

EPHRAIM MOGALE LOCAL MUNICIPALITY



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MARBLE HALL
0450
013-261 8400
013-261 2985

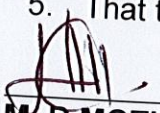
Leeuwfontein Office (013) 261 8509
Elandskraal Office (013) 261 8506
Zamenkomst Office (013) 973 9160
Traffic Section (013) 261 8400

EXTRACTS FROM THE MINUTES OF THE 3rd ORDINARY COUNCIL MEETING OF
EPHRAIM MOGALE LOCAL MUNICIPALITY HELD ON WEDNESDAY THE 23rd
JANUARY 2019

FILE/S: ~~5/12/215~~ 9/1/1


OC3/03/2019: 2017/18 ANNUAL REPORT AND CONSULTATIVE PROGRAM
RESOLVED

1. That the Council approves the report to be made public and invites the local community to submit representatives in connection with Annual Report for 2017/2018.
2. That the Council takes cognizance of the circulated Annual report for the period of 1 July 2017 to 30 June 2018.
3. That the Annual Report be submitted to the Auditor-General, Limpopo Provincial Treasury, Limpopo: Coghsta, CoGTA and National Treasury.
4. That the item be deferred to MPAC in reason of page 253
5. That the Acting Municipal Manager implement the decision accordingly


M. D MOTHOGWANE
SPEAKER

23RD JANUARY 2019

FINALISATION BY: BTO / PMS
Referred toby Municipal Manager


MJ LKOLA
ACTING MUNICIPAL MANAGER

23/01/2019
Date Received

EPHRAIM MOGALE LOCAL MUNICIPALITY

9/1/19 289

111
MARBLE HALL
0450
013 261 8400
013-261 2985



Leeufontein Office (013) 266 7025
Elandskraal Office (013) 268 0006
Zamenkomst Office (013) 974 7290
Traffic Section (013) 261 1778/38

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S Makua

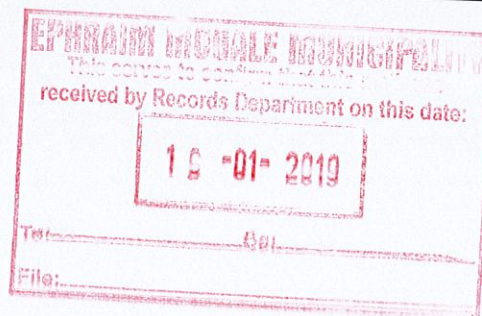
2017/2018 DRAFT ANNUAL REPORT PUBLIC PARTICIPATION PROGRAMME



DATE	TARGET	VENUE	TIME
14/02/2019	GENERAL PUBLIC	EPHRAIM MOGALE LOCAL MUNICIPALITY, RATHOKE COMMUNITY OFFICE/HALL	09H00
19/02/2019	GENERAL PUBLIC	EPHRAIM MOGALE LOCAL MUNICIPALITY JOINED PROGRAM, MOOMANE COMMUNITY OFFICE/HALL	11H00
19/02/2019	GENERAL PUBLIC	EPHRAIM MOGALE LOCAL MUNICIPALITY TOWN HALL	18H00

Approved/~~Not approved~~


MJ LEKOLA
ACTING MUNICIPAL MANAGER



ALLE KORRESPONDENSIE MOET AAN DIE
MUNISIPALE BESTUURDER GERIG WORD

MANGWALO KA MOKA A LEBANTŠHWE
GO MOLAODI WA MASEPALA

ALL CORRESPONDENCE TO BE ADDRESSED
TO THE MUNICIPAL MANAGER



**EPHRAIM
MOGALE LOCAL
MUNICIPALITY**

**ANNUAL
REPORT
2017-18**

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CHAPTER 1: MAYOR'S FORWARD AND EXECUTIVE SUMMARY



The EPMLM's annual report for the period 1 July 2017 to 30 June 2018 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 2018/2019 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:

1.05km Dichoeung Internal Streets	Dichoeung	R 7 500 000.00

The following projects are still continue as Multiyear projects and they will completed in the year 2018/18

2.1km Letebejane & Ditholong internal road	Letebejane/Ditholong	R 14 120 000.00
3.250km Ngwalemong Internal Streets	Ngwalemong	R 12 198 383.95
1.05km Dichoeung Internal Streets	Dichoeung	R 7 500 000.00
Leeuwfontein Sports Facility	Mamphokgo	R 3 193 798.24
Mamphokgo Sports Complex	Leeuwfontain	R 6 500 000.00

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.

NUMBER OF OUTREACHES	LOCATION/VILLAGES
Annual Report 2017/18 Public Participation	Selebaneng, Mmotwaneng, Elandskraal, Town Hall x 2, Mamaneng, Mabitsi, Klopper, Moomane, Mamphogo & Moganyaka
Back to School Opening Campaign	Moutse west circuit offices, Rakgwadi circuit Mokone A Mabula senior secondary school, Tsimanyane circuit office, Lepelle circuit Ngala H School & Marble Hall Town Hall
MPAC Annual Report 2017/18 Public Hearing	Municipal Chamber
SOMA	Mabitsi Community Hall – Ward 12

Annual Ward Committee Conference 2017/18	Zithabiseni Resort and Conference Centre
IDP Review Public Participation 2018/19	Phetwane Sports Ground , Moomane Community Hall, Leeuwfontein Community Hall & Klopper 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. 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 2017- 2018. 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**".

Table 1: Comparison of the Two financial years; 2016/2017 and 2017/2018

PA No	KPA	2017/18			2017/18			
		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%	13	09	04	69%
2	Basic Service Delivery and Infrastructure Development	36	19	52.7%	51	36	15	71%
3	Local Economic Development	10	06	60%	10	06	04	60%
4	Municipal Transformation and Institutional Development	26	21	80.7%	27	22	05	81%
5	Municipal Financial Viability and Management	25	18	72%	23	18	05	78%
6	Good Governance and Public Participation	33	27	81.8%	39	28	11	72%
	TOTAL	148	104	70.2%	163	119	44	73%

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. Kupa C.R.

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; my main role as an accounting officer in the preparation of this report was to ensure that the report is completed timely and that it accurately recount the key activities undertaken in the year reported hereon, giving a clear indication of achievements, non-achievement, challenges and opportunities realized in the course of undertaking such activities. On top of my mind; such achievements includes the improved audit opinion and the 100% MIG spending and successful completion of capital projects thereof. Amidst such achievement, there were challenges which we honestly reflected in the report. Of great importance is the fact the municipality has developed strategies to forge a successful way-forward in dealing with such challenges – thus giving me confidants that Ephraim Mogale Municipality will grow strong and continue to realise its vision in relation to the core business of the municipality which is service delivery to our people.

17P 

 MATHEBELA MM
 MUNICIPAL MANAGER

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Ephraim Mogale's population is youthful, 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 28th 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

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		
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:

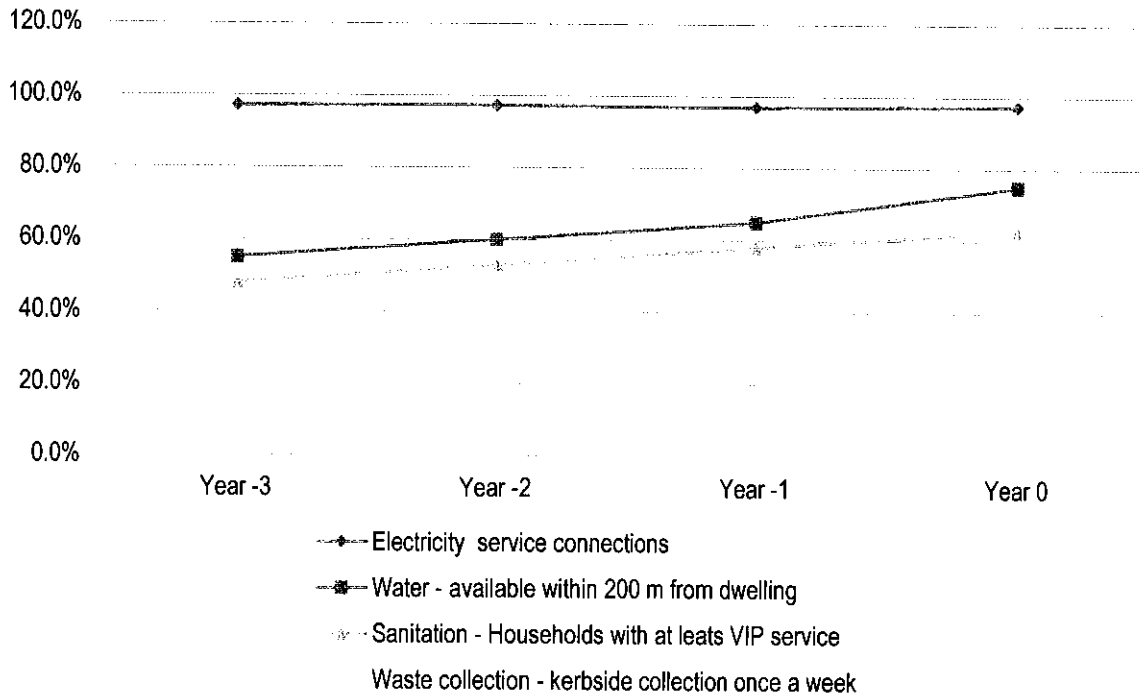
- Municipal transformation and organizational development
- Basic service delivery and infrastructure
- Local economic development
- Financial viability
- Good governance and public participation
- Spatial Rationale

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%. Public lighting was extended to 5 areas. 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	97.2%	97.3%	97.0%	97.3%
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	25%	30%	35%	40%

Proportion of households with access to basic services



The Backlog on Services

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

Water

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.

12 217	36%
--------	-----

Electricity

33 936	2.66%
--------	-------

All residential areas connected to the electrical grid. Backlog at 2.66% after Eskom completed 8 projects with 291 connections.

Public lighting backlog

56	34
----	----

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

Refuse Collection services

33 936	81.2%
--------	-------

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

1.4 FINANCIAL HEALTH OVERVIEW

Income	114,271,000	116,563,452	108,146,693
Grants	172,167,996	172,167,996	170,366,217
Sub-Total	286,438,996	288,731,448	278,512,910
Less Expenditure	331,438,545	335,681,640	395,792,239
Net Total	-44,999,549	-46,950,192	-117,279,329

Employee Costs	97%
Repairs & maintenance	65%
Finance charges and Depreciation	103%

Debt coverage (Total operating revenue –operating grants received)/ debt service payments due within a year	2.4	2.2	2.4
Service debtors to revenue –(Total outstanding service debtors/ revenue received for services)	0.9	0.7	0.5
Cost coverage (Available cash +investments)/ Monthly fixed operating expenditure	1	1	3.4
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%	83%

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.

Total posts on the organogram	275
Total number of employees	269
Total number of vacancies	6
Number of terminations	0
Number of retirements	2
Resignations	7
Death	2
Contract ended	0

Retention/Promotions	

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

Bursaries Awarded

aka Mpho	1406419	Witwatersrand University	04	Bachelor of Science	Third Year	10	R117 628.00
koana Precious	1411120	Sefako Makgato Health Science University	07	MBCHB Degree.	Fifth Year	01	R108 671.00
aserumule .W.	26919346	North-West University	04	BSC. Financial Mathematics.	Fourth Year	11	R55 000.00
oeng Cornelius	15211003	University of Pretoria	04	Bachelor in Mining Engineering.	Third Year	11	R45629.00
apo Fortunate	14228999	University of Pretoria	04	B. Com-Accounting Science	Fourth Year	02	R55 000.00
hidi Morongwa	19271328	University of Stellenbosch	07	MBCHB	Fourth Year	15	R55 000.00
makola athome	1158 133	Witwatersrand University	04	Bachelor of Science	Fourth Year	08	R68 673.59
kogatse oleseng	17112682	University of Pretoria	04	MBCHB	Second Year	08	R96 616.29
onama Tadima ncent	17100349	University of Pretoria	03	Bachelor Science in Computer Science	Second Year	12	R35 730.00
ohlala skolokoto donia Quite	216042558	University of Johannesburg	03	National Diploma Town and Regional Planning	Second Year	09	R55 000.00
okobane ohlonyang aniel	216454782	Tshwane University of Technology	03	National Diploma Agriculture	Second Year	16	R55 000.00
akola Makate oia	217067707	Tshwane University of Technology	03	National Diploma of Local Government Man. (Records Man)	Second Year	16	R31 620.00

atlala Dennis puti	17131208	North-West University	04	Bachelor of Science in Actuarial Science	First Year	13	R50 317.36
EMPLOYEES BURSARY							
aepa M.R	56656661	University of South Africa	03	Bachelor of Arts in Government, Administration and Development	First Year	N/A	R5064.50
asombuka M.L	41702174	University of South Africa	02	Advanced Diploma in Internal Audit	Third Year	N/A	R13681.30
akua N.S	17312982	University of Pretoria	03	Bachelor of Administration	First Year	N/A	33 674.90
akana R.R	18193189	University of Pretoria	03	Bachelor of Administration	First Year	N/A	R33 674.90
akolr M.M	M1136409	Oxbridge Academy	01	Public Administration Management Assistant	First Term	N/A	R8 100.00
akgopa C.M	188434	Regenesys	02	Master of Business Administration	First Year	N/A	R121 117.80
atseke M.P	1090715	Mancosa	01	Postgraduate Diploma in Business Management	First Term	N/A	R41 550.00
amushu N.E	124885	Lyceum College	03	BA in Disaster and Safety Management	First Year	N/A	R17 310.00
ogopa S.N	31070485	University of South Africa	04	LLB Degree	Second Year	N/A	R6 035.40
adisha L.C	45957	Business Management Training College	03	Diploma in Human Resource Management	First Year	N/A	R0.00
ahlakwana L.M	57917965	University of South Africa	04	LLB Degree	First Year	N/A	R7 350.00
atlala M.T	53597974	University of South Africa	01	Economics and Management Science	First Term	N/A	R7 220.00
ashabela B.M	2018013767	Barlow-Sekhukhune TVET College	1 year 6 months	Human Resource Management	First Term	N/A	R4 560.00

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 an unqualified audit opinion during the 2016/2017 financial year, 2017/2018 Audit still in progress.

See Chapter 6: Auditor-General Report 2017/18

1.7 STATUORY ANNUAL REPORT PROCESS

Table 16: statutory annual report process

No	Activity	Date	Responsibility
1	Finalise 4th quarter report for previous financial year	July 2018	Management/Municipal Manager
2	Submit draft annual report to internal audit and Auditor General	August 2018	Municipal Manager
3	Audit/Performance Committee considers draft annual report of Municipality	August 2018	Municipal Manager
4	Mayor tables the unaudited annual report	August 2018	Mayor
5	Municipality submits draft annual report, including the consolidated annual financial statements and the performance report, to the Auditor General	August 2018	Municipal Manager
6	Auditor General assesses draft annual report, including the consolidated annual financial statements and performance data	August – 28 November 2018	Auditor General
7	Municipalities receive and start to address the Auditor General's Comments	November 2018	Municipal Manager
8	MPAC Committee assesses the annual report	March 2019	MPAC Chairperson
9	Mayor tables annual report and audited financial statements to council, complete with the Auditor General's Report	January 2019	Mayor
10	Audited annual report is made public and representation is invited	January 2019	Municipal Manager
11	Council adopts oversight report	March 2019	Council
12	Oversight report is made public	April 2019	Municipal Manager
13	Oversight report is submitted to relevant provincial councils	April 2019	Municipal Manager

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 two 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 Kupa CR, Speaker Cllr Mothogoane MD, the Chiefwhip Cllr LB Modisha 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 Kupa CR, 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"> • Cllr. Kupa CR – Mayor • Cllr Lentsoane R • Cllr Motsepe M • Cllr Makanyane G • Cllr Makola L • Cllr Jacobs P 	

The table below categorises the Councilors within their specific political parties and wards for the 2017/2018 financial year:

Cllr Kupa CR	Mayor	Female	ANC	076 616 5552
Cllr Lentsoane R	MMC Corporate Services	Female	ANC	072 360 7487
Cllr Motsepe M	MMC Budget & Treasury	Female	ANC	079 235 1235
Cllr Makanyane G	MMC Infrastructure Services	Male	ANC	079 966 5551
Cllr Makola L	MMC Planning & Economic Development Services	Male	EFF	072 621 6057
Cllr Jacobs P	MMC Community Services	Male	DA	082 293 0403
Cllr Mothogwane M D	Speaker	Male	ANC	071 594 7616
Cllr Modisha B	Chief-Whip	Female	ANC	082 575 5207

Cllr Moimana G	PR Councillor	Male	ANC	082 657 6306
Cllr Tshiguvu L	PR Councillor	Female	ANC	
Cllr Mohlala L	PR Councillor	Male	EFF	071 526 9160
Cllr Sindana R	PR Councillor	Female	EFF	072 580 4316
Cllr Phokwane R	PR Councillor	Female	EFF	072 992 2820
Cllr Matjie T	PR Councillor	Female	EFF	076 624 0810
Cllr Manasoe T	PR Councillor	Female	EFF	076 409 1016
Cllr Madileng O	PR Councillor	Female	EFF	071 454 2902
Cllr Lentsoane C	PR Councillor	Female	DA	083 952 9184
Cllr Letshela	PR Councillor	Female	DA	
Cllr De Beer F	PR Councillor	Male	VF Plus	082 223 0634
Cllr Aphane M	Ward 1	Female	ANC	078 152 3034
Cllr Tema A	Ward 2	Male	Independent	076 029 2799
Cllr Ranoto P	Ward 3	Male	ANC	073 193 9291
Cllr Kekana J	Ward 4	Male	ANC	072 669 4846
Cllr Matlala F	Ward 5	Male	ANC	082 572 6617
Cllr Motsepa M	Ward 6	Female	ANC	079 235 1235
Cllr Jacobs P	Ward 7	Male	DA	082 293 0403
Cllr Makanyane G	Ward 8	Male	ANC	079 966 5551
Cllr Maloka M	Ward 9	Female	ANC	078 139 2208
Cllr Sedibane S	Ward 10	Male	ANC	079 011 1990 078 111 2123

Cllr Mashoeshoe H	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 L	Ward 15	Female	ANC	073 601 8842 081 829 9996
Cllr Mashego P	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

Municipal Manager	Mathebela M.M	F
Director Corporate Services	Lekola MJ	M
Chief Financial Officer	Khabo Ramosibi	F
Director Economic Development and Planning	Mashiane SO	M
Director Community Services	Phaahla H.M	M
Director Infrastructure Services	Vacant	

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 2017 – 30 June 2018:

1	Cllr Letty Molatudi	Chairperson	
2	Cllr Given Moimana	Whippier	
3	Cllr Thabitha Manaswe	Member	
4	Cllr Conny Lentsoane	Member	
5	Cllr Rebecca Lentsoane	EXCO	
6	Kgoshigadi M.P Rahlagane	Royalty	
1	Cllr Frederick Sedibane	Chaiperson	
2	Cllr Simon Tema	Member	
3	Cllr Hudson Mashoeshoe	Whippery	
4	Cllr Frederick Jacobus De Beer	Member	
5	Cllr Thandi Matjie	Member	
6	Cllr Mmakoma Motsepe	EXCO	
7	Kgoshi P.K Kekana	Royalty	
1	Cllr Carol Boshielo	Chairperson	
2	Cllr Tshiguvho M .E	Whippery	
3	Cllr Maria Aphane	Member	
4	Cllr Rouda Ramatsobane Sindana	Member	

5	Cllr Olgah Madileng	Member	
6	Cllr Mphoke Lawrence Makola	EXCO	
1	Cllr Fanny Matlala	Chairperson	
2	Cllr Olgah Madileng	Member	
3	Cllr Montsho Monama	Whippery	
4	Cllr Simon Tema	Member	
5	Cllr Phillippus Rudolph Jacobs	EXCO	
6	Kgoshi M.M Matlala	Royalty	
1	Cllr Hudson Mashoeshoe	Chairperson	
2	Cllr Thabiso Mabaso	Whippery	
3	Cllr Montsho Monama	Member	
R	Cllr Thandi Matji	Member	
5	Cllr George Makanyane	EXCO	
6	Kgoshi M Mashung	Royalty	
1.	Cllr Thabiso Mabaso	Chairperson	Chairperson
2.	Cllr Frederick Sedibana	Member	Infrastructure Services
3.	Cllr Hudson Mashoeshoe	Member	Planning and ED
4.	Cllr Philemon Ranoto	Member	Budget & Treasury Office
5.	Cllr Letty Molatudi	Member	Community Services
6.	Cllr Simon Tema	Member	Corporate Services

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	
2017/2018			
1	Cllr Philemon Ranoto	Chairperson	
2	Cllr Given Moimana	Member	
3	Cllr Refilwe Phokwane	Member	
4	Cllr Fridah Maloka	Member	
5	Cllr Jonas Kekana	Member	
6	Cllr Lawrence Mohlala	Member	
7	Cllr Patrick Mashego	Member	
8	Cllr Philemon Ranoto	Chairperson	
2018/2019			
1.	Cllr Molaudi Mothogwane		
2.	Cllr Thabiso Mabaso		
3.	Cllr Patrick Mashego		
4.	Cllr Fridah Maloka		
5.	Cllr Lawrence Mohlala		
6.	Cllr Conny Lentsoane		
7.	Kgoshi M. Mashung	Royal	

1.	Cllr Molaudi Mothogwane	Chairperson	
2.	Cllr. Makanyane George		
3	Cllr. Lentsoane Rebecca		
4	Kgoshi Matlala		
5	Phasha Jan		
6	Segopotje Selaelo		
1	Cllr. Modisha LB	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

<ul style="list-style-type: none"> • District Monitoring and Evaluation forum • Mayor’s forum • Municipal manager’s forum • Debt forum • CFO’s forum • IDP forum 	<ul style="list-style-type: none"> • Provincial Monitoring and Evaluation forum • Premier mayor’s forum • Municipal Manager’s forum • Debt forum • CFO’s forum • IDP forum, etc

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 2017/18	
IDP, Budget 2018/19 Public Participation	
Annual Report 2017/18	
Back to School Opening Campaign	
MPAC Annual Report 2017/18 Public Hearing	
State of the Municipality Address (SOMA)	
Annual Ward Committee Conference 2017/18	
IDP Review Public Participation 2018/19	
Ward Committee Induction	
	T 2.4.3

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 Unit	Yes
Communication Strategy	Yes
Communication Policy	Yes
Customer Satisfaction Surveys	Yes
Functional Complaint Management Systems	Yes
Newsletters distributed at least quarterly	4 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 2017/2018 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

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 = 275
- Filled posts = 269
- Vacant = 06

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 Specialists with vast experience in the Public Sector and Private Sector environments; well learned in corporate compliance and policy formation.

The five are:

- Mr M Letselela (Chairperson and labor law expert)
- Mr KP Ravhudzulo (Chartered Accountant)
- Mr LT Nevondwe (Advocate)
- Ms MF Nchabeleng (Risk Management Specialist)
- Mr VK Chuene (Internal Audit Specialist)

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

During the year reported hereon; the committee held 3 ordinary meetings and 3 special meetings. In the meetings, 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.
- That the municipality appoint the chief risk officer.
- 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.

For many years since its establishment; the unit has always been a one-official unit made only of the Internal Auditor. That has in the year reported herein changed; the unit now is composed of the Chief Internal Auditor and the Internal Auditor; and envisage appointing the Senior Internal Auditor and the second Internal Auditor. The following internal audit reports were issued during the year:

- Audit of Performance Information 1st, 2nd, 3rd and 4th Quarter
- Asset Management
- Supply Chain Management
- Revenue enhancement and debt management
- Indigent Management
- Ward committee processes
- Communications and Customer care]
- Employee wellness program
- Waste Management
- Land Audit
- IDP and Budget process
- 2017/18 SDBIP review
- ICT
- Training and Skill development
- Contract Management
- Report on the implementation of the Audit Improvement Action Plan

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

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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 2017/18 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 2016/17 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.

2.8 SUPPLY CHAIN MANAGEMENT

The Municipality has adopted a Supply Chain Management Policy which is in line with the 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 (ACCPAC). 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 has gazetted the below By-laws in the year under review

	Ephraim Mogale Local Municipality Land Invasion By-law, 2017	1/3/1/10	No. 2983 Gazetted 30/03/2018
2	Ephraim Mogale Local Municipality Property Encroachment By-law, 2017	1/3/1/9	No. 2983 Gazetted 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 Gazetted 22/06/2018
4	Telecommunication Mast Infrastructure By-law, 2017	1/3/1/12	No. 2915 Vol.25 Gazetted 22/06/2018
5	Ephraim Mogale Local Municipality Conflicting Buildings/Properties By-law, 2017	1/3/1/8	No. 2893 Vol.25 Gazetted 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	2017-06-18
All current budget-related policies	Yes	2017-06-15
The previous annual report (Year -1)	Yes	2017-08-24
The annual report (Year 0) published/to be published	N/A	

All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	No	
All service delivery agreements (Year 0)	No	
All long-term borrowing contracts (Year 0)	N/A	N/A
All supply chain management contracts above a prescribed value (give value) for Year 0	N/A	N/A
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	2017-01-19
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 0	N/A	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Yes	2017-11-17
<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

Not a function of Ephraim Mogale municipality therefore the Sekhukhune District Municipality coordinates all water and sanitation issues.

3.2 WASTE WATER (SANITATION) PROVISION+

Not a function of Ephraim Mogale municipality therefore the Sekhukhune District Municipality coordinates all water and sanitation issues.

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 0 HH and 903 households in the Municipal area of the total number of 33 936 households (census survey 2016) which is 2.66%. These are small new extensions and in-fills. The current approve plan is 500 connections for the next financial year.

Top 3 priorities:

1. Public lighting maintenance and expansion

The Municipality is successfully maintaining all the installed public lighting. The Municipality installed 30 LED floodlights in one village as an energy efficiency pilot project with positive results. Energy consumption have been reduced by 50% and maintenance cost is now minimal. The Municipality applied several times for DoE funding for similar conversions but have not been allocated any funding yet. A service provider have been appointed to develop a Public Lighting Master Plan to determine the most cost effective way to expand the public lighting networks in areas with huge density variations and limited funding.

2. Distribution network maintenance

The Municipality completed phase 1 and 2 of three phases to strengthened the main substation distribution network. An application was submitted and paid for an increase of the ESKOM main supply to ensure that the supply meets the requirements and to allow for growth. The transformers insulation oil was tested and purified. The overhead line in the industrial area was refurbished to improve reliability and extend operational life.

3. Accurate metering

Electricity losses have been reduced to well below the NERSA requirement. This was achieved after the Municipality started to do its own meter reading with monthly deviation inspections and an audit of the big customers in the Industrial area. More than 51% of residential customers have already been changed to prepaid and the number is still growing slowly.

Measures to improve performance

1. Public lighting

The Municipality will develop a Public Lighting Master Plan in the next financial year to ensure efficient and realistic planning for the maintenance, upgrading and expansion of this service. The positive results from the pilot LED project definitely shows that more installations should be converted if funding can be sourced.

2. Distribution network maintenance

An Operation and Maintenance Plan was developed and will be implemented within the available budget. In line with the plan the transformers will be serviced as well as twenty Ring Main Units and one minisubstation will be rebuilt. In line with the Electricity Master plan the Municipality applied to ESKOM for an increase in the Main supply. The study or quotation costs have been paid and provision was made in the new budget for a capital contribution towards the cost of the actual upgrade. There will be one network strengthening project to provide an alternative Medium Voltage supply to all residential areas.

3. Accurate metering

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

Success and challenges

Success

Electrification backlog below 3%.

Electricity losses below 7%.

The repair of faulty public lighting fittings was achieved at 100% per quarter for the whole year. The conversion of Mast Lights to LED fittings proved to be a success and resulted in substantial savings in energy and maintenance costs.

The insulation oil of all the unsealed transformers was tested and purified to specification with the correct oil levels. This definitely prevented a few transformers from premature failure.

The Municipality compiled an Operation and Maintenance Plan that must now be approved by Council.

Challenges:

- Not enough funding for repairs maintenance.
- Not enough funding for upgrading or replacement of network equipment.
- No funding to expand public lighting.
- Non responsive bidders makes it difficult to complete projects.
- Informal densification is putting the network under pressure
- Municipality is reaching the limit of its 7.5MVA capacity at the ESKOM main supply.
- No electrical material in the stores
- Development in unauthorized areas which cannot be electrified.
- Training needed
- Admin/Customer assistance needed
- 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 257 connections divided into 8 villages. ESKOM completed the projects and connected 291 households. The agreement for the next year is 500 connections divided between 8 villages.

The Municipality is in the process of developing a public lighting master plan that will be used to identify the most effective way to expand the service to other areas.

Electricity Service Delivery Levels					Households	
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Actual No.		
Energy: (above minimum level)						
Electricity (at least min.service level)	950	830	786	701		
Electricity - prepaid (min.serv level. data availability challenges est. 99%)	30 415	32 197	32 397	32 807		
<i>Minimum Service Level and Above sub-total</i>	31 365	33 027	33 183	33 508		
<i>Minimum Service Level and Above Percentage</i>	97.15%	97.32%	96.87%	97.38%		
Energy: (below minimum level)						
Electricity (< min.service level- Only backlog)	921	909	1072	903		
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>	921	909	1072	903		
<i>Below Minimum Service Level Percentage</i>	2.85%	2.68%	3.13%	2.62%		
Total number of households	32 286	33 936	34 255	34 411		
					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							Households
Description	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.	
Formal Settlements							
Total households	907	913	921	921	931	938	
Households below minimum service level	0	0		0	0	0	
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%	
Informal Settlements							
Total households	31 377	33 023	33 334	33 334	33 403	33 473	
Households below minimum service level	921	909	1072	1072	1190	903	
Proportion of households below minimum service level	2.94%	2.75%	3.13%	3.13%	3.56%	2.70%	
	32 284	33 936	34 255	34 255	34 334	34 411	
					T 3.3.4		

Electricity Service Policy Objectives Taken From IDP

Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1 15-16		Year 0 16-17			Year 1 17-18	Year 3 18-19	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
<i>Provision of minimum supply of electricity - ESKOM</i>	Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level)	400 additional HHs 1264 HHs below minimum)	81 additional HHs 1072 HHs below minimum)	400 additional HHs 1264 HHs below minimum)	257 additional HHs 1072 HHs below minimum)	291 additional HHs 903 HHs below minimum)	500 additional HHs 933 HHs below minimum)	500 additional HHs 800 HHs below minimum)	500 additional HHs 600 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	0	48	48	48	48	48	48
Ensure reliable supply	Ring Main Unit Maintenance	10	10	10	20	0	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	0	0	0	0%
10 - 12	3	3	3	0	0%
13 - 15	1	1	1	0	0%
Total	12	12	12	0	

T 3.3.6

Capital Expenditure Year 0: Electricity Services

R' 000

Capital Projects	Year 0				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	2200	2146	2095	5%	
Industrial substation 2 nd supply Ph2	600	579	549	8.5%	549
Minisubstation Stand 456	600	0	0	100%	600
Replace RMU with SF6 Circuit breaker – Cnr Agaat/Ewoud Malan	500	421	400	20%	400
Transformer replacement 500kVA	500	0	0	100%	500
Industrial substation 2 nd supply Ph1	0	1146	1146	100%	1146

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. Electrification Backlog less than 3%
4. Losses less than 7%
5. No vacancies
6. Continued maintenance and refurbishment

Three largest capital projects

The 3 largest projects is all related to the growing load or demand from customers. There have been a slow increase in load in the industrial which is good for the local economy. The main supply to the industrial substations should have been two feeders but due to slow growth and high cost it was delayed. It could no longer be delayed and it was decided to implement it in stages. The load have started to increased again and it is now back on a level that had already been reached 10 years earlier.

Industrial Substation 2nd supply Phase 1 – The project was the installation of a second main supply incomer circuit breaker at the Industrial Substation with a bus coupler to enable the Municipality to use the supplies independently. Every substation should have an alternative supply. This is only phase 1 of at least 3 phases. Unfortunately the appointment of the contractor was done very late in the previous financial year and provision had to be made in the financial year to complete phase 1.

Industrial substation 2nd supply Phase 2 - The project was the installation of a new circuit breaker in the OTK substation that will become the new supply feeder for the Industrial substation. This was the second phase of the new supply and due to the load growth the Municipality had to continue with it as there is still a third phase necessary.

Replace RMU with SF6 circuit breaker - Cnr Agaat/Ewoud Malan - Every substation should have an alternative supply but due to slow growth and high cost the alternative supply was never installed and the distribution network was used as an alternative. The alternative supply was limited by the fuse rating of the Ring Main Unit that could no longer supply the load. The fused unit was replaced with an adjustable circuit breaker unit to temporarily supply the load until the completion of the second supply project. It will also allow for safer switching and protection cascading.

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-responsive bidders. Metering/billing accuracy have been improved because the Municipality is now doing its own meter reading and verification. Losses have been further reduced to less than 7% which is good news for the Municipality and its customers.

ESKOM

All villages have grid connected electrical supply. ESKOM succeeded in completion of all the planned projects and even exceeded the planned number of connections. The number of connection for the coming year have been increased and if this continue it should be possible to eradicate the backlog.

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 intersection up to Letebjane village . The Municipality assist with refuse bags and the collection of refuse . They are also doing recycling on a small scale

Five 15 m3 refuse containers were purchased during the 17'18 financial year

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 from 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 18'19 financial year

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

2018

Refuse disposal for Households within EPMLM

Description	Households		
	2015'16	2016'17	2017'18
	Actual No.	Actual No.	Actual No.
Solid Waste Removal: (Minimum level)			
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%
Solid Waste Removal: (Below minimum level)			
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%
Total number of households	32,284	32,284	33,936
			T 3.4.2

Employees: Solid Waste Management Services					
Job Level	2016,17		2017,18		
	Employees	Posts	Employees	Posts	Employees
	No.	No.	No.	No.	No.
0 - 3	15		15		15
4 - 6	8		8		8
7 - 9					
10 - 12	1		1		1
13 - 15					
16 - 18					

19 - 20					
Total	24	25	24	25	24
T3.4.5					

3.5 HOUSING

Not a function of Ephraim Mogale municipality therefore the CoGHSTA coordinates all housing issues.

3.6 FREEBASIC SERVICES AND INDIGENT SUPPORT

Introduction

The Ephraim Mogale Municipality only provided Free Basic Electricity to the indigent. There is, however a need to review the indigent policy. The municipality has set a target of 2000 beneficiaries to receive Free Basic Electricity in the 2016/17 financial year and manage to provide for 1900 beneficiaries who are on the indigent register.

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.

Asphalted Road Infrastructure					Kilometers
	Total asphalted roads	New asphalt roads	Existing asphalt roads re-asphalted	Existing asphalt roads re-sheeted	Asphalt roads maintained
2015/16	122	11.4	0	0	133.4
2016/17	133.4	4.7	2.1	0	140.3
2017/18	140.3	1.05	0	0	140.3
					T3.7.3

Gravel Road Infrastructure				Kilometres
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2015/16	1111.00	0.0	11.4	1146.00
2016/17	1022.6	0	4.7	1017.9
2017/18	1017.9	0	1.05	1016.85
				T3.7.2

Cost of Construction/Maintenance

R' 000

	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2015/16	0.0	R31 070 000.00	R1,624,557.91	R31 070 000.00	0.00	0.00
2016/17	0.0	R32 689 000.00	R1 730 175.47	R32 689 000.00	R5 800 000.00	0.00
2017/18	0.0	R 44 810 000.00	R1 633 986.00	R 44 810 000.00	R0.00	R1 633 986.00
						T 3.7.4

Road Service Policy Objectives Taken From IDP

Service Objectives Service Indicators (i)	Outline Service Targets (ii)	Year 0(2015/16)		Year 1(2016/17)			Year 3(2017/18)		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Elimination of gravel roads in townships	Kilometers of gravel roads tarred (1016.85 Kilometers of gravel road remaining)	140.3kms gravel roads tarred (876.55kms gravel roads remaining)	11.4kms gravel roads tarred (128.9kms gravel roads remaining)	1022kms gravel roads tarred (876.55kms gravel roads remaining)	140.3kms gravel roads tarred (876.55kms gravel roads remaining)	1022kms gravel roads tarred (876.55kms gravel roads remaining)	Baseline (1016.85kms gravel roads remaining)	1.05kms gravel roads tarred (876.55kms gravel roads remaining)	141.35kms gravel roads tarred (876.55kms gravel roads remaining)
Development of municipal roads in quireu	140.3kms of municipal roads developed	8.8kms	11.4kms	1022kms	140.3kms	140.3kms(1022kms)	1016.85kms	1.05kms	141.35kms
									T 3.7.6

Employees: Road Services

Job Level	2016/17		2017/18		
	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	0	0	0	0%
7 - 9	1	1	1	0	0%
10 - 12	12	16	16	1	2.32%

13 – 15	18	24	21	3	6.976%
16 – 18	0	0	0	0	0.0%
19 – 20	0	0	0	0	0.0%
Total	32	43	39	4	9.30%

Posts 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	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:		7 259 307.69	0.00	7 259 307.69	97.8%
Employees		5 271 565.39	0.00	5 271 565.39	0.0%
Repairs and Maintenance		R1 633 986.00	1,633,986.00	1,633,986.00	94.4%
Other	0.00	0.00	0.00	0.00	0%
Total Operational Expenditure					
Net Operational Expenditure					

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 2017/18: Road Services

R' 000

Capital Projects	2017/2018				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	48,110,000.00	48,512,123.19	45,310,481.17	-162%	
Tebejane/Ditholong Internal Streets	10 120 000.00	14 120 000.00	14 079 088.33	-28%	14 079 088.33
Ngwalemong Internal Streets	8 158 000.00	12 198 383.95	10 574 118.99	-33%	10 574 118.99
Choeng Internal Streets	7 500 000.00	7 500 000.00	7 505 876.79	0%	7 505 876.79
Amphokgo Sports Complex	6 500 000.00	6 500 000.00	6 493 015.85	0%	6 493 015.85
Leuwfontein Sports Facility	10 832 000.00	3 193 978.24	3 193 978.24	-70.51%	3 193 978.24
Marble Hall Ext.6 Stormwater	5 000 000.00	5 000 000.00	3 464 402.97	-30.71%	3 464 402.97

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

T3.7.9

Municipal Infrastructure Grant Expenditure

The percentage of MIG Expenditure for 2017/18 was 96% including PMU establishment fees.

Letebejane/Ditholong Internal Streets	R 14 120 000.00
Ngwalemong Internal Streets	R 12 198 383.95
Dichoeung Internal Streets	R 7 500 000.00
Mamphokgo Sports Complex	R6 500 000.00
Leeuwfontein Sports Facility	R 3 193 978.24
PMU Establishment	R1 297 817.81

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 2017, January 2018 and Easter weekend where 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.

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

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 is currently in the process of reviewing its Greater Marble Hall Spatial Development Framework of 2006, which has become obsolete. Additionally, the Marble Hall Town Planning Scheme, 2001 is also under review and will ultimately be replaced with a wall to wall Land Use Scheme. The municipality was also able to secure funds for the procurement of the Geographic Information System (GIS), which is not only going to assist the planning division but also 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 2017/2018:

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 ²	✓		

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	✓		
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.

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 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 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 successful LED summit was held as the broader platform for the various stakeholders to engage and share good practices amongst the role players in various sectors of the economy.

CWP	1181	56	0	1181	206	975	1088	01	1181
EPWP	416	0	0	416	108	308	322	01	416
YES (Youth Empowerment Service)	65	0	0	65	22	43	65	01	65
DEA	95	0	0	95	31	64	95	3	95

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 SMMEs and Cooperatives largely dependent on the funds from both public and private sector in order to be functional and effective. The municipality remains predominantly rural and depend on agriculture as the main economic activity for future investment. The following initiatives were funded by various government departments:

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 municipality in collaboration with the Department of Small Business Development conducted business skills training for the 20 informal traders drawn from the jurisdiction of the municipality and assisted with application for funding under Informal Micro Enterprise Development Programme (IMEDP).

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.

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 A (12/13)	160	0	160	register of employees
Initiative B (12/13)				
Initiative C (12/13)				
Job creation through EPWP* projects				
Year	No Jobs created through EPWP projects			
2014/15	198			
2015/16	270			
2017/18	183			
2017/18	416			

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 convened the regular meeting 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. The municipality has won R25 000 as an award for the fourth time in a row for best Green municipality in the District. 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.

Employees: Libraries; Only					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3					
4 – 6	1		1		
7 – 9					
10 – 12	1		1		
13 – 15					
16 – 18					
19 – 20					
Total	2	2	2	0	0
T 3.12.4					

3.13 CEMETRIES

Construction of cemetery fencing were done through the EPWP manner at the following six villages, , Ngwalenong B, Rathoke , Mokganyaka, Makhutso, Elandskraal and, Letebjane . The seventh cemetery, Malebitsa cemetery fencing was completed after the year end on 14 July 2018 due to community challenges with labourers. A total of 56 Employees were part of the projects for 6 - 8 weeks. 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	2016/17	2017/18			
	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

Not the function of the local authority

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 POLLUTION CONTROL

Function of Sekhukhune District Municipality

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. New equipment were bought to deal with the replacement of old equipment. The equipment which was bought were; 20 bush cutters.

Employees: Bio-Diversity; Landscape and Parks					
Job Level	2016'17		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%

0 - 3	22		22	5	
4 - 6	6		6	1	
7 - 9					
10 - 12	1		1		
13 - 15					
16 - 18					
19 - 20					
Total	29	35	29	6	0
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

Not a function of Ephraim Mogale municipality, hence the communities are serviced by Private and Provincial emergency and ambulance services.

3.19 HEALTH INSPECTION: FOOD INSPECTION ETC

Environmental Health

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.

COMPONENT G: SECUTITY AND SAFETY

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.

3.21 FIRE

Function of Sekhukhune District Municipality

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.

COMPONENT H: SPORT AND RECREATION

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 were the Municipality is giving administrative support and the event is held annually with participant 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.

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.

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

Introduction

Ephraim Mogale Local Municipality 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, 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.

0 - 3				
4 - 6				
7 - 9				
10 - 12	3	3	3	100%
13 - 15	1	1	1	
16 - 18				
19 - 20				
Total	4	4	4	100%

Total All					
IT Master System Plan	R 540000.00	R0.00		0	R 540000.00

(IT Network Support & Maintenance)	R 1998816.00	R0.00	R 1075850.61		R 1998816.00
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3.28 PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

The following is the litigation report for the financial year 2017/2018:

ASE NO: 2139/2015	R 1 605 515-35	Mohlalerwa & Boledi Construction/ EPMLM	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 has given green light to the attorney (Popela Maake) to proceed with the appointment of a building consultant to provide the court with professional testimony.	Popela Maake Attorneys
ASE NO: 368/15	R 2 105 500-35	Phillip Mphahlele/E PMLM	Damages and defamation of character	The Applicant was employed by the municipality and he resigned in 2009 pending criminal investigation by the Hawks.	The application was dismissed from the Braamfontein Labour Court for lack of jurisdiction with costs de bonis against the applicant's attorney and counsel.	Popela Maake Attorneys.

				<p>The Hawks did not proceed with criminal case.</p> <p>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.</p>	<p>It has however emerged that the applicant has filed an appeal.</p>	
ASE O:704/2017	R10 785 216.11	DWA/EPML M	Claim for unpaid water charges	<p>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.</p>	<p>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.</p>	KAM Attorneys
	R1000 000.00	Moses Mogotleng Kgopane/EP MLM	Claim for personal injuries and loss of earnings	<p>The plaintiff claims to have lost his ability to walk after he fell in an unprotected pit which he claims it was 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.</p>	<p>The Municipality has entered appearance to defend and has filed to have both Sekhukhune District Municipality and the DWA joined as possible defendants. This is owing to the fact that the Municipality has not had any hole digging project at the area</p>	Noko Maimela Artorneys.

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					where the plaintiff claims to have sustained injuries.	
Case No: 298/2018	R32 000 000	EPMLM/Inkoki Property Developers	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	We await set down	Mohale Incorporated
	Nil	EPMLM/Unlawful land occupiers in Leeuwfontge in RDP's	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's legal team is still busy with affidavits	Machaka Inc
	R198 000.00	EPMLM	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	Pleadings stage	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 2015/16 – 2017/18

Table 1: Annual Performance Comparison

P A lo	KPA	2015/16			2016/17			2017/18			
		Total KPI's Assess ed	Target s Achiev ed	% Target Achiev ed	Total KPI's Assess ed	Target s Achiev ed	% Target Achieve d	Total KPI's Assess ed	Target s Achiev ed	Targets Not Achieve d	% Target Achiev ed
1	Spatial Rationale	09	04	44,4%	18	13	72.2%	13	08	05	62%
2	Basic Service Delivery and Infrastructure Development	54	26	48,1%	36	19	52.7%	51	34	17	77%
3	Local Economic Development	06	05	83,3%	10	06	60%	10	07	03	70%
4	Municipal Transformation and Institutional Development	39	21	53,8%	26	21	80.7%	27	22	05	81%
5	Municipal Financial Viability and Management	08	07	87,5%	25	18	72%	23	20	03	87%
6	Good Governance and Public Participation	20	11	55,0%	33	27	81.8%	39	28	11	72%
	TOTAL	136	74	54.4%	148	104	70.2%	163	119	44	73%

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).

lo	Department	Total KPI's Assessed	Targets Achieved	Targets Not Achieved	% Target Achieved
1	Municipal Manager's Office	23	14	09	61%
2	Planning and Economic Development	33	25	08	76%
3	Corporate Services Directorate	33	26	07	79%
4	Infrastructure Services Directorate	30	21	09	70%
5	Community Services Directorate	21	13	08	62%
5	Budget and Treasury Directorate	23	20	03	87%
	Total	163	119	44	73%

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	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges		
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%	Achieved	None	None	Land Use application register	Economic Development & Planning
				250	38 379.14	4	4	Achieved	None	None	No. of draft developed by-laws	
EPMLM Town Planning By-Laws		Number of Town Planning related By-Laws developed	SR 02			0		Achieved	None	None	Council Resolution and Gazette number	
						4	4	Achieved	None	None	Individual site inspection reports and the Building plan file register	
Compliance with National Building Regulations	Building Plans Administration	% of New Building Plans of less than 500 square meters assessed within 28 days of receipt of plans.	SR 04	Internal	Internal	100%	100%	Achieved	None	None	Individual site inspection reports and the Building plan file register	
Compliance with National Building Regulations		% of New Building Plans of more than 500 square meters assessed within 60 days of receipt of plans.	SR 04	Internal	Internal	100%	100%	Achieved	None	None	Individual site inspection reports and the Building plan file register	
Compliance with National Building Regulations		% of buildings; constructed with approved plans, inspected within 5 days that comply with the National Building	SR 04	Internal	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	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
Maintenance of Municipal buildings	Facilities Maintenance Management	Regulations and Building Standards Amendments Act No 49 of 1995 Number of municipal buildings maintained as per the approved municipal maintenance plan by 30 June 2018	SR 06	850	652 618.84	24	29	17	Not Achieved	17 municipal buildings maintained and 07 still in maintenance process	Sufficient budget should be provided for building maintenance.	Inspection Reports plan file register	Economic Development & Planning
Housing	Facilities Maintenance Management	Number of municipal houses to be maintained as per the approved municipal maintenance plan by the 30 Jun 2018	SR 07	Internal	Internal	11	11	4	Not Achieved	Received only 04 requests for maintenance of municipal houses	Maintenance is done as an when required	Inspection Reports	Economic Development & Planning
Provision of Office Space		Development of design for new/existing office space	SR08	1 000 000	0	New	1	0	Not achieved	Only 01 bid submitted and the bid was found to be non-responsive	To revise the ToR	Adverts/Appointments/ Designs	
Appropriate land use and integrated development	Land Use Management	Number of Land Use Awareness workshops to held with Magoshi by 30 June 2018	SR 09	Internal	Internal	4	4	4	Achieved	None	None	Attendance registers and reports	
Human settlement	Housing	Number of reports in terms of new RDP Housing units provided by the CoGHSTA submitted to Council by 30 Jun 2018	SR 17 /18	Internal	Internal	4	4	0	Not Achieved	No council resolutions attached to the reports	reports to be submitted to Council as per the indicator	Annual RDP Housing report	
Procurement of GIS system		Number of GIS system procured	SR14	800,0	0	New	1	1	Achieved	None	None	Invoice and delivery note	

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Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges		
Policies	Policies	Number of new / reviewed policies adopted by Council by 31 March 2018 (P&ED)	New	Internal	Internal	2	2	1	Not achieved	1 Policy deferred by Council (Alienation of land Policy)	Approved policies and Council resolution	
										To write a detailed report for re-consideration by Council		

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	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
Industrial Substation second supply Phase 2 (OTK panel)	Electricity	Number of panels with circuit breakers installed	BS01	579,0	548,6	New	1	1	Achieved	None	None	Completion certificate	Infrastructure Services
				2,298,6	1,065,6	48	48	Achieved	None	None	Oil test report. Completion certificate		
						5	20	Not Achieved	Tender advertised 3 times. No responsive bids 1 st and 2 nd tender. Insufficient time to implement after 3 rd tender.	Will be implemented in the 2018/2019 financial year.	Completion certificate		
Ring Main Unit Maintenance		Number of ring main units serviced	BS03				5	0					
						5	5	Achieved	None	None	Completion certificate		
Replace 5 metering kiosks in Ext 5, East		Number of kiosks replaced	BS05			New	30	32	Achieved	Line tension and clearance could not be	None	Completion certificate	
Replace Wooden Poles		Number of wooden poles replaced	BS06										

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
on Overhead line Ext4													
Public Lighting- Inspection of streets lights		Number of Street light fittings inspected	BS07	415,0	271,8	1056	1056	1056	1056	Achieved	achieved and 2 additional poles had to be installed	None	Maintenance reports
Public Lighting- Maintenance of streets lights		% of Street light fittings maintained within 90 days, based on street lights	BS08			1056	100%	100%	100%	Achieved	None	None	Maintenance reports
Public Lighting- Inspection of Mast lights		Number of Mast lights fittings inspected	BS09			528	528	528	528	Achieved	None	None	Maintenance reports
Public Lighting- Maintenance of Mast lights		% of Mast light fittings maintained within 90 days, based on Mast lights	BS10			528	100%	100%	100%	Achieved	None	None	Maintenance reports
Replace RMU with SF6 Circuit Breaker- Cnr Agaat/Ewoud Malan		Number of Ring Main Units replaced	BS30	421,7	400,7	1	1	1	1	Achieved	None	None	Completion certificate
Connection of new buildings to Eskom supply		Number of buildings connected to ESKOM supply points	BS35	100,0	47	New	4	4	4	Achieved	None	None	Completion certificate.
		Number of quarterly reports in terms of households with access to basic levels of electricity submitted to MM (GKPI)		10, 402 (INEP/Es kom)	6,594,5 INEP/Es kom	4	4	4	4	Achieved	None	None	Quarterly reports

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
Industrial Substation second supply Phase 1 (Ind panels)		Number of panels with circuit breakers installed	BS02	1,146,2	1,146,2	New	2	2	Achieved	None	None	Completion certificate	
Develop Operation and Maintenance Plan		Number of Operation and Maintenance Plans Developed	B522	470,2	457,1	New	1	1	Achieved	None	None	Operation and Maintenance Plan	
Bomag roller (Walk behind)	Roads and Storm Water	# of Bomag roller (walk behind)	B568	200,0	226,8	1	1	1	Achieved	None	None	Invoice and delivery note	
Dumper truck		# of Dumper truck	B569	400,0	312,2	1	1	1	Achieved	None	None	Invoice and delivery note	
Replacement of 200 storm water catchment concrete cover		Number of stormwater catchment concrete cover constructed	BS 102	180,0	180,0	0.0	200	200	Achieved	None	None	Invoice and delivery note	
Storm water Ext:6		# of Km of storm-water constructed	B553	5 000,0	2,967	1694km	0.5km	332m	Not Achieved	The Household owner's refusing the Municipality to use its own servitude that is in his yard and that delayed the progress.	The Municipality has engaged the services of the legal expert to engage the homeowner so that he can allow the pipe to cross in his yard.	Completion certificate, project progress report	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
Ngwalemang Internal Streets		# of Km of roads upgraded	BS61	8 158,0 Adjusted budget (12,198)	10,574	New	1km	3.250km (Multi-year project)	Achieved	A Multi years project and internal funding was used to avoid double payment of site establishment to speed up progress	The project to be completed in the 2018/19 financial year	Project progress report	
Dichoeung Internal Streets		# of Km of roads upgraded	BS66	7 500,0	7 500	New	1.05km	1.05km	Achieved	None	None	Completion certificate	
Letebejane & Ditholong internal road		# of Km of roads upgraded	BS82	10 120,0 Adjusted budget (14,120)	14,079	New	2.1km	2.1km (Multi-year project)	Achieved	None	None	Project progress report	
Purchase of Saw Cutter		# of saw cutter procured	BS71	125,0	59.0	2	1	1	Achieved	None	None	Invoice and delivery note	
Leeuwfontein Sports Facility		No of Multi-purpose sports facility constructed	BS50	10 832,0 Adjusted budget (3,193)	3,193	New	1	0	Not Achieved	Slow progress by the Contractor on site	The Municipality change the MIG implementation plan to move the project to the financial year 2018/2019	Project progress report. Completion certificate	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance			Corrective Action	Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements				Challenges
Mamphokgo Sports Complex			BS63	6 500,0	6,493	New	1	0	Not Achieved	None. The project is still on course	The project is a Multi-year and to be completed in the 2018/19 financial year	Progress reports and completion certificates	
Streets		Number of Km of roads graded by June 2018	BS 115	1 732	961	1300km	1300k m	1794.79 km	Achieved	None	None	Inspection report	
Streets	Roads and Storm Water	Number of m ² of base and surface patched by June 2018	BS 116			1200m ²	1200 m ²	4867.81 m ²	Achieved	None	None	Inspection report	
Streets		KM of stormwater drains and channels cleaned by June 2018	BS 117			52.7km	52.7k m	12.32k m	Not Achieved	Erroneous calculations on the inspection report	Adequate review processes and oversight controls will be put in place	Inspection report	
Streets		KM of surfaced roads marked by June 2018	BS 118			137km	137k m	86.09k m	Not Achieved	Slow procurement processes on purchasing of road marking materials	The Municipality has since appointed a Service provider for 2 years.	Inspection report	Infrastructure Services
	Policies	Number of new / reviewed policies adopted by Council by 31 March 2018 (Infrastructure)	New	Internal	Internal	2	2	0	Not Achieved	Poor Planning	Finding to be included and addressed in the	Approved policies and Council resolution	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Corrective Action	Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges			
	Audit	% of AG Management Letter findings resolved by 30 Jun 2018 (Infrastructure)	New	Internal	Internal	New	100%	50%	Not Achieved	Poor Planning	Finding to be included and addressed in the 2018/19 Audit Plan	Quarterly AG Action Plan report	
Landscaping and greening project	Environmental Management	# of landscaping and greening project implemented	BS128	1 000,0	0	New	1	0	Not Achieved	Slow procurement processes	Appointment letter for material received on 28/06/2018 and acceptance letter 5/7/2018 and Will be executed in 18/19 financial year	Final project implementation report	Community Services
Machinery & Equipment		Number bush cutters purchased	BS132	160,0	159,0	New	20	20	Achieved	None	None	Invoice and delivery note	
Fencing of cemeteries		Number of cemeteries fenced with EPWP employees	BS134	710,0	598,9	7	7	6	Not Achieved	Malebitsa cemetery Project delayed due to community unrest on	Induction of community members on recruitment processes	Delivery note and handover document to community.	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance			Corrective Action	Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements				Challenges
Develop Environmental Master Plan and Management framework		# of Environmental Master Plan and Management framework developed	TBA	550,0	0	New	1	0	Not Achieved	Closing date 20/4/2018 Recommended Tender prize too high for budget No appointment	appointments of personnel	Approved Master Plan and Framework	
Vehicles	Safety and Security	Number of traffic vehicles purchased	BS150	600,0	576,4	2	2	2	Achieved	None	None	Invoice and delivery note	
Learners License Software		Number of Learners License Software contract renewed	BS155	200,000.00	0	1	1	0	Not Achieved	No agreement for renewal could be reached with the service provider	No agreement for renewal could be reached with the service provider	Learners License Software	
Machinery & Equipment (Speed Camera + Fire arm)		Number of speed cameras purchased	BS156	300,0	295,0	1	1	1	Achieved	None	None	Invoice and Delivery note	
Programmes, Events and meetings	HIV/AIDS and other Diseases	Number quarterly Local Aids Council meetings scheduled and held	BS138	27,5	17,5	4	4	3	Not Achieved	No attendance of stakeholders	Letters will be written in 18'19 financial year to stakeholders to reaffirm	LAC Programme Meeting minutes and	Manager in the office of the Mayor

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance			Corrective Action	Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements			
Awareness campaigns		Number of quarterly HIV/AIDS awareness campaigns	BS139	45	39,9	4	4	4	Achieved	None	Awareness campaign Programme Meeting minutes and attendance registers	attendance registers
Mayor's cup	Mayoral Programmes	Number of mayors cup events held	BS140	150	193	1	1	1	Achieved	None	Final report of Mayors cup	Community Services
Heritage day celebration	Arts and Culture	Number of heritage events held	BS142	65	42,5	New	1	1	Achieved	None	Final report of Heritage celebration	
Diturupa		Number of Cultural Festivals held	BS143	310	310	1	1	1	Achieved	None	Final report of Diturupa event	
Arrive alive	Safety and Security	Number of arrive alive campaigns scheduled and held	BS149	13,2	11.3	10	10	10	Achieved	None	Arrive Alive Plan and report	
Disaster Management	Disaster Management	Number of disaster awareness campaigns scheduled and held per village	BS157	96	79	New	24	21	Not Achieved	Non availability of disaster awareness programme resulted to Poor Planning	Reports and attendance registers	
		Number of disaster relieve materials procured report	BS158	106,0	105.0	New	4	1	Not Achieved	Procurement was supposed to be done quarterly, but	Reports, Procurement plan and	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department		
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action	
Procure bins and communal bins for refuse collection		Number of bins purchased	BS120	525,0	525	New	5	5	Achieved	None	was combined into one bid process	a specific quarter	material invoices	
Upgrading and maintenance of Landfill site		Number of maintenance plan to be developed for the loosening of gravel for covering	BS122	250,0	185.3	1	1	1	Achieved	None	None	None	Final report and invoice of service provider	
Dumping Site and street bins (External compliance audit done for landfill site)		Number of external compliance audit done for landfill site	BS124	324,0	118.9	1	1	1	Achieved	None	None	None	Final audit compliance report for the Landfill site	
Develop Integrated Waste Management Plan		# of Integrated Waste Management Plan developed	TBA	Internal	MISA	New	1	0	Not Achieved	After Initial commitment MISA indicated that they have no funds available	None	Develop IWMP internally with assistance from DEA in 18'19	Approved IWP plan	
Waste Management		% of households with access to a minimum level of basic waste removal by 30 June 2018 (once per week) (GKPI)	New	Internal	Internal	17,4%	17,4%	18.8%	Achieved	None	None	None	Monthly signed waste collection schedules	
		Number of existing households in formal settlements provided	New	Internal	Internal	5619	5619	6369	Achieved	None	None	None	Monthly signed waste	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Challenges	Corrective Action		
		with solid waste removal services once per week									collection schedules	

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	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Challenges	Corrective Action			
													Achievements
LED Support	Local Economic Development	Number of cooperatives trainings conducted	LED01	0.00	0.00	4	4	4	Achieved	None	None	Attendanc e registers	Economic Development & Planning
LED forum		Number quarterly LED forum meetings held	LED02	35	18270	4	4	4	Achieved	None	None	Reports and Attendanc e Registers	
LED Summit		Hosting of annual LED Summit by 30 Jun 2018	LED03	100	0	1	1	1	Achieved	None	None	Reports and Attendanc e Register	
Wi-fi installation	Local Economic Development	Appointment of a service provider for the installation of Wi-fi in all Wards	New	1 600	0	New	1	0	Not Achieved	Poor planning	To be relocated to ICT during 2018/19 financial year	Appointm ent letter	Economic Development & Planning
Effective CWP Local Reference Forum		Number of quarterly CWP Local Reference Forum meetings held	LED06	0	0	4	4	4	Achieved	None	None	Reports and Attendanc e Register	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges		
Review the LED strategy		Number of LED strategies reviewed	LED10	350,0	0	1	1	0	Not Achieved	Poor Planning	The service provider appointed and the project to be finalized in the 2018/19 financial year	LED Strategy and Council resolution
EPWP Expense	EPWP	Number of EPWP job opportunities provided through EPWP grant and other Municipal funded projects by 30 June 2018 (GKPI)	LED07	1 447	1 447	384	384	416	Achieved	None	None	Quarterly reports submitted to the Department of Public Work
LED Projects Awards	Local Economic Development	Hosting of an Annual LED Awards ceremony by 30 Jun 2018	LED11	15	0	New	1	1	Achieved	None	None	Report and Attendance Register
Management of Informal Traders	Local Economic Development	Number of Quarterly Marble Hall Hawkers Forum meetings held	LED10	0	0	New	2	2	Achieved	None	None	Minutes and attendance register
Social Responsibility Programs		# 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	LED14	0	0	4	4	2	Not Achieved	The reports submitted to council and were deferred to the council held outside the financial year.	To submit reports to the ordinary council meetings	Quarterly report and Council resolution

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	2017/18 Annual Performance			Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements			Challenges
Employment Equity	Institutional Development	Number of EE Plan developed	MTOD01	30	0	1	1	Achieved	None	None	Quarterly Equity Employment Plan reports	Corporate Services
		Number of people employed in accordance with EE Plan					68	Not Achieved	Target not aligned with the vacant positions	Realign targets with vacant posts on the organogram		
		Number of EE Committee meetings held					4	Achieved	None	None		
Training Courses		Number of workforce trained and skilled by the 30 Jun 2018 (GKPI)	MTOD03	700		New	50	Achieved	None	None	Approved WSP Report & Annual training report	
Occupational Health and Safety	Workplace Health, Safety and EAP	Number of quarterly Workplace Health and Safety Forum meetings held as scheduled	MTOD04	250	94 075.00	4	4	Achieved	None	None	Signed minutes and attendance register	
Employee programmes		Number of Employee Wellness Programs held by 30 Jun 2018	MTOD05	300	98 486.00	2	2	Achieved	None	None	Attendance registers	
Labour Forum	Labour Relations	Number of quarterly Local Labour Forum (LLF) held as scheduled	MTOD08	0	0	4	12	Achieved	None	None	Minutes and attendance registers	Corporate Services

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Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
Human Resource Strategy	Policies	Number of new / reviewed policies adopted by Council by 30 Jun 2018 (Corp)	MTOD09	Internal	Internal	12	12	6	Not Achieved	Some policies deferred from LLF meetings	Deferred policies be submitted for council approval	Approved policies and Council resolution	
Review of organizational structure	Institutional Development	Review organisational structure and align to the IDP and Budget by 30 June 2018	MTOD10 &11	Internal	Internal	1	1	1	Achieved	None	None	Approved annual organogram	
SLA's and employment contracts	Legal Services	% of Service Level Agreements (SLA's) and Employment Contracts processed within the time frame of 30 days	MTOD12	120,8	0	100%	100%	100% (18)	Achieved	None	None	SLA's and employment contracts	
Job Evaluation	Institutional Development	Number of signed Job Descriptions developed	MTOD13	371	515.00	150	157	202	Achieved	None	None	Signed Job Descriptions	
Bursary fund: Community	Mayoral programmes	Number of community bursaries allocated	MTOD14	901	0	0	20	11	Not achieved	Insufficient budget	Sufficient budget provision	Proof of payment, signed contracts and reports	
Bursary fund: staff	Institutional Development	Number of staff bursaries allocated	MTOD15	300	292 240.00	16	15	13	Not achieved	Fewer bursary applications received	Create awareness and revisit the KPI and target	Proof of payment, signed contracts and reports	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
Records management		Number of quarterly status reports in terms of the record management system submitted to the Municipal Manager	MTOD16	650	6292.80	4	4	4	Achieved	None	None	Compiled report	
installation of Bulk files		Number of bulk file installed	MTOD17	80,0	80,0	New	1	1	Achieved	None	None	Delivery note and invoices	Corporate Services
Customer care	Customer / Stakeholder Relationship Management	Number of quarterly Customer Complaint reports submitted to the Municipal Manager (inclusive of Presidential Hotline)	MTOD19	0	0	4	4	4	Achieved	None	None	Compiled reports	
Customer care		Number monthly Batho Pele committee meetings held	New	Internal	Internal	New	10	10	Achieved	None	None	Minutes and attendance register	
Programming	ICT	Number of quarterly reports compiled on network performance	MTOD23	1 998,8	1,094,642.20	4	4	4	Achieved	None	None	Quarterly reports	
ICT Forums		Number of quarterly ICT steering committee meetings held in terms of the implementation of the ICT governance strategy and policy	MTOD23/24	Internal	Internal	4	4	2	Not Achieved	Steering Committee was formed late	Performed according to the planned meeting	Minutes and attendance register	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Responsible Department		
				Budget	Actual		Target	Actual	Achievements	Challenges		Corrective Action	Portfolio of Evidence
Develop ICT framework		Number of Approved ICT framework developed	MTOD 24	550,0	0	1	1	1	Achieved	None	None	ICT Framework	
Website Hosting		% of hosting and management of the website by SITA	MTOD31	82,5	54000	100%	100%	100%	Achieved	None	None	Quarterly reports	
IDP Process	IDP	Final IDP tabled and approved by Council by the 31st May 2018	MTOD37	300	14523 1.68	1	1	1	Achieved	None	None	Approved IDP Framework and Plan	
IDP Process	IDP	2018/19 IDP/Budget review Process Plan approved by 30th June 2018	MTOD 35	Internal	Internal	1	1	1	Achieved	None	None	Approved IDP/Budget Process Plan	Planning & Economic Development
Strategic Planning Session		Number. of Strategic Lekgotla Planning session convened	MTOD38	300	27268 .88	1	1	1	Achieved	None	None	Council Resolution and agenda	
Performance Assessments	Performance Management	Number. of performance review for section 54/56 conducted	MTOD39	Internal	Internal	1	2	2	Achieved	None	None	Section 56 Performance Assessment's Report	
PMS Quarterly Lekgotla		Number of Quarterly institutional Performance Reports submitted to Council per quarter	MTOD41	60	22796 .28	4	4	4	Achieved	None	None	Quarterly institutional Performance Reports and council resolution	
Review and approval of performance		Number of performance management Framework reviewed	MTOD42	0.00	0.00	1	1	1	Achieved	None	None	Review performance management	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance			Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Challenges		
management Framework										t Framework	

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	2017/18 Annual Performance			Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Challenges		
Data Cleansing	Financial Management	Number of consumer accounts updated	FV01	250	17193.00	2500	2500	Achieved	None	None	Budget & Treasury Office
Revenue enhancement	Revenue	% outstanding service debtors to revenue by the 30 June 2018 (GKPI)	FV02	Internal	Internal	35.7%	40%	Achieved	None	None	
		% of revenue enhancement by 30 June 2018	New	Internal	Internal	New	7.5%	Achieved	None	None	
Creditors payments	Expenditure	# of approved (compliant) invoices reports paid within 30 days	FV03	Internal	Internal	4	4	Achieved	None	None	
Compilation of annual and adjustment budget	Budget Management	Submission of MITRE Budget to Council for approval by the 31 May 2018	FV05	Internal	Internal	1	1	Achieved	None	None	
		% of budget spending by 30 June 2018	New	Internal	Internal	100%	100.11%	Achieved (more debts were)	None	None	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
Implementation of SCM regulations and policies	Supply Chain Management	Number of quarterly SCM procurement plan reports submitted to Executive Committee	FV07	Internal	Internal	4	4	4	4	Achieved	None	Quarterly SCM reports	
		% of Bids processed in accordance with the procurement plan by 30 June 2018	New	Internal	Internal	100%	100%	88.29 %	88.29 %	Not Achieved	None- 6 bids were cancelled due to insufficient funds	Quarterly SCM reports	
GAMAP/GRAP Asset Register	Financial Management	GRAP Compliance Register in Place	FV08	373,9	373,9	1	1	1	1	Achieved	None	Fixed Assets Register	Budget & Treasury Office
Policies	Policies	# of new / reviewed policies adopted by Council by 31 March 2018 (B&T)	MTOD 09	Internal	Internal	12	12	12	12	Achieved	None	Approved policies and Council resolution	
AFS	Financial Reporting	Draft Annual Financial Statements (AFS) submitted on or before 28th August 2017	FV10	3 405,8	2 747 361.44	1	1	1	1	Achieved	None	Proof of submission from AG	
FMG grant		% of FMG grant spent by June 2018	FV11	2 145	1 610	75%	100%	100%	100%	Achieved	None	FMG report	
	Financial Accounting (Revenue)	% of consumer payment received with respect to municipal services provided as compared to that billed	MTOD 09	Internal	Internal	100%	>80,9 %	84.10 %	84.10 %	Achieved	None	Section 71 report	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department		
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action	
	Financial Reporting	Number of monthly section 71 MFMA reports submitted to EXCO within legislative timeframes	FV 06	Internal	Internal	12	12	12	12	Achieved	None	None	Section 71 report	
		Number of quarterly section 52(d) MFMA reports submitted to the Mayor within legislative timeframes		Internal	Internal	4	4	4	4	Achieved	None	None	Section 52(d) report	
	Financial Reporting	Section 72 (midyear) MFMA report submitted to the Mayor within legislative timeframes	FV 06	Internal	Internal	1	1	1	1	Achieved	None	None	Section 72 report	Budget & Treasury Office
	Asset Management	Annual submission of the asset verification report to the MIM by 30 Sept 2017	FV 08	Internal	Internal	1	1	1	1	Achieved	None	None	Asset verification report	
	Financial Reporting	Number of MFMA checklists submitted per quarter as legislated	FV 06	Internal	Internal	12	12	12	4	Achieved	None	None	MFMA checklists	
	Indigents	% of (indigents) households with access to free basic electricity services by 30 Jun 2018 (GKPI)	New	Internal	Internal	100%	100%	100%	100%	Achieved	None	None	Approved monthly indigent register submitted to Council	

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2015/16	2017/18 Annual Performance				Responsible Department	
				Budget	Actual		Achievements	Challenges	Corrective Action	Portfolio of Evidence		
												Target
	Financial Accounting (Revenue)	% Debt coverage ratio by the 30 June 2018 (GKPI)	New	Internal	Internal	12,3	18.8	40%	Achieved	None	Section 52(d) report	
	Financial Accounting (Expenditure)	Cost coverage ratio by the 30 June 2018 (GKPI)	New	Internal	Internal	18,6	4.7	0.4	Not Achieved	Impairment of VBS investment	Section 52(d) report	
	Fleet Management	% availability of fleet vehicles	New	Internal	Internal	100%	100%	94.50 %	Not achieved	Some vehicles were involved in accidents and had major breakdown.	Monthly Report	Budget & Treasury Office
		# of Fleet Management reports submitted to Council by 30 June 2018	New	Internal	Internal	New	4	4	Achieved	none	Monthly Report	

KPA 6: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Strategic Objective: Sound Governance through effective oversight

Project Name	Priority Programme	KPI	IDP Ref No	000's		Baseline 2015/16	2017/18 Annual Performance					Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges	Corrective Action		
Special Programs	Transversal	Number of quarterly Special Programs held in terms of the (Elderly, Children, Disabled, Traditional healers and Youth	GG01	265	104866.61	12	12	14	Achieved	None	None	Special programme reports	Corporate Services
Mayoral programme: Youth development		Number of Youth programmes / initiatives implemented each quarter	GG04	162,4	125400.00	1	2	3	Achieved	None	None	Quarterly Youth reports	Corporate Services
Public participation	Public Participation	Number of public participation meetings and Imbizo's held	GG02	586	221582	4	11	11	Achieved	None	None	Attendance register	Corporate Services
Ward committee support		Number monthly Ward Committees meetings held	GG03	1 038,8	453000.00	192	192	192	Achieved	None	None	Quarterly ward committee's reports	Corporate Services
		Annual Ward Committee Conference held		Internal	Internal	N/A	1	1	Achieved	None	None	Ward Committee Conference Report	Corporate Services
Municipal Newsletter	Customer / Stakeholder Relationship Management	Number of quarterly newsletters published	GG05	281,5	253200	4	4	4	Achieved	None	None	Published Newsletters	Corporate Services
Council Functionality	Good Governance	Number of ordinary Council meeting held by June 2018 as per	GG07	Internal	Internal	4	7	15	Achieved	None	None	Council meeting minutes	Corporate Services

Project Name	Priority Programme	KPI	IDP Ref No	000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges		
	and Oversight	the approved Calendar of Events										
		Number quarterly status reports submitted to Council in terms of resolutions resolved within the prescribed timeframe of (3) months			4	4	4	Achieved	None	None	Quarterly status report of Council resolutions resolved	
Training of Councillors		Number of councillors to be trained	GG08	212	86480.70	32	30	Not Achieved	Same Councillors attending different training	Spread the training to all Councillors	Proof of payments	
MPAC functionality	Good Governance and Oversight	Number of quarterly MPAC meetings held	GG07	Internal	Internal	4	3	Not Achieved	MPAC not sitting according to the schedule	Adhere to the approved Council schedule	MPAC meeting reports	
Internal Audit	Internal Audit	Number of risk based audit reports compiled	GG10	500,000.00	46052.63	11	14	Achieved	None	None	Internal audit reports	Office of the Municipal Manager
Audit of Performance Information (AOPI)		Number of AOPI audit reports compiled	GG11	0.00	0.00	4	4	Achieved	None	None	Quarterly AoPI reports	
Operation Clean Audit (OPCA) – Audit Improvement Action Plan	OPCA	Number of AG findings addressed as per the audit improvement action plan	GG12	0.00	0.00	4	4	Achieved	None	None	API progress reports	

Project Name	Priority Programme	KPI	IDP Ref No	000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges		
OPCA - Follow-Up audit on AGSA findings	Audit, performance & risk committees	No of follow-up audit reports compiled	GG13	0.00	0.00	4	4	Achieved	None	None	Follow up audits reports	
		Number of reviewed AFS reports compiled (Internal Audit & Audit Committee)	GG14	650,000.00	564883.18	2	2	Achieved	None	None	Internal audit report on AFS Audit committee report on AFS	
Municipality's risk management profile	Risk Management	Number of Audit & Performance Committee Meetings held	GG15			6	5	Not Achieved	Budget Constrains	2 nd & 3 rd Quarter Meeting were combined	Agenda pack of the A&P Committee meetings	
		Number of approved risk registers in place.	GG16	0.00	0.00	2	2	Achieved	None	None	Risk Assessment report	
Fraud Risk Assessment	Risk Management	Number of risk mitigating implementation reports compiled	GG17	0.00	0.00	4	4	Achieved	None	None	Risk mitigating implementation report	
		% execution per quarter of identified risk management plan within prescribed timeframes (Total Organisation)				New	71%	Not achieved	Capacity constrains	Capacitate the unit by employing personnel		
		% execution per quarter of activities outlined in the Anti-				New	87.5%	Not achieved	Capacity constrains	Capacitate the unit by	Quarterly Risk management	

Project Name	Priority Programme	KPI	IDP Ref No	000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
		fraud and corruption activity within prescribed timeframes by the 30 June 2018 (Total Organisation)											Anti-fraud awareness workshops/campaigns
		Approved fraud risk register in place	GG18	0.00	0.00	1	1	1	Achieved	None	None	Fraud risk register	
		Number of anti-fraud and corruption awareness campaigns held	GG19	0.00	0.00	4	4	1	Not achieved	The last fraud and corruption awareness campaigns was held on 21 September 2017 which covered all the remaining employees and the municipality is in the process of implementing new methods of refreshing municipal officials on risks & anti-fraud & corruption.	The last fraud and corruption awareness campaigns was held on 21 September 2017 which covered all the remaining employees and the municipality is in the process of implementing new methods of refreshing municipal officials on risks & anti-fraud & corruption.	Awareness presentation & Attendance registers	

Project Name	Priority Programme	KPI	IDP Ref No	000's		Baseline 2015/16	2017/18 Annual Performance			Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements			Challenges
Risk Committee Meetings		No of Risk Committee Meetings held	GG20	0.00	0.00	4	4	3	Not achieved	Capacity constrains	Capacitate the unit by employing personnel	Risk committee Agenda pack
Security personnel service provider		No of municipal properties safe-guarded(provided personnel security	GG21	3,700,000.00	3509571.43	13	19	19	Achieved	None	None	Security management's Monthly Activity reports
EPWPP – Guard Officers for community halls	Security Services	Number of security personnel deployed to safe- guarded community halls	GG22	280,000.00	280,000.00	11	10	10	Achieved	None	None	Security management's Monthly Activity reports
Security Intelligence services		Number of Security advisory reports compiled	GG23	0.00	0.00	2	2	1	Not Achieved	Non availability of SSA	To be executed in the 1 st quarter of the new financial year	Security advisory reports
Surveillance Cameras for the workshop		Number of security Awareness Campaigns	GG24	0.00	0.00	4	4	2	Not Achieved	Non availability of SSA	To be executed in the 1 st quarter of the new financial year	Awareness presentations & Attendance registers
Physical security upgrade		Number of Surveillance Cameras system installed at the workshop	GG24	100,000.00	0.00	New	1	0	Not Achieved	Non-responsive bid	none	Invoices and delivery note
		% of Physical security upgrade done as per security upgrade plan	GG24	200,000.00	0.00	100%	100%	80%	Not Achieved	Non responsive bid	Implementation of the Security upgrade plan	Security management's Monthly

Project Name	Priority Programme	KPI	IDP Ref No	000's		Baseline 2015/16	2017/18 Annual Performance				Portfolio of Evidence	Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges			Corrective Action
	Supply Chain Management	% attendance at scheduled Bid Committee meetings by 30 Jun 2018 (OMM)	FV 07	Internal	Internal	New	100%	100%	Achieved	None	None	Activity reports	
	Policies	# of new / reviewed policies adopted by Council by 31 March 2018 (OMM)		Internal	Internal	3	3	3	Achieved	None	None	Attendance register	
	Good Governance and Oversight	Draft Consolidated Annual Report submitted on or before the 31st Aug 2017	FV 10	Internal	Internal	1	1	1	Achieved	None	None	Approved policies and Council resolution	Office of the Municipal Manager
		Submission of Final audited consolidated Annual Report to Council on or before 28 January 2018		Internal	Internal	1	1	1	Achieved	None	None	Draft consolidated Annual Report	
		Submission of Oversight Report to Council by the 30th March 2018		Internal	Internal	1	1	1	Achieved	None	None	Final consolidated Annual Report	
		Obtain a Qualified Auditor General opinion for the 2016/17 financial year	GG 12	Internal	Internal	Qualified opinion	Qualified opinion	Qualified opinion	Achieved	None	None	Annual Performance Oversight Report	
				Internal	Internal	1	1	1	Achieved	None	None	Final AG Management Letter	

Project Name	Priority Programme	KPI	IDP Ref No	000's		Baseline 2015/16	2017/18 Annual Performance					Responsible Department	
				Budget	Actual		Target	Actual	Achievements	Challenges	Corrective Action		Portfolio of Evidence
		Adjusted Budget and SDBIP approved by Executive Mayor by the end of February 2018	FV 05	Internal	Internal	1	1	1	1	Achieved	None	None	Copy of Adjusted Budget and SDBIP
		Final SDBIP approved by Executive Mayor within 28 days after approval of Budget	New	Internal	Internal	1	1	1	1	Achieved	None	None	Copy of Final approved SDBIP
		Number of monthly EXCO meetings held		Internal	Internal		12	15	15	Achieved	None	None	EXCO meeting minutes
		Number of Section 79 Committee meetings held each quarter		Internal	Internal		12	14	14	Achieved	None	None	Agenda and minutes of each of Section 79 Committee meeting

PERFORMANCE OF SERVICE PROVIDERS FOR 2017/18 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:

Marble Hall Ext.6 Stormwater- Consulting	Mulalo Consulting Engineers	22/12/2015	30 June 2018	Multi-year	R5 000,000.00	R1 463 546.69	2
Leeuwfontein Sports Facility	Dolmen Engineers	28/08/2017	30 June 2018	N/A	R10 832 000.00	R725 557.83	3
Ngwalemong Internal Streets	T3 Consulting Engineers and Mokatemone/Splash JV	24/11/2016	Multi-year	Multi-year	R8 158 000.00	R 9 066 558.62	3
Letebejane/Ditholong Internal streets	Ubona Engineers and Mothakge Phadima.	20/11/2014	30 June 2018	Multi-year	R10 120 000.00	R 9 495 574.87	2
Mamphokgo Sports Complex	Disema consulting engineers and AL Mphakgo/Kgantsa JV	03/02/2017	30 June 2018	Multi-year	R 6 500 000.00	R4 976 252.39	4
Dichoeng Internal road	EMC Consulting Engineers and Big Rock Construction	20/11/2014	30 June 2018	N/A	R 7 500 000.00	R 7 505 876.79	4
Supply and Install Two 11kV Circuit Breakers	Mayivuthe Contractors	19/06/2017	29/08/2017	04/12/2017	R 1 146 270.00	R 1 146 270.00	4
Appointment of a service provider for the development of the Electrical Maintenance and Operation Plan	AES Consulting	19/06/2017	19/09/2017	19/10/2017	R 470 000.00	R 457 125.00	2
Supply and install 11kV Circuit Breaker	RPS Switchgear SA	15/09/2017	31/12/2017	30/05/2017	R 579 035.07	R 549 614.33	2
Supply and Deliver Meter Kiosks	Lamanisi	06/11/2017	21/12/2017	NA	R 140 560.00	R 140 560.00	3
Replace Ring Main Unit with SF6 Circuit Breaker	RPS Switchgear SA	02/11/2017	02/01/2018	20/04/2018	R 421 762.17	R 400 677.39	3
Supply and replace 30 Wood Power Line poles	Mayivuthe Contractors	12/02/2018	12/05/2018	N/A	R 586 096.80	R 568 583.00	4
Transformer Maintenance	Mandlakazi Electrical Technologies	22/02/2018	22/05/2018	N/A	R 311 916.13	R 307 861.49	3
Supply and Delivery of Public Lighting Material	Lesh M Distributors & Projects	03/05/2018	11/06/2018	N/A	R 331 625.68	R202 700.32	2
Land Use Management Scheme(LUMS)	Matete & Associates Consultants	June 2017	July 2018	N/A	R672 600.00	R117894.73	3

Review of the Spatial Development Framework of the Ephraim Mogale Local Municipality	Aurecon South Africa (Pty) Ltd	June 2017	March 2018	N/A	R657 082.94	R151800.00	5
External Landfill Compliance Audit	Environmental & Sustainable Solutions CC	22 /2/2088	15 /3/2018	N/A	R 118 902.00	R118 902.00	4
Co-sourcing of internal audit services	Ngubane & Co				R400000.00	R397000.00	4
Co-sourcing of Performance Management System	Institute of Performance Management	01/07/2016	30/06/2018	N/A	R 476 000.00	R 141 017.90	3
Telkom SA	Provision of Telephone System	14/04/2011	22/11/2016	N/A	Monthly cost: R78408.05	R225404.50	5
Telkom SA	VPN Lines Rental	19 September 2013	18 September 2018	N/A	Monthly cost: R29244.32	R87732.96	5
Ironmountain (Pty) Ltd, formerly (Docufile Pty Ltd)	Offsite Document Archiving	15 May 2014	Month to month	N/A	Monthly cost: R1048.80	R2129.19	5
Twain2	Maintenance of Council Chamber System	21 December 2015	31 December 2018	N/A	Repair cost: R3798.37	R0.00	3
Multi-Net Systems (Pty) Ltd	Maintenance of Fire Suppressors and Fingerprint Access Control (Records Office)	19 August 2014	18 August 2017	N/A	R522218.15 Plus	R22138.14	5

				Month to Month			2 x Quarterly Maintenance @ R13300.38		
Payroll	SAGE (VIP)	06/01/2011	ANNUAL CONTRACT	N/A	Schedule of rates	R-61109.7		4	
Printing of statements	CAB	01/12/2016	30/11/2018	N/A	Rates per statement	R 58,591.48		4	
Fleet Management	Absa			N/A	Schedule of rates	R-		3	
Meter Reading	EUKON ENGINEERING	01/07/2017	30/06/2019	N/A	R 360 522.72	R-9724.2		3	
Prepaid vending services	CONLOG	16/11/2016	ANNUAL CONTRACT	30/11/2018	Schedule of rates	R- 117,149.27		3	
Banking Services	FNB	01/07/2017	30/06/2022	N/A	Schedule of rates	R - 286,774.99		4	
General Valuation roll for 2017-2022	Manna Holding	18/08/2016	30/06/2022	N/A	R883,262.50	R-88326.2		4	
Supply and Delivery of fencing Material	Moevents Trading	01/07/2017	30/06/2019	N/A	R 490,000.00	R490 000,00		4	
Prepaid vending services	CONLOG	16/11/2016	ANNUAL CONTRACT	30/11/2018	Schedule of rates	R- 117,149.27		3	

Banking Services	FNB	01/07/2017	30/06/2022	N/A	Schedule of rates	R - 286,774.99	4
General Valuation roll for 2017-2022	Manna Holding	18/08/2016	30/06/2022	N/A	R883,262.50	R-88326.2	4

DESCRIPTION OF PERFORMANCE SCORING

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 2017/2018 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

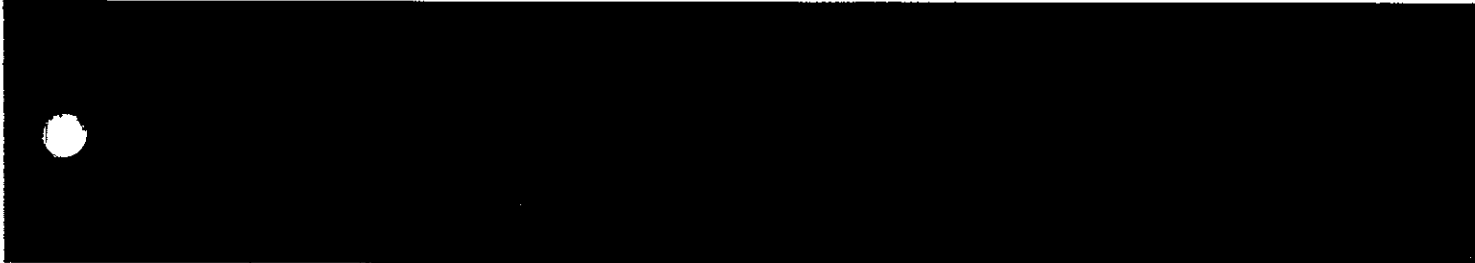
Vacant posts are advertised in the local and national print media and on the municipal website. Most internal staff does not apply for some post due to the salary of the positions advertised which are lower than their present salary and senior posts because of lack of experience and/or not meeting the 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.

The posts for Director Infrastructure remained vacant, due to difficulties in attracting suitable and qualified personnel. The Director Planning & Economic Development also resigned November 2017 end of financial year.

Electricity	12	12	12	0	0%
Loads	48	56	48	8	6.2%
Transport	10	11	10	1	1%
Planning	7	7	7	0	100%
Local Economic Development	2	2	2	0	100%
Planning (Strategic & Regulatory)	3	4	3	1	1%
Community & Social Services	144	182	144	39	74%
Environmental Protection	0	0	0	0	0%
Corporate Policy Offices	25	27	25	2	2%
Support	5	8	5	3	3%
Totals	255	309	255	54	5.9%

	No.	No.	%
Municipal Manager	1	0	0%
CFO	1	0	0%
S57 Managers	6	5	1%
Senior management: (Levels 13-15)	22	2	86%

			
Total	22	2	78%

			
2017/18	28	4	24

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

1	Asset Management policy	Yes	25/05/2017	5/6/P
2	Credit Control & Debt Collection policy	Yes	25/05/2017	5/6/P
4	Indigent policy	Yes	25/05/2017	5/6/P
5	Property Rates policy	Yes	25/05/2017	5/6/P
6	SCM Policy	Yes	25/05/2017	5/6/P
7	Funding and Reserve policy	Yes	25/05/2017	5/6/P
8	Fleet Management policy	Yes	25/05/2017	5/6/P

9	Budget policy	Yes	25/05/2017	5/6/P
10	Virement policy	Yes	25/05/2017	5/6/P
13	Tariffs and Rates policy	Yes	25/05/2017	5/6/P
14	Investment policy	Yes	25/05/2017	5/6/P
15	Appointment of Consultants policy	Yes	25/05/2017	5/6/P
17	Unknown Direct Deposit policy	Yes	25/05/2017	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.

Required basic medical attention only	0	0	0%	0	0
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 2016/17 annual performance assessment and 2017/2018 Mid-year performance assessments for three Directors and Municipal Manager who signed the performance agreement with the municipality, and none 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 R182 720.00 on employees training.

Training for officials

PROGRAMME	NO. OF OFFICIALS	STATUS
MFMP	3	Completed
Electronic Recordkeeping	10	Completed
Computer training	2	Continuing
Secretariat Course	7	Completed
Total	22	

Training for councillors

PROGRAMME	NO. OF COUNCILLORS	STATUS
	1	
Municipal Governance	5	Completed
Councillors Induction Programme	28	Completed
MFMP	2	Continuing
Total		

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.

None	0	0	0	0
None	0	0	0	0
None	0	0	0	0

Disclosure of financial interest

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

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 (levels 9-12)	Female	
	Male	
Senior management (levels 13-16)	Female	0
	Male	2
MM and S 57	Female	0
	Male	0

CHAPTER 5: FINANCIAL PERFORMANCE

Introduction

The Ephraim Mogale Local Municipality strives to ensure an effective and efficient administration, and has provided the following components for discussion within this chapter:

- Component A: Statement of financial performance
- Component B: Spending against capital budget
- Component C: Other financial matters

COMPONENT A: STATEMENT OF 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 31 August 2018 for the financial year 2017/18. The aforesaid components of the financial statements discussed in detail below:

5.1 STATEMENT OF FINANCIAL PERFORMANCE

Description	Ref	2016/17	Budget Year 2017/18						
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue By Source									
Property rates		31,425	35,128	35,941	33,428	35,941	(2,513)	-7%	35,941
Service charges - electricity revenue		49,623	48,686	49,255	43,831	49,255	(5,424)	-11%	49,255
Service charges - water revenue		-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-
Service charges - refuse revenue		3,228	4,968	4,342	3,909	4,342	(434)	-10%	4,342
Service charges - other		-	-	-	-	-	-	-	-
Rental of facilities and equipment		113	152	214	362	214	148	69%	214
Interest earned - external investments		7,435	6,933	10,150	7,712	10,150	(2,438)	-24%	10,150
Interest earned - outstanding debtors		4,977	5,037	5,723	6,002	5,723	279	5%	5,723
Dividends received		-	-	-	-	-	-	-	-
Fines, penalties and forfeits		1,257	263	262	1,010	262	748	285%	262
Licences and permits		4,016	3,181	2,511	3,895	2,511	1,383	55%	2,511
Agency services		-	7,636	7,146	-	7,146	(7,146)	-100%	7,146
Transfers and subsidies		158,220	127,358	127,358	127,358	127,358	-	-	127,358
Other revenue		8,835	2,287	1,019	8,263	1,019	7,244	711%	1,019
Gains on disposal of PPE		-	-	1,951	100	1,951	(1,851)	-95%	1,951
Total Revenue (excluding capital transfers and contributions)		269,129	241,629	245,872	235,870	245,872	(10,002)	-4%	245,872
Expenditure By Type									
Employee related costs		76,908	82,322	84,947	74,433	84,947	(10,513)	-12%	84,947
Remuneration of councillors		11,329	12,596	12,640	13,389	12,640	749	6%	12,640
Debt impairment		8,691	7,514	14,385	5,785	14,385	(8,600)	-60%	14,385
Depreciation & asset impairment		43,263	45,000	45,000	47,312	45,000	2,312	5%	45,000
Finance charges		3,494	422	422	3,598	422	3,175	752%	422
Bulk purchases		29,357	31,703	31,703	30,470	31,703	(1,234)	-4%	31,703
Other materials		6,839	10,854	11,116	5,565	11,116	(5,551)	-50%	11,116
Contracted services		13,009	13,509	12,930	14,552	12,930	1,622	13%	12,930
Transfers and subsidies		3,228	2,910	2,401	2,571	2,401	170	7%	2,401
Other expenditure		27,534	63,323	57,515	146,011	57,515	88,496	154%	57,515
Loss on disposal of PPE		-	-	-	-	-	-	-	-
Total Expenditure		223,651	270,154	273,059	343,685	273,059	70,626	26%	273,059
Surplus/(Deficit)		45,478	(28,525)	(27,187)	(107,815)	(27,187)	(80,628)	0	(27,187)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	44,810	44,810	43,008	44,810	(1,802)	(0)	44,810
Transfers and subsidies - capital (in-kind - all) (National / Provincial Departmental Agencies)		-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		45,478	16,285	17,623	(64,807)	17,623			17,623
Taxation		-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		45,478	16,285	17,623	(64,807)	17,623			17,623
Attributable to minorities		-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		45,478	16,285	17,623	(64,807)	17,623			17,623
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		45,478	16,285	17,623	(64,807)	17,623			17,623

Description	Ref	Budget Year 2017/18							
		2016/17 Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue - Functional									
<i>Governance and administration</i>		159,374	175,413	181,866	175,159	181,866	(6,707)	-4%	181,866
Executive and council		1,709	2,384	2,161	2,094	2,161	(66)	-3%	2,161
Finance and administration		157,665	173,049	179,706	173,065	179,706	(6,641)	-4%	179,706
Internal audit		-	-	-	-	-	-	-	-
<i>Community and public safety</i>		1,338	279	380	308	472	(164)	-35%	472
Community and social services		28	36	63	52	63	(11)	-17%	63
Sport and recreation		-	-	-	-	-	-	-	-
Public safety		1,089	92	-	-	92	(92)	-100%	92
Housing		222	151	318	256	318	(61)	-19%	318
Health		-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		37,733	44,816	44,843	48,029	44,843	3,186	7%	44,843
Planning and development		13	6	33	28	33	(4)	-13%	33
Road transport		37,720	44,810	44,810	48,001	44,810	3,191	7%	44,810
Environmental protection		-	-	-	-	-	-	-	-
<i>Trading services</i>		54,391	55,113	53,843	55,016	53,843	1,173	2%	53,843
Energy sources		50,861	50,145	49,501	51,107	49,501	1,607	3%	49,501
Water management		-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-
Waste management		3,531	4,968	4,342	3,909	4,342	(433)	-10%	4,342
<i>Other</i>	4	10,840	10,817	9,749	-	9,749	(9,749)	-100%	9,749
Total Revenue - Functional	2	263,677	286,439	290,682	278,513	290,773	(12,260)	-4%	290,773
Expenditure - Functional									
<i>Governance and administration</i>		135,460	163,998	165,174	256,945	165,174	91,772	56%	165,174
Executive and council		29,587	39,745	40,880	37,980	40,880	(2,899)	-7%	40,880
Finance and administration		105,873	124,253	124,294	218,965	124,294	94,671	76%	124,294
Internal audit		-	-	-	-	-	-	-	-
<i>Community and public safety</i>		14,473	19,445	20,086	17,277	20,086	(2,809)	-14%	20,086
Community and social services		5,850	7,399	7,987	6,908	7,987	(1,078)	-14%	7,987
Sport and recreation		1,574	2,214	2,024	1,728	2,024	(296)	-15%	2,024
Public safety		-	-	-	-	-	-	-	-
Housing		4,036	5,559	5,678	5,255	5,678	(423)	-7%	5,678
Health		3,013	4,274	4,397	3,385	4,397	(1,012)	-23%	4,397
<i>Economic and environmental services</i>		21,126	24,200	20,856	15,106	25,584	(10,478)	-41%	25,584
Planning and development		2,690	5,922	6,634	6,685	6,634	51	1%	6,634
Road transport		18,436	18,278	14,222	8,421	18,950	(10,529)	-56%	18,950
Environmental protection		-	-	-	-	-	-	-	-
<i>Trading services</i>		43,925	48,934	49,017	44,145	49,017	(4,871)	-10%	49,017
Energy sources		39,581	43,043	43,321	39,201	43,321	(4,120)	-10%	43,321
Water management		-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-
Waste management		4,345	5,891	5,696	4,944	5,696	(751)	-13%	5,696
<i>Other</i>		12,812	13,661	17,926	10,211	17,926	(7,715)	-43%	17,926
Total Expenditure - Functional	3	227,796	270,238	273,059	343,685	277,787	65,899	24%	277,787
Surplus/ (Deficit) for the year		35,881	16,201	17,623	(65,172)	12,987	(78,159)	-602%	12,987

Comments on Financial Performance: Revenue**Property rates**

The original budgeted for property rates for 2017/18 financial year was R35.1 million was adjusted to R35.9 Million. The actual revenue generated was R33.4 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 R53.6 Million which was adjusted to R53.5 Million. The actual revenue generated was R47.7 Million which reflect unfavorable variance of R5.5 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 R6.9 million which was adjusted to R10 million. The actual on investment revenue was R7.7 Million and this resulted in to an unfavorable variance of R2 Million. This is as a results of VBS Mutual Bank interest which was impaired.

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 expect.

Transfer recognized – Capital

This is revenue realized from MIG grant. The original budget amounted to R44.8 Million which was never adjusted. The actual spending was 43 Million leading to unspent grant of R1.8 Million.

Comments on Financial Performance: Expenditure**Employee related cost**

The original budget was R82 million and it was adjusted upwards to R84.9 million. The actual expenditure incurred is R74 million and this resulted in a saving of R10 Million manly as a result of vacant positions which not filled in 2017/2018 Financial year.

Depreciation and asset impairment

Provision was made in the budget for capital asset depreciation and impairment and the budget thereof was R45 which remain the same in the adjustment budget and the actual depreciation and impairment of assets is R447 million resulting in to unfavorable variance of 5%.

Bulk purchases

The major portion of this line item was mainly for purchase of electricity. The original budget thereof was R31.7 million which remain the same during adjustment budget. The actual expenditure incurred was R30.7 million and this resulted in a variance of -4%.

Other expenditure

The original budget was R63 million and it was adjusted downward to R 57.5 million and the actual expenditure incurred was R146 million and this resulted in an unfavorable variance of R88 Million mainly as a results of VBS Mutual Bank investment which was impaired.

5.2 GRANTS

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		120,499	127,358	127,358	-	127,358	127,358	-	-	127,358
Local Government Equitable Share		117,556	123,766	123,766	-	123,766	123,766	-	0.0%	123,766
Energy Efficiency and Demand Management			-	-						-
Finance Management		1,810	2,145	2,145	-	2,145	2,145			2,145
EPWP Incentive		1,133	1,447	1,447	-	1,447	1,057			1,447
Total Operating Transfers and Grants	5	120,499	127,358	127,358	-	127,358	127,358	-	-	127,358

R thousands										
RECEIPTS:										
Operating Transfers and Grants										
National Government:										
Local Government Equitable Share										110
Energy Efficiency and Demand Management										106
Finance Management										1,6
EPWP Incentive										1,1
Municipal Systems Improvement										1,2

Total Operating Transfers and Grants 110

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
Capital Transfers and Grants										
National Government:		37,720	44,810	44,810	-	43,008	44,810	(1,802)	-4.0%	44,810
Municipal Infrastructure Grant (MIG)		37,720	44,810	44,810	-	43,008	44,810	(1,802)	-4.0%	44,810
Total Capital Transfers and Grants	5	37,720	44,810	44,810	-	43,008	44,810	(1,802)	-4.0%	44,810

Comment on Operating Transfers and Grants

All grants gazetted for 2017/18 financial year were received. The total amount received on operational grants amounted to R127. Million during the 2017/18 financial year. Nonetheless, gazetted capital grants were also received in full during the financial year. However R1.8 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	2016/17	Budget Year 2017/18					
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	Full Year Forecast
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	1,2	826,175	843,000	843,000	925,641	843,000	110%	843,000
Other materials		6,839	10,854	11,116	5,446	11,116	49%	11,116
		1,194,511	1,235,928	1,236,190	1,313,161	1,235,800		1,236,190

Comment on Asset Management:

The asset register value for 2017/18 was budget for R843 million which was not adjusted. The actual book value as at end of 2017/18 financial year is R925 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.

Description	Ref	2016/17	Budget Year 2017/18					
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	Full Year Forecast
Other materials		6,839	10,854	11,116	5,446	11,116	49%	11,116

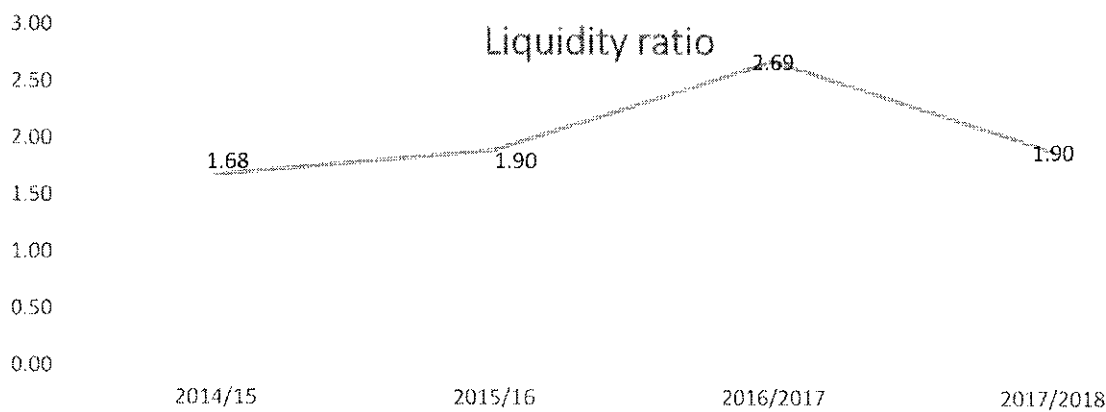
Comment on Repair and Maintenance Expenditure

In addition, repairs and maintenance amounting to R5 million was incurred during the 2017/18 financial year.

5.4 FINANCIAL RATIO'S

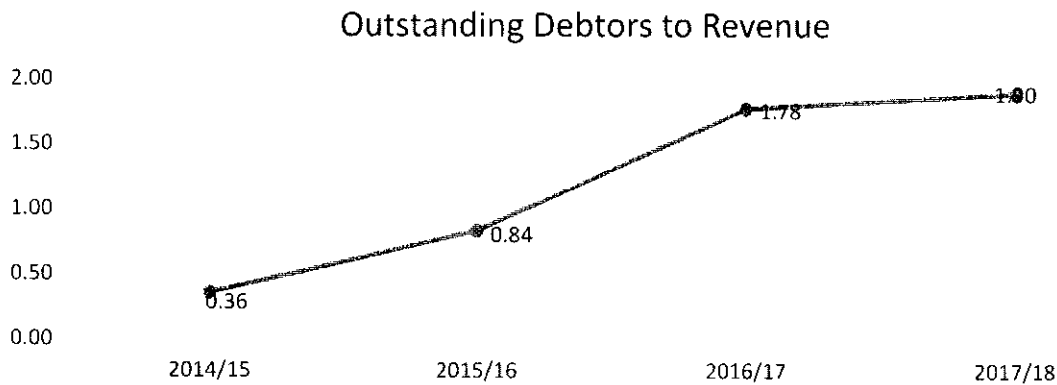
Graph 1: Liquidity ratio

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.



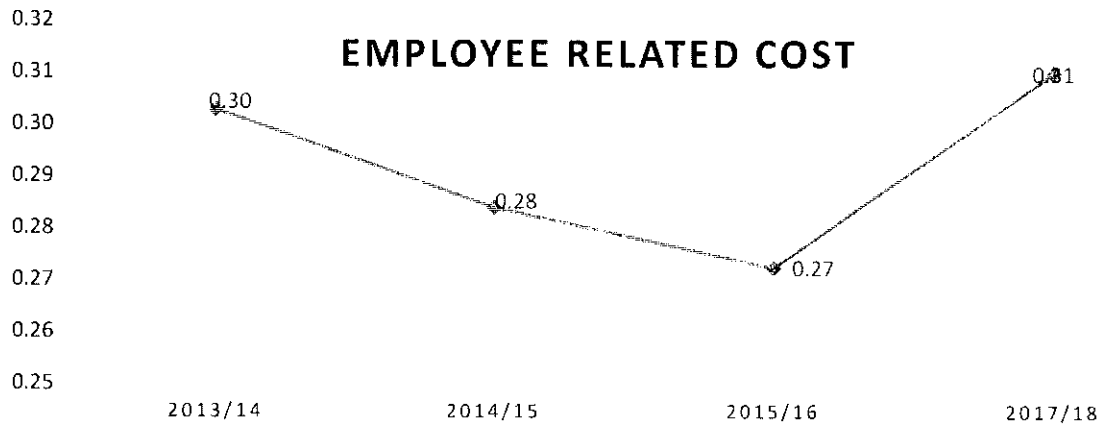
Graph 2: Outstanding Debtors to revenue

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.



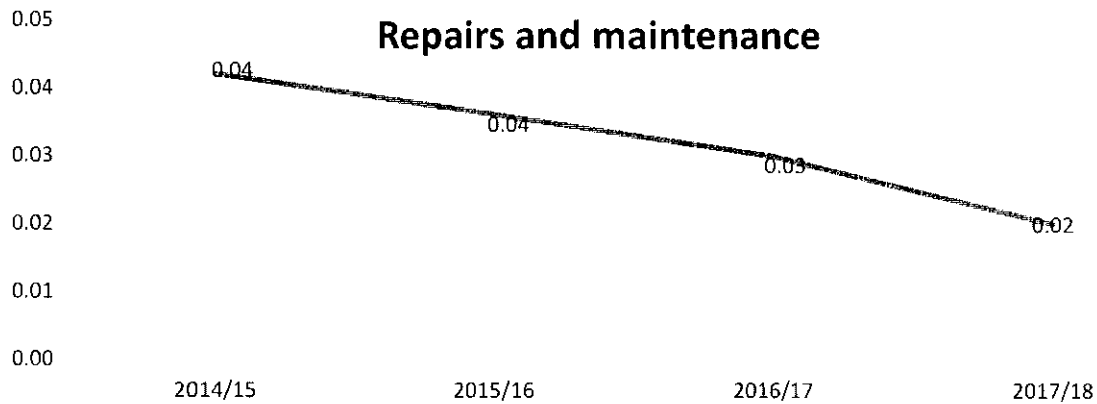
Graph 3: Employee cost

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

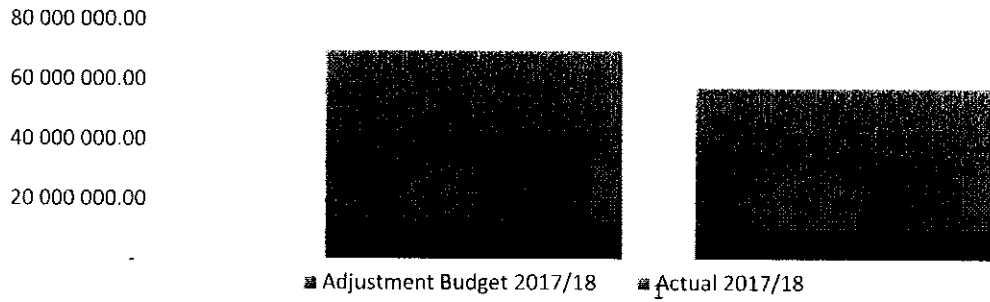
5.5 CAPITAL EXPENDITURE

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 2017/18

Capital expenditure 2017/18



5.6 SOURCE OF FINANCE

Vote Description	2016/17	Budget Year 2017/18						Full Year Forecast
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands								
Capital Expenditure - Functional Classification								
<i>Governance and administration</i>	1,462	2,090	2,045	869	1,200	(331)	-28%	2,045
Executive and council	791	1,050	1,050	-	950	(950)	-100%	1,050
Finance and administration	671	1,040	995	869	250	619	247%	995
Internal audit	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	2,878	3,570	2,120	962	4,491	(3,529)	-79%	2,120
Community and social services	971	2,470	1,170	140	830	(690)	-83%	1,170
Sport and recreation	234	-	-	-	3,611	(3,611)	-100%	-
Public safety	1,420	900	900	796	-	796	#DIV/0!	900
Housing	254	200	50	25	50	(25)	-50%	50
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	49,862	52,035	55,785	48,248	34,500	13,748	40%	55,785
Planning and development	-	1,500	1,600	-	-	-	-	1,600
Road transport	49,862	50,535	54,185	48,248	34,500	13,748	40%	54,185
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	3,364	3,590	2,673	2,029	1,000	1,029	103%	2,673
Energy sources	2,876	2,200	2,147	2,029	1,000	1,029	103%	2,147
Water management	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Waste management	488	1,390	526	-	-	-	-	526
<i>Other</i>	-	-	-	-	100	(100)	-100%	-
Total Capital Expenditure - Functional Classification	57,566	61,285	62,623	52,107	41,291	10,816	26%	62,623
Funded by:								
National Government	37,720	44,810	44,810	43,008	29,435	13,573	46%	44,810
Provincial Government	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	37,720	44,810	44,810	43,008	29,435	13,573	46%	44,810
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	19,846	16,475	17,813	9,099	11,855	(2,756)	-23%	17,813
Total Capital Funding	57,566	61,285	62,623	52,107	41,291	10,816	26%	62,623

Comment on Sources of Funding:

The original capital budget for 2017/18 financial was R61 million that was adjusted upward to R62.6 million. The actual expenditure was R52 million and reflects under-spending variance of R10 on the adjusted budget which was mainly as a results not spending on internal funded projects

The Budget was funded as Follows:

Original budget – R44 million was funded by grants and R17 million was funded internally

Adjusted budget – R44.8 million was funded by grants and R17.8 million was funded internally

Actual expenditure – R43 million was funded by grants and R9 million was funded internally.

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Vote Description	Bud	
	Original Budget	Adjusted Budget
Dichoeung Internal Road	7,500,000.00	8,037,890.00
Ngwalemong Internal Streets	11,411,342.82	11,411,342.82
LEEUWFONTAIN SPORTS COMPLEX	10,832,004.00	10,832,004.00
Upgrading Of Letebejane/Ditholong Internal Streets	10,120,000.00	10,120,000.00
Stormwater Extension 6(650/305147)	1,746,657.18	4,934,466.40

Name of Project - A	Dichoeung 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
Name of Project - 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
Name of Project - C	LEEUWFONTAIN 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
Name of Project - D	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
Name of Project -E	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 2017/2018 Financial Year, the Municipality received the Total Allocation of R44.8 million MIG grant of which the municipality has spent 43 Million. The Municipality had R1.8 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 2017/18 on Service backlogs						
R' 000						
Details	Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustment Budget	
Infrastructure - Road transport						
<i>Roads, Pavements & Bridges</i>	R44,810	R 44,810	R 43,008	R1,800	R1,800	
<i>Storm water</i>	R0	R0	R0	R0	R0	
Infrastructure - Electricity						
<i>Generation</i>	R0	R0	R0	R0	R0	
<i>Street Lighting</i>	R0	R0	R0	R0	R0	
Infrastructure - Other						
<i>Transportation</i>	R0	R0	R0	R0	R0	
<i>Gas</i>	R0	R0	R0	R0	R0	
Other Specify:						
<i>Cemeteries</i>	R0	R0	R0	R0	R0	
<i>Street Parking</i>	R0	R0	R0	R0	R0	
<i>Waste Management</i>	R0	R0	R0	R0	R0	
Total	R44,810	R 44,810	R 43,008	R1,800	R1,800	

Service Backlogs as at 30 June 2018				
Households (HHs)				
	*Service level above minimum standard		**Service level below minimum standard	
	No HHs	% HHs	No HHs	% HHs
Electricity	32696	97%	1027	3%
Waste management	5619	16.54 %	28344	83.45%
Housing	n/a	n/a	n/a	n/a

Comment on Backlogs:

The electricity backlog is 3% and 97% of households has access to electricity.

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 83.45% 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 R124.7 million. The actual cash and cash equivalent as at end of the financial year is R68.5 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 financial year.

Description	2016/17	Budget Year 2017/18						
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates	25,768	28,805	28,753	27,578	16,803	10,775	64%	28,805
Service charges	46,130	43,897	52,729	50,585	25,606	24,978	98%	43,897
Other revenue	2,359	13,519	11,152	6,983	10,695	(3,712)	-35%	13,519
Government - operating	119,667	127,358	127,358	127,368	98,000	29,368	30%	127,358
Government - capital	29,313	44,810	44,810	44,675	39,000	5,675	15%	44,810
Interest	12,412	10,963	13,150	10,055	6,982	3,073	44%	10,963
Dividends		-	-	-	-	-		-
Payments								
Suppliers and employees	(161,063)	(215,807)	(209,402)	(190,381)	(155,646)	34,736	-22%	(215,807)
Finance charges	(261)	(422)	(422)	(1,715)	(246)	1,469	-596%	(422)
Transfers and Grants		(2,910)	(2,401)	-	(1,698)	(1,698)	100%	(2,910)
NET CASH FROM/(USED) OPERATING ACTIVITIES	74,327	50,211	65,726	75,148	39,497	(35,651)	-90%	50,211
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE			1,951	1,711	-	1,711	#DIV/0!	
Decrease (Increase) in non-current debtors				-	-	-		
Decrease (increase) other non-current receivables				-	-	-		
Decrease (increase) in non-current investments				(80,000)	-	(80,000)	#DIV/0!	
Payments								
Capital assets	(53,765)	(61,285)	(9,424)	(51,205)	(41,291)	9,914	-24%	(61,285)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(53,765)	(61,285)	(7,474)	(129,494)	(41,291)	88,203	-214%	(61,285)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans				-	-	-		
Borrowing long term/refinancing				(1,835)	-	(1,835)	#DIV/0!	
Increase (decrease) in consumer deposits				-	-	-		
Payments								
Repayment of borrowing	(1,538)		(1,448)	-	-	-		(1,448)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,538)	-	(1,448)	(1,835)	-	1,835	#DIV/0!	(1,448)
NET INCREASE/ (DECREASE) IN CASH HELD	19,024	(11,074)	56,804	(56,180)	(1,793)			(12,522)
Cash/cash equivalents at beginning:	105,722	130,000	124,498	124,746	124,498			124,746
Cash/cash equivalents at month/year end:	124,746	118,926	181,302	68,566	122,704			112,224

5.10 BORROWING AND INVESTMENTS

Actual Borrowings 2016/17 -2017/18 - R'000			
Instrument	2015/16	2016/17	2017/18
<u>Municipality</u>			
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	2 946	1 538	1 606
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
Municipal Total	n/a	n/a	n/a
	n/a	n/a	n/a
<u>Municipal Entities</u>	n/a	n/a	n/a
Long-term Loans (annuity/reducing balance)	n/a	n/a	n/a
Long-term Loans (non-annuity)	n/a	n/a	n/a

Actual Borrowings 2016/17 -2017/18 - R'000			
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
Entities Total	n/a	n/a	n/a

Municipal and Entity Investments 2015/16 - 2017/18 - R'000			
Investment type	2015/16	2016/17	2017/18
	Actual	Actual	Actuals
<u>Municipality</u>			
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)	-	-	-

Municipal and Entity Investments 2015/16 - 2017/18 - R'000			
Investment type	2015/16	2016/17	2017/18
	Actual	Actual	Actuals
Repurchase agreements - Banks	-	-	-
Municipal bonds	-	-	-
Other	-	-	-
<u>Municipal Entities</u>			
Securities - National government	-	-	-
Listed corporate bonds	-	-	-
Deposits – Bank	-	-	-
Deposits - Public Investment Commissioners	-	-	-
Deposits - Corporation for Public Deposits	-	-	-
Bankers' acceptance certificates	-	-	-
Negotiable certificates of deposit- Banks	-	-	-
Guaranteed endowment policies (sinking)	-	-	-
Repurchase agreements – Banks	-	-	-
Municipal bonds	-	-	-
Other	-	-	-
Entities Sub-Total	-	-	-
Consolidated Total:	0	0	0

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 2017/18 present an irregular expenditure of R3.7 million as an opening balance. This leaves the municipality with overall irregular expenditure of R20.9 million that emanated mainly from procurement of goods and services without fully following the supply chain management processes.

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 2018
Audited By : Office of the Auditor General (Polokwane)
Published 31 August 2018

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Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of basic services
Council	
Mayor	Cllr Kupa CR
Speaker	Cllr Mothogwane MD
Chief Whip	Cllr Modisha LB
Traditional leaders	Kgoshi - Lehwelere-Matlala MA Kgoshi - Matlala MM Kgoshi - Rahlagane MP
Councillors	Cllr Aphane MK Cllr Boshielo C Cllr De Beer FJC Cllr Jacobs PR Cllr Kekana MJ Cllr Lenstoane MC Cllr Lenstoane RM Cllr Mabaso TL Cllr Madileng DO Cllr Makanyane GN Cllr Makola ML Cllr Maloka MF Cllr Manasoe MT Cllr Mashigo MPM Cllr Mashoeshoe RHS Cllr Matlala MF Cllr Matji PT Cllr Mohlala R Cllr Moimana GMH Cllr Molatudi ML Cllr Monama M Cllr Motsepe MJ Cllr Phokwane RG Cllr Ranoto P Cllr Sedibane FS Cllr Sindana RR Cllr Tema SA Cllr Letsena N (Appointed 01 September 2017) Cllr Tshiguvho EM
Grading of local authority	2
Capacity of local authority	Low capacity
Municipal demarcation code	LIM471
Accounting Officer	Mrs MM Mathebela
Chief Finance Officer (CFO)	Mrs K Ramosibi

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Registered office	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Business address	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Postal address	PO Box 111 Marble Hall Limpopo 0450
Bankers	First National Bank (Primary bank account) ABSA Bank VBS Nedbank
Auditors	Audited By : Office of the Auditor General (Polokwane)
Attorneys	Mohale Incorporated Attorneys Kgohlishi Abie Mamabolo Attorneys Noko Maimela Attorneys Machaka NC Incorporated Attorneys

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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

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Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
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)

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that 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 2019 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.

The annual financial statements set out on pages 7 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed by:

Mathebela MM
Municipal Manager

31 August 2018

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

We are pleased to present our report for the annual financial year ended 30 June 2018.

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 x number of meetings were held.

Name of member	Number of meetings attended
Letsela M (Chairperson)	6
Ravhudzulo PK	5
Nevondwe TL	6
Chuene VK	6
Nchabeleng MF	6

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 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.

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

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: _____

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 60 852 853 (2017: surplus R 48 416 836).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 957 767 799 and that the municipality's total assets exceed its liabilities by R 957 880 349.

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 implementation of mscoa (municipal standard chart of accounts) was performed from 1 July 2017 for the items presented as current year:

The impact on the results of the municipality in adopting the above transaction base that created a difference in presentation is reflected in note reflected as restatements of prior year as part of these annual financial statements.

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
Mathebela MM	South African

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	10	754 565	720 347
Receivables from exchange transactions	4&5	815 494	430 379
Receivables from non-exchange transactions	4&6	558 927	6 489 546
VAT receivable	9	-	2 626 526
Consumer debtors from exchange transactions	7	14 045 600	12 785 354
Consumer debtors from non-exchange transactions	7	29 602 005	33 950 661
Cash and cash equivalents	3	68 566 058	124 746 340
		114 342 649	181 749 153
Non-Current Assets			
Investment property	11	87 629 001	87 699 701
Property, plant and equipment	12	837 449 088	834 239 521
Heritage assets	13	112 550	106 798
Eskom Deposits	8	450 463	386 721
		925 641 102	922 432 741
Total Assets		1 039 983 751	1 104 181 894
Liabilities			
Current Liabilities			
Finance lease obligation	16	235 884	1 702 294
Payables from exchange transactions	14	32 391 777	42 543 876
VAT payable	9	88 602	-
Consumer deposits	15	1 399 552	1 426 273
Unspent conditional grants and receipts	17	1 801 783	124 695
Provisions	18	285 568	285 568
		36 203 166	46 082 706
Non-Current Liabilities			
Finance lease obligation	16	-	368 255
Employee benefit obligation	19	21 276 921	21 797 106
Provisions	18	24 623 315	17 206 381
		45 900 236	39 371 742
Total Liabilities		82 103 402	85 454 448
Net Assets		957 880 349	1 018 727 446
Reserves			
Revaluation reserve		112 550	106 798
Accumulated surplus		957 767 799	1 018 620 648
Total Net Assets		957 880 349	1 018 727 446

* See Note 47

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		149 607	467 019
Service charges	20	47 739 711	52 851 093
Rental of facilities and equipment		361 866	112 897
Licences and permits		3 894 749	4 016 065
Other income	21	816 776	2 915 909
Interest received	22	13 713 715	12 412 299
Total revenue from exchange transactions		66 676 424	72 775 282
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	33 428 446	31 425 047
Transfer revenue and other receipts			
Government grants & subsidies	24	170 366 217	158 219 637
Basic Electricity levy		7 031 603	-
Fines, Penalties and Forfeits		1 010 220	1 256 769
Total revenue from non-exchange transactions		211 836 486	190 901 453
Total revenue		278 512 910	263 676 735
Expenditure			
Employee related costs	25	(74 433 473)	(70 975 660)
Remuneration of councillors	26	(13 388 894)	(11 328 932)
Repairs and Maintenance		(5 445 836)	(6 838 644)
Depreciation and amortisation	27	(47 311 650)	(43 969 857)
Impairment loss VBS Bank		(83 658 548)	-
Finance costs	28	(3 597 669)	(3 493 578)
Rental Expense		(1 606 980)	-
Debt Impairment	29	(20 840 867)	(9 402 871)
Bad debts written off	29	(5 785 065)	-
Collection costs		-	(21 500)
Bulk purchases	30	(30 469 771)	(29 357 077)
Contracted services	31	(14 551 505)	(13 009 399)
Grants and Subsidies		(2 571 011)	(3 227 958)
General Expenses	32	(40 023 886)	(28 423 786)
Total expenditure		(343 685 155)	(220 049 262)
Operating (deficit) surplus		(65 172 245)	43 627 473
Profit / (Loss) on disposal of fixed assets		(137 551)	(4 085 520)
Fair value adjustments	33	1 094 300	7 348 000
Actuarial gains/losses	19	3 362 643	1 526 883
		4 319 392	4 789 363
(Deficit) surplus for the year		(60 852 853)	48 416 836

* See Note 47

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	81 647	960 188 682	960 270 329
Adjustments			
Correction of Assets	-	10 014 100	10 014 100
Bank and Rates	-	1 030	1 030
Balance at 01 July 2016 as restated*	81 647	970 203 812	970 285 459
Changes in net assets			
Surplus for the year	-	48 416 836	48 416 836
Revaluation Adjustment - Heritage assets	25 151	-	25 151
Total changes	25 151	48 416 836	48 441 987
Opening balance as previously reported	106 798	1 010 887 550	1 010 994 348
Adjustments			
Correction of Assets prior year	-	10 014 100	10 014 100
Change in amortisation of assets	-	(707 242)	(707 242)
Prior year adjustments	-	(1 573 756)	(1 573 756)
Balance at 01 July 2017 as restated*	106 798	1 018 620 652	1 018 727 450
Changes in net assets			
Surplus for the year	-	(60 852 853)	(60 852 853)
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	5 752	-	5 752
Total changes	5 752	(60 852 853)	(60 847 101)
Balance at 30 June 2018	112 550	957 767 799	957 880 349

* See Note 47

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Government grants and subsidies		172 043 305	148 980 441
Services		78 162 985	71 898 354
Interest income		10 055 167	12 412 299
Other receipts		6 983 199	2 359 317
		<u>267 244 656</u>	<u>235 650 411</u>
Payments			
Employee costs		(86 741 036)	(79 881 866)
Suppliers		(103 640 086)	(82 316 226)
Finance costs		(1 715 383)	(260 524)
		<u>(192 096 505)</u>	<u>(162 458 616)</u>
Net cash flows from operating activities	35	<u>75 148 151</u>	<u>73 191 795</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(51 204 874)	(52 630 160)
Proceeds from sale of property, plant and equipment	12	1 711 106	-
Capital investment VBS Investment		(80 000 000)	-
Net cash flows from investing activities		<u>(129 493 768)</u>	<u>(52 630 160)</u>
Cash flows from financing activities			
Finance lease payments		(1 834 665)	(1 537 792)
Net increase/(decrease) in cash and cash equivalents		<u>(56 180 282)</u>	<u>19 023 843</u>
Cash and cash equivalents at the beginning of the year		124 746 340	105 722 497
Cash and cash equivalents at the end of the year	3	<u>68 566 058</u>	<u>124 746 340</u>

* See Note 47

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Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	515 100	(303 452)	211 648	149 607	(62 041)	1
Service charges	53 654 000	(57 000)	53 597 000	47 739 711	(5 857 289)	2
Rental of facilities and equipment	152 000	62 000	214 000	361 866	147 866	3
Licences and permits	10 817 000	(1 160 000)	9 657 000	3 894 749	(5 762 251)	4
Other income - (rollup)	1 771 932	(965 460)	806 472	816 776	10 304	5
Interest received	11 970 000	3 903 000	15 873 000	13 713 715	(2 159 285)	6
Total revenue from exchange transactions	78 880 032	1 479 088	80 359 120	66 676 424	(13 682 696)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	35 127 972	813 360	35 941 332	33 428 446	(2 512 886)	7
Transfer revenue						
Government grants & subsidies	172 167 996	-	172 167 996	170 366 217	(1 801 779)	8
Levies	-	-	-	7 031 603	7 031 603	
Fines, Penalties and Forfeits	263 000	-	263 000	1 010 220	747 220	9
Total revenue from non-exchange transactions	207 558 968	813 360	208 372 328	211 836 486	3 464 158	
Total revenue	286 439 000	2 292 448	288 731 448	278 512 910	(10 218 538)	
Expenditure						
Personnel	(82 322 000)	(2 625 000)	(84 947 000)	(74 433 473)	10 513 527	10
Remuneration of councillors	(12 596 000)	(44 000)	(12 640 000)	(13 388 894)	(748 894)	11
Depreciation and amortisation	(45 000 000)	-	(45 000 000)	(47 311 650)	(2 311 650)	12
Impairment loss/ Reversal of impairments	-	-	-	(83 658 548)	(83 658 548)	13
Finance costs	(422 256)	-	(422 256)	(3 597 669)	(3 175 413)	14
Lease rentals on operating lease	(425 000)	(1 450 000)	(1 875 000)	(1 606 980)	268 020	15
Debt Impairment	(7 513 788)	(6 870 828)	(14 384 616)	(20 840 867)	(6 456 251)	16
Bad debts written off	-	-	-	(5 785 065)	(5 785 065)	
Repairs and maintenance	(10 854 000)	(262 000)	(11 116 000)	(5 445 836)	5 670 164	17
Bulk purchases	(31 703 472)	-	(31 703 472)	(30 469 771)	1 233 701	18
Contracted Services	(13 509 000)	579 000	(12 930 000)	(14 551 505)	(1 621 505)	19
Transfers and Subsidies	(2 910 000)	509 000	(2 401 000)	(2 571 011)	(170 011)	20
General Expenses	(62 898 484)	7 258 828	(55 639 656)	(40 023 886)	15 615 770	21
Total expenditure	(270 154 000)	(2 905 000)	(273 059 000)	(343 685 155)	(70 626 155)	
Operating deficit	16 285 000	(612 552)	15 672 448	(65 172 245)	(80 844 693)	
Loss on disposal of assets and liabilities	-	1 950 552	1 950 552	(137 551)	(2 088 103)	23
Fair value adjustments	-	-	-	1 094 300	1 094 300	22
Actuarial gains/losses	-	-	-	3 362 643	3 362 643	23
	-	1 950 552	1 950 552	4 319 392	2 368 840	

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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
Figures in Rand						
Deficit before taxation	16 285 000	1 338 000	17 623 000	(60 852 853)	(78 475 853)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	16 285 000	1 338 000	17 623 000	(60 852 853)	(78 475 853)	
Reconciliation						

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Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	900 000	-	900 000	754 565	(145 435)	24
Receivables from exchange transactions	-	-	-	815 494	815 494	24
Receivables from non-exchange transactions	-	-	-	558 927	558 927	24
Consumer debtors	8 000 000	-	8 000 000	43 647 605	35 647 605	
Other Debtors	20 000 000	-	20 000 000	450 463	(19 549 537)	24
Cash and cash equivalents	160 926 000	(32 823 000)	128 103 000	68 566 058	(59 536 942)	24
	189 826 000	(32 823 000)	157 003 000	114 793 112	(42 209 888)	
Non-Current Assets						
Investment property	60 000 000	-	60 000 000	87 629 001	27 629 001	24
Property, plant and equipment	840 000 000	-	840 000 000	837 449 088	(2 550 912)	24
Heritage assets	-	-	-	112 550	112 550	24
	900 000 000	-	900 000 000	925 190 639	25 190 639	
Total Assets	1 089 826 000	(32 823 000)	1 057 003 000	1 039 983 751	(17 019 249)	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	235 884	235 884	25
Payables from exchange transactions	40 000 000	-	40 000 000	32 391 767	(7 608 233)	25
VAT payable	-	-	-	88 602	88 602	
Consumer deposits	1 800 000	-	1 800 000	1 399 552	(400 448)	25
Unspent conditional grants and receipts	-	-	-	1 801 783	1 801 783	25
Provisions	305 000	-	305 000	285 568	(19 432)	25
	42 105 000	-	42 105 000	36 203 156	(5 901 844)	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	21 276 921	21 276 921	25
Provisions	30 000 000	-	30 000 000	24 623 315	(5 376 685)	25
	30 000 000	-	30 000 000	45 900 236	15 900 236	
Total Liabilities	72 105 000	-	72 105 000	82 103 392	9 998 392	
Net Assets	1 017 721 000	(32 823 000)	984 898 000	957 880 359	(27 017 641)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	112 550	112 550	26
Accumulated surplus	1 017 721 000	(32 823 000)	984 898 000	957 767 809	(27 130 191)	26
Total Net Assets	1 017 721 000	(32 823 000)	984 898 000	957 880 359	(27 017 641)	

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipt from goods, services, rates and fines	72 702 000	8 780 000	81 482 000	78 162 958	(3 319 042)	27
Grants	172 168 000	-	172 168 000	172 043 305	(124 695)	27
Interest income	10 963 000	2 187 000	13 150 000	10 055 167	(3 094 833)	27
Other income	13 519 000	(2 367 000)	11 152 000	6 983 199	(4 168 801)	27
	269 352 000	8 600 000	277 952 000	267 244 629	(10 707 371)	
Payments						
Employee costs	(82 322 000)	(2 625 000)	(84 947 000)	(86 741 036)	(1 794 036)	27
Suppliers	(136 818 000)	9 539 000	(127 279 000)	(103 622 920)	23 656 080	27
Other payments	-	-	-	(1 715 383)	(1 715 383)	26
	(219 140 000)	6 914 000	(212 226 000)	(192 079 339)	20 146 661	
Net cash flows from operating activities	50 212 000	15 514 000	65 726 000	75 165 290	9 439 290	

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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
Figures in Rand						
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	-	1 951 000	1 951 000	1 711 106	(239 894)	28
Investment made VBS Bank	-	-	-	(80 000 000)	(80 000 000)	
Capital Assets	(61 285 000)	51 861 000	(9 424 000)	(51 222 040)	(41 798 040)	28
Net cash flows from investing activities	(61 285 000)	53 812 000	(7 473 000)	(129 510 934)	(122 037 934)	
Cash flows from financing activities						
Repayment of borrowing	-	(1 448 000)	(1 448 000)	(1 834 655)	(386 655)	29
Net increase/(decrease) in cash and cash equivalents	(11 073 000)	67 878 000	56 805 000	(56 180 299)	(112 985 299)	
Cash and cash equivalents at the beginning of the year	130 000 000	5 502 000	135 502 000	124 746 340	(10 755 660)	30
Cash and cash equivalents at the end of the year	118 927 000	73 380 000	192 307 000	68 566 041	(123 740 959)	
Reconciliation						

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), 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.

These accounting policies are consistent with the previous period.

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

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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 18 - 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 19.

Effective interest rate

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

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

1.3 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.

1.4 Property, plant and equipment

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

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	20-30 years
Community assets	Straight line	5-25 years
Infrastructure assets	Straight line	2-100 years
Land	Straight line	Indefinite
Landfill site	Straight line	2-100 years
Motor vehicle	Straight line	5 years
Office equipment	Straight line	4-7 years

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

The related asset is measured using the cost model:

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

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 13 - 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.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Heritage assets (continued)

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.

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.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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.

Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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 overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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.

Ephraim Mogale Local Municipality

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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

Class	Category
Eskom Deposits	Financial asset measured at 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
Cash and other Cash equivalents	Financial asset measured at cost
Vat receivable	Financial asset measured at cost

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

Class	Category
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 cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Ephraim Mogale Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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.

Ephraim Mogale Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying 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.

Ephraim Mogale Local Municipality

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Accounting Policies

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;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Statutory receivables (continued)

- 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.

1.12 Share capital / contributed capital

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

1.13 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.

Ephraim Mogale Local Municipality

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Accounting Policies

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 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

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.

Ephraim Mogale Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

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.

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.

Ephraim Mogale Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

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.

Accounting Policies

1.14 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.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as 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 38.

Ephraim Mogale Local Municipality

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Accounting Policies

1.15 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.

1.16 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.

1.17 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.

Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 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.

1.18 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

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.19 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

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.19 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 municipality 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.

1.20 Investment income

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

1.21 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.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.22 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.

1.23 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.

1.24 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

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.25 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.

1.26 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.

1.27 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.

1.28 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.

1.29 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 2017/06/01 to 2018/06/30.

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.

1.30 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

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.30 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.

1.31 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.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017 Restate
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality did not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

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

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 18 (as amended 2016): Segment Reporting

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

The most significant changes to the Standard are:

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

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

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

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

GRAP 20: Related parties

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

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

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

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

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

IGRAP 19: Liabilities to Pay Levies

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

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

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

Consensus reached in this interpretation:

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

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

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

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

Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 000	5 000
Bank balances	68 561 058	99 231 502
Short term deposits	-	25 509 838
	68 566 058	124 746 340

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 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.

Credit rating		
F3	68 643 774	16 840 104
F3	-	25 509 838
F3	-	81 257 084
Under Curatorship - VBS Mutual bank	84 076 833	-
	152 720 607	123 607 026

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018			2017		
3. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
First National Bank - cheque account	68 643 774	16 840 104	1 530 093	68 645 367	16 259 934	948 682
First National Bank - Cheque account	-	-	-	-	107	32 503
ABSA Bank account	-	81 257 084	79 224 293	74 298	82 971 462	80 903 900
Nedbank Call Account	-	25 509 837	23 837 412	-	25 509 837	23 837 412
Cash on hand	6 200	-	-	5 000	5 000	-
VBS BANK - Account Type - Long Term Deposit	84 076 833	-	-	-	-	-
Total	152 726 807	123 607 025	104 591 798	68 724 665	124 746 340	105 722 497

4. Receivables

Gross balances

Receivables- other	815 494	430 379
Fines	5 019 711	4 095 261
	5 835 205	4 525 640

Less: Allowance for impairment

Fines	(4 460 784)	(3 390 780)
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Net balance

Receivables- other	815 494	430 379
Fines	558 927	704 481
	1 374 421	1 134 860

Fines

Current (0 -30 days)	57 000	81 500
31 - 60 days	58 000	120 000
61 - 90 days	59 750	59 000
91 - 120 days	4 844 961	3 834 760
121 - 365 days	(4 460 784)	(3 390 779)
	558 927	704 481

Other (specify)

> 365 days	815 494	430 379
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Reconciliation of allowance for impairment

Balance at beginning of the year	(3 390 780)	(2 540 117)
Contributions to allowance	(1 070 004)	(850 663)
	(4 460 784)	(3 390 780)

5. Receivables from exchange transactions

Consumer receivables - Other	815 494	430 379
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Receivables from exchange transactions pledged as security

None of the receivables were pledged as a security.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
6. Receivables from non-exchange transactions		
Government grant and subsidies	-	5 785 065
Fines	558 927	704 481
	558 927	6 489 546
Receivables from non-exchange transactions pledged as security		
None of the receivables were pledged as security.		
7. Consumer debtors		
Gross balances		
Rates	61 544 932	52 619 293
Electricity	6 869 860	9 475 524
Refuse	3 194 415	2 265 014
Basic electricity - Non Exchange	4 084 552	-
Other (specify)	22 089 321	16 740 797
	97 783 080	81 100 628
Less: Allowance for impairment		
Rates	(33 847 190)	(18 667 602)
Electricity	(3 427 668)	(2 846 785)
Refuse	(2 119 230)	(1 586 740)
Basic electricity - Non Exchange	(2 180 289)	-
Other (specify)	(12 561 098)	(11 263 486)
	(54 135 475)	(34 364 613)
Net balance		
Rates	27 697 742	33 951 691
Electricity	3 442 192	6 628 739
Refuse	1 075 185	678 274
Basic electricity - Non Exchange	1 904 263	-
Other	9 528 223	5 477 311
	43 647 605	46 736 015
Included in above is receivables from exchange transactions		
Electricity	3 442 192	6 628 739
Refuse	1 075 185	678 274
Other	9 528 222	5 477 311
	14 045 599	12 784 324
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	27 697 742	33 950 661
Basic electricity - non exchange	1 904 263	-
	29 602 005	33 950 661
Net balance	43 647 604	46 734 985

Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
7. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	8 021 364	4 642
31 - 60 days	1 380 427	2 746 647
61 - 90 days	1 302 084	1 580 461
91 - 365 days and more than 1 year	52 223 305	48 287 543
Less: Allowance for impairment	(33 847 190)	(18 667 602)
Rates correction 2018 overbilled	(1 382 248)	-
	27 697 742	33 951 691
Electricity		
Current (0 -30 days)	3 235 252	13 457
31 - 60 days	217 994	4 262 058
61 - 90 days	164 838	748 934
91 - 365 days and more than 1 year	3 251 775	4 451 075
Less: Allowance for impairment	(3 427 667)	(2 846 785)
	3 442 192	6 628 739
Refuse		
Current (0 -30 days)	271 487	745
31 - 60 days	111 962	241 780
61 - 90 days	99 244	92 405
91 - 365 days and more than 1 year	2 711 723	1 930 084
Less: Allowance for impairment	(2 119 231)	(1 586 740)
	1 075 185	678 274
Basic electricity - non exchange		
Current (0 -30 days)	601 300	-
31 - 60 days	173 331	-
61 - 90 days	128 269	-
91 - 365 days and more than 1 year	3 181 652	-
Less: Allowance for impairment	(2 180 289)	-
	1 904 263	-
Other (specify)		
Current (0 -30 days)	2 407 614	18 003
31 - 60 days	582 454	1 075 691
61 - 90 days	558 047	586 688
91 - 365 days and more than 1 year	18 541 205	15 060 415
Less: Allowance for impairment	(12 561 097)	(11 263 486)
	9 528 223	5 477 311

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7. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	8 349 851	17 412
31 - 60 days	755 480	3 825 460
61 - 90 days	684 635	1 306 892
91 - 365 days and more than 1 year	23 812 893	21 826 277
	<u>33 602 859</u>	<u>26 976 041</u>
Less: Allowance for impairment	(15 935 863)	(12 477 164)
	17 666 996	14 498 877
Industrial/ commercial		
Current (0 -30 days)	6 092 375	7 005
31 - 60 days	1 652 007	4 372 937
61 - 90 days	1 507 043	1 832 501
91 - 365 days and more than 1 year	55 242 112	46 264 426
Overbilled during the current period 2018	(1 382 248)	-
	<u>63 111 289</u>	<u>52 476 869</u>
Less: Allowance for impairment	(37 657 854)	(19 522 462)
	25 453 435	32 954 407
National and provincial government		
Current (0 -30 days)	94 791	-
31 - 60 days	60 681	127 778
61 - 90 days	60 803	53 663
91 - 365 days and more than 1 year	854 655	1 048 433
	<u>1 070 930</u>	<u>1 229 874</u>
Less: Allowance for impairment	(541 758)	-
	529 172	1 229 874
Total		
Current (0 -30 days)	14 537 017	24 417
31 - 60 days	2 466 168	8 326 176
61 - 90 days	2 252 481	2 591 675
91 - 365 days and more than 1 year	79 909 662	69 739 075
Prior period error - More than 1 year	(1 382 248)	419 285
	<u>97 783 080</u>	<u>81 100 628</u>
Less: Allowance for impairment	(54 135 475)	(34 364 613)
	43 647 605	46 736 015
Less: Allowance for impairment		
> 365 days	(54 135 475)	(34 364 613)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(34 364 613)	(24 159 304)
Contributions to allowance	(19 770 862)	(7 840 321)
Debt impairment written off against allowance	-	(2 364 988)
	<u>(54 135 475)</u>	<u>(34 364 613)</u>

8. Eskom Deposits

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8. Eskom Deposits (continued)

Eskom Deposit	450 463	386 721
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A security deposit of 2017/2018 R 407 455 (2016/2017: R 386 721) is held by Eskom who is the bulk electricity supplier of the municipality.

9. VAT receivable / payable

VAT	(88 602)	2 626 526
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VAT is payables on the payment basis. All VAT returns were submitted throughout the year.

10. Inventories

Consumables	754 565	720 347
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11. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property land	87 629 001	-	87 629 001	87 699 701	-	87 699 701

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

Reconciliation of investment property - 2017

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property land	87 914 701	(993 000)	(6 570 000)	7 348 000	87 699 701

Pledged as security

None of the above investment property has been pledged as a 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.

Ephraim Mogale Local Municipality

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11. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2018. Revaluations 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.

12. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 975 219	-	5 975 219	5 975 219	-	5 975 219
Buildings	38 332 308	(10 984 855)	27 347 453	38 061 508	(9 713 770)	28 347 738
Plant and machinery	26 914 260	(12 346 328)	14 567 932	27 905 122	(11 754 401)	16 150 721
Motor vehicles	9 623 748	(5 334 874)	4 288 874	8 646 671	(3 918 633)	4 728 038
Office equipment	5 826 541	(5 006 755)	819 786	6 140 938	(4 101 099)	2 039 839
IT equipment	2 750 654	(1 391 487)	1 359 167	2 597 129	(1 142 719)	1 454 410
Infrastructure	1 004 078 583	(289 946 232)	714 132 351	942 828 119	(251 803 050)	691 025 069
Community	26 311 587	(4 444 757)	21 866 830	25 428 734	(3 560 492)	21 868 242
Work in progress	44 697 623	-	44 697 623	59 080 858	-	59 080 858
Leased assets	8 112 668	(5 718 815)	2 393 853	8 112 668	(4 543 281)	3 569 387
Total	1 172 623 191	(335 174 103)	837 449 088	1 124 776 966	(290 537 445)	834 239 521

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Total
Land	5 975 219	-	-	-	-	-	5 975 219
Buildings	28 347 738	270 800	-	-	-	(1 271 085)	27 347 453
Plant and machinery	16 150 721	1 450 040	(2 440 902)	-	2 094 236	(2 686 163)	14 567 932
Motor vehicles	4 728 038	977 077	-	-	-	(1 416 241)	4 288 874
Office equipment	2 039 839	149 170	(463 567)	-	352 516	(1 258 172)	819 786
IT equipment	1 454 410	447 505	(293 980)	-	174 350	(423 118)	1 359 167
Infrastructure	691 025 069	2 525 457	(160 199)	58 885 206	53 889	(38 197 071)	714 132 351
Community	21 868 242	649 293	-	233 560	-	(884 265)	21 866 830
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
	834 239 521	51 204 873	(3 358 648)	-	2 674 991	(47 311 649)	837 449 088

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions from investment property	Disposals	Transfers	Revaluations	Depreciation	Additional Depreciation	Total
Land	3 675 719	-	2 299 500	-	-	-	-	-	5 975 219
Buildings	24 945 357	664 673	4 270 500	-	-	-	(1 532 792)	-	28 347 738
Plant and machinery	19 906 277	541 684	-	(2 253 837)	-	698 050	(2 601 843)	(139 610)	16 150 721
Motor vehicles	3 281 249	2 461 858	-	(104 049)	-	-	(911 020)	-	4 728 038
Office equipment	2 447 111	323 755	-	(596 075)	-	631 050	(577 300)	(188 702)	2 039 839
IT equipment	1 320 442	421 349	-	(22 261)	-	107 500	(336 787)	(35 833)	1 454 410
Infrastructure	698 451 028	977 947	-	(152 000)	18 671 431	8 577 500	(35 157 737)	(343 100)	691 025 069
Community	21 760 735	1 050 129	-	-	-	-	(942 622)	-	21 868 242
Work in progress	31 563 526	46 188 763	-	-	(18 671 431)	-	-	-	59 080 858
Leased assets	4 744 921	-	-	-	-	-	(1 175 534)	-	3 569 387
	812 096 365	52 630 158	6 570 000	(3 128 222)	-	10 014 100	(43 235 635)	(707 245)	834 239 521

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12. Property, plant and equipment (continued)

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Assets subject to finance lease (Net carrying amount)

Vehicles and heavy machinery	2 393 853	3 569 387
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13. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	59 300	-	59 300	54 300	-	54 300
Artefacts	500	-	500	500	-	500
Mayoral chains	52 750	-	52 750	51 998	-	51 998
Total	112 550	-	112 550	106 798	-	106 798

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
	106 798	5 752	112 550

Reconciliation of heritage assets 2017

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	33 000	21 300	54 300
Artefacts	500	-	500
Mayoral chains	48 147	3 851	51 998
	81 647	25 151	106 798

Pledged as security

None of the above heritage assets have been pledged as security.

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13. Heritage assets (continued)		
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 2018. The key values for gold was utilised per gram of gold at the spot rate R13.62/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 2018. 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.		
14. Payables from exchange transactions		
Trade payables	7 835 794	21 226 490
Accrued leave	6 790 547	6 288 641
Accrued 13th cheque	1 575 038	1 748 950
Consumer Deposit repayment	-	22 645
Retentions	11 231 717	10 374 470
Credit balances on receivables	4 319 460	2 664 922
Accrued salaries	68 806	67 926
Other creditors	66 271	66 270
Unallocated deposit account	43 311	-
License and Motor vehicle agency function	460 833	83 562
	32 391 777	42 543 876
15. Consumer deposits		
Electricity	1 399 552	1 426 273
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.		
16. Finance lease obligation		
Minimum lease payments due		
- within one year	238 348	1 827 069
- in second to fifth year inclusive	-	373 479
	238 348	2 200 548
less: future finance charges	(2 464)	(129 999)
Present value of minimum lease payments	235 884	2 070 549
Present value of minimum lease payments due		
- within one year	235 884	1 702 295
- in second to fifth year inclusive	-	368 255
	235 884	2 070 550
Non-current liabilities	-	368 255
Current liabilities	235 884	1 702 294
	235 884	2 070 549

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16. Finance lease obligation (continued)

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 9% (2017: 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.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	1 801 783	-
Expanded Public Work Programme Grant	-	124 695
	1 801 783	124 695

Movement during the year

Balance at the beginning of the year	124 695	9 363 891
Additions during the year	44 810 000	32 381 000
Income recognition during the year	(43 008 217)	(41 620 196)
Amount repaid to National Treasury for the period	(124 695)	-
	1 801 783	124 695

See note 24 for reconciliation of grants from National/Provincial Government.

18. Provisions

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
	17 491 949	7 416 934	24 908 883

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	16 808 590	-	(1 023 611)	-	1 421 402	17 206 381
Legal proceedings	805 709	285 568	-	(805 709)	-	285 568
	17 614 299	285 568	(1 023 611)	(805 709)	1 421 402	17 491 949

Non-current liabilities	24 623 315	17 206 381
Current liabilities	285 568	285 568
	24 908 883	17 491 949

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18. Provisions (continued)

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 2018 and 2017 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 2018. 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 4.4805%. 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 2018 is calculated as 6.9805%

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19. 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-post medical aid benefit	(17 875 370)	(18 601 108)
Present value of the defined benefit obligation-long service awards	(3 401 551)	(3 195 998)
	(21 276 921)	(21 797 106)

Changes in the present value of the defined benefit obligation (medical aid benefit) are as follows:

Opening balance	18 601 078	17 412 447
Benefits paid	(276 763)	(270 990)
Net expense recognised in the statement of financial performance	(448 975)	1 459 621
	17 875 340	18 601 078

Net expense of the defined benefit obligation (medical aid) recognised in the statement of financial performance

Current service cost	1 087 428	1 094 762
Interest cost	1 840 114	1 572 422
Actuarial (gains) losses	(3 376 517)	(1 207 563)
	(448 975)	1 459 621

Changes in the present value of the long service award obligation are as follows:

Opening Balance	3 195 998	2 950 397
Actuarial (gains) losses – Obligation	(396 216)	(328 596)
Actuarial (gains) losses – Plan assets	601 768	574 197
	3 401 550	3 195 998

Net expense of the long service award recognised in the statement of financial performance

Current service cost	338 860	325 695
Interest Costs	249 034	239 226
Actuarial gains (losses)	13 874	9 276
Benefits paid	(396 216)	(328 596)
	205 552	245 601

Key assumptions used

Assumptions used at the reporting date:

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19. Employee benefit obligations (continued)

Discount rates used - Post employment continued medical aid	9,75 %	9,96 %
Discount rates used - Long service leave provision	8,57%	8,44%
Normal salary rate increase	6,18 %	6,26 %
Medical cost trend rates	7,51%	8,23%

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost - Medical aid benefit	3 526 800	(2 452 400)
Effect on the aggregate of the service cost and interest cost - Long service leave benefit	634 200	(546 500)

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

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation - Post employment continued medical aid benefit	17 875 370	18 601 108	17 412 477	13 174 000	13 683 000
Long service awards - bonus provision	3 401 550	3 156 898	2 950 397	4 177 000	4 559 000

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.

20. Service charges

Sale of electricity	43 830 918	49 622 978
Solid waste - Refuse removal	3 908 793	3 228 115
	47 739 711	52 851 093

21. Other income

Sundry income	59 567	133 110
Staff Recoveries	418 377	-
Departmental fees	-	1 348 837
Fees	245 894	301 927
Claims of skills development	92 938	108 424
Environmental rehabilitation adjustment	-	1 023 611
	816 776	2 915 909

22. Interest received

Interest revenue		
Interest charged on Eskom deposit	-	16 603
Interest on cash and cash equivalents	3 750 973	5 762 979
Interest on outstanding receivable balances	6 001 823	4 960 291
Interest on investments	3 960 919	1 672 426
	13 713 715	12 412 299

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23. Property rates		
Rates received		
Agricultural	12 469 105	11 630 341
Business and commercial	9 623 497	10 722 037
Educational	-	187 027
Public benefit organisations	-	65 313
Residential	8 156 615	5 723 847
State owned	3 179 229	1 432 194
Vacant	-	1 664 288
	33 428 446	31 425 047

Valuations

Agricultural	2 420 033 647	1 971 244 160
Business and commercial	440 736 000	435 855 200
Educational	34 780 000	32 510 000
Municipal	34 800 500	109 860 010
Public benefit organisations	550 000	14 680 000
Public service infrastructure	1 571 100	5 309 220
Religious	26 225 000	27 138 000
Residential	972 506 000	601 047 400
State owned	4 800 000	186 964 000
Vacant	137 421 450	140 747 000
	4 073 423 697	3 525 354 990

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 independant registered valuer cokpany and performed the valuation in terms of all the legal requirements.

Rates are levied on a month to month basis.

24. Government grants and subsidies

Operating grants

Equitable share	123 766 000	117 556 000
Financial Management Grant	2 145 000	1 810 000
Expanded Public Works Programme Grant	1 447 000	1 133 305
	127 358 000	120 499 305

Capital grants

Municipal Infrastructure Grant	43 008 217	37 720 332
	170 366 217	158 219 637

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	46 600 217	158 130 637
Unconditional grants received	123 766 000	117 467 000
	170 366 217	275 597 637

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Figures in Rand	2018	2017
24. Government grants and subsidies (continued)		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	9 108 011
Current-year receipts	44 810 000	29 313 000
Conditions met - transferred to revenue	(43 008 217)	(37 720 309)
Appropriated to National Treasury	-	(700 702)
	1 801 783	-

The grant is intended to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.

Municipal System Improvement Programme Grant

Balance unspent at beginning of year	-	255 880
Appropriated to National Treasury	-	(255 880)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The grant is intended to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.

Financial Management Grant

Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 810 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

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

Energy Efficient and Demand Side Grant

Conditions still to be met - remain liabilities (see note 17).

The grant is intended to fund energy efficient lighting technologies in municipal buildings, streets and traffic lighting infrastructure.

Expanded Public Works Programme Grant

Balance unspent at beginning of year	124 695	-
Current-year receipts	1 447 000	1 258 000
Conditions met - transferred to revenue	(1 447 000)	(1 133 305)
Other - repaid to National Treasury	(124 695)	-
	-	124 695

Conditions still to be met - remain liabilities (see note 17).

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.

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Figures in Rand	2018	2017
24. Government grants and subsidies (continued)		
Equitable Share		
Current-year receipts	123 766 000	117 467 000
Conditions met - transferred to revenue	(123 766 000)	(117 556 000)
Other	-	89 000
	<u>-</u>	<u>-</u>

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

25. Employee related costs

Basic	46 141 434	43 444 203
Acting allowances	293 444	-
13th Cheque	3 443 611	4 102 328
Medical aid - company contributions	2 507 809	2 131 576
UIF	390 297	349 365
WCA	461 891	2 100 017
Other payroll levies Bargaining Council	24 768	6 320
Leave pay provision charge	2 241 133	-
Group life insurance	134 125	119 912
Standby allowance	342 412	247 470
Short term benefit - Cellphone allowances	597 277	529 479
Other short term costs	-	12 000
Defined contribution plans	9 010 173	7 900 538
Travel, motor car, accommodation, subsistence and other allowances - (Remapped Housing)	3 791 005	6 298 339
Overtime payments	1 723 277	1 321 490
Service cost - long service awards bonuses	338 860	1 420 457
Housing benefits and allowances (Previous under other)	448 273	410 200
SETA levies	1 456 256	581 966
Directors remuneration excluding reimbursive allowances	1 087 428	-
	<u>74 433 473</u>	<u>70 975 660</u>

Remuneration of Municipal manager: Mathebela MM

Annual Remuneration	873 500	821 877
Travel and subsistence allowance	89 822	94 425
Performance Bonuses	-	84 659
Contributions to UIF, Medical and Pension Funds	134 624	127 064
Other Allowances	116 699	62 689
Backpay	25 675	23 245
Salga	99	92
Leave pay out	-	61 347
	<u>1 240 419</u>	<u>1 275 398</u>

Remuneration of chief finance officer: Ramosibi KA

Annual Remuneration	814 631	771 760
Backpay	32 682	31 616
Travel and subsistence allowance	46 979	19 470
Contributions to UIF, Medical and Pension Funds	123 127	115 329
Leave payout	18 959	34 555
SALGA	99	92
Other allowance	17 044	-
	<u>1 053 521</u>	<u>972 822</u>

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25. Employee related costs (continued)

Remuneration of Director Corporate Services: Lekola MJ

Annual Remuneration	488 464	-
Travel and subsistence allowance	17 695	-
Other allowances	14 204	-
Backpay	10 974	-
Contributions to UIF, Medical and Pension Funds	108 914	-
Acting allowance	31 977	-
SALGA	83	-
	672 311	-

Remuneration of Director Technical Services: Monakedi ME

Annual Remuneration	-	743 927
Travel and subsistence allowance	-	120 000
Performance Bonuses	21 905	24 949
Backpay	-	24 580
Contributions to UIF, Medical and Pension Funds	149	106 513
Leave payout	86 520	36 312
1	1 084	30 710
Other allowances	-	92
	109 658	1 087 083

Remuneration of acting Posion - Director of Technical services - Ramatsela TJ

Acting Allowance	5 633	-
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Person acted for the period August 2017 to June 2018

Remuneration of Director Community Services : Phaahla H

Annual Remuneration	571 813	389 945
Travel and subsistence allowance	25 037	-
Performance Bonuses	41 084	20 550
Contributions to UIF, Medical and Pension Funds	140 435	62 995
Backpay	16 413	-
Other allowances	17 044	8 437
Salga	99	61
	811 925	481 988

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25. Employee related costs (continued)		
Remuneration of Director Planning and Development -Mr S Mashiane		
Annual Remuneration	194 817	-
Travel and subsistence allowance	16 290	-
Contributions to UIF, Medical and Pension Funds	20 832	-
Leave pay out	9 012	-
Other allowances	4 261	-
SALGA	25	-
	245 237	-
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.		
26. Remuneration of councillors		
Executive Mayor	858 400	787 768
Chief Whip	700 584	703 028
Executive Councillors	2 804 526	2 448 287
Speaker	699 218	596 742
Councillors	8 326 166	6 793 107
	13 388 894	11 328 932
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.		
27. Depreciation and amortisation		
Property, plant and equipment	47 311 650	43 969 857
28. Finance costs		
Finance leases	108 403	260 528
Landfill site	1 400 118	1 421 402
Post-retirement medical aid benefit	1 840 114	1 572 422
Long service awards	249 034	239 226
	3 597 669	3 493 578
29. Debt impairment		
Contributions to debt impairment allowance	20 840 867	9 402 871
Bad debts written off	5 785 065	-
	26 625 932	9 402 871

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30. Bulk purchases

Electricity	30 469 771	29 357 077
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Electricity losses:

For the 2017/2018 financial year, distribution losses on electricity amounted to 6% (2016/17: 6%). The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

31. Contracted services

Information technology services	3 623 438	2 452 436
Security (Guarding of municipal property)	5 837 055	3 312 896
Valuation Roll and GIS	195 616	800 377
Specialist services	1 304 162	1 441 891
Other Contractors	3 591 234	5 001 799
	14 551 505	13 009 399

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32. General expenses		
Services: adverts and corporate image	596 410	461 977
Auditors remuneration	3 456 614	3 106 595
Bank charges	324 757	331 407
Cleaning	421 449	150 224
Consumer connections	-	13 862
Consulting and professional fees	3 659 144	3 266 862
Consumables	767 251	186 015
Mayoral expense	-	73 445
Entertainment	10 092	122 755
Insurance	671 877	647 127
Community development	100 350	557 744
Conferences and seminars	3 112 042	753 221
Catering	1 679 218	-
Marketing	786 302	1 258 486
Promotions and sponsorships	284 320	225 367
Skills Development Levies	675 922	-
Motor vehicle expenses	222 213	454 784
Fuel and oil	3 935 472	3 253 468
Postage and courier	200 795	220 026
Printing and stationery	68 998	614 874
Protective clothing	354 511	270 621
Royalties and license fees	47 240	-
Ward Committee stipend	1 782 000	1 535 000
CONLOG services	267 462	212 243
Staff welfare	123 996	357 571
Subscriptions and membership fees	956 930	831 432
Telephone and fax	1 155 148	1 301 528
Transport and freight	640 033	21 000
Training	531 214	695 056
Travel - local	1 497 519	750 301
Rehabilitation of landfill - current service cost	6 016 816	-
Assets expensed	50 553	-
Electricity - Now utilities	-	2 742 652
Refuse - Now utilities	-	211 440
Utilities - Other	2 907 957	-
Collection costs - Now contracted services	-	170 066
License fee to be cleared to creditor	382 476	-
Internal Audit outsourced and Audit committee	893 774	667 868
Operating leases - Now Leases on SOFP face	-	1 432 330
Sewerage consumer account - Now utilities	60 547	52 530
Water - Now utilities	-	252 691
Record management - Now contracted services	-	238 933
Strategic planning - Now contracted services	460 699	982 285
Other expenses - amounts written off by Council resolution	921 785	-
	40 023 886	28 423 786
33. Fair value adjustments		
Investment property (Fair value model)	1 094 300	7 348 000
34. Auditors' remuneration		
Fees	3 456 614	3 106 595

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35. Cash generated from operations		
(Deficit) surplus	(60 852 853)	48 416 836
Adjustments for:		
Depreciation and amortisation	47 311 650	43 969 857
Gain or (Loss) - on sale of normal and heritage assets	137 551	4 085 520
Actuarial gain / losses	(3 362 643)	(1 526 883)
Fair value adjustments	(1 094 300)	(7 348 000)
Impairment deficit	80 000 000	-
Debt impairment	20 840 867	9 402 871
Landfill interest	6 016 816	(1 023 611)
Movements in provisions	-	(520 141)
Finance charges - landfill rehabilitation	1 400 118	1 421 402
Finance charges - employee benefits	2 089 148	1 811 648
Rehabilitation provision adjustment	753 310	1 149 467
Rounding difference	3	(21)
Changes in working capital:		
Inventories	(34 218)	71 538
Receivables from non exchange & consumer debtors	(4 056 346)	(8 757 136)
Receivables from non-exchange transactions and consumer debtors	(8 150 606)	(11 677 827)
Eskom deposits	(63 742)	(16 603)
Consumer deposits	(26 721)	(103 450)
Payables from exchange transactions	(10 152 099)	300 627
VAT	2 715 128	2 774 897
Unspent conditional grants and receipts	1 677 088	(9 239 196)
	75 148 151	73 191 795

36. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	815 494	815 494
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	68 566 058	68 566 058
	114 065 547	114 065 547

Financial liabilities

	At amortised cost	Total
Finance lease obligation	235 884	235 884
Payables from exchange transactions	32 367 751	32 367 751
Consumer deposit	1 399 552	1 399 552
Unspent conditional grants and receipts	1 801 783	1 801 783
Taxes and transfers payable (non-exchange)	285 568	-
	36 090 538	35 804 970

2017

Financial assets

Ephraim Mogale Local Municipality

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36. Financial instruments disclosure (continued)

	At amortised cost	Total
Receivables from exchange transactions	430 379	430 379
Receivables from non-exchange transactions	6 489 546	6 489 546
Cash and cash equivalents	124 746 340	124 746 340
Deposits	386 721	386 721
Consumer debtors	46 736 015	46 736 015
	178 789 001	178 789 001

Financial liabilities

	At amortised cost	Total
Finance lease obligation	2 070 550	2 070 550
Payables from exchange transactions	42 543 873	42 543 873
Consumer deposit	1 426 273	1 426 273
Unspent conditional grants and receipts	124 695	124 695
	46 165 391	46 165 391

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	35 366 737	23 791 743
---------------------------------	------------	------------

Total capital commitments

Already contracted for but not provided for	35 366 737	23 791 743
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Authorised operational expenditure

Already contracted for but not provided for

• Security	13 106 190	18 855 831
• Consulting and training	3 375 850	4 495 939
	16 482 040	23 351 770

Total operational commitments

Already contracted for but not provided for	16 482 040	23 351 770
---	------------	------------

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	906 316	-
- in second to fifth year inclusive	1 586 053	-
	2 492 369	-

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

38. Contingencies

Contingent Liabilities

Ephraim Mogale Local Municipality

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38. 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 (2017/2018) and R 1 605 515 (2016/17).

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 (2017/2018) and R 2 105 500 (2016/2017).

Abel Sonti Ngaka

The plaintiff is an employee of the municipality and he did not report for duty and did not furnish the municipality with a medical certificate. The municipality then implemented the no work no pay principle.

The employee went to court and demanded the salary. The estimated liability is R 0 (2017/2018) and R 10 000 (2016/2017).

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 (2017/2018) and R10 785 216.11 (2016/2017).

Colen Venter

The municipality was sued for an amount of R 56 000 for motor vehicle damages and the matter was resolved during the year.

The estimated liability is R 0 (2017/2018) and R 56 000 (2016/2017).

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 1 000 000 (2017/2018) and R 1 000 000 (2016/17). 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 (2017/2018) and R 0 (2016/17).

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38. Contingencies (continued)

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 (2017/2018) and R 0 (2016/17).

Contingent Assets

Inkonkeni Property Developers.

The municipality sued the plaintiff for the assets and development of the Extension 6. The legal process started during the 2017/2018 financial year and will be actively pursued. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

The amount of the potential asset is approximately R 36 000 000 (2017/2018). The matter is still in progress

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39. Related parties

Relationships

Accounting Officer

Post employment benefit plan for employees

Members of key management

Refer to accounting officer's report note

All qualifying employees

Refer to detail disclosure for Councillors and Management Remuneration

Remuneration of individual Councillors

2018

Employee Code	Initials	Surname	Salary	Allowances	Back pay	Contributions	Total
Mayor							
C000001	C	KUPA	622549,74	35400,00	25107,94	157255,32	840313,00
Speaker							
C000002	M	MOTHOGWANE	528334,92	35400,00	21886,44	95509,68	681131,04
Chief Whip							
C000003	L	MODISHA	371485,86	225795,37	21614,00	67155,36	686050,59
Executive							
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
Ordinary							
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	115563,02	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	301604,78
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
Total			7700860,03	3018709,72	596844,81	1501141,23	12817555,79
Cellphone Data							571340,15
Total							13388895,94

2017

Employee Number	Name	Salary	Allowances	Back Pay	Contributions	Total
C000001	Mayor - Kupa C	537863,25	28998,80	1288,00	133532,65	701682,70
C000002	Chief Whip - Modis	360143,95	206665,07	1288,00	67091,24	635188,26
C000003	Speaker - Mothogw	389863,63	139702,17	1288,00	65887,98	596741,78
S101231	Mayor - Mmakola M	42342,78	36424,15	213,01	7106,36	86086,30
S101346	Chief Whip - Ratau	42342,87	18277,89	213,01	7106,37	67940,14
Executive Councillors						
C000009	Motsepe M	341268,55	134825,90	1288,00	61059,45	538441,90
C000010	Jacobs P	215556,25	30131,08	6309,91	35892,55	287889,79
C000011	Makanyane GN	336755,61	187328,69	1288,00	63016,29	588388,59
C000021	Lentsoane R	334856,04	156393,61	1288,00	59993,49	552531,14
C000023	Makola L	176592,40	95305,90	1288,00	32171,60	305357,90

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39. Related parties (continued)					
S101344	Seoka KM	28449,58	34653,88	213,01	
S101352	Mahlobogoane ST	28449,58	35886,40	213,01	5329,78
S101376	Makitia TS	17480,37	15531,01	213,01	5329,78
Ordinary Councillor		-	-	-	3927,10
C000004	Aphane MA	142659,37	60196,77	-	-
C000005	Tema S	149133,01	53426,26	6904,59	26241,67
C000006	Ranoto P	142948,05	92701,35	6904,59	27384,07
C000007	Kekana M	145606,62	77902,04	63008,72	28057,33
C000008	Matlala F	176142,85	115850,78	6904,59	28526,48
C000012	Makola F	139422,55	69277,96	46602,28	34741,60
C000013	Sedibane F	183248,86	31137,82	6904,59	25670,47
C000014	Mashoeshoe H	150867,76	77592,93	46177,46	33404,50
C000015	Monama M	139422,55	64004,79	46177,46	27690,22
C000016	Boshielo C	150867,76	75034,78	6904,59	25670,47
C000017	Mabaso T	139422,55	64004,79	46177,46	27690,22
C000018	Molatudi L	150867,76	72780,50	6904,59	25670,47
C000019	Mashogo M	168942,31	31835,08	46177,46	27690,22
C000020	Moimana G	168942,31	29275,68	6904,59	30879,82
C000022	Phatlane N	127778,66	72072,92	6904,59	30879,82
C000024	Phokwane R	139422,55	69399,85	6980,73	26078,54
C000025	Matji P	143683,88	61075,20	6904,59	25670,47
C000026	Madileng D	139422,55	64958,89	6945,57	26241,67
C000027	Manasoe M	142659,37	60864,57	6904,59	25670,47
C000028	Mohlala L	139422,55	68627,97	6904,59	26241,67
C000029	Sindana R	139422,55	64004,79	6904,59	25670,47
C000030	Lentsoane M	176150,89	44751,00	6904,59	25670,47
C000032	De Beer FJ	187151,44	29275,68	6980,73	34614,84
C000033	Napo M	19330,03	1765,48	(14517,15)	34093,21
S100969	Mabaso WM	4637,35	22328,61	-	-
S101295	Seono MR	4637,35	23050,12	1220,61	2284,81
S101345	Phefadi MG	194865,49	55076,97	1220,61	2284,81
S101347	Kekana KN	4637,35	20569,12	5095,95	37917,43
S101349	Ndobeni NR	4637,35	20569,12	1220,61	2284,81
S101350	Chauke S	4637,35	20569,12	1220,61	2284,81
S101353	Tshiguvho EM	4637,35	22095,67	1220,61	2284,81
S101354	Kekana MM	4637,35	20569,12	1220,61	2284,81
S101356	Morwaswi ME	4637,35	20569,12	1220,61	2284,81
S101358	Nchabeleng MJ	4637,35	20569,12	1220,61	2284,81
S101362	Mashogo BG	4637,35	20937,60	1220,61	2284,81
S101363	Bokaba HSM	4637,35	20569,12	1220,61	2284,81
S101364	Phala MG	4637,35	20569,12	1220,61	2284,81
S101368	Sehloia ET	4637,35	24766,72	1220,61	2284,81
S101370	Bogopa JH	4637,35	22286,32	1220,61	2284,81
S101371	Mphahlele LJ	4637,35	20569,12	1220,61	2284,81
S101373	Mokonyane MJ	7874,17	16760,92	1220,61	2284,81
S101375	Molotshwa FK	2503,02	3250,32	1220,61	2856,01
S101377	Mothwa NM	7874,17	16761,10	-	-
-	-	6637580,74 R	2 984 378,86 R	432 707,67	1275495,41
					11330162,68

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40. 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	2018	2017
VBS Bank - fully impaired on SOFP	83 658 548	-
Consumer Receivables - Other - not impaired	815 494	430 379

41. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 957 767 799 and that the municipality's total liabilities exceed its assets by R 957 880 349.

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.

Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2018

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42. Unauthorised expenditure

Unauthorised expenditure - -

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure Opening Balance	44 224	-
Interest on overdue accounts raised	-	44 224
Condoned by Council	(44 224)	-
Amount written off by Council	(12 114)	-
Add: Fruitless and wasteful expenditure for 2017/18 financial period	209 439	-
	197 325	44 224

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 current 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

Fruitless and wasteful expenditure consists of

Interest on overdue accounts	12 114	9 505
Misuse of fuel cards	197 325	-
Cancellation of flights	-	1 500
Erratum on tender advertisements	-	29 299
Officials did not attend training	-	3 920
Amount written off by council	(12 114)	-
	197 325	44 224

44. Irregular expenditure

Opening balance	3 693 088	44 966 567
Add: Irregular Expenditure - current year	20 966 377	3 693 088
Less: Amounts condoned	(3 693 088)	-
Less: Amounts not recoverable (not condoned)	-	(44 966 567)
	20 966 377	3 693 088

Analysis of expenditure awaiting condonation per age classification

Current year	3 608 044	-
Prior years	-	3 693 088
	3 608 044	3 693 088

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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44. Irregular expenditure (continued)

Details of irregular expenditure – current year

		Disciplinary steps taken/criminal proceedings	
Maesh (pty) Ltd	Unfair practice exercise - Open tender did not run for 30 days		567 360
NJ Nkosana business enterprise	Unfair practice exercise - Open tender did not run for 30 days		384 035
Manthabo2 airconditioning	Amount paid to supplier exceeded the contract value		261 086
EMC Consulting Engineers	Unfair practise exercised- The supplier attached copies of certified ID copies		370 108
Pheladichuene maintenance and general supplier	Local content threshold not indicated		47 240
Environmental and sustainability solutions	Three quotations were not obtained		41 688
KDM Travels Express	Three quotations were not obtained		199 600
Transnet	Payments made to supplier even though contract had expired		647 970
Mayivuthe Contractors	Competitive bidding - Invitations to quote did not specify the minimum threshold for local production and content		1 088 957
Mothakge Phadima Construction	Bid adjudication committee did not consist of at least four senior managers in accordance with the SCM policy		11 113 870
AL Mphago Civil Construction JV Kgantsha Developers	Bid adjudication committee did not consist of at least four senior managers in accordance with the SCM policy		5 161 907
Dolmen Engineers cc	Bid adjudication committee did not consist of at least four senior managers in accordance with the SCM policy		604 631
RPS Switchgear SA	The Service Provider did not meet the minimum threshold for local production and content of 100%		477 925
			20 966 377

Details of irregular expenditure written off

		Condoned by (condoning authority)	
The opening balance of irregular expenditure relates to 2016/2017. MPAC investigated the irregular expenditure as delegated by council. They concluded that none of the irregular expenditure was as a result of deliberate wrong doing or negligence and therefore recommended to council to write off expenditure incurred. Accordingly council wrote off irregular expenditure and further recommended that SCM Officials be taken to trainings often.	Condoned by Council		3 693 088

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	823 217	657 460
Amount paid - current year	(823 217)	(657 460)
	-	-

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	3 456 614	3 106 595
Amount paid - current year	(3 456 614)	(3 106 595)
	-	-
PAYE and UIF		
Current year subscription / fee	11 914 307	11 956 239
Amount paid - current year	(11 914 307)	(11 956 239)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	21 499 113	17 331 171
Amount paid - current year	(21 499 113)	(17 331 171)
	-	-
VAT		
VAT receivable	-	2 626 526
VAT payable	(88 602)	-
	(88 602)	2 626 526

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 2018:

Supply chain management regulations

Paragraph 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		
Emergency	18 674	-
Sole supplier or agent	448 334	555 854
Impossible or impractical	1 146 279	1 037 724
	1 613 287	1 593 578

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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46. Budget differences

Material differences between budget and actual amounts

1. More provision was made on acquisition of assets than what was received.
2. Variance is as a results of private uses, spending more on electricity.
3. The variance is as a result of increase in Municipal tariffs for hiring of municipal halls that were designed to be cost reflective.
4. Variance is as a results of reclassifying money received on behalf of department of transport from income to liability.
5. Variance is as a results of other revenue collected more than anticipated.
6. Interest variance on investment is caused by not receiving all interest VBS Bank.
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. Variance is as a result of budgeting fines on cash basis whereas the actual figures are on accrual basis.
10. Variance is as a results of vacant positions that were not filled in 2017/2018 financial year. E.G senior manager planning and infrastructure.
11. Councilor's remuneration is based on government gazette on upper limits for councilors
12. Variance is as a result of low budgeting on non-cash items.
13. Variance is as a result of the impairment VBS Bank.
14. Variance is as a results of interest incurred on lease which was budgeted under General expenditure
15. Variance is as a result of including lease expenditure under general ledger
16. Variance is as a result of underestimate 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 that 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 less 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 over estimate in budget.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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46. Budget differences (continued)

- 25. The variance in total liabilities is caused by overestimate in budget
- 26. The variance is caused by overestimate in both 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.

47. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Prior period error corrections

2017

	Note	Amount previously reported 2016/2017	Correction of error	2015/2016 Error restated
Statement of Financial Position				
1. PPE - additional assets identified		10 014 100	1 014 100	1 014 100
PPE - Accumulated depreciation - Additional assets		(707 246)	(707 246)	-
2. Retention reduced - asset decapitalised		(233 379)	(233 379)	-
3. Work in progress - Assets expensed 2016/17		(911 784)	(911 784)	-
4. Trade and other receivables from non exchange - Correction of accrued revenue to accumulated surplus		1 030	1 030	1 030
5. Payables from exchange transactions - retention reduced		233 379	233 379	-
6. Investment properties		(663 000)	(663 000)	-
Statement of Financial Performance				
1. Strategic planning - additional projects from assets		911 784	911 784	-
2. Depreciation - Direct to income statement		707 246	707 246	-
3. Investment properties - Profit / Loss on disposal of fixed assets		663 000	663 000	-
		10 015 130	1 015 130	1 015 130

Restatement of prior period disclosure items

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

47. Prior-year adjustments (continued)

2017

	Note	Amount previously reported 2016/2017	2015/2016 Error restated	Reclassificatio ns restated 2016/2017
Statement of Financial Performance				
Other income		-	-	-
Sale of goods		3 382 928	(467 019)	2 915 909
Ward committee stipend		-	467 019	467 019
Conferences and Seminars		-	1 535 000	1 535 000
Travel Local		753 211	750 301	1 503 522
Marketing		750 301	(750 301)	-
		2 793 486	(1 535 000)	1 258 486
Statement of Financial Position				
Trade and other receivables from exchange transaction		-	-	-
Consumer receivables from exchange transaction		13 214 703	-	430 379
Trade and other receivables from non exchange transaction		-	-	12 785 354
Consumer debtors receivables from non exchange transaction		40 440 207	-	6 489 546
		-	-	33 950 661
Surplus for the year		61 334 836	-	61 335 876

Errors

The following prior period restatements occurred:

1. The assets was restated from the floor as new found items. The items were corrected as from 1 July 2017.

This resulted in an increase in assets value of R 10 014 100 for 2015/16 and 2016/17. The additional assets increased the depreciation charge with R 707 246 for the 2016/17 financial period. This additional depreciation increased the depreciation with R 707 246 for the financial period. The relevant impact on the accumulated surplus was R 10 014 100 for the 2015/16 financial period. The asset adjustment for the 2016/17 financial period resulted in net adjustment of R 9 306 845 for the 2016/17 financial year.

2 & 5. Roads master plan and N11 dualisation projects were de-capitalised during the year. The expenditure for the 2016/17 period was moved to strategic expenditure for the 2016/17 period. The effect was a decrease in work in progress assets of R 911 785 and an increase of General expenses- strategic planning of R 911 785.

4. With the conversion of balances to mscoa accrued revenue to the vaue of R 1 030 was found to be revenue for the 2015/16 financial period and was corrected to accumulated surplus for 2015/16 and 2016/17.

6 & 3. Investment properties were sold but not accounted for during 2016/17 due to late registrations. The additional disposals amounted to R 663 000 and increased the loss on disposal and investment property for the 2016/2017 financial period.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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47. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

The consumer debtors were restated as the rates was previously indicated as trade and other receivables

Consumer debtors were split into items from exchange and non exchange items.

Minor restatement items were indicated in the Statement of Financial Performance.

CHAPTER 6: AUDITOR GENERAL REPORT

Introduction

The municipality received an unqualified opinion from the Office of the Auditor General with respect to 2017/18.

COMPONENT A: AUDITOR GENERAL'S OPINION OF FINANCIAL STATEMENTS

6.1 AUDITOR GENERAL'S REPORT 2017/18

Refer attached report from the office of the Auditor General for the 2017/18 financial year ended 30 June 2018

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 Ephraim Mogale Local Municipality set out on pages ... to ..., which comprise statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, and cash flow statement and the 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, the financial statements present fairly, in all material respects, the financial position of Ephraim Mogale Local Municipality as at 30 June 2018, 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 the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Division Of Revenue Act, 2017 (Act No.3 of 2017) (DORA).

Basis for opinion

Context for the opinion

3. 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.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 47 to the financial statements, the corresponding figures for the year ended 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2018.

Significant uncertainties

8. With reference to note 38 to the financial statements, the municipality is the defendant in various legal claims involving individuals and companies. The municipality is opposing these claims amounting to R16 167 772 as it believes it has reasonable grounds to defend each claim. The ultimate outcome of the matters cannot presently be determined. As a result, no provision for any liability that may result has been made in the financial statements.

Material losses due to impairments

9. As disclosed in note 3 to the financial statements, material losses of R83 658 548 was incurred as a result of a write-off of a short-term investment held at VBS Mutual Bank.
10. As disclosed in note 29 to the financial statements, material losses to the amount of R20 840 867 (2017: R9 402 871) were incurred as a result of an impairment provision for trade debtors.
11. As disclosed in note 29 to the financial statements, material losses of R5 785 065 was incurred as a result of a write-off of trade debtors.

Irregular expenditure

12. As disclosed in note 44 to the financial statements, the municipality incurred irregular expenditure of R20 966 377, as it did not follow a proper tender process.

Other matters

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

Unaudited supplementary schedules

14. 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

15. 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

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with with SA Standards of GRAP and the requirement 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.
17. 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

18. 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.
19. 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

20. 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 presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. 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.
22. 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 2018:

Key performance areas	Page(s) in the annual performance report
Key performance area 1: Spatial rationale	72 – 74
Key performance area 2: Basic service delivery and infrastructure development	75 – 83

23. 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.

24. I did not raise any material findings on the usefulness and reliability of the reported performance information for key performance area :

- KPA 1: Spatial rationale:

25. The material findings in respect of the usefulness and reliability of the selected key performance area are as follows:

Key performance are 2- Basic service delivery and infrastructure development

Various indicators

26. The reported achievement in the annual performance report did not agree to the supporting evidence provided. The supporting evidence provided indicated that the achievements of this indicator was as follows:

Indicator Description	Reported Achievement	Audited Value
Indicator: % of street light fittings maintained within 90 days, based on 1056 street lights	100%	50,57%
Indicator: % of Mast light fittings maintained within 90 days, based on 528 mast lights	100%	54,17%

Indicator: % of households with access to a minimum level of basic waste removal by 30 June 2018 (once per week) (GKPI)

27. We were unable to obtain sufficient appropriate audit evidence to support the reported achievement against the planned target of 17,4% of households with access to a minimum level of basic waste removal by 30 June 2018. 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 achievement of 18,8% of households with access to a minimum level of basic waste removal by 30 June 2018 as reported in the annual performance report.

Indicator: Number of existing households in formal settlements provided with solid waste removal services once per week

28. We were unable to obtain sufficient appropriate audit evidence to support the reported achievement against the planned target of 5 619 existing households in formal settlements provided with solid waste removal services once per week. 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 achievement of 6 369 existing households in formal settlements provided with solid waste removal services once per week as reported in the annual performance report.

Other matters

29. I draw attention to the matters below.

Achievement of planned targets

30. 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.

Adjustment of material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 2: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation
--

Introduction and scope

32. 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.

33. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance and annual report

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure, disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Assets management

35. Funds were invested in Venda Bank Society (VBS) Mutual Bank, in contravention of municipal investment regulation 6.

Human resource management

36. Senior managers were appointed without submitting proof of previous employment prior to signing employment contracts, as required by municipal performance regulation 4(4)(b).
37. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Procurement and contract management

38. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
39. Commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).
40. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with Supply Chain Management (SCM) regulation 29(2). This non-compliance was identified in the procurement processes for the construction of Ditholong/Letebejane internal street and construction of Mamphokgo sport complex.
41. Awards were made to providers 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).

Other information

42. 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.
43. 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.
44. 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.

Internal control deficiencies

- 45. 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.
- 46. The accounting officer did not always act promptly to address identified weaknesses in internal control, which resulted in non-compliance with applicable legislation.
- 47. Management did not sufficiently implement the daily and monthly controls designed for the municipality's business processes especially in supply chain management, revenue management, expenditure management and asset management
- 48. The accounting officer did not adequately review the financial statements and the annual performance report before submission for audit, resulting in material adjustments to the financial statements and annual performance report

Auditor - General

Polokwane

30 November 2018



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

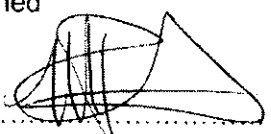
3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied 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.

- 6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
- 7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



Senior Manager: Limpopo

Enquiries: Rabelani Muligwe
Telephone: (012) 345 6789
Fax: (012) 345 6789



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINAL MANAGEMENT REPORT

Ephraim Mogale Local Municipality

30 June 2018

Communicated to the accounting officer on: 21 November 2018





AUDITOR GENERAL
SOUTH AFRICA

Auditing to build public confidence

MANAGEMENT REPORT

Ephraim Mogale Local Municipality

30 June 2018

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SOUTH AFRICA

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MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE EPHRAIM MOGALE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 June 2018

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 2018.
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 a conclusion in the management report on the usefulness and reliability of the reported performance information for selected key performance areas, 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).

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, unless requested in terms of section 18 (4) of the PAA.
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.



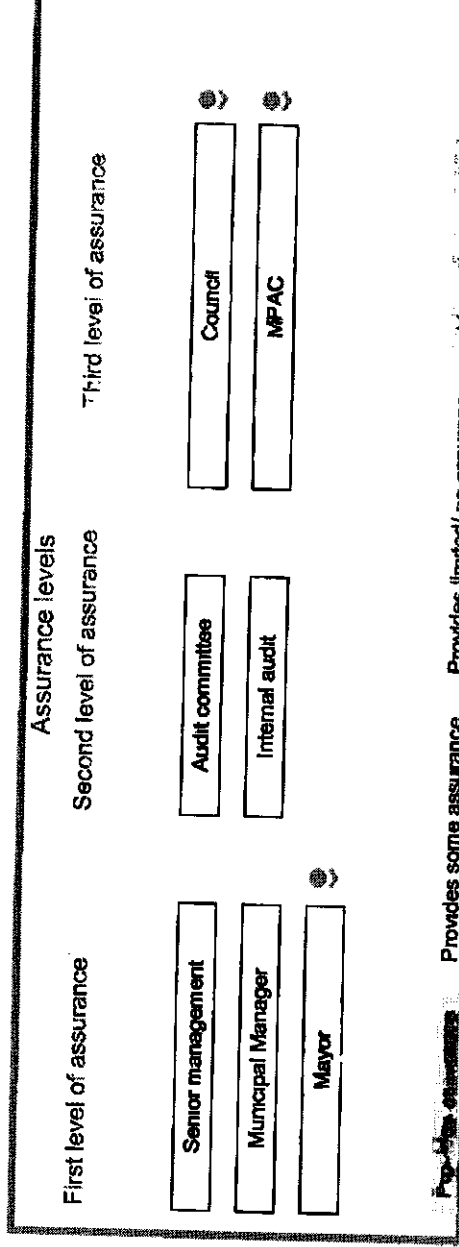
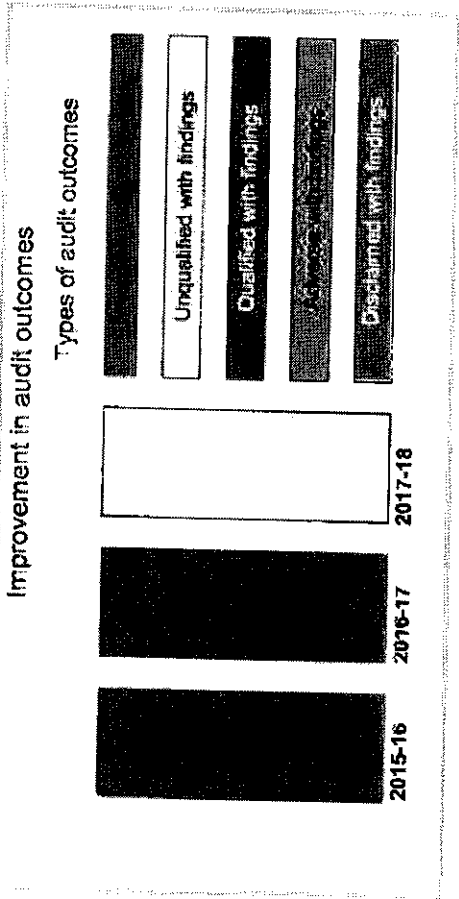
7. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes with the focus on the following:

- 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

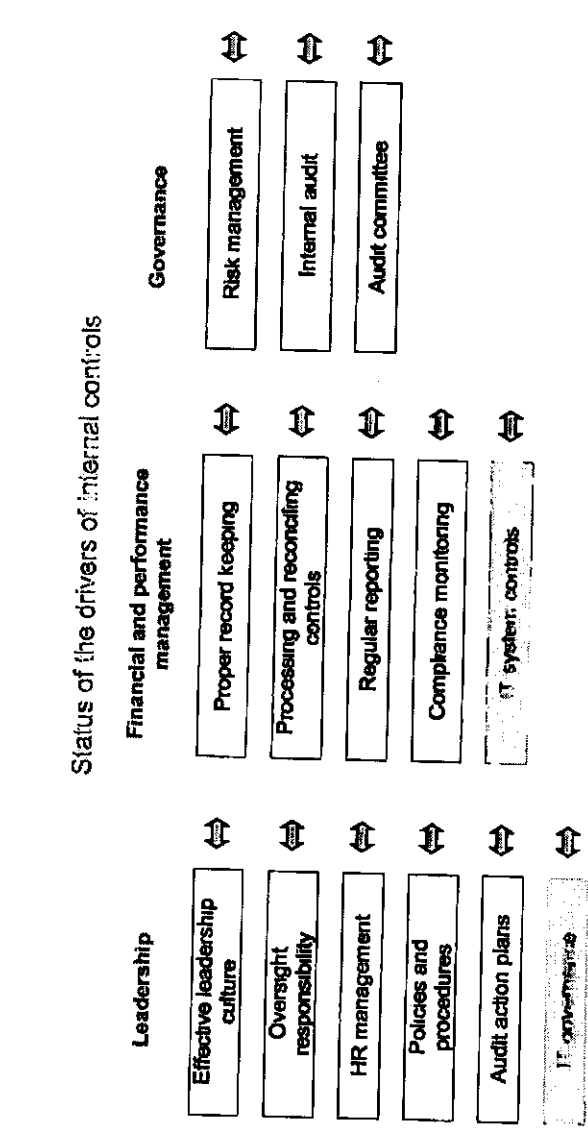
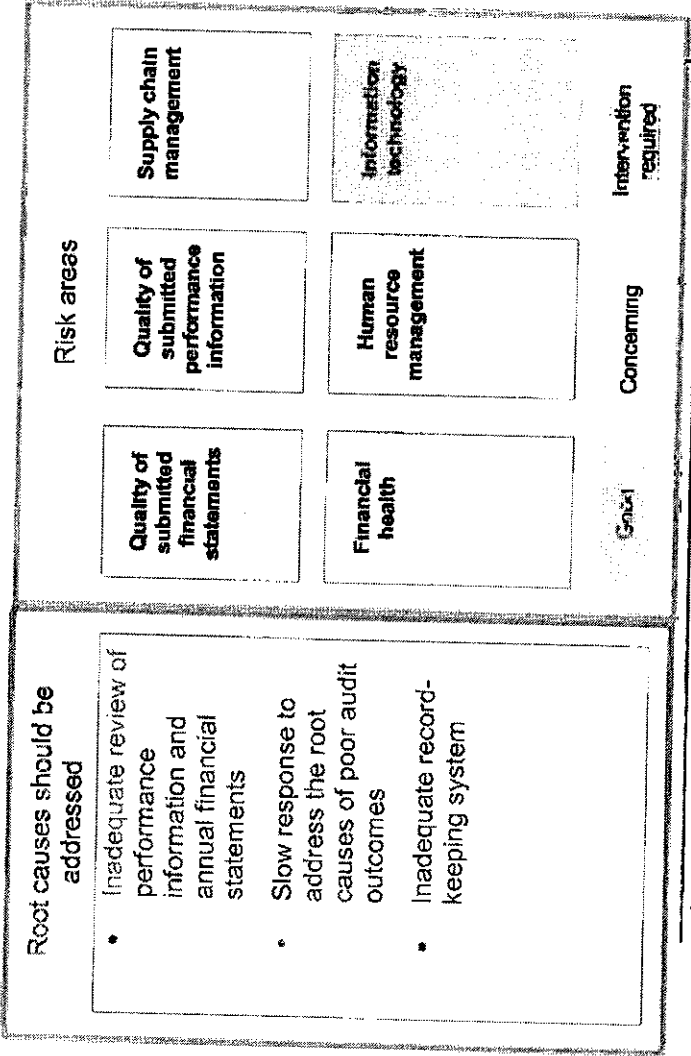
Movement from the previous year is depicted as follows:

- ⬆ / ⬆ Improved
- / ↔ Unchanged/slight improvement/slight regression
- ⬇ / ⬇ Regressed





1 To improve/maintain the ... the risk areas, and ...
 2 ... the key role players need to assure that...
 3 ... attention is given to the key controls, and ...





OVERALL MESSAGE

8. The municipality's audit outcome improved to an unqualified audit opinion with findings on compliance matters. However, the number of findings for annual financial statements, non-compliance with legislation and annual performance report increased compared to the prior year, we once again identified material adjustments that had to be made to the annual financial statements. The internal control deficiencies are reflected on in the above graphic.
9. 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.
10. Management is further encouraged to develop, implement and monitor action plans that have specific actions to deal with the actual the root causes identified

SECTION 1: Interactions with stakeholders responsible for oversight and governance

11. During the audit cycle, we met with the following key stakeholders responsible for oversight and 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
Municipal public accounts committee	Fraud discussions	1
Mayor	Fraud discussions, discussion of draft reports	3
Municipal manager	Fraud discussions, Audit steering committee meetings, discussion of draft reports	10
Audit committee	Fraud discussions, Audit steering committee meetings, discussion of draft reports	9

12. At these interactions, we highlighted the key matters affecting audit outcomes and the auditee.



SECTION 2: Matters relating to the auditor's report

AUDIT OF THE FINANCIAL STATEMENTS

13. 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).

Material misstatement		Occurred in prior year	Impact current year R	Impact prior year R
Financial statement item	Finding			
Material misstatements not corrected				
None				
Material misstatements corrected				
Non-current assets				
Property, plant and equipment	Amount recorded in the fixed asset register does not agree to the suppliers' invoices	No	2 083 848	0
Property, plant and equipment	Projects transferred from WIP using incorrect amounts	No	1 312 811	0
Property, plant and equipment	Projects recorded in the fixed asset register as WIP does not meet the recognition criteria of capital expenditure	No	911 748	0
Property, plant and equipment	Misclassification of repairs and maintenance resulting in completeness of PPE	Yes	Unquantified	11 642 148
Current assets				
Consumer debtors from exchange transactions	Basic electricity billed incorrectly included in consumer debtors	No	4 084 552	0
Consumer debtors from non-exchange transactions	Basic electricity billed incorrectly included in consumer debtors	No	(4 084 552)	0
Value added tax	Misstatements identified between the VAT201 and the General Ledger	No	1 744 079	0



Material misstatement		Occurred in prior year	Impact current year R	Impact prior year R
Financial statement item	Finding			
Current liabilities				
Payables from exchange transactions	Commitments recognised as trade payables	No	2 250 447	0
Payables from exchange transactions	Amount recorded in the fixed asset register does not agree to the suppliers' invoices	No	(2 083 848)	0
Payables from exchange transactions	Projects transferred from WIP using incorrect amounts	No	(1 312 811)	0
Accumulated Surplus				
Accumulate Surplus	Projects recorded in the fixed asset register as WIP does not meet the recognition criteria of capital expenditure	No	(911 748)	0
Revenue				
Total revenue from non-exchange transactions	Fair value adjustment and Actuarial gains/losses incorrectly classified	No	4 456 943	0
Service charges	Basic electricity billed incorrectly included in revenue from exchange transaction	No	7 031 603	0
Expenditure				
Bad debts	Bad debts written off not recognised in the Statement of Financial Performance	No	5 785 065	0
Repairs and maintenance	Misclassification of repairs and maintenance	No	535 088	0
Disclosure				
Basic salaries	Basic salaries not disclosed in the note 25 of the AFS	No	46 434 880	0
Commitments	Commitments recognised as trade payables	No	(2 250 447)	0
Irregular Expenditure	Bid adjudication committee was not constituted in accordance with SCM policy	No	16 880 408	0
Irregular Expenditure	Three quotations were not obtained	No	241 288	0
Irregular Expenditure	Payment made to expired leases	No	745 166	0



Material misstatement			
Financial statement item	Finding	Occurred in prior year	Impact current year R
Financial Instruments	Restated amount does not agree to corresponding amount as per Note 36 of the AFS	No	14 923 812
Related Parties	Comparative information not disclosed	No	Unquantified
Cash flow statement	Misstatements identified in the note	No	Unquantified
Statement of changes in net assets	Misstatements identified in the note	No	Unquantified
			Impact prior year R
			20 573 569
			0
			678 148 325
			0



MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS

Emphasis of matter paragraphs

14. 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

15. As disclosed in note 47 to the financial statements, the corresponding figures for the year ended 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2018.

Significant uncertainties

16. With reference to note 38 to the financial statements, the municipality is the defendant in various legal claims involving individuals and companies. The municipality is opposing claims amounting to R16 167 772 as it believes it has reasonable grounds to defend each claim. The ultimate outcome of the matters cannot presently be determined. As a result, no provision for any liability that may result has been made in the financial statements.

Material losses due to impairment

17. As disclosed in note 3 to the financial statements, material losses of R83 658 548 was incurred as a result of a write-off of a short-term investment held at VBS Mutual Bank.
18. As disclosed in note 29 to the financial statements, material losses to the amount of R20 840 867 (2017: R9 402 871) were incurred as a result of an impairment provision for trade debtors.
19. As disclosed in note 29 to the financial statements, material losses of R5 785 065 was incurred as a result of a write-off of trade debtors.

Irregular expenditure

20. As disclosed in note 44 to the financial statements, the municipality incurred irregular expenditure of R20 966 377, as it did not follow a proper tender process.

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 supplementary schedules

22. 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.



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Unaudited disclosure notes

23. 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.



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 areas presented in the annual performance report of the municipality for the year ended 30 June 2018 :

Key Performance Area	Pages in annual performance report	Opinion	Movement
Key Performance Area 1: Spatial rationale	x – x	Unqualified	Not audited in prior year
Key Performance Area 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 1 – Spatial rationale

Opinion

28. In our opinion, the reported performance information for KPA 1: spatial rationale 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.

Key Performance Area 2 – Basic service delivery and infrastructure development

Qualified Opinion

29. 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 set out in annexure D to this report.

Basis for Qualified opinion

Indicator: % of street light fittings maintained within 90 days, based on 1 056 street lights



30. The reported achievement in the annual performance report did not agree to the supporting evidence provided. The supporting evidence provided indicated that the achievements of this indicator was as follows:

Indicator Description	Performance Target	Reported Achievement	Audited Value
Indicator: % of street light fittings maintained within 90 days, based on 1056 street lights	100%	100%	50,57%

Indicator: % of Mast light fittings maintained within 90 days, based on 528 mast lights

31. The reported achievement in the annual performance report did not agree to the supporting evidence provided. The supporting evidence provided indicated that the achievements of this indicator was as follows:

Indicator Description	Performance Target	Reported Achievement	Audited Value
Indicator: % of Mast light fittings maintained within 90 days, based on 528 mast lights	100%	100%	54,17%

Indicator: % of households with access to a minimum level of basic waste removal by 30 June 2018 (once per week) (GKPI)

32. We were unable to obtain sufficient appropriate audit evidence to support the reported achievement against the planned target of 17,4% of households with access to a minimum level of basic waste removal by 30 June 2018. 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 achievement of 18,8% of households with access to a minimum level of basic waste removal by 30 June 2018 as reported in the annual performance report.

Indicator: Number of existing households in formal settlements provided with solid waste removal services once per week

33. We were unable to obtain sufficient appropriate audit evidence to support the reported achievement against the planned target of 5 619 existing households in formal settlements provided with solid waste removal services once per week. 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 achievement of 6 369 existing households in formal settlements provided with solid waste removal services once per week as reported in the annual performance report.

Other matters

34. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Achievement of planned targets

35. 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 opinion expressed on the usefulness and reliability of the reported performance information in paragraphs 18 and 19 of this report.

Adjustment of material misstatements

36. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 2: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified opinion paragraphs.

Responsibilities of the accounting officer for the reported performance information

37. 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

38. Our objectives are to obtain reasonable assurance about whether the reported performance information for the selected key performance areas presented in the annual performance report is free from material misstatement, and to issue a management report that includes our opinions. 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.

39. 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.

40. 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

41. 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

42. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Assets management

43. Investments were not made in accordance with the requirements of the investment policy as the municipality made an investment with Venda Bank Society (VBS) Mutual Bank, which is not registered in terms of the Banks Act, as required by municipal investment regulation 3(3).

Human resource management

44. Senior managers were appointed without submitting proof of previous employment prior to signing employment contracts, as required by municipal performance regulation 4(4)(b).
45. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Procurement and contract management

46. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
47. Commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).
48. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with supply chain management (SCM) regulation 29(2). This non-compliance was identified in the procurement processes for the construction of Ditholong/Letebejane internal street and construction of Mamphokgo sport complex.
49. Awards were made to providers 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).



OTHER INFORMATION

- 50. 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 areas presented in the annual performance report that have been specifically reported in the auditor's report.
- 51. 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.
- 52. 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 areas presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INTERNAL CONTROLS

- 53. 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 7, 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

Effective leadership culture

- 54. Management established a formal code of conduct that addressed appropriate ethical and moral behaviour, but the code was not communicated to all staff and staff were not trained to properly understand and implemented the code.

Oversight responsibility

- 55. The accounting officer did not adequately review the financial statements and the annual performance report before submission for audit, resulting in material adjustments to the financial statements and annual performance report

Human resource management

56. Management of vacancies

- The senior management vacancy rate at year end remained unchanged at 33% as in the previous year.
- Positions in senior management were vacant for more than 12 months.

Policies and procedures



57. The municipality has approved policies and procedures, however there are no standard operating procedures for a performance management system and sufficient monitoring controls to ensure adherence to the internal policies and procedures for purposes of taking corrective action and preventing irregular and fruitless and wasteful expenditure.

Action plans to address Internal control deficiencies

43. 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

58. The municipality did not have a proper filing system, a proper record management system and an approved record classification system to maintain information that supported the reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.

59. 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

60. Management did not implement the following daily and monthly controls designed for the municipality's business processes:

- Fixed assets register reconciliations were not adequately prepared and reviewed monthly.
- Petty cash register not consistently maintained and reviewed by delegated officials

Regular, accurate and complete financial and performance reports

61. 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.

62. As indicated in section 2.3, the annual performance report contained numerous misstatements that were corrected. This was mainly due to staff not fully understanding the performance information requirements.

Compliance monitoring



63. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Governance

Risk management activities and risk strategy

64. 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

65. Reported internal control deficiencies and recommendations for corrective action were not properly implemented by management and as a result, the internal audit activity could not contribute to the design, implementation and operating effectiveness of internal controls over financial reporting, performance reporting and compliance with laws and regulations.

Audit committee

66. 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

67. The matters above, as they relate to the basis for the unqualified opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:

Leadership

68. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall processes of reporting on predetermined objectives and compliance with legislation.

69. There was no effective review of the financial statements and the annual performance report, resulting in several material misstatements being identified.

70. The accounting officer did not implement effective processes to ensure that the municipality has adequate and sufficiently skilled resources and that irregular and fruitless and wasteful expenditure is prevented

Financial and performance management

71. Controls over compliance with laws and regulations, daily and monthly processing and reconciling of transactions were not adequately monitored by the accounting officer.

72. The municipality does not have adequate skills in the finance unit resulting in over reliance on external consultants for financial reporting functions.



73. Supply chain management processes were inadequate due to poor monitoring, resulting in irregular expenditure.

Governance

74. Those charged with governance did not provide adequate oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

SECTION 3: Assurance providers and status of implementation of commitments and recommendations

ASSESSMENT OF ASSURANCE PROVIDERS

75. 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.
76. 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.
77. 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:

78. Senior management were involved in the review and approval of transactions to ensure that monthly, quarterly and annual financial and performance information can be relied upon. However, material misstatements were still identified in the annual financial statements and the annual performance report and there were numerous non-compliances with legislation. Senior management did not ensure that there are effective controls over record keeping in the economic planning and development unit.

Accounting officer:

79. The accounting officer interacted with the external auditors and provided information and explanations when required. The accounting officer also ensured that an external audit action plan was developed.



- 80. The accounting officer did not ensure that full and proper records of the financial affairs of the municipality are kept in the planning and development unit, material misstatements were also identified in the annual financial statements and the annual performance report.
- 81. Material instances of non-compliance with legislation were identified. There were also significant internal control deficiencies identified and reported to management.

Mayor: provides limited assurance

- 82. The mayor met with management during the year to discuss the affairs of the municipality, however, the intended results of most of the recommendations have not been fully realised as material misstatements were identified in the annual financial statements and the annual performance report.

Second level of assurance

Internal audit unit:

- 83. 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.
- 84. 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.
- 85. The municipality did not conduct an external quality assurance assessment of the internal audit function for the past five years.

Audit committee:

- 86. 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.
- 87. 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.
- 88. The audit committee met during the year to perform their oversight role and report to council. The committee also ensure that there was a representative attending audit steering committee meetings during the audit process



89. Material misstatements were identified on the annual financial statement and annual performance report submitted for audit despite the audit committee having reviewed them.

Third level of assurance

Municipal council: provides limited assurance

90. The municipal council met frequently during the year and made resolutions affecting the affairs of the municipality including approval of policies.
91. The municipal council referred all instances of unauthorised, irregular, fruitless and wasteful expenditure relating to prior years to MPAC for investigation. After investigation, no one was found liable and the expenditure incurred was written off.
92. The municipality continued to incur irregular, fruitless and wasteful expenditure in the current year. The similar nature of irregular expenditure was identified in the current year and reported on.

Municipal public account committee (MPAC): provides limited assurance

93. The extent to which the council adopted the MPAC guides has been considered in the assessment of MPAC as an assurance provider.
94. MPAC investigated all prior year's irregular and fruitless and wasteful expenditure and did not find any person liable, it was recommended that the expenditure incurred be written off.
95. The municipality continued to incur irregular, fruitless and wasteful expenditure in the current year. The similar nature of irregular expenditure was identified in the current year and reported on.

SECTION 4: Specific focus areas

FINANCIAL VIABILITY

96. 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.



FINANCIAL VIABILITY ASSESSMENT			
		AS AT 30 JUNE 2018	AS AT 30 JUNE 2017
EXPENDITURE MANAGEMENT			
1.1	Creditor-payment period	30.7 Days	97.9 Days
REVENUE MANAGEMENT			
2.1	Debtor-collection period (after impairment)	152 Days	165.7 Days
2.2	Debtors impairment provision as a percentage of accounts receivable	56.6%	44.1%
	<ul style="list-style-type: none"> • Amount of debtors impairment provision • Amount of accounts receivable 	R58 596 259 R103 618 285	R37 755 393 R85 625 238
ASSET AND LIABILITY MANAGEMENT			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	Yes	No
	<ul style="list-style-type: none"> • Amount of the surplus / (deficit) for the year 	(R60 852 853)	R50 698 866
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	No	No
	<ul style="list-style-type: none"> • Amount of the net current assets / (liability) position 	R78 139 483	R135 828 759
3.3	A net liability position was realised (total liabilities exceeded total assets)	No	No
	<ul style="list-style-type: none"> • Amount of the net asset / (liability) position 	R957 880 349	R1 010 994 346
CASH MANAGEMENT			
4.1	The year-end bank balance was in overdraft	No	No
	<ul style="list-style-type: none"> • Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft) 	R68 566 058	R124 746 340
4.2	Net cash flows for the year from operating activities were negative	No	No
	<ul style="list-style-type: none"> • Amount of net cash in / (out)flows for the year from operating activities 	R75 148 151	R74 326 956
4.3	Creditors as a percentage of cash and cash equivalents	11.4%	17.2%
	<ul style="list-style-type: none"> • Amount of creditors (accounts payable) • Amount of cash and cash equivalents / (bank overdraft) at year-end 	R7 835 794 R68 566 058	R21 449 870 R124 746 340
	Current liabilities as a percentage of next year's budgeted resources **	10.2%	25.5%
4.4	<ul style="list-style-type: none"> • Amount of current liabilities 	R36 203 166	R85 677 827



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FINANCIAL VIABILITY ASSESSMENT		
	AS AT 30 JUNE 2018	AS AT 30 JUNE 2017
• Amount of next year's budgeted income **	R355 707 085	R336 546 440
OVERALL ASSESSMENT		
Overall the financial viability is assessed as:	Yellow (Concerning)	Yellow (Concerning)
** 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

97. The municipality needs to effectively implement and improve its controls over debt collection to enhance its cash flows from operating activities. The improved collection will make available much needed funds to settle creditors. A net deficit was recognised during the current financial year due to the recognition of a total impairment of a short-term investment held at VBS Mutual Bank.
98. Based on the assessment made by management and the Auditor General of South Africa, the going concern assumption is still applicable for the municipality, regardless of the concerning overall assessment on financial viability.

PROCUREMENT AND CONTRACT MANAGEMENT

99. 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

100. R20 966 377(100%) of the irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. Of this irregular expenditure 92% (8% in the prior 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 systems and processes in identifying irregular expenditure.

Awards to persons in the service of the state

101. 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.



102. The findings were as follows:

Finding	Number and value of awards made	Number of state officials 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/ quotation
Awards to persons in the service of other state institutions	16 awards R244 454	16 officials	16 suppliers	0	16		

Procurement processes

103. 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	67	62 918 649	40	3 215 779	27	59 702 870
Expenditure incurred on selected awards – current year		34 836 523		3 215 779		31 620 744
Awards on which non-compliance was identified	7	17 646 861	3	288 528	4	17 358 333
Irregular expenditure identified	7	17 646 861	3	288 528	4	17 358 333

Procurement processes – general

- Two awards to the value of R241 288 were procured without inviting at least the minimum prescribed number of written price quotations from prospective suppliers. The deviation was approved even though it was possible to obtain the quotations.
- 16 quotations with a value of R244 454 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.



- **Three competitive bids with a value of R35 682 388 were adjudicated by adjudication committees that were not properly constituted.**

Local content and production (designated sectors)

- **Specification for one award with a total value of R47 240 did not stipulate the minimum threshold for local production and content.**
- **One contract with a total value of R579 035 was awarded to bidder that did not meet the minimum threshold for local production and content.**

Contract management

- **The performance of two contractors or providers was not monitored monthly. The total value of related contracts was R1 000 797**

Internal control deficiencies

104. **Lack of monitoring of action plans to ensure that prior year control deficiencies are addressed and adequate controls are put in place. Lack of internal control systems to identify quotations that require compliance with Local Content.**



FRAUD AND CONSEQUENCE MANAGEMENT

105. 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.

106. 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.

107. 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

108. The following measures were not implemented to ensure that the environment is conducive to effective consequence management:

- A disciplinary board was not established to investigate allegations of financial misconduct and monitor the institution of disciplinary proceedings against an alleged transgressor.



Transgressions reported to management for investigation

109. 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.

110. 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.

	Findings Reported in the previous year			Findings Reported in the current year	
	Number of instances	Value (R)	Number of instances	Value (R)	Number of instances
A: Improper conduct in SCM by suppliers					
Suppliers who did not declare interest of their connections with employees in their declarations of interest for awards	4		4		18
					252 614

111. Irregular and fruitless and wasteful expenditure disclosed in note 43 and 44 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 CONDITIONAL GRANTS

112. 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:

- **Municipal Infrastructure Grant**

No material findings were identified

PUBLIC PARTICIPATION

113. As part of the audit of predetermined objectives we audit compliance with the provisions of the Municipal Systems Act relevant to community participation. No findings were raised.

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 R3 333 678.

ROADS INFRASTRUCTURE

116. The audit included an assessment of the roads infrastructure service delivery objective. Procedures were performed in relation to the following:

- **Planning for renewal and routine roads maintenance projects**
- **Planning for new or refurbished roads infrastructure projects**
- **Follow-up on the previous year's findings**

SECTION 5: Using the work of internal auditors

117. 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:

118. We have determined that the work performed by the Internal auditors will be used for risk identification. However, we could not 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 did not include any matters of relevance to the external audit.



119. The following areas included in the internal audit plan was taken into consideration in performing our audit. The use of the work depended on the nature and scope of the work performed and the manner in which it was performed.

Areas of the internal audit plan
<p>Risk identification</p> <ul style="list-style-type: none"> • Waste management • Ward committee management • Skill development and training • SDBIP report • Deviation review • Revenue enhancement and debt management • Indigent support • Employee wellness program • Contract management • Communication processes and customer care <p>Control deficiencies and deviations was also considered as per the reports issued. The auditor's assessment of the identified risks provided the basis for designing the appropriate audit approach for performing test of controls and/ or substantive procedures.</p>

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:

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>	To be determined
GRAP 35 - <i>Consolidated financial statements</i>	To be determined



GRAP pronouncement	Effective date
GRAP 36 - <i>Investments in associates and joint ventures</i>	To be determined
GRAP 37 - <i>Joint arrangements</i>	To be determined
GRAP 38 - <i>Disclosure of interests in other entities</i>	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 17 - <i>Service concession arrangements where a grantor controls a significant residual interest in an asset</i>	To be determined
IGRAP 18 - <i>Recognition and derecognition of land</i>	1 April 2019
IGRAP 19 - <i>Liabilities to pay levies</i>	1 April 2019

Audit findings on the annual performance report that may have an impact on the audit opinion in future

120. The planned and reported performance information of selected key performance areas 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

121. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinions of the selected key performance areas in this report. However, it may impact on the audit opinion in future.

122. No material findings were identified in respect of the additional criteria.



SECTION 7: Ratings of detailed audit findings

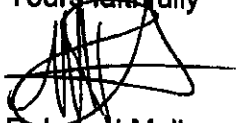
123. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- **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

124. 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



Rabelani Muligwe
Senior Manager: Limpopo Business Unit

30 November 2018

Enquiries: Rachel Mahlase
Telephone: 015 283 9358
Fax: 015 283 9402
Email: RachelMA@agsa.co.za

Distribution:
Audit committee
Head of internal audit unit
Executive authority



GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	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.
Activities	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> ".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	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.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	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.
Basic municipal service	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.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	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.

General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	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.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	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".
Outputs	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.
Performance Indicator	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)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.

Performance Standards:	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.
Performance Targets:	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.
Service Delivery Budget Implementation Plan	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.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <ul style="list-style-type: none"> <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> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>