE  | 208036.26  | 35400.00   | 15059.24  | 37781.52      | 296277.02   |
| C000031               | M        | PHEFADI    | 33662.84   | 4400.00    | -         | 5940.50       | 44003.34    |
| C000032               | FJ       | DE BEER    | 208036.26  | 35400.00   | 15059.24  | 37781.52      | 296277.02   |
| C000034               | E        | TSHIGUVHO  | 198195.32  | 34113.68   | 13147.27  | 37677.32      | 283133.59   |
| C000035               | N        | LETSELA    | 160100.38  | 47791.80   | 10039.49  | 28965.84      | 246897.51   |
| <b>Total</b>          |          |            | 7700860.03 | 3018709.72 | 596844.81 | 1501141.23    | 12817555.79 |
| <b>Cellphone Data</b> |          |            |            |            |           |               | 571340.15   |
| <b>Total</b>          |          |            |            |            |           |               | 13388895.94 |

#### 2019

| Employee Code  | Initials | Surname    | Salary     | Allowances | Back pay  | Contributions | Total      |
|----------------|----------|------------|------------|------------|-----------|---------------|------------|
| <b>Mayor</b>   |          |            |            |            |           |               |            |
| C000003        | MD       | MOTHOGWANE | 234 528.88 | 13 600.00  | -         | 43 462.11     | 291 590.99 |
| C000001        | CR       | KUPA       | 427 146.01 | 27 200.00  | 24 801.49 | 109 718.68    | 588 866.18 |
| <b>Speaker</b> |          |            |            |            |           |               |            |
| C000002        | LB       | MODISHA    | 140 717.48 | 71 526.20  | -         | 26 573.52     | 238 817.20 |
| C000003        | MD       | MOTHOGWANE | 362 618.29 | 27 200.00  | 8 173.86  | 67 509.18     | 465 501.33 |

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|  |    |            | 2019       | 2018       |           |           |               |
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| <b>40. Related parties (continued)</b> |    |            |            |            |           |           |               |
| Chief Wip                              |    |            |            |            |           |           |               |
| C000013                                | FS | SEDIBANE   | 175 897.04 | 14 732.10  | -7 110.55 | 32 608.30 | 216 126.89    |
| C000002                                | LB | MODISHA    | 254 966.23 | 154 999.32 | 9 588.99  | 48 398.98 | 467 953.52    |
| Executive                              |    |            |            |            |           |           |               |
| C000009                                | M  | MOTSEPE    | 412 681.71 | 214 758.72 | 13 921.05 | 78 046.16 | 719 407.64    |
| C000010                                | P  | JACOBS     | 287 783.09 | 45 557.98  | 7 770.56  | 53 745.60 | 394 857.23    |
| C000011                                | GN | MAKANYANE  | 386 888.99 | 229 076.11 | 13 928.25 | 73 359.75 | 703 253.10    |
| C000021                                | RM | LENTSOANE  | 386 888.99 | 214 751.62 | 13 928.27 | 73 359.75 | 688 928.63    |
| C000023                                | L  | MAKOLA     | 215 837.31 | 132 704.04 | 7 770.56  | 41 123.98 | 397 435.89    |
| Ordinary Councillors                   |    |            |            |            |           |           |               |
| C000001                                | C  | KUPA       | 60 580.52  | 21 877.73  | -         | 27 575.69 | 110 033.94    |
| C000004                                | MA | APHANE     | 174 130.91 | 97 196.07  | 5 877.06  | 33 122.41 | 310 326.45    |
| C000005                                | S  | TEMA       | 174 130.91 | 98 865.33  | 5 877.06  | 33 165.06 | 312 038.36    |
| C000006                                | P  | RANOTO     | 223 467.73 | 109 659.32 | 7 197.15  | 42 376.63 | 382 700.83    |
| C000007                                | M  | KEKANA     | 174 130.91 | 94 632.32  | 5 877.06  | 33 122.41 | 307 762.70    |
| C000008                                | F  | MATLALA    | 223 467.73 | 117 976.76 | 7 541.92  | 42 380.08 | 391 366.49    |
| C000012                                | F  | MALOKA     | 174 130.91 | 100 507.17 | 5 877.06  | 33 122.41 | 313 637.55    |
| C000013                                | F  | SEDIBANE   | 184 086.28 | 28 788.40  | 7 541.92  | 34 418.78 | 254 835.38    |
| C000014                                | H  | MASHOESHOE | 223 467.73 | 126 474.70 | 7 541.92  | 42 380.08 | 399 864.43    |
| C000015                                | M  | MONAMA     | 174 130.91 | 92 015.00  | 5 877.06  | 33 122.41 | 305 145.38    |
| C000016                                | C  | BOSHIELO   | 223 467.73 | 122 740.87 | 7 541.92  | 42 380.08 | 396 130.60    |
| C000017                                | OT | MABASO     | 223 467.73 | 106 525.84 | 7 541.92  | 42 380.08 | 379 915.57    |
| C000018                                | L  | MOLATUDI   | 223 467.73 | 112 639.01 | 7 541.92  | 42 380.08 | 386 028.74    |
| C000019                                | M  | MASHIGO    | 217 663.68 | 46 467.70  | 5 877.06  | 40 759.38 | 310 767.82    |
| C000020                                | G  | MOIMANA    | 167 318.08 | 40 800.00  | 5 877.06  | 91 101.48 | 305 096.62    |
| C000024                                | R  | PHOKWANE   | 174 130.91 | 92 737.00  | 5 877.06  | 33 122.41 | 305 867.38    |
| C000025                                | D  | MATJI      | 174 130.91 | 100 291.28 | 5 877.06  | 33 190.60 | 313 489.85    |
| C000026                                | D  | MADILENG   | 174 130.91 | 97 417.72  | 5 877.06  | 33 190.60 | 310 616.29    |
| C000027                                | M  | MANASOE    | 174 130.91 | 93 528.31  | 5 877.06  | 33 190.60 | 306 726.88    |
| C000028                                | L  | MOHLALA    | 174 130.91 | 95 183.86  | 5 877.06  | 33 122.41 | 308 314.24    |
| C000029                                | R  | SINDANA    | 174 130.91 | 98 269.00  | 5 877.06  | 33 190.60 | 311 467.57    |
| C000030                                | MC | LENTSOANE  | 217 663.68 | 42 133.53  | 5 877.06  | 40 759.42 | 306 433.69    |
| C000032                                | FJ | DE BEER    | 217 663.68 | 40 800.00  | 5 877.06  | 40 759.42 | 305 100.16    |
| C000034                                | EM | TSHIGUVHO  | 217 663.68 | 40 800.00  | 5 877.06  | 40 759.42 | 305 100.16    |
| C000035                                | N  | LETSELA    | 174 130.91 | 96 024.98  | 5 877.06  | 33 122.41 | 309 155.36    |
| Total                                  | -  | -          | -          | -          | -         | -         | 13 120 661.04 |
| Cellphone DATA                         | -  | -          | -          | -          | -         | -         | 115 200.00    |
| Total                                  | -  | -          | -          | -          | -         | -         | 13 235 861.04 |

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### 41. Risk management

#### Financial risk management

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

#### Liquidity risk

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

#### Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Other debtors are items was the product of overpayments and transactions that resulted in debit balances on creditors payable by the municipality. These items will be investigated for recoverability and they are currently not impaired. These items will be reported to Council during the 2018/19 financial period. These items are currently deemed recoverable but have an inherent credit risk due to the nature of the item.

During the financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 83 658 548.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R83 658 548.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

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

| Financial instrument  | 2019       | 2018       |
|---|------------|------------|
| VBS Bank - fully impaired on Statement of Financial Position and Statement of Financial Performance | 83 658 548 | 83 658 548 |
| Receivables from exchange transactions - Consumer receivables not impaired -Restated                | 764 126    | 557 783    |

### 42. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 956 144 644 and that the municipality's total liabilities exceed its assets by R 956 265 746.

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.

During the financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 84 073 833.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R84 076 833.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

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| <b>43. Unauthorised expenditure</b>                              |                |                |
| <b>44. Fruitless and wasteful expenditure</b>                    |                |                |
| Fruitless and wasteful expenditure Opening Balance               | 197 325        | 44 224         |
| Amount written off by Council - Opening balance                  | -              | (44 224)       |
| Amount written off by Council - Additional                       | -              | (12 114)       |
| Add: Fruitless and wasteful expenditure for the financial period | 114 365        | 209 439        |
|  | <b>311 690</b> | <b>197 325</b> |

The opening balance of the fruitless and wasteful relate to 2016/17 which was condoned by council. MPAC investigated fruitless and wasteful expenditure as delegated by council, They concluded that none occurred as a result of deliberate wrong doing or negligence and recommended to council to write off. It was results interest on invoices of Eskom and Telkom, and also erratum issued for advertisements. Council wrote off fruitless and wasteful expenditure.

The 2017/18 year fruitless and wasteful expenditure of R12114 was referred to MPAC for further investigation. MPAC investigated fruitless and wasteful expenditure as delegated by council, They concluded that none occurred as a result of deliberate wrong doing or negligence and recommended to council to write off. Council condoned the expenditure as recommended by MPAC

The 2018/19 year fruitless and wasteful expenditure of R114 365 was not yet referred to MPAC for further investigation. MPAC investigated fruitless and wasteful expenditure as delegated by council.

### Fruitless and wasteful expenditure consists of

|                              |                |                |
|------------------------------|----------------|----------------|
| Interest on overdue accounts | -              | 12 114         |
| Misuse of fuel cards         | 197 325        | 197 325        |
| Interest on Eskom Accounts   | 41 643         | -              |
| Interest on Telkom Accounts  | 2 408          | -              |
| Interest on SARS Vat payment | 70 314         | -              |
| Written off by Council       | -              | (12 114)       |
|                              | <b>311 690</b> | <b>197 325</b> |

### 45. Irregular expenditure

|  |                  |                   |
|--|------------------|-------------------|
| Opening balance  | 20 966 377       | 3 693 088         |
| Add: Irregular Expenditure - current year                    | 18 372 848       | 20 966 377        |
| Less: Amounts written off by Council                         | (36 851 761)     | (3 693 088)       |
| Add: Irregular Expenditure identified not presented to MPAC. | 5 275 078        | -                 |
|  | <b>7 762 542</b> | <b>20 966 377</b> |

### Analysis of expenditure written off per age classification

|   |                  |                   |
|---|------------------|-------------------|
| Current year  | 18 372 848       | 20 966 377        |
| Current year - Not Presented to MPAC or to be resubmitted to MPAC | 5 275 078        | -                 |
| Prior years   | 20 966 377       | -                 |
| Less: Written off by Council                                      | (36 851 761)     | -                 |
|   | <b>7 762 542</b> | <b>20 966 377</b> |

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### 45. Irregular expenditure (continued)

#### Details of irregular expenditure for 2017/18

|   |                   |
|---|-------------------|
| Advert did not run for 30 days  | 951 395           |
| Supplier paid more than contract amount   | 261 086           |
| Unfair Practice - Bidder was appointed without original documentation                   | 370 108           |
| Local content threshold not indicated on the advert                                     | 1 136 197         |
| Three quotations not received from advert   | 241 288           |
| Payment made to expired contract  | 647 971           |
| Bid adjudication committee did not consist of four senior managers to appoint contracts | 16 880 410        |
| Local content threshold not met by supplier   | 477 926           |
|   | <u>20 966 381</u> |

#### Details of Irregular expenditure for 2018/19

|   |                  |
|---|------------------|
| Amounts to be resubmitted to MPAC as per resolution   | 1 823 877        |
| Bidder awarded service while not sole provider  | 255 780          |
| Bidder awarded service while not sole provider that should have been emergency                              | 286 700          |
| Bidder awardee a tender who did not meet pre-qualifying criteria  | 269 801          |
| Transversal Contract entered into without consent letter by treasury  | 2 898 850        |
| Bid did not comply with the CIDB Act  | 633 724          |
| Bid adjudication committee did not consist of four senior managers to appoint contracts - Presented to MPAC | 18 338 790       |
| Local content threshold not met by supplier - Presented to MPAC   | 34 058           |
| Court ruled that the project should be readvertised in terms of the scm policy                              | 884 651          |
| Amount paid without contract  | 45 572           |
| Less amount written off by Council  | (17 709 261)     |
|   | <u>7 762 542</u> |

The 2017/18 year irregular expenditure of R20 966 380 was referred to MPAC for further investigation and was written off by Council on 28 August 2019.

The 2018/19 year irregular expenditure of R 17 709 261 was also referred to MPAC for further investigation and was written off by Council on 28 August 2019 except for an amount of R 884 651 that was referred back for further investigation.

Expenditure of R 7 762 542 was also identified to be presented to MPAC for further investigation.

### 46. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Current year subscription / fee | 993 535   | 823 217   |
| Amount paid - current year      | (993 535) | (823 217) |
|                                 | <u>-</u>  | <u>-</u>  |

#### Audit fees

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 3 370 797   | 3 456 614   |
| Amount paid - current year      | (3 370 797) | (3 456 614) |
|                                 | <u>-</u>    | <u>-</u>    |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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| <b>46. Additional disclosure in terms of Municipal Finance Management Act (continued)</b> |                  |                 |
| <b>PAYE and UIF</b>   |                  |                 |
| Current year subscription / fee   | 11 609 697       | 11 914 307      |
| Amount paid - current year  | (11 609 697)     | (11 914 307)    |
|   | -                | -               |
| <b>Pension and Medical Aid Deductions</b>   |                  |                 |
| Current year subscription / fee   | 20 874 823       | 21 499 113      |
| Amount paid - current year  | (20 874 823)     | (21 499 113)    |
|   | -                | -               |
| <b>VAT</b>  |                  |                 |
| VAT receivable  | 37 849 532       | 33 200 874      |
| VAT payable   | (35 815 300)     | (33 289 476)    |
|   | <b>2 034 232</b> | <b>(88 602)</b> |

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

### Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

### Supply chain management regulations

IParagraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

### Incident

|   |                  |                  |
|---|------------------|------------------|
| Sole Provider supplier                          | 372 246          | 18 674           |
| Impossible or impracticable to follow procedure | 876 285          | 448 334          |
| Emergency supplies                              | 350 348          | 1 146 279        |
|   | <b>1 598 879</b> | <b>1 613 287</b> |

# Ephraim Mogale Local Municipality

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## Notes to the Annual Financial Statements

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2019

2018

### 47. Budget differences

#### Material differences between budget and actual amounts

1. Budget provision for the sale of goods was budgeted for under other income.
2. Variance between budget and actual of service charges is a result of classification on levies which was disclosed as separate line item.
3. The variance is immaterial.
4. The department of transport managed to fix revenue generating equipment that were not in an unusable condition, hence the increase in revenue.
5. Variance is as a results of other revenue collected less than anticipated.
6. Variance between actual and budgeted interest received is due to the culture of non-payment of municipal services by consumers.
7. Variance is as a result of continued data cleansing and supplementary valuation roll.
8. Variance is caused by unspent MIG Grant. The municipality spent 96% on MIG
9. The budget for levies was included in the budget for service charges.
10. Variance is as a result of budgeting fines on cash basis whereas the actual figures are on accrual basis.
11. Variance is as a results of vacant positions, and salary reductions of workers who were on unprotected strikes.
12. Councilor's remuneration is based on government gazette on upper limits for councilors
13. Variance is as a result of budgeting on non-cash items.
14. Variance is as a result of non-cash items such as interest on landfill sites.
15. Variance is as a results of operating lease which was budgeted under General expenditure
16. Variance is as a result of overestimation of bad debts written off.
17. Repair and maintenance are done as and when need arises the variance is the saving.
18. Less electricity was purchased by our customers than what was anticipated
19. The variance is as a result of the reclassifying of expenditure on contracted services to general expenses.
20. Free basic electricity paid was more that the target
21. Variance is caused by incorrectly budgeting for separate line items inside general expenditure
22. Variance is caused by incorrectly budgeting for separate line items inside general expenditure
23. . Actuarial Gain/ (Losses) variance arises as a results of budgeting it under general expenditure instead of a separate line item.
24. The variance in total assets is caused by underestimate in budget.

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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2019

2018

### 47. Budget differences (continued)

25. The variance in total liabilities is caused by underestimate in budget
26. The variance is caused by underestimate in total assets and total liabilities
27. The variance on the operating activities is as a result of savings on supplier's payment.
28. The variance on the investing activities is as a result of spending on capital expenditure.
29. The variance on financing activities is as a result of paying finance leases
30. The variance is result of more estimate on cash and cash equivalents at the beginning of the year.

### 48. Prior period errors

Below is a summary of the total effect that the prior period errors and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

#### Statement of Financial Performance

| Statement of Financial Performance Revenue | Balance as previously reported | Correction made | Reclassification | Prior period error 2017/18 | Reclassification |
|--|--------------------------------|-----------------|------------------|----------------------------|------------------|
| Service charges (4)                        | 47 739 711                     | 257 711         | -                | 257 711                    | -                |
| Licenses and permits (5)                   | 3 894 749                      | (211 381)       | -                | (211 381)                  | -                |
|  | -                              | 46 330          | -                | 46 330                     | -                |

#### Statement of Financial Performance

##### Expenses

|  |            |             |             |           |   |
|--|------------|-------------|-------------|-----------|---|
| Employee cost note - Current Service Cost - Post employment medical aid incentive scheme (7) | -          | 1 087 428   | 1 087 428   | -         | - |
| Employee cost note - Directors remuneration excluding reimbursive allowances (7)             | -          | (1 087 428) | (1 087 428) | -         | - |
| Depreciation and amortisation (7)  | 47 311 650 | 3 501 479   | -           | 3 501 479 | - |
| Employee cost - Acting allowance and Overtime accrual (2)                                    | 74 433 473 | 86 160      | -           | 86 160    | - |
|  | -          | 3 587 639   | -           | 3 587 639 | - |

#### Statement of financial position

| Current assets                             | Balance as previously reported | Correction Made | Reclassifications | Prior period error 2017/18 | Prior Period Error 2016/17 |
|--|--------------------------------|-----------------|-------------------|----------------------------|----------------------------|
| Receivables from exchange transactions (4) | 815 494                        | (257 711)       | -                 | (257 711)                  | -                          |
| Licenses and permits                       | 68 566 058                     | 79 359          | 79 359            | -                          | -                          |
| Cash and cash equivalents(1)               | -                              | (257 711)       | 79 359            | (257 711)                  | -                          |

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Prior period errors (continued)

#### Non-current assets

|  |             |              |   |              |              |
|--|-------------|--------------|---|--------------|--------------|
| Property plant and equipment - restatement (7) | 837 449 088 | (34 920 030) | - | (34 920 030) | (30 557 828) |
|  | -           | (34 920 030) | - | (34 920 030) | (30 557 828) |

#### Current liabilities

|  |            |           |        |           |           |
|--|------------|-----------|--------|-----------|-----------|
| Payables from exchange transactions-Trade Payables (3)   | 32 391 777 | (860 745) | -      | (860 745) | (860 725) |
| Payables from exchange transactions-Trade Payables (1)   | -          | 79 359    | 79 359 | -         | -         |
| Payables from exchange transactions-Salary Creditors (2) | -          | 86 159    | -      | 86 159    | -         |
| Payables from exchange transactions-License (5)          | -          | (211 381) | -      | (211 381) | -         |
|  | -          | (985 967) | 79 359 | (985 967) | (860 725) |

#### Net assets

|  |              |              |   |              |              |
|--|--------------|--------------|---|--------------|--------------|
| Accumulated surplus on restatement of assets (7) | -            | (31 418 553) | - | (31 418 553) | (31 418 553) |
| Accumulated surplus - opening balance            | -            | 728 235      | - | 728 235      | 860 725      |
| (Surplus) / deficit for the year Revenue         | -            | -            | - | 3 633 969    | -            |
| Change in depreciation (7)                       | -            | (3 501 479)  | - | (3 501 479)  | -            |
|  | (34 191 797) | (34 191 797) | - | (30 557 828) | (30 557 828) |

#### 1. Cash and cash equivalents

During the process of investigating and addressing the reconciling items outstanding on the 30 June 2018 bank reconciliation it was found that one of the amounts mapped in the bank account was actually for creditors movement. This error was corrected in 2019 by remapping the creditors movement account to the payables from exchange transactions - trade payable section. This resulted in an increase in bank account of R 79 843 and an increase in trade payables of R 79 843. The error stemmed from incorrect journal processing due to first year mscoa implementation.

#### 2. Overtime and acting allowances underprovided

An amount of R 80 432.45 in respect of overtime worked as well as an amount of R 5 726.94 in respect of acting allowances worked during June 2018 was only paid in July 2019. This resulted in an understatement of salary creditors and the relevant employee costs for overtime and acting allowances.

#### 3. Payables from exchange transactions

Trade payables adjustments on mscoa created a duplicate adjustment of trade payables for the 2017/18 financial period. This resulted in trade payables being understated. The correction of these journals created a reduction of trade payables and increase in accumulated surplus of R 860 724.50 for 2017/18. The error stemmed from incorrect journal processing due to first year mscoa implementation. This was part of the unadjusted audit differences for 2017/18.

#### 4. Overstatement of pre paid revenue.

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Prior period errors (continued)

A reconciliation of pre paid electricity for 2017/18 indicated that the revenue for pre paid electricity sales was overstated by an amount of R 257 711 for the 2017/18 financial year and that these sales were in fact attributable to the 2016/17 financial period. This created an overstatement of pre paid sundry debtors of R 257 711 and Services rendered revenue of R 257 711 for 2017/18. The relevant reduction in debtor and revenue was adjusted to accumulated surplus and trade and other receivables for the 2016/17 financial period. This was part of the unadjusted audit differences for 2017/18. Note no 4 and 5

### 5. Trade and other payables - license fees

During the review for 2017/18 it was found that the revenue for licenses and permits was understated with R 211 381 and the relevant payable from exchange License and Motor vehicle agency function was overstated with R 211 381. This was corrected and resulted in a reduction of R 211 381 in the trade payables for 2017/18 and increase of R 211 381 for the agency function - license and permits. This was part of the unadjusted audit differences for 2017/18.

### 6. Property, plant and equipment - restatement of useful life of assets

The property plant and equipment useful lives of assets was reviewed for assets without remaining useful life and that was valued at R1 or zero carrying values. These assets have been restated to account for the fact that they were still in use and the assessed useful lives were restated to 2017. Ground work on gravel roads was mistakenly not depreciated since inception. This created a large increase in the accumulated These assets made an decrease of R 31 418 553 in accumulated surplus and decrease in accumulated depreciation for these assets. The reduction is detailed in note 13 Property plant and equipment. The restated amount also created a increase in depreciation of R3 501 479 for the 2017/18 financial year.

### 7. Employee Cost Notes

Items indicated as directors remuneration excluding reimbursive allowances were restated as current service cost - post employment medical aid scheme - this was due to an error in the setup of the item on the financial statements with an incorrect description.

### 49. Lease rentals on operating lease

#### Lease rentals on operating lease

|                     |           |           |
|---------------------|-----------|-----------|
| Contractual amounts | 1 424 845 | 1 606 980 |
|---------------------|-----------|-----------|

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| - within one year                   | 1 591 759        | 572 996          |
| - in second to fifth year inclusive | 1 512 281        | 1 307 170        |
|                                     | <b>3 104 040</b> | <b>1 880 166</b> |

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

Management considered the straight line of the operating lease but it was established that the payment for the property is a factor of its perceived market value therefore better reflects the disclosure of lease expense if it is based on the actual payments made as the value of the supply is deemed to be in line with and increase in the property market value. Management therefore opted to disclose the payments made on the actual payments made and not on the straight line of the lease.

# Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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Figures in Rand

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### 50. Impairment of assets

#### Impairments

Other financial assets

- 83 658 548

VBS Impairment of investment as per note 3

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No additional information was received from the Provincial Government and the curator of the VBS Mutual Bank. Management assessed the impairment and concluded that the impairment is still valid and applicable for the 2018/19 financial year.

## CHAPTER 6: AUDITOR GENERAL REPORT

### Introduction

The municipality received a qualified opinion from the Office of the Auditor General with respect to 2018/2019.

## COMPONENT A: AUDITOR GENERAL'S OPINION OF FINANCIAL STATEMENTS

### 6.1 AUDITOR GENERAL'S REPORT 2018/2019

Refer attached report from the office of the Auditor General for the 2018/2019 financial year ended 30 June 2019 and also the Audit Committee report on the 2018/2019 Annual report



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# **FINAL MANAGEMENT REPORT**

## **Ephraim Mogale Local Municipality**

**30 June 2019**

**Communicated to the accounting officer on: 20 November 2019**





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## MANAGEMENT REPORT

Ephraim Mogale Local Municipality  
30 June 2019

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| 4. Although Ephraim Mogale local municipality was not selected in this first phase of implementation, we highlight the following significant matters which came to our attention during the audit which may be recognised as material irregularities in future when the process is implemented at the municipality. It is reported as audit findings in the annexures to this report..... | 30 |
| Management is encouraged to take appropriate, effective and t.....  | 30 |
| Timeous action on these matters to prevent any losses, misuse or harm or to recover any losses as a result thereof. Appropriate steps should also be taken against the responsible officials or other parties.....  | 30 |
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## MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF EPHRAIM MOGALE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 June 2019

### INTRODUCTION

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer and does not constitute public information. This management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 30 June 2019.
2. These findings were communicated to management and the report details management's response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. In accordance with the terms of engagement, our responsibility in this regard is to:
  - express an opinion on the financial statements
  - express an opinion in the management report on the usefulness and reliability of the reported performance information for selected key performance area, and report the material findings in the auditor's report
  - report on material findings raised on compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).
  - notify the accounting officer of any material irregularity or suspected material irregularities identified during the audit, and report on it in the auditor's report.

Our engagement letter sets out our responsibilities and those of the accounting officer in detail.

4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information as well as the annexure to internal control deficiencies reported.
5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.
6. Please note that the information contained in these documents is confidential, privileged and only for the information of the intended recipient(s) and may not be used, published or redistributed without the prior written consent of the Auditor-General of South Africa (AGSA). Any form of reproduction, dissemination, copying, disclosure, modification, distribution and or publication of this material is strictly prohibited. Should the information be used or processed in a manner that contravenes any laws in the Republic, the AGSA is fully indemnified from liability that may arise from such contravention.
7. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to sustain the audit outcomes with the focus on the following:



- Status of the audit outcomes
- Status of the level of assurance provided by key role players
- Status of the drivers of internal controls
- Status of risk areas
- Root causes to be addressed

Movement from the previous year is depicted as follows:

- /  Improved
-  /  Unchanged / slight improvement / slight regression
- /  Regressed





## OVERALL MESSAGE

8. The municipality's audit outcome regressed to qualified audit opinion on financial statements, with findings on compliance matters and annual performance report.
9. The number of findings decreased compared to the prior year, however uncorrected material findings were identified that resulted in the regression of opinion. The internal control deficiencies and key risk areas are still a concern as reflected on in the above graph.
10. There must be strict monitoring of compliance with supply chain management laws and regulations; and the annual performance report and financial statements must be properly reviewed.
11. Management is further encouraged to develop, implement and monitor action plans that have specific actions to deal the actual the root causes identified

## SECTION 1: Interactions with stakeholders responsible for oversight and governance

12. During the audit cycle, we met with the following key stakeholders responsible for oversight an governance to communicate matters relating to the audit outcome and matters identified during our status of records review of the municipality:

| Key stakeholder   | Purpose of interaction   | Number of Interactions |
|-------------------|--|------------------------|
| Mayor             | Fraud risk assessment<br>Steering committee meeting<br>Status of record review                   | 3                      |
| Audit committee   | Fraud risk assessment<br>Audi strategy and engagement letter<br>Audit steering committee meeting | 3                      |
| Municipal Manager | Fraud risk assessment<br>Audit steering committee meeting<br>Status of records review            | 6                      |

13. At these interactions, we shared the following key matters affecting audit outcomes and the auditee :
  - Monitoring of action plan
  - The quality of the annual financial statements and annual performance report submitted for audit.
  - Findings raised during the cause of the 2018-19 audit.
  - Inadequate work performed by internal audit deviation
14. Some stakeholders made commitments to implement initiatives that can maintain the audit outcome. The commitments given and the progress of previous commitments are included in section 3, which deals with the assessment of assurance providers.



**SECTION 2: Matters relating to the auditor's report**

**AUDIT OF THE FINANCIAL STATEMENTS**

15. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with section 122 of the Municipal Finance Management Act., 2003 (Act No. 56 of 2003) (MFMA).

16. The misstatements that were not corrected form the basis for the qualified opinion on the financial statements.

| <b>Material misstatement</b>                |  | <b>Occurred in prior year</b> | <b>Impact R current year</b> | <b>Impact R previous year</b> |
|---|--|-------------------------------|------------------------------|-------------------------------|
| <b>Financial statement item</b>             | <b>Finding</b>   |                               |                              |                               |
| <b>Material misstatements not corrected</b> |  |                               |                              |                               |
| <b>Disclosure</b>                           |  |                               |                              |                               |
| Commitments                                 | Completeness of commitments                              | No                            | Undetermined                 | 0                             |
| <b>Material misstatements corrected</b>     |  |                               |                              |                               |
| <b>Current assets</b>                       |  | No                            |                              |                               |
| Cash and cash                               | Overstatement of the note                                | No                            | 84 076 833                   | 0                             |
| <b>Non-current assets</b>                   |  | No                            |                              |                               |
| WIP   | Incorrect classification of WIP additions                | No                            | 3 742 872                    | 0                             |
| PPE   | Assets depreciated after useful life lapsed              | No                            | 42 554 560                   | 0                             |
| PPE   | Opening balance of accumulated depreciation is misstated | Yes                           | 0                            | 17 024 132                    |
| <b>Current Liabilities</b>                  |  | No                            |                              |                               |
| Trade payables                              | Limitation of scope                                      | No                            | 979 128                      | 0                             |
| <b>Expenditure</b>                          |  | No                            |                              |                               |
| Employee Cost                               | Allowances not given to qualifying employees             | No                            | 1 915 009                    | 0                             |
| <b>Disclosure</b>                           |  | No                            |                              |                               |



| Financial statement item | Finding                               | Occurred in prior year | Impact R current year | Impact R previous year |
|--------------------------|---------------------------------------|------------------------|-----------------------|------------------------|
| Contingent Assets        | Incorrect classification              | Yes                    | 0                     | 36 000 000             |
| Irregular Expenditure    | Completeness of Irregular Expenditure | No                     | 3 999 246             | 2 898 850              |



## **MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS**

### Key audit matters

#### Emphasis of matter paragraphs

17. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

#### **Restatement of corresponding figures**

18. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

#### **Significant uncertainties**

19. With reference to note 39 to the financial statements, the municipality is the defendant in a number of legal claims involving companies and individuals. The municipality is opposing the claims, as it believes that it has reasonable grounds to defend the claims. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

#### **Material losses due to impairment**

20. As disclosed in note 30 to the financial statements, material losses of R12 472 193 (2018: R20 840 867) was incurred as a result of a write-off of irrecoverable trade debtors.

#### Other matter paragraphs

21. The following other matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

#### **Unaudited disclosure notes**

22. 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, we do not express an opinion on it.

#### **Unaudited supplementary schedules**

23. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.

## **AUDIT OF THE ANNUAL PERFORMANCE REPORT**

24. In terms of the general notice issued in terms of the PAA, the opinion on the audit of reported information will be included in the management report. The report is included below to enable management and those charged with governance to see what the report will look like once it is



published in the auditor's report. We will report all the audit findings included under the basis for opinion and the other matter sections of this report in the auditor's report.

### Introduction and scope

25. We have undertaken a reasonable assurance engagement on the reported performance information for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2019 :

| Key Performance Area   | Pages in annual performance report | Opinion   | Movement <sup>1</sup> |
|--|------------------------------------|-----------|-----------------------|
| KPA 2: Basic service delivery and infrastructure development | x – x                              | Qualified |                       |

26. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000: *Assurance engagements other than audits or reviews of historical financial information*.

27. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Performance Area 2: Basic service delivery and infrastructure development

#### Qualified opinion

28. In our opinion, except for the effects of the matters described in the basis for qualified opinion section of our report, the reported performance information for KPA 2: basic service delivery and infrastructure development is useful and reliable, in accordance with the applicable criteria as developed from the performance management and reporting framework as set out in annexure D to this report.

#### Basis for Qualified opinion

##### Various indicators:

29. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

| Indicator description  | Reported achievement | Audited Value |
|--|----------------------|---------------|
| Kilometers of road to be upgraded by June 2019 (Ngwalemong internal streets)                       | 0.5km                | 3.3km         |
| Kilometers of road to be upgraded by June 2019 (upgrading of Letebejane & Ditholong internal road) | 0.5km                | 2.8km         |
| Number of quarterly local aids council meetings scheduled and held by June 2019                    | 2                    | 1             |
| # of streetlights fittings inspected by June 2019  | 1 056                | 5 755         |
| # of mastlights fittings inspected by June 2019  | 528                  | 2349          |

##### Various indicators:

30. We were unable to obtain sufficient appropriate audit evidence to support the reported achievement against the planned target. This was due to inadequate formal standard operating procedures and a proper performance management system that predetermined how the achievement would be measured, monitored and reported. We were unable to confirm the



indicator by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievements reported in the annual performance report.

| Indicator description   | Reported achievement |
|---|----------------------|
| % of households with access to a minimum level of basic waste removal by June 2019(once a week)         | 15.5%                |
| Number of households with access to a minimum level of basic waste removal by June 2019 (once per week) | 6 369                |

**Other matters**

31. We draw attention to the matters below. Our opinion/s are not modified in respect of these matters.

Achievement of planned targets

32. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified opinions expressed on the usefulness and reliability of the reported performance information in paragraph(s) x; x; x of this report.

**Responsibilities of the accounting officer for the reported performance information**

33. The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework, as set out in annexure D to this report and for such internal control as the accounting officer determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

**Auditor-general’s responsibilities for the reasonable assurance engagement on the reported performance information**

34. Our objectives are to obtain reasonable assurance about whether the reported performance information for the selected key performance area presented in the annual performance report is free from material misstatement, and to issue a management report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the assurance engagement conducted in accordance with the relevant assurance standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the relevant decisions of users taken on the basis of the reported performance information.

35. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. We have not evaluated the appropriateness of the performance indicators established and included in the planning documents. Our procedures do not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance. Accordingly, our opinion does not extend to these matters.

36. A further description of our responsibilities for the reasonable assurance engagement on reported performance information is included in annexure E to this report.



## AUDIT OF COMPLIANCE WITH LEGISLATION

37. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Annual financial statements, performance and annual report

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

Consequence management

39. Some of the losses resulting from irregular expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA. Appropriate action was not taken against officials of the municipality where investigations proved financial misconduct, as required by section 171(4)(b) of the MFMA and municipal regulations on financial misconduct procedures and criminal proceedings 6(8).

40. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

41. Allegations of fraud which exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of PRECCA.

Expenditure management

42. Reasonable steps were not taken to prevent irregular expenditure amounting to R5 275 078 as disclosed in note 45 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by deviation from following normal supply chain processes.

14. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R114 365, as disclosed in note 44 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by payments not done within 30 days.

Procurement and contract management

43. A construction contract were awarded to the contractor that were not registered with the CIDB and/or did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) (CIDB Act) and CIDB regulations 17 and 25(7A).



44. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
45. SCM officials whose associates had a private or business interest in contracts awarded by the municipality participated in the process relating to that contract, in contravention of SCM regulation 46(2)(f).
46. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

## **OTHER INFORMATION**

47. 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 those selected key performance area presented in the annual performance report that have been specifically reported in the auditor's report.
48. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
49. In connection with our audit, our 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 key performance area presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
50. The following paragraphs will be included in the auditor's report to highlight to the users whether any inconsistencies in the other information exist:

## **INTERNAL CONTROLS**

51. The significant deficiencies in internal control which led to our overall assessment of the status of the drivers of key controls, as included in the figure in paragraph x, is described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure F.

## **Leadership**

### **Oversight responsibility**

52. As the accounting officer did not adequately review the financial statements and the annual performance report before submitting them for auditing, this resulted in material adjustments to the financial statement and the performance report.

## **Human resource management**



53. We have identified the following shortcomings in human resource management relating to appointments and payments of salaries:

*Appointment processes*

- The municipality appointed employees who were not recommended by the panel for appointment

*Management of vacancies*

- Management vacancies rate at year end decreased from 33% in the previous year to 17% in the current year.

**Policies and procedures**

54. The municipality has approved policies and procedures, however there are no standard operating procedures for a performance management systems and sufficient monitoring controls to ensure adherence to the internal policies and procedures for purposes of taking corrective and preventing irregular and fruitless and wasteful expenditure.

55. The municipality did not have documented and approved internal policies and procedures to address the process of collecting performance information.

**Action plans to address internal control deficiencies**

56. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner.

**Financial and performance management**

**Proper record keeping**

57. The municipality did not have a proper record management system to maintain information that supported the submitted annual financial statements. This included information that related to the verification and reporting of balances in the financial statements.

- There were delays in submission of information from the municipality which also resulted in limitation of scope
- There were some journals which were passed without supporting documentation

58. The municipality does not have adequate skills in the finance unit resulting in over reliance on external consultants for financial reporting functions

**Daily and monthly processing and reconciling of transactions**

59. Management did not implement the following daily and monthly controls designed for the municipality's business processes:

- Reconciling items for the monthly bank reconciliations were not timely reconciled
- Adequate review of the implementation of the changes in accounting estimates such as changes in the useful life of assets

**Regular, accurate and complete financial and performance reports**



60. As indicated in section 2.1, the financial statements contained numerous misstatements that were corrected. This was mainly due to staff not fully understanding the requirements of the financial reporting framework.

### **Compliance monitoring**

61. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

### **Governance**

#### **Risk management activities and risk strategy**

62. The municipality's risk management strategy/process was inadequate as it could not prevent the large number of internal control deficiencies that were identified.

### **Internal audit**

63. We are concerned about the following matters regarding the effectiveness of the internal audit unit, which require attention:

- The internal auditors were not technically competent, as they had only limited experience and training as auditors
- Due to the lack of an effective methodology and non-adherence to standards on internal auditing, internal audit work was not undertaken with due professional care.
- The internal audit unit did not review internal control and provide recommendations for addressing deficiencies.
- The internal audit unit did not review supply chain management.
- The internal audit unit did not review compliance with legislation.
- The internal audit unit did not follow up the implementation of internal and external audit recommendations to address audit findings.

### **Audit committee**

64. Due to inaccurate and unreliable financial and performance reports that were submitted by the municipality, the audit committee could not perform some of its oversight functions effectively.

### **Summary**

65. The matters above, as they relate to the basis for the qualified opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report.



## **SECTION 3: Assurance providers and status of implementation of commitments and recommendations**

### **ASSESSMENT OF ASSURANCE PROVIDERS**

66. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance. One of the important oversight functions of the municipal council is to consider auditees' annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation.
67. Our reporting and oversight processes reflect on past events, as they take place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
68. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.6) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

#### **First level of assurance**

Senior management: provides some assurance

69. The senior management is responsible for the development and implementation of internal controls of the municipality so that monthly, quarterly, annual financial statements and performance information can be relied upon. However there were control deficiencies that were identified as a result of controls not being well designed and others not implemented. The deficiencies also resulted in numerous material misstatements and non-compliance with legislation.
70. Standard operating procedures has not been developed for performance confirmation which resulted in similar misstatements identified with performance information.

Accounting officer: provides some assurance

71. The accounting officer is suspended and for the year under review we interacted with acting incumbants in the position of accounting officer. We have had interactions with the accounting officers and where information and clarity was required we were responded to.
72. Responsibilities were not adequately exercised as numerous non-compliance and misstatements in the financial statement and performance report were identified. Control deficiencies that were identified by the external auditors were not resolved timely.
73. Standard operating procedures has not been developed for performance confirmation which resulted in similar misstatements identified with performance information.

Mayor: provides some assurance



74. The mayor has shown interest in the audit process and has also met with the audit team. The recommendations made during the year, did not prevent the occurrence of misstatements in the financial statements, performance information and compliance with laws and regulations.

### **Second level of assurance**

Internal audit unit: provides limited assurance

75. Legislation in South Africa requires the establishment, roles, and responsibilities of internal audit units. Internal audit units must form part of the internal control and governance structures of the municipality and must play an important role in its monitoring activities. Internal audit must provide an independent assessment of the municipality's governance, risk management and internal control processes.
76. The internal audit unit of a municipality must prepare a risk-based audit plan and internal audit programme for each financial year. It must advise the accounting officer and report to the audit committee on implementation of the internal audit plan and matters relating to internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control and compliance with the MFMA. The internal audit unit must also perform such other duties as may be assigned by the accounting officer.
77. The municipality did not conduct an external quality assurance assessment of the internal audit function for the past five years which questions if audit work was performed with due care. The approved annual plan of the internal audit was not completed at year end, due to a lack of capacity within the internal audit unit.

Audit committee: provides some assurance

78. The audit committee must be an independent advisory body to the accounting officer and the management and 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; the MFMA and any other applicable legislation; performance evaluation and any other issues.
79. The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the municipality, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.
80. The audit committee has performed its oversight responsibility as they met with the municipality during the financial year. The committee also met the external auditors and had a representative in the streeting committee meetings. to the annual financial statements were reviewed, however material misstatements were still identified on the financial statements, performance information and compliance with relevant laws and regulations.

### **Third level of assurance**

Municipal council: provides some assurance

81. The municipal council met frequently during the year and made resolutions affecting the affairs of the municipality including approval of policies
82. The municipal council was able to refer all cases of irregular, fruitless and wasteful expenditure to MPAC for investigation.



83. Municipal council has also performed its oversight during the audit with attendance and inputs on audit matters
84. The municipality still incurred irregular, fruitless and wasteful expenditure in the current year, even though MPAC did not find anyone liable and the expenditure was written off as irrecoverable.

Municipal public account committee (MPAC): provides limited assurance

85. MPAC investigated all prior year's irregular and fruitless and wasteful expenditure and did not find anyone liable and recommended all irregular expenditure to be written off. Some instances of irregular expenditure were written off without an investigation.
86. The municipality still incurred irregular, fruitless and wasteful expenditure in the current year, even though MPAC did not find anyone liable and the expenditure was written off as irrecoverable.

### STATUS OF IMPLEMENTING COMMITMENTS AND RECOMMENDATIONS

87. Below is our assessment of the progress in implementing the commitments made by the municipality to address the previous and current years' audit findings.
88. Management accepted 111 audit recommendations in the previous year on matters included in the auditor's report and other important matters were implemented, or alternative actions were taken to resolve the finding.
89. There are 93 recommendations that are still being implemented and 18 have not yet been addressed.

## SECTION 4: Specific focus areas

### FINANCIAL VIABILITY

90. Our audit included a high-level overview of the municipality's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management's own financial assessment.

| <b>FINANCIAL VIABILITY ASSESSMENT</b> |   |                               |                           |
|---------------------------------------|---|-------------------------------|---------------------------|
|                                       |   | <b>AS AT 30 JUNE<br/>2019</b> | <b>AS AT 30 JUNE 2018</b> |
| <b>EXPENDITURE MANAGEMENT</b>         |   |                               |                           |
| 1.1                                   | Creditor-payment period                     | 47.1Days                      | 27.7 Days                 |
| <b>REVENUE MANAGEMENT</b>             |   |                               |                           |
| 2.1                                   | Debtor-collection period (after impairment) | 172.2 Days                    | 151.1 Days                |



| <b>FINANCIAL VIABILITY ASSESSMENT</b>   |  |                             |                             |
|---|--|-----------------------------|-----------------------------|
|   |  | <b>AS AT 30 JUNE 2019</b>   | <b>AS AT 30 JUNE 2018</b>   |
| 2.2   | Debtors impairment provision as a percentage of accounts receivable  | 56.7%                       | 56.7%                       |
|   | <ul style="list-style-type: none"> <li>• Amount of debtors impairment provision</li> <li>• Amount of accounts receivable</li> </ul>                                      | R71 068 452<br>R125 305 577 | R58 596 259<br>R103 360 574 |
| <b>ASSET AND LIABILITY MANAGEMENT</b>   |  |                             |                             |
| 3.1   | A deficit for the year was realised (total expenditure exceeded total revenue)   | No                          | Yes                         |
|   | <ul style="list-style-type: none"> <li>• Amount of the surplus / (deficit) for the year</li> </ul>   | R32 568 638                 | (R64 486 822)               |
| 3.2   | A net current liability position was realised (total current liabilities exceeded total current assets)  | No                          | No                          |
|   | <ul style="list-style-type: none"> <li>• Amount of the net current assets / (liability) position</li> </ul>  | R160 536 839                | R78 867 722                 |
| 3.3   | A net liability position was realised (total liabilities exceeded total assets)  | No                          | No                          |
|   | <ul style="list-style-type: none"> <li>• Amount of the net asset / (liability) position</li> </ul>   | R956 265 746                | R923 688 553                |
| <b>CASH MANAGEMENT</b>  |  |                             |                             |
| 4.1   | The year-end bank balance was in overdraft   | No                          | No                          |
|   | <ul style="list-style-type: none"> <li>• Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)</li> </ul>                                       | R107 550 221                | R68 645 417                 |
| 4.2   | Net cash flows for the year from operating activities were negative  | No                          | No                          |
|   | <ul style="list-style-type: none"> <li>• Amount of net cash in / (out)flows for the year from operating activities</li> </ul>  | R72 880 974                 | R76 859 246                 |
| 4.3   | Creditors as a percentage of cash and cash equivalents   | 11.80 %                     | 10.3 %                      |
|   | <ul style="list-style-type: none"> <li>• Amount of creditors (accounts payable)</li> <li>• Amount of cash and cash equivalents / (bank overdraft) at year-end</li> </ul> | R12 692 806<br>R107 550 221 | R7 054 423<br>R68 645 417   |
|   | Current liabilities as a percentage of next year's budgeted resources **   | 10.7 %                      | 9.9%                        |
| 4.4   | <ul style="list-style-type: none"> <li>• Amount of current liabilities</li> <li>• Amount of next year's budgeted income **</li> </ul>                                    | R40 329 274<br>R375 935 300 | R35 296 575<br>R355 707 085 |
|   | <b>OVERALL ASSESSMENT</b>  |                             |                             |
| Overall the financial viability is assessed as:   |  | <b>Yellow (Concerning)</b>  | <b>Yellow (Concerning)</b>  |
| ** This amount excludes the portion of next year's budgeted resources that is budgeted to be spent on "employee costs" and "remuneration of councillors". |  |                             |                             |



## High-level comments

91. The municipality needs to effectively implement and improve the controls over debt collection to enhance its cash flows from operating activities. The municipality's debt collection period stands at 172 days. Improved debt collection will generate much needed funds to settle creditors.
92. Although at year end the municipality had a positive bank balance, on average it takes 47 days for municipality to pay its creditors.
93. The municipality will still be able to pay off all creditors with the current status of its bank account, and will be able to deliver services.
94. Based on the assessment made by management and external auditors, the going concern assumption is still applicable for the municipality, regardless of the concerning overall assessment on financial viability.

## PROCUREMENT AND CONTRACT MANAGEMENT

95. The audit included an assessment of procurement processes, contract management and the related controls in place. These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system and to reduce the likelihood of fraud, corruption, favouritism and unfair and other irregular practices. A summary of the findings from the audit are as follows:

### Irregular expenditure

96. The municipality incurred irregular expenditure of R7 762 542 (100%) in the current financial year as a result of the contravention of SCM legislation. Further irregular expenditure incurred in previous years, amounting to R2 898 850, was also identified in the current year. Most (81% (2018: 100%)) of the irregular expenditure relating to the previous year was identified during the audit process and not detected by the municipality's monitoring processes. The root causes of the lack of effective prevention and detection are inadequate skills and capacity in the SCM unit and the supply policy is not in line with SCM regulations.

### Awards to persons in the service of the state

97. Regulation 44 prohibits awards to persons in the service of the auditee (i.e. employees and councillors), persons in the service of any other state institution and entities owned/managed by them. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to.

98. The findings were as follows:

| Finding | Number and value of awards made | Number and positions of official/councillor identified | Number of suppliers identified | Further non-compliance or irregularities regarding the awards |   |   |  |
|---------|---------------------------------|--|--------------------------------|---|---|---|--|
|         |                                 |  |                                | Supplier did not submit declarations of interest              | Supplier did not declare interest (false declaration) | Official/councillor or did not declare interest | Official/councillor was involved in awarding the |
|         |                                 |  |                                |   |   |   |  |



|  |                                   |   |   |   |   | contract/<br>quotation |
|--|-----------------------------------|---|---|---|---|------------------------|
| Awards to persons in the service of other state institutions | 9 Awards to the value Of R150 083 | 9 Intern, Departmental head, Teacher, Junior Programme Manager, EPWP Practitioner, Professional Nurse: Intg Ext PHC & S/Abu, SHEQ Manager | 9 | 2 | 7 |                        |

Awards to close family members of persons in the service of the state

99. Awards to providers owned/managed by close family members of persons in the service of the state, whether at the municipality or any other state institution, are not prohibited. However, such awards of more than R2 000 must be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM regulation 45. The audit included the identification of awards to close family members. Further testing was performed to determine whether the financial statement disclosure was made and the legislated requirements with regard to declarations of interest were adhered to.

The findings were as follows:

- One of the awards to close family members, amounting to R158 235, was not disclosed in the financial statements.
- Two awards amounting to R36 000 were made to two providers in which partners or associates of the municipal officials had an interest, submitted the declaration but did not declare the interest.

Procurement processes

100. The table below is a summary of findings identified on procurement processes:

|                             | Total  |            | Quotations |            | Contracts |            |
|-----------------------------|--------|------------|------------|------------|-----------|------------|
|                             | Number | Value R    | Number     | Value R    | Number    | Value R    |
| Awards selected for testing | 41     | 55 644 863 | 21         | R1 889 861 | 20        | 53 755 002 |
| Expenditure incurred on     |        | 12 251 559 |            | 1 097 057  |           | 11 154 502 |



| selected awards – current year                |   |            |   |         |   |            |
|---|---|------------|---|---------|---|------------|
| Awards on which non-compliance was identified | 7 | 10 227 479 | 1 | 158 235 | 6 | 10 069 244 |
| Irregular expenditure identified              | 5 | 4 344 856  | 0 | 0       | 5 | 4 344 856  |

*Procurement processes – general*

101. Two (2) contracts with a value of R620 985 were procured without inviting competitive bids, and the deviations were approved even though it was practical to invite competitive bids.
102. One (1) contract was awarded to bidders based on preference points that were not allocated according to the requirements of the Preferential Procurement Policy Framework Act and its regulations.
103. Nine (9) quotations with a value of R150 083 were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state

*Construction contracts*

104. One construction contract with a total value of R633 724 was awarded to contractors who were not registered with the CIDB.

*Internal control deficiencies*

105. The SCM policy of the municipality is not in line with the municipal supply chain regulation number 12(1)(b). In addition, poor planning by SCM personnel led to shortcomings in the SCM processes

**FRAUD AND CONSEQUENCE MANAGEMENT**

106. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and to issue an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.
107. Below is a summary of fraud risk factors identified during the audit that should be addressed to ensure that sufficient measures/controls are in place to prevent material misstatement/ non-compliance due to fraud.
  - Petrol card transaction of fuel that could not be verified because there are no controls on the system for refilling fuel.
108. The MFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular and fruitless and wasteful expenditure; the possible abuse of the SCM system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations. Our



audits included an assessment of the municipality's management of consequences. The significant findings are provided below:

Measures to manage consequences

109. The following measures were not implemented to ensure that the environment is conducive to effective consequence management:

- The disciplinary board was not properly constituted in accordance with the provisions of the financial misconduct regulations.

Failure to properly deal with allegations reported in the prior year

110. The table below provides a summary of transgressions from the previous year that were either not investigated or proper disciplinary steps were not taken after investigation.

Irregular and fruitless and wasteful expenditure

| Finding  | Amount    |
|--|-----------|
| <b>Irregular expenditure</b>   |           |
| Irregular expenditure was not properly investigated  | 241 288   |
| Council's decision to certify irregular expenditure as irrecoverable was not based on the results of an investigation                                  | 1 582 589 |
| <b>Fruitless and wasteful expenditure</b>  |           |
| Fruitless and wasteful expenditure identified in the previous year was not investigated to determine whether any person was liable for the expenditure | 197 325   |

Allegations of financial misconduct, fraud and improper conduct in SCM

| Finding   | Amount |
|---|--------|
| <b>Allegations against other officials other than senior managers of municipalities</b>       |        |
| Allegations of theft/fraud/extortion/forgery exceeding R100 000 were not reported to the SAPS | 1      |

Transgressions reported to management for investigation

111. During the previous year's audit, we reported findings relating to transgressions by officials or other role players, for management to investigate. During the current year audit, we performed follow-up tests to determine whether the matters reported were dealt with by management.

112. The table below provides a summary of the transgressions reported in the previous year and the year under review that must be investigated and disciplinary steps taken based on the results of the investigations.



| Finding   | Findings raised in the previous year |                                  |  | Findings reported in current year |           |
|---|--------------------------------------|----------------------------------|--|-----------------------------------|-----------|
|   | Number of instances                  | Number of instances investigated | Number of instances resolved from those investigated | Number of instances               | Value (R) |
| <b>A: Improper conduct in SCM by suppliers</b>  |                                      |                                  |  |                                   |           |
| Supplier who did not declare interest of their connections with employees in their declaration of interest for awards | 16                                   | 0                                | 0  | 9                                 | 150 083   |
| <b>B: Improper conduct in SCM by officials / role players</b>   |                                      |                                  |  |                                   |           |
| Official failed to disclose their own interest or that of close family members, partners or associates                | 0                                    | 0                                | 0  | 2                                 | 36 000    |

113. Irregular and fruitless and wasteful expenditure disclosed in note 44 and 45 to the financial statements must be investigated to determine whether any official is liable for losses incurred as a result of this expenditure. Disciplinary steps must be taken against officials who caused or permitted the irregular and fruitless and wasteful expenditure and losses incurred must be recovered from the person liable.

## USE OF CONSULTANTS

114. The audit included an assessment of the effective use of consultants. In the local government environment, the partnership between the private and public sectors has become important in driving strategic goals.

115. The total expenditure on consultants was R4 303 451.

116. A summary of the significant findings from the audit is as follows:

### Performance management and monitoring

- Material findings were raised by the auditors on the work performed by the consultant or in areas of the consultants' responsibilities. Some of the misstatements were subsequently corrected.

## PUBLIC PARTICIPATION

117. As part of the audit of predetermined objectives we audit compliance with the provisions of the MSA relevant to community participation.

No findings were raised.

## CONDITIONAL GRANTS

118. For the financial year under review, the audit included an assessment of the effectiveness of the municipality's use of the following conditional grants received:

119. Municipal Infrastructure Grant

No material findings were identified

## ROADS INFRASTRUCTURE

120. The audit included an assessment of the roads infrastructure service delivery objective. Procedures were performed in relation to the following:

- Performance planning and reporting on roads infrastructure
- Planning for renewal and routine roads maintenance projects
- Planning for new or refurbished roads infrastructure projects
- Follow-up on the previous year's findings
- Key roads infrastructure projects

Roads infrastructure projects

121. The audit also included an understanding of planning, project management and commissioning of key roads infrastructure projects undertaken at the municipality. This included testing the timelines, spending against budget, compliance with procurement processes, appropriate recording of transactions in the financial statements and the quality of the goods and services delivered.

- No findings were identified

## SUPPORT TO LOCAL GOVERNMENT

122. The audit included an assessment of the support provided to local government by relevant national and provincial departments. A summary of the significant findings from the audit are as follows:

- No findings were identified

## SECTION 5: Using the work of internal auditors

123. The auditing standards allow external auditors the optional use of the work of internal audit for external audit purposes and for direct assistance. We have used internal audit as follows:

- Administration efficiency
- Quaterly performance information
- Labour relations



124. We have determined that the work performed by the internal auditors will be used for risk identification. However, it will not be possible to use their work for the purposes of modifying the nature and timing or reducing the extent of our audit procedures as the internal audit plan does not include any matters of relevance to the external audit.

## SECTION 6: Emerging risks

### Accounting, performance management/reporting and compliance matters

New pronouncements

#### Standards of GRAP

The ASB has issued the following GRAP pronouncements, with effective dates as indicated

| The ASB has issued the following GRAP pronouncements, with effective dates as indicated GRAP pronouncement             | Effective date   |
|--|------------------|
| GRAP 18 - <i>Segment reporting</i>   | 1 April 2020     |
| GRAP 20 - <i>Related-party disclosures</i>   | 1 April 2019     |
| GRAP 32 - <i>Service concession arrangements: grantor</i>  | 1 April 2019     |
| GRAP 34 - <i>Separate financial statements</i>   | 1 April 2020     |
| GRAP 35 - <i>Consolidated financial statements</i>   | 1 April 2020     |
| GRAP 36 - <i>Investments in associates and joint ventures</i>  | 1 April 2020     |
| GRAP 37 - <i>Joint arrangements</i>  | 1 April 2020     |
| GRAP 38 - <i>Disclosure of interests in other entities</i>   | 1 April 2020     |
| GRAP 104 - <i>Financial instruments</i> (Revised April 2019)   | To be determined |
| GRAP 108 - <i>Statutory receivables</i>  | 1 April 2019     |
| GRAP 109 - <i>Accounting by principals and agents</i>  | 1 April 2019     |
| GRAP 110 - <i>Living and non-living resources</i>  | 1 April 2020     |
| IGRAP 1 <i>Applying the probability test on initial recognition revenue</i> (amendments)                               | 1 April 2020     |
| IGRAP 17 - <i>Service concession arrangements where a grantor controls a significant residual interest in an asset</i> | 1 April 2019     |
| IGRAP 18 - <i>Recognition and derecognition of land</i>  | 1 April 2019     |
| IGRAP 19 - <i>Liabilities to pay levies</i>  | 1 April 2019     |
| IGRAP 20 <i>Accounting for adjustments to revenue</i>  | 1 April 2020     |
| Guideline <i>Accounting for arrangements undertaken in terms of the national housing programme</i>                     | 1 April 2019     |
| Guideline <i>Accounting for landfill sites</i>   | To be determined |

| The table lists the following GRAP pronouncements, with effective dates and the date of the GRAP pronouncement  | Effective date |
|---|----------------|
| Guideline <i>The application of materiality to financial statements</i>   | Voluntary*     |
| <p>* The Guideline on <i>The application of materiality to financial statements</i> was issued in April 2019. The Guideline is available for immediate consideration, to assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. Although the application of the Guideline is voluntary, application is encouraged.</p> |                |

## Audit findings on matters that may be recognised as material irregularities in future audits

1. The amendments to the PAA and the Material Irregularities Regulations issued in terms of the PAA became effective on 1 April 2019.
2. The amendments introduce the concept of a material irregularity. As per the definition in the PAA, a material irregularity means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.
3. The AG has a statutory discretion to determine the manner of, and time frames within which to implement certain elements of the amendments. For the 2018-19 audits, the AG opted to apply a phased approach to the handling of material irregularities, which includes implementing the process only at selected auditees.
4. Although Ephraim Mogale local municipality was not selected in this first phase of implementation, we highlight the following significant matters which came to our attention during the audit which may be recognised as material irregularities in future when the process is implemented at the municipality. It is reported as audit findings in the annexures to this report.

### Fuel and oil

Misuse of municipality's petrol card for possible refuelling of personal cars

Management is encouraged to take appropriate, effective and t

Timeous action on these matters to prevent any losses, misuse or harm or to recover any losses as a result thereof. Appropriate steps should also be taken against the responsible officials or other parties.

## Audit findings on the annual performance report that may have an impact on the audit opinion in future

125. The planned and reported performance information of selected key performance area was audited against the following additional criteria as developed from the Performance Management Reporting Framework:

- **Presentation and disclosure – Overall presentation:**
  - Overall presentation of the performance information in the annual performance report is comparable and understandable



- **Relevance – Completeness of relevant indicators:**

- Completeness of relevant indicators in terms of the mandate of the auditee, including:
  - relevant core functions are prioritised in the period under review
  - relevant performance indicators are included for the core functions prioritised in the period under review

126. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinion of the selected key performance area in this report. However, it may impact on the audit opinion in future.

127. No material findings were identified in respect of the additional criteria.

## **SECTION 7: Ratings of detailed audit findings**

128. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report: these matters should be addressed as a matter of urgency.
- Other important matters: these matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.
- Administrative matters: these matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

## **SECTION 8: Conclusion**

129. The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remains committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours faithfully

Nthanyiseni Dhumazi  
Business Executive: Limpopo Business Unit

30 November 2019

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### **Distribution:**

Audit committee  
Head of internal audit unit  
Executive authority



## **Annexure D: Performance management and reporting framework**

The Performance Management and Reporting Framework (PMRF) consists of the following:

- Legislation applicable to performance planning, management and reporting, which includes the following:
  - MFMA
  - Municipal Systems Act, 2000 (MSA)
  - Regulations for planning and performance management, 2001, issued in terms of the MSA.
  - Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006, issued in terms of the MSA.
- The Framework for Managing Programme Performance Information (FMPPI), issued by the National Treasury (NT). This framework is applicable to all spheres of government, excluding parliament and provincial legislatures.
- Circulars and guidance issued by the NT regarding the planning, management, monitoring and reporting of performance against predetermined objectives.

**Annexure D – Criteria developed from the performance management and reporting framework**

| References to PMRF per institution   |  | Municipalities  | Municipal Entities            |
|--|--|---|-------------------------------|
| <b>Criteria</b>  |  |   |                               |
| <b>Consistency: Objectives, performance indicators and targets are consistent between planning and reporting documents.</b>        |  |   |                               |
| 1.   | Reported strategic or development objectives are consistent or complete when compared to planned objectives.   | Section 121(3)(f) of the MFMA<br>Section41 (a) - (c) & 46 of the MSA<br>Section25(2) of the MSA | Section 121(4)(d) of the MFMA |
| 2.   | Changes to strategic or development objectives are approved  |   | Section54(1)(c) of the MFMA   |
| 3.   | Reported indicators are consistent or complete when compared to planned indicators   | Section 121(3)(f) of the MFMA<br>Section41 (a) - (c) & 46 of the MSA                            | Section121(4)(d) of the MFMA  |
| 4.   | Changes to indicators are approved   | Section 25(2) of the MSA  | Section54(1)( c) of the MFMA  |
| 5.   | Reported targets are consistent or complete compared to planned targets  | Section 121(3)(f) of the MFMA<br>Section41 (a) - (c) & 46 of the MSA                            | Section 121(4)(d) of the MFMA |
| 6.   | Changes to targets are approved  | Section25(2) of the MSA   | Section 54(1)( c) of the MFMA |
| 7.   | Reported achievements are consistent with the planned and reported indicator and target  | Section 121(3)(f) of the MFMA   | Section 121(4)(d) of the MFMA |
| <b>Measurability: Performance Indicators are well defined and verifiable, and targets are specific, measurable and time bound.</b> |  |   |                               |
| 1.   | A performance indicator is well defined when it has a clear, unambiguous definition so that data will be collected consistently and is easy to understand and use. | Chapter 3.2 of the FMPPJ  |                               |
| 2.   | A performance indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator.                              | Chapter 3.2 of the FMPPJ  |                               |



| References to PMRF per institution   |                                      |
|--|--------------------------------------|
| Criteria   | Municipalities<br>Municipal Entities |
| 3. A target is specific when the nature and required level of performance of the target is clearly identifiable.   | Chapter 3.3 of the FMPP              |
| 4. A target is measurable when the required performance can be measured.   | Chapter 3.3 of the FMPP              |
| 5. A target is time bound when the timeframes for achievement of targets are indicated.  | Chapter 3.3 of the FMPP              |
| <b>Relevance: Performance indicators relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives.</b>  |                                      |
| 1. The performance indicator and target relates logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives.  | Chapter 3.2 of the FMPP              |
| <b>Presentation and disclosure: Performance information in the annual performance report are presented and disclosed in accordance with the requirements contained in the legislation, frameworks, circulars and guidance.</b> |                                      |
| 1. Actual performance compared to planned targets and prior year performance is disclosed in the annual performance report   | Section 46 of the MSA                |
| 2. Measures taken to improve performance are disclosed in the annual performance report  | Section 46 of the MSA                |
| 3. Measures taken to improve performance are corroborated with audit evidence  | Section 46 of the MSA                |
| <b>Reliability: Recording, measuring, collating, preparing and presenting information on actual performance achievements is valid, accurate and complete.</b>  |                                      |
| 1. Reported performance occurred and pertains to the reporting entity.   | Section 45 of the MSA                |
| 2. Amounts, numbers and other data relating to reported performance is recorded and reported correctly.  | Chapter 5 of the FMPP                |
| 3. All actual performance that should have been recorded is included in the reported performance information.  |                                      |



## **Annexure E: Auditor-general's responsibility for the audit of the reported performance information**

1. As part of our engagement conducted in accordance with ISAE 3000, we exercise professional judgement and maintain professional scepticism throughout our reasonable assurance engagement on reported performance information for selected key performance area.
2. We are independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

### **QUALITY CONTROL RELATING TO ASSURANCE ENGAGEMENTS**

3. In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

### **REPORTED PERFORMANCE INFORMATION**

4. In addition to our responsibility for the assurance engagement on reported performance information as described in the auditor's report, we also:
  - identify and assess risks of material misstatement of the reported performance information, 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 our opinion. In making those risk assessments, we consider internal control relevant to the management and reporting of performance information per selected key performance area 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 documentation maintained by the municipality that supports the generation, collation, aggregation, monitoring and reporting of performance indicators and their related targets for the selected key performance area.
  - evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the municipality and whether the indicators and related targets were measurable and relevant.
  - evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete.



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

5. We 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 we identify during our audit.

We also confirm to the accounting officer that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

## Annexure F: Assessment of internal controls

Below is our assessment of implementing the drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the [annual performance report/insert name of performance report] and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.

The internal controls were assessed as follows:

|  |   |
|--|---|
|   | The required preventative or detective controls were in place.  |
|   | Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.  |
|  | Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls. |

The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

|   |           |
|---|-----------|
|  | Improved  |
|  | Unchanged |
|  | Regressed |

|   | Financial statements  |   | Performance reporting  |   | Compliance with legislation   |   |
|---|---|---|--|---|---|---|
|   | Current year  | Prior year  | Current year   | Prior year  | Current year  | Prior year  |
| <b>Leadership</b>   |   |   |  |   |   |   |
| <b>Overall movement from previous assessment</b>  |   | ↓   |  | ↓   |   | ↓   |
| • Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity |  |  |  |  |  |  |
| • Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls                                       |  |  |  |  |  |  |

|  | Financial statements |            | Performance reporting |            | Compliance with legislation |            |
|--|----------------------|------------|-----------------------|------------|-----------------------------|------------|
|  | Current year         | Prior year | Current year          | Prior year | Current year                | Prior year |
| • Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.                                 | ●                    | ☺          | ☺                     | ☺          | ●                           | ☺          |
| • Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities                   | ☺                    | ☺          | ☺                     | ☺          | ☺                           | ☺          |
| • Develop and monitor the implementation of action plans to address internal control deficiencies  | ●                    | ☺          | ●                     | ☺          | ●                           | ☺          |
| • Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance                                   | ☺                    | ☺          | ☺                     | ☺          | ☺                           | ☺          |
| <b>Financial and performance management</b>  |                      |            |                       |            |                             |            |
| <b>Overall movement from previous assessment</b>   | ↓                    |            | ↔                     |            | ↓                           |            |
| • Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting | ●                    | ☺          | ☺                     | ☺          | ●                           | ☺          |
| • Implement controls over daily and monthly processing and reconciling transactions  | ●                    | ☺          | ☺                     | ☺          | ●                           | ☺          |
| • Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information  | ☺                    | ☺          | ☺                     | ☺          | ☺                           | ☺          |
| • Review and monitor compliance with applicable legislation  | ☺                    | ☺          | ☺                     | ☺          | ☺                           | ☺          |
| • Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information           | ☺                    | ☺          | ☺                     | ☺          | ☺                           | ☺          |
| <b>Governance</b>  |                      |            |                       |            |                             |            |
| <b>Overall movement from previous assessment</b>   | ↓                    |            | ↓                     |            | ↓                           |            |
| • Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud                          | ☺                    | ☺          | ☺                     | ☺          | ☺                           | ☺          |



|   | Financial statements |            | Performance reporting |            | Compliance with legislation |            |
|---|----------------------|------------|-----------------------|------------|-----------------------------|------------|
|   | Current year         | Prior year | Current year          | Prior year | Current year                | Prior year |
| prevention, are conducted and that a risk strategy to address the risks is developed and monitored  |                      |            |                       |            |                             |            |
| <ul style="list-style-type: none"> <li>• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively</li> </ul>   | ●                    | ☹          | ●                     | ☹          | ●                           | ☹          |
| <ul style="list-style-type: none"> <li>• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation</li> </ul> | ☹                    | ☹          | ☹                     | ☹          | ☹                           | ☹          |





# Report of the auditor-general of Ephraim Mogale Local Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of Ephraim Mogale Local Municipality set out on pages ... to ..., which comprise statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of Ephraim Mogale Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with SA Standards of generally recognised accounting practice and the requirements of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA) and Division of Revenue Act, 2019 ( Act No.3 of 2017) (DoRA).

### Basis for qualified opinion

#### Commitments

3. I identified a number of contracts which were still effective as at 30 June 2019 that were not disclosed as commitments in the financial statements. Management did not implement adequate internal controls for identifying and recording capital and operational commitments. I was not able to determine the full extent of the understatement of commitments stated at R18 257 633 as it was impracticable to do so.

### Context for the opinion

4. 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.
5. 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of matters**

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

## **Restatement of corresponding figures**

8. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

## **Significant uncertainties**

9. With reference to note 39 to the financial statements, the department is the defendant in a number of legal claims involving companies and individuals. The municipality is opposing the claims amounting to R16 167 771, as it believes that it has reasonable grounds to defend the claims. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

## **Material losses due to impairment**

10. As disclosed in note 30 to the financial statements, material losses of R12 472 193 (20 840 867) was incurred as a result of a write-off of irrecoverable trade debtors.

## **Other matters**

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

## **Unaudited supplementary schedules**

12. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.

## **Unaudited disclosure notes**

13. 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, we do not express an opinion on it.

## **Responsibilities of the accounting officer for the financial statements**

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standard 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.

15. In preparing the financial statements, the accounting officer is responsible for assessing the 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.

**Auditor-general’s responsibilities for the audit of the financial statements**

- 16. 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.
- 17. 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**

- 18. 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 area presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 19. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2019:

| <b>Key performance area</b>   | <b>Pages in the annual performance report</b> |
|---|---|
| Key performance are 2 – Basic service delivery and infrastructure development | x – x   |

- 21. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance

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

22. The material findings in respect of the usefulness and reliability of the selected key performance area are as follows:

**Key performance area 2 – Basic service delivery and infrastructure developments**

Various indicators:

23. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

| <b>Indicator description</b>   | <b>Reported achievement</b> | <b>Audited Value</b> |
|--|-----------------------------|----------------------|
| Kilometers of road to be upgraded by June 2019 (Ngwalemong internal streets)                       | 0.5km                       | 3.3km                |
| Kilometers of road to be upgraded by June 2019 (Upgrading of Letebejane & Ditholong internal road) | 0.5km                       | 2.8km                |
| Number of quarterly local aids council meetings scheduled and held by June 2019                    | 2                           | 1                    |
| # of streetlights fittings inspected by June 2019  | 1056                        | 5 755                |
| # of mastlights fittings inspected by June 2019  | 528                         | 2349                 |

Various indicators:

24. We were unable to obtain sufficient appropriate audit evidence to support the reported achievement against the planned target. This was due to inadequate formal standard operating procedures and a proper performance management system that predetermined how the achievement would be measured, monitored and reported. We were unable to confirm the indicator by alternative means. Consequently, we were unable to determine whether any adjustments were required to the achievements reported in the annual performance report.

| <b>Indicator description</b>  | <b>Reported achievement</b> |
|---|-----------------------------|
| % of households with access to a minimum level of basic waste removal by June 2019(once a week)         | 15.5%                       |
| Number of households with access to a minimum level of basic waste removal by June 2019 (once per week) | 6369                        |

**Other matters**

25. I draw attention to the matters below.

## Achievement of planned targets

26. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) [x to x] of this report.

## Report on the audit of compliance with legislation

### Introduction and scope

27. 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.

28. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance and annual report

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

Consequence Management

30. Some of the losses resulting from irregular expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA. Appropriate action was not taken against officials of the municipality where investigations proved financial misconduct, as required by section 171(4)(b) of the MFMA and municipal regulations on financial misconduct procedures and criminal proceedings 6(8).
31. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
32. Allegations of fraud which exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of PRECCA.

Expenditure Management

33. Reasonable steps were not taken to prevent irregular expenditure amounting to R5 275 078 as disclosed in note 45 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by deviation from following normal supply chain processes.

34. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R114 365, as disclosed in note 44 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by payments not done within 30 days.

#### Procurement and contract management

35. A construction contract was awarded to the contractor that was not registered with the CIDB and/or did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

36. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).

37. SCM officials whose associates had a private or business interest in contracts awarded by the municipality participated in the process relating to that contract, in contravention of SCM regulation 46(2)(f).

38. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

#### Other information

39. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected key performance area presented in the annual performance report that have been specifically reported in this auditor's report.

40. 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.

41. 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 key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

|                                      |
|--------------------------------------|
| <b>Internal control deficiencies</b> |
|--------------------------------------|

42. 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 findings on the annual performance report and the findings on compliance with legislation included in this report.

43. The accounting officer did not always act promptly to address identified weaknesses in internal control, which resulted in non-compliance with applicable legislation.

44. Management did not sufficiently implement the daily and monthly controls designed for the municipality's business processes especially in supply chain management, asset management, expenditure management and consequence management
45. The accounting officer did not adequately review the financial statements and the annual performance report before submission for audit, as the financial statements submitted for audit contained material misstatements and material findings have been identified in the annual performance report and on compliance with laws and regulations.

Auditor General  
Polokwane

30 November 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **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 key performance area 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 accounting officer
  - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ephraim Mogale 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.
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.



**ANNUAL AUDIT COMMITTEE REPORT**

**2018/19 FY**

## **EPHRAIM OGALE LOCAL MUNICIPALITY AUDIT COMMITTEE'S ANNUAL REPORT**

We are pleased to present the Annual Audit Committee Report of the Municipality for the financial year ended 30 June 2019. The Audit Committee is an independent statutory committee appointed by the Council. Further duties are delegated to the Audit Committee by the Council and are in line with the approved Audit Committee charter. This report includes both these sets of duties and responsibilities.

### **Audit Committee Responsibility**

The Audit Committee reports has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Treasury Regulation 3.1.13. And also it has adopted appropriate formal terms of reference as its Audit Committee Charter has regulated its affairs during the past financial year in accordance with these terms of reference/Charter and has discharged all its responsibilities as contained therein.

## **Audit Committee Members and attendance**

The Audit Committee consists of five independent members who collectively have sufficient qualifications and experience to fulfil their duties. The Committee went through transition of the financial year reported herein.

During the period herein reported on, seven meetings were held during the period under review,

1. Four ordinary meetings to consider the
  - Quarterly Performance Reporting (financial and non-financial).
  - Risk base audits
  - Standing agenda items such as section 52 reports, SCM reports and legal cases

However due to budget constraints the committee had to combine the second and third quarter meeting to report in one meeting in order to avoid non-compliance with the charter.

2. Special meetings
  - To review and discuss the Annual Financial Statements.
  - Tabling of AGSA audit report and action plan
  - Review of Mid-term Performance Management Reports.

The Committee managed to give support and advice during AGSA time, however the Committee notes with concern that fewer audit steering committee meetings were held during this audit and the saddening part is that the Committee was not accorded an opportunity to discuss the Draft Management letter by AGSA despite an obligation and undertaking to do so. The Committee's attempts to raise these, amongst other concern with the AGSA's Business Executive has as at date of this report not yielded any outcome due to postponement of meeting by AGSA.

Attendance at the meetings is shown in the table below:

| <b>AC Member</b>    | <b>Ordinary Meetings Attendance</b> | <b>Special Meetings Attendance</b> | <b>Apology</b> | <b>Total</b> | <b>Comments on Member's performance / attendance</b> |
|---------------------|-------------------------------------|------------------------------------|----------------|--------------|--|
| Mr. HM Letsela (CP) | 4                                   | 6                                  | 1              | 10           | Good   |
| Mr. VK Chuene       | 4                                   | 7                                  | 0              | 11           | Excellent  |
| Ms. M Nchabeleng    | 3                                   | 4                                  | 4              | 7            | Satisfactory   |
| ADV T Nevondwe      | 4                                   | 4                                  | 3              | 8            | Satisfactory   |
| Mr. P Ravhudzulo    | 3                                   | 3                                  | 5              | 6            | Satisfactory   |

The management team, representatives from Provincial Treasury and CoGHSTA, representatives from the internal auditors attended the Audit Committee meetings by invitation. The Audit Committee also met with the external auditors and internal auditors without management being present. The internal and external auditors have unrestricted access to the Audit

Committee but same was not sufficiently utilized particularly by the AGSA. The Committee held more than four meetings during the period in accordance with its approved terms of reference.

It is also critical to bring to the attention of Council that the term of office of the current Audit Committee will be ending as of 31 May 2020, as part of forward planning and continuity the Council is advised that the process of appointing the new committee commence timeously to avoid unnecessary term extension.

### **Internal Audit work**

The Audit committee noted with concern that Internal Audit in the municipality is extremely under staffed and had recommended to management that the vacancies must be filled urgently and measures be put in place to capacitate the unit through employment of the unit's own interns (at least two). Further that certain internal audit work may have to be outsourced, which will depend on how the unit is capacitated and considering the audit that must be carried out. As a result, the unit was unable to carry out all its planned audits which were to be conducted during the financial year herein reported on. Consequently, the unit had planned 20 audits and were able to only conduct 14 audits.

Internal audit work conducted during the year focused on internal control, risk and risk management, loss control, financial control process reviews,

and a review of performance management information. Weaknesses revealed have been raised with management.

An action plan on all findings raised by Internal Audit in 2017/18 financial year is being developed for follow up with Management in 2018/19 financial year. Progress will be reported to the Audit Committee on quarterly basis.

### **Audit review of predetermined objectives**

The Auditor-General's has evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework and review of performance against predetermined objectives has rated the supporting information supplied by the Municipality as useful and reliable. The material findings in respect of the usefulness and reliability of the selected key performance area were found on KPA 2- Basic service delivery and infrastructure development, a qualified conclusion was made on KPA-Basis service delivery and no material findings were raised in respect of the usefulness and reliability of the reported performance information for KPA 1: Spatial rational, However only two out of five performance areas were examined and further attention is needed to ensure that the Municipality identifies and retains sufficient evidence across all its performance areas. It is anticipated that the Auditor-General will extend the scope of the performance management information review in the future; and it is also anticipated that their conclusion made on audit of predetermined objectives may finally have an effect on the ultimate audit opinion.

## **Risk management**

Progress on the Municipality risk management was reported to the Audit Committee on a quarterly basis, however the Audit Committee is not satisfied with the none attendance of meetings by the internal Risk Committee members resulting in meeting not being held on quarterly basis as required due to same not forming a quorum thus adjourned without sitting. This negatively affect the performance of risk management unit and the committee. Management should take full responsibility for the entire Enterprise Risk Management Process and continue to support the Risk Officer to further enhance the performance of the Municipality thus were urged by the Audit Committee to take Risk Committee meetings seriously and prioritize same accordingly.

## **Implementation of corrective actions**

Municipality has been doing fairly well in this regard. The progress report on the implementation of the Audit Improvement Action Plan shows that 27 out of 29 of the audit recommendations made and accepted in the 2017/18 financial year were implemented with appropriate corrective actions. However new issues were raised by AGSA which resulted to 44 findings in the 2018/19 financial period. The Municipality needs to ensure that it can, and indeed does, take sufficient and effective steps to introduce all the improvements and corrections that are identified.

## **Management Instability**

The Committee noted with serious concern the instability created by vacancies and the “Hollywood syndrome” in the Executive Management positions of the municipality. It is our considered view that this instability at that level of management may have negative effect on the performance of administrative and legislative obligations of the institution.

Accordingly, it is the Audit Committee’s recommendation that the filling of vacant positions, such as CFO and others at Executive Management level, be expedited to ensure the required stability; and including finding closure on the Municipal Manager’s issue/ case.

## **Evaluation of Financial Statements**

Due to the meeting(s) not being convened, as stated above, the Audit Committee did not:-

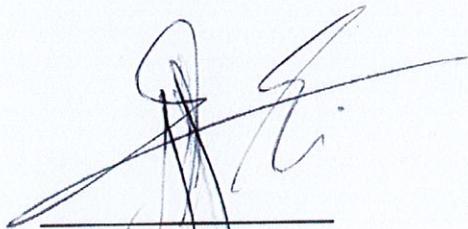
- Review and discuss the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General SA and the Accounting Officer;
- Review the Audit Report of the Auditor-General SA;
- Review the Auditor-General SA’s Management Report and Management’s response thereto;
- Note and review the Auditor-General’s assessment of the usefulness and reliability of performance information examined
- Review the Municipality’s compliance with legal and regulatory provisions; and

- Review significant adjustments resulting from the audit.

As a result, the Audit Committee in its 17 December 2019 meeting were dissatisfied with the above unprofessional and none-compliant conduct by AGSA thus requested that a meeting be convened with the Business Executive of AGSA to deal with this and deter reoccurrence.

#### **Auditor-General South Africa**

The Audit Committee reports that, as a date of this report, the AGSA postponed the proposed meeting twice thus the Audit Committee has not met with the Auditor-General; and that there are unresolved issues.



**Mr. MH LETSELA**

**Chairperson the Audit Committee**

22/1/2020

**Date**

## GLOSSARY

|                                 |   |
|---------------------------------|---|
| <b>Accessibility indicators</b> | Explore whether the intended beneficiaries are able to access services or outputs.  |
| <b>Accountability documents</b> | Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports. |
| <b>Activities</b>               | The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.  |
| <b>Adequacy indicators</b>      | The quantity of input or output relative to the need or demand.   |
| <b>Annual Report</b>            | A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.           |
| <b>Approved Budget</b>          | The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.  |
| <b>Baseline</b>                 | Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.  |
| <b>Basic municipal service</b>  | A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.  |
| <b>Budget year</b>              | The financial year for which an annual budget is to be approved – means a year ending on 30 June.   |
| <b>Cost indicators</b>          | The overall cost or expenditure of producing a specified quantity of outputs.   |
| <b>Distribution indicators</b>  | The distribution of capacity to deliver services.   |
| <b>Financial Statements</b>     | Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.  |

|   |  |
|---|--|
|   |  |
| <b>General Key performance indicators</b> | After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.  |
| <b>Impact</b>                             | The results of achieving specific outcomes, such as reducing poverty and creating jobs.  |
| <b>Inputs</b>                             | All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.   |
| <b>Integrated Development Plan (IDP)</b>  | Set out municipal goals and development plans.   |
| <b>National Key performance areas</b>     | <ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>   |
| <b>Outcomes</b>                           | The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".   |
| <b>Outputs</b>                            | The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area. |
| <b>Performance Indicator</b>              | Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)  |
| <b>Performance Information</b>            | Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.   |

|  |   |
|--|---|
| <b>Performance Standards:</b>                      | The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.  |
| <b>Performance Targets:</b>                        | The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.   |
| <b>Service Delivery Budget Implementation Plan</b> | Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.   |
| <b>Vote:</b>                                       | One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.<br>Section 1 of the MFMA defines a "vote" as:<br><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i><br><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i> |