

Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

11. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Non-cash additions	Disposals	Transfers	Change in estimate for rehabilitation provision	Depreciation	Impairment loss	Total
Buildings	26 049 568	-	-	-	-	-	(1 104 211)	-	24 945 357
Community	19 519 501	-	-	(550 038)	3 617 777	-	(830 655)	-	21 756 585
IT equipment	827 452	-	-	-	-	-	(461 380)	-	366 072
Infrastructure	695 927 108	-	-	(7 715 107)	44 152 521	-	(33 950 794)	-	698 413 728
Land	3 660 719	-	15 000	-	-	-	-	-	3 675 719
Motor vehicles	2 597 769	268 163	-	-	-	-	(877 057)	-	1 988 875
Office equipment	1 781 197	18 875	-	(29 863)	-	-	(421 991)	-	1 348 218
Leased assets	5 920 454	-	-	-	-	-	(1 175 533)	-	4 744 921
Landfill site	4 433 369	-	-	-	-	(2 752 297)	(1 156 369)	(1 524 703)	-
Work in progress	15 722 238	63 767 148	-	-	(47 770 298)	-	-	-	31 719 088
Plant and machinery	16 778 310	925 995	-	(979 598)	-	-	(2 421 073)	-	14 303 634
	793 217 685	64 980 181	15 000	(9 274 606)	-	(2 752 297)	(41 399 063)	(1 524 703)	803 262 197

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	27 153 779	-	-	-	(1 104 211)	26 049 568
Community	17 766 901	-	-	2 548 085	(795 485)	19 519 501
IT equipment	1 073 011	122 210	-	-	(367 769)	827 452
Infrastructure	696 009 401	-	(1 305 664)	33 523 591	(32 300 220)	695 927 108
Land	3 660 719	-	-	-	-	3 660 719
Motor vehicles	3 463 422	-	-	-	(865 653)	2 597 769
Office equipment	2 418 646	54 974	-	-	(632 423)	1 781 197
Leased assets	7 095 988	-	-	-	(1 175 534)	5 920 454
Landfill site	3 980 184	680 979	-	-	(227 794)	4 433 369
Work in Progress	11 986 699	39 807 216	-	(36 071 677)	-	15 722 238
Plant and machinery	14 476 349	5 559 048	-	-	(3 257 087)	16 778 310
	789 085 099	46 224 427	(1 305 664)	(1)	(40 786 176)	793 217 685

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	2016	2015
	R	R

11. 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

4 744 921	5 920 454
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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.

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2016
R

2015
R

12. Heritage assets

	2016		2015	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Sculptures	33 000	-	33 000	33 000
Artefacts	500	-	500	500
Mayoral chains	48 147	-	48 147	42 994
Total	81 647	-	81 647	76 494

Reconciliation of heritage assets 2016

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	33 000	-	33 000
Artefacts	500	-	500
Mayoral chains	42 994	5 153	48 147
Total	76 494	5 153	81 647

Reconciliation of heritage assets 2015

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	33 000	-	33 000
Artefacts	500	-	500
Mayoral chains	42 994	5 153	48 147
Total	76 494	5 153	81 647

Pledged as security

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

Revaluations

Mayoral chains & sculptures

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following basis:

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2016. The key values for gold was utilised per gram of gold at the spot rate of 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 independent valuers, Messer's van Wyk Tombstones of Marblehall on a replacement cost value. The effective date of valuation being 30 June 2016. These items were valued utilising cost effective methods as they are relatively low value items and management deemed these valuations fair and reasonable for the items disclosed.

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	2016	2015
	R	R
13. Payables from exchange transactions		
Trade payables	22 843 247	22 032 768
Accrued leave	5 733 293	5 129 593
Accrued 13th cheque	1 415 100	1 190 377
Refentions	8 528 335	5 271 627
Credit balances on receivables	2 923 503	2 043 265
Other creditors	153 963	104 024
	41 597 441	35 771 654
14. Consumer deposits		
Rates	1 529 723	1 568 314
15. Finance lease obligation		
Minimum lease payments due		
- within one year	1 814 907	1 775 951
- in second to fifth year inclusive	2 200 548	3 929 244
	4 015 455	5 705 195
less: future finance charges	(407 114)	(690 035)
Present value of minimum lease payments	3 608 341	5 015 160
Present value of minimum lease payments due		
- within one year	1 537 792	1 425 253
- in second to fifth year inclusive	2 070 549	3 589 907
	3 608 341	5 015 160
Non-current liabilities	2 070 549	3 589 907
Current liabilities	1 537 792	1 425 253
	3 608 341	5 015 160
It is municipality policy to lease certain vehicles and heavy machinery under finance leases.		
The average lease term was 4 - 5 years and the average effective borrowing rate was 9% (2015: 8%).		
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 11.		
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	9 108 011	4 707 597
Energy Efficiency and Demand Side Grant	-	3 606 541
Municipal System Improvement Grant	255 880	1 218 620
Financial Management Grant	-	77 125
Expanded Public Work Programme Grant	-	17 115
	9 363 891	9 626 998

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2016	2015
R	R

16. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	9 626 997	13 032 645
Additions during the year	168 007 066	121 497 300
Income recognition during the year	(168 270 172)	(124 902 947)
	9 363 891	9 626 998

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

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

17. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Change in estimated closure cost and discount rate	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	9 472 078	-	(3 935 534)	519 328	6 055 872
Legal proceedings	-	805 709	-	-	805 709
	9 472 078	805 709	(3 935 534)	519 328	6 861 581

Reconciliation of provisions - 2015

	Opening Balance	Additions	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	8 608 823	680 979	182 276	9 472 078
Non-current liabilities			6 055 872	6 055 872
Current liabilities			805 709	-
			6 861 581	9 472 078

Legal proceedings

Dispute with Walterama Kgatla Inc. The municipality is has engaged with the attorneys of the plaintiff to settle the dispute out of court. The proposed settlement amount is R220 000. The negotiations are currently still in progress.

Dispute with Kwanha's Business Enterprise. The municipality has settled the matter on 26 July 2016, however the settlement amount has not yet been agreed upon. An amount of R 585 709 has been provided for at present. The matter is not yet finalised regarding the disputed amount.

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	2015	
	R	R

17. 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 2016 valuation was performed by Mr DB Grobler and Mr M Koch from EMS Advisory (Pty) Ltd, both directors in EMS Advisory (Pty) Ltd. Mr DB Grobler is a registered professional associated valuer & appraiser with the South African Council for the Property Valuers Profession. Mr M Koch is an associated member with The South African Institution of Civil Engineering and a registered candidate engineer with the Engineering Council of South Africa. He holds a Bachelors degree in Engineering.

The effective date of the latest valuation is 30 June 2016. The site, in terms of current legislation are operating legally as a permit does exist. The site is classified as a G:M:B- site. The closure design will be based on "M" – medium sites, with no significant climate water balance (B-). The remaining site life is approximately 11 years. The area to be capped is based on the expected area that waste has been deposited, as well as to allow for storm water drainage of away from the site. An escalation of 6% has been included in the cost and as time value of money is material the present value of estimated future cost was discounted at a rate of 9.38% (Weighted average cost of capital after adjustments for risks)

The 2015 valuation was performed by Mr Seakle Godschalk Pr Sci Nat and Dr Maryana Mohr - Swart, both partners in Environmental & Sustainability Solutions (ESS).

18. 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	(17 412 477)	(13 174 000)
Present value of the defined benefit obligation - Long service award	(2 950 397)	(4 177 000)
	<u>(20 362 874)</u>	<u>(17 351 000)</u>

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

Opening balance	13 174 000	11 395 997
Benefits paid	(312 446)	-
Net expense recognised in the statement of financial performance	4 550 923	1 778 003
	<u>17 412 477</u>	<u>13 174 000</u>

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	2015	2016
	R	R

18. Employee benefit obligations (continued)

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

Current service cost	657 000	543 000
Interest cost	1 217 000	1 235 000
Actuarial (gains) losses	2 676 923	3
	4 550 923	1 778 003

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

Opening balance	4 177 000	4 559 000
Benefit paid	-	(174 470)
Net expense recognised in the statement of financial performance	(1 226 603)	(207 530)
	2 950 397	4 177 000

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

Current service cost	300 000	334 000
Interest cost	317 000	368 000
Actuarial (gains) losses	(1 390 308)	(909 530)
Contributions by employer	(453 295)	-
	(1 226 603)	(207 530)

Key assumptions used

Assumptions used at the reporting date:

Discount rate - Post retirement medical aid	8.52 %	9.35 %
Salary increase rate	7.18 %	7.06 %

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	2 206 000	1 551 000

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

	2016	2015	2014	2013	2012
Defined benefit obligation (medical aid benefit)	17 412 477	13 174 000	13 683 000	10 780 000	7 409 162
Long service awards obligation	2 950 397	4 177 000	4 559 000	2 129 118	1 895 118

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.

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	2016	2015
	R	R
19. Revenue		
Service charges	49 000 161	40 764 929
Rental income	126 558	123 685
Licences and permits	3 994 013	3 913 628
Other income	3 382 271	15 012 902
Interest received	8 179 005	4 979 205
Property rates	29 797 752	25 771 580
Government grants and subsidies	168 270 172	126 296 106
Fines and penalties	1 553 784	1 868 179
	264 303 716	218 730 214
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	49 000 161	40 764 929
Rental income	126 558	123 685
Licences and permits	3 994 013	3 913 628
Other income	3 382 271	15 012 902
Interest received	8 179 005	4 979 205
	64 682 008	64 794 349
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	29 797 752	25 771 580
Transfer revenue		
Government grants and subsidies	168 270 172	126 296 106
Fines, penalties and forfeits	1 553 784	1 868 179
	199 621 708	153 935 865
20. Service charges		
Sale of electricity	45 784 500	37 384 302
Refuse removal	3 215 661	3 380 627
	49 000 161	40 764 929
21. Other income		
Connection fees	-	303
Departmental fees	1 373 995	1 664 828
Debt forgiveness: Sekhukhune	-	12 564 383
Environmental rehabilitation adjustment	1 183 236	-
Sundry income	109 268	103 814
Claims for skills development	137 905	69 551
Sundry income	238 222	200 673
Sales of tender documents	339 645	409 350
	3 382 271	15 012 902
22. Rental of facilities and equipment		
Premises		
Premises	76 944	73 581

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	2015	
	R	R

22. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental of facilities	41 890	40 135
Rental of equipment	7 724	8 752
Other	-	1 217
	49 614	50 104
	126 558	123 685

23. Interest received

Interest revenue	13 739	12 349
Interest charged on Eskom deposits	4 676 603	2 451 977
Interest on cash and cash equivalents	3 488 663	2 514 879
Interest on outstanding receivable balances		
	8 179 005	4 979 205

24. Property rates

Rates received

Residential	7 688 048	8 042 159
Commercial	8 917 981	7 644 544
State	1 871 940	87 649
Small holdings and farms	11 140 780	9 977 062
Other	179 003	20 166
	29 797 752	25 771 580

Valuations

Agricultural	1 988 564 160	2 090 034 513
Business and commercial	432 782 200	434 913 600
Educational	41 870 000	42 110 000
Municipal	29 667 000	26 617 000
Public Benefit Organisations	1 050 000	1 050 000
Public Service Infrastructure	774 230	775 230
Religious	28 079 000	28 079 000
Residential	992 273 100	997 012 700
State owned	1 536 000	1 536 000
Vacant	1 332 000	1 032 000
	3 513 927 690	3 623 160 043

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on month to month basis.

25. Government grants and subsidies

Operating grants

Equitable Share	118 455 155	91 614 000
Financial Management Grant	1 675 000	1 635 885
Expanded Public Works Programme Grant	1 157 000	1 279 000
	121 287 155	94 528 885

Capital grants

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	2016	2015
	R	R
25. Government grants and subsidies (continued)		
Municipal Infrastructure Grant	46 308 894	31 583 815
Municipal System Improvement Program Grant	674 123	183 406
	46 983 017	31 767 221
	168 270 172	126 296 106

Conditional and Unconditional

Included in above are the following grants and subsidies:

Conditional grants received	56 167 000	34 861 106
Unconditional grants received	112 103 172	91 435 000
	168 270 172	126 296 106

Municipal Infrastructure Grant

Balance unspent at beginning of year	4 707 597	5 221 412
Current-year receipts	52 405 000	31 070 000
Conditions met - transferred to revenue	(46 308 894)	(31 583 815)
Withheld funds	(7 000 000)	-
Amount over-deducted by National Treasury	5 304 308	-
	9 108 011	4 707 597

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.

Conditions still to be met relate to following projects:

- Dicheoug internal street
- Elandskraal internal street
- Moganyaka internal street - phase 3
- Upgrading of Matilu road
- Upgrading of Puleng road

Municipal System Improvement Programme Grant

Balance unspent at beginning of year	1 218 620	468 026
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(674 123)	(183 406)
Withheld	(1 218 617)	-
	255 880	1 218 620

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

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.

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	2016 R	2015 R
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25. Government grants and subsidies (continued)

Financial Management Grant

Balance unspent at beginning of year	77 125	113 011
Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 635 886)
Withheld funds	(289 882)	-
Amount over-deducted by National Treasury	212 757	-
	<u>-</u>	<u>77 125</u>

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

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

Balance unspent at beginning of year	3 606 541	3 606 541
Withheld funds	(3 606 541)	-
	<u>-</u>	<u>3 606 541</u>

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

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	17 115	17 115
Current-year receipts	1 157 000	1 279 000
Conditions met - transferred to revenue	(1 157 000)	(1 279 000)
Withheld funds	(17 115)	-
	<u>-</u>	<u>17 115</u>

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

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

Equitable Share

Current-year receipts	106 323 000	-
Transferred to revenue	(118 455 156)	-
Other grants funds withheld	12 132 156	-
	<u>-</u>	<u>-</u>

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

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	2016	2015
	R	R
26. Employee related costs		
Basic	38 842 995	34 510 593
13th Cheque	3 785 694	3 677 901
Medical aid - company contributions	1 884 154	1 994 205
Unemployment insurance fund contribution	307 285	279 705
Other payroll levies	19 104	17 018
Group life insurance	101 359	85 553
Standby allowance	192 349	340 707
Short term benefit	436 329	487 259
Other short term costs	12 000	12 000
Defined contribution plans	6 973 754	6 378 457
Travel, motor car, accommodation, subsistence and other allowances	4 166 214	6 084 368
Overtime payments	1 249 662	1 389 132
Service cost - long service awards	957 000	334 000
SETA levies	448 881	462 814
	59 376 780	56 053 712
Remuneration of Municipal Manager : Mathebela MM		
Annual remuneration	584 439	141 674
Travel and subsistence allowance	101 326	37 377
Other allowance	14 976	15 751
Contributions to UIF, medical and pension funds	128 266	18 219
Travel claims	44 233	-
Backpay	208 376	-
SALGA	87	-
Annual bonus	35 426	-
	1 117 129	213 021
Remuneration of Chief Finance Officer : Ramosibi KA		
Annual remuneration	600 826	580 464
Travel and subsistence allowance	7 896	14 205
Other allowance	14 976	52 220
Backpay	147 085	10 988
Contributions to UIF, medical aid and pension funds	114 947	71 719
Travel claims	43 968	-
SALGA	87	-
	929 785	729 596
Remuneration of Director Corporate Services: Lekola MJ		
Annual remuneration	433 845	574 221
Travel and subsistence allowance	1 304	11 890
Other allowance	11 232	56 898
Backpay	26 396	8 388
Contributions to UIF, medical aid and pension funds	99 574	87 656
Annual bonus	35 426	33 739
Travel claims	12 899	-
Leave pay-out	65 589	-
Acting allowance	5 497	-
SALGA	65	-
	691 827	772 792

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	2016	2015
	R	R

26. Employee related costs (continued)

Remuneration of Director Technical Services: Monakedi ME

Annual remuneration	683 204	672 517
Travel and subsistence allowance	123 706	161 923
Other allowance	14 976	53 106
Backpay	37 696	13 865
Contributions to UIF, medical aid and pension funds	108 675	71 719
Annual bonus	35 426	33 739
Travel claims	33 662	-
SALGA	87	-
	<u>1 037 432</u>	<u>1 006 869</u>

Remuneration of Acting Municipal Manager: NS Mashamba

Annual remuneration	-	29 807
Travel allowance	-	16 703
Other allowances	-	15 792
Back pay	-	66 815
	<u>-</u>	<u>129 117</u>

Remuneration of Director of Community Services: MM Mathebela

Annual remuneration	-	216 323
Car allowance	-	43 968
Other allowances	-	20 804
Contributions to UIF, medical and pension funds	-	36 438
	<u>-</u>	<u>317 533</u>

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.

27. Remuneration of councillors

Executive Mayor	784 346	744 660
Chief Whip	605 406	589 990
Executive Councillors	2 574 559	2 427 530
Speaker	685 178	636 994
Councillors	5 983 724	5 944 281
	<u>10 633 213</u>	<u>10 343 455</u>

In-kind benefits

Remuneration of Councillors:

The remuneration of the political office bearers and councillors are not within the upper limits as determined by the framework envisaged section 219 of the Constitution. Refer to note 42 for the detailed breakdown of councillors' remuneration.

28. Depreciation

Property, plant and equipment	<u>41 399 062</u>	<u>40 786 176</u>
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	2016	2015
	R	R

29. Finance costs

Finance leases	375 511	256 803
Landfill site	519 328	182 276
Post-retirement medical aid benefit	1 217 000	1 235 000
Long service awards	317 000	368 000
	2 428 839	2 042 079

30. Debt impairment

Contributions to debt impairment provision	3 497 031	579 633
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31. Repairs and maintenance

Category	2016	2015
Building	1 352 371	728 178
Community	996 473	884 486
Infrastructure	3 682 010	2 427 780
Motor vehicles	1 848 180	3 886 828
	7 879 034	7 927 272

32. Bulk purchases

Electricity	27 803 116	22 025 056
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Electricity losses:

For the 2015/2016 financial year, distribution losses on electricity amounted to 10%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

For the 2014/2015 financial year, distribution losses on electricity amounted to 7%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

33. Contracted services

Information Technology Services	2 266 796	3 715 855
Specialist Services	2 413 540	1 634 827
	4 680 336	5 350 682

34. Grants and subsidies paid

Other subsidies

Staff bursaries	85 588	190 793
Free and subsidised services	1 092 209	679 440
Community bursaries	758 963	690 087
	1 936 760	1 560 320

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	2016 R	2015 R
35. General expenses		
Audit committee expenses and catering	748 471	799 726
Auditors remuneration	3 642 907	2 053 011
Bank charges	263 153	259 378
CONLOG services	172 117	95 986
Cleaning	139 249	118 124
Community development	631 251	250 627
Conferences and seminars	491 004	402 886
Consulting and professional fees	3 362 363	3 112 768
Consumables	313 258	257 853
Consumer connections	111 337	108 547
Electricity	2 039 054	2 927 465
Entertainment	185 066	132 989
Fencing of cementry	57 871	-
Fuel	1 888 359	29 398
Insurance	735 699	746 729
Job evaluation services	1 027	38 355
Marketing	3 325 264	2 859 996
Mayoral expense	81 053	99 651
Medical expenses	-	543 000
Motor vehicle expenses	431 377	1 561 226
Operating leases	1 668 993	1 435 775
Postage and courier	238 224	128 510
Printing and stationery	587 326	518 593
Promotions	-	49 526
Protective clothing	271 197	138 890
Refuse	197 854	222 456
Security (Guarding of municipal property)	3 139 640	4 337 942
Services: Adverts	378 196	409 198
Sewerage consumer account	105 637	-
Staff welfare	238 952	19 160
Strategic planning	13 717	132 907
Subscriptions and membership fees	229 766	1 044 051
Telephone and fax	1 306 315	834 384
Training	973 102	1 162 920
Transport and freight	24 200	-
Travel - local	1 085 531	-
Valuation roll and GIS	611 780	348 364
Water	216 566	-
	29 906 876	27 180 391
36. Fair value adjustments		
Investment property (Fair value model)	5 804 700	1 338 000
37. Auditors' remuneration		
Fees	3 642 907	2 053 011

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	2016 R	2015 R
38. Cash generated from operations		
Surplus	67 635 916	48 110 304
Adjustments for:		
Depreciation	41 399 062	40 786 176
Loss on sale of assets and liabilities	9 274 607	1 305 664
Fair value adjustments	(5 804 700)	(1 338 000)
Finance costs - Finance leases	2 053 328	1 785 276
Impairment loss	1 524 703	-
Debt impairment	3 497 031	(1 322 075)
Movements in retirement benefit assets and liabilities	1 477 874	(2 494 000)
Movements in provisions	805 709	-
Rehabilitation provision adjustment	(1 183 236)	680 979
Other non-cash items	-	(12 564 383)
Changes in working capital:		
Inventories	6 866	(109 515)
Receivables from exchange transactions	(5 165 742)	1 657 909
Receivables from non-exchange transactions	(18 530 159)	(9 077 845)
Deposits	(78 954)	(159 638)
Payables from exchange transactions	5 825 787	8 468 856
VAT receivable	(3 604 967)	3 000 790
Unspent conditional grants and receipts	(263 107)	200 894
Consumer deposits	(38 591)	(52 037)
	98 831 427	78 879 355

39. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	9 399 366	9 399 366
Receivables from non-exchange transactions	34 886 323	34 886 323
Cash and cash equivalents	113 249 023	113 249 023
Deposits	339 518	339 518
	157 874 230	157 874 230

Financial liabilities

	At amortised cost	Total
Finance lease obligation	3 608 341	3 608 341
Payables from exchange transactions	41 597 441	41 597 441
Consumer deposits	1 529 723	1 529 723
Unspent conditional grants and receipts	9 363 891	9 363 891
	56 099 396	56 099 396

2015

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	6 217 663	6 217 663
Receivables from non-exchange transactions	17 869 156	17 869 156
Cash and cash equivalents	80 804 597	80 804 597

Ephraim Mogale Local Municipality

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	2016	2015
	R	R

Financial instruments disclosure (continued)

	104 891 416	104 891 416
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Financial liabilities

	At amortised cost	Total
Consumer deposits	1 568 314	1 568 314
Finance lease obligation	5 015 160	5 015 160
Payables from exchange transactions	35 771 654	35 771 654
Unspent conditional grants and receipts	9 626 998	9 626 998
	51 982 126	51 982 126

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Property, plant and equipment

	16 667 514	24 318 667
--	------------	------------

Total capital commitments

Already contracted for but not provided for

	16 667 514	24 318 667
--	------------	------------

Authorised operational expenditure

Already contracted for but not provided for

- Leasing of machines
- Security
- Consulting and training

	-	1 525 686
	2 944 350	5 960 448
	2 145 701	2 030 000
	5 090 051	9 516 134

Total operational commitments

Already contracted for but not provided for

	5 090 051	9 516 134
--	-----------	-----------

Total commitments

Total commitments

Authorised capital expenditure

Authorised operational expenditure

	16 667 514	24 318 667
	5 090 051	9 516 134
	21 757 565	33 834 801

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year
- in second to fifth year inclusive

	155 023	202 697
	-	155 023
	155 023	357 720

Operating lease payments represent rentals payable by the municipality for office properties used by the municipality. Leases are negotiated for an average term of 4 years. No contingent rent is payable.

Ephraim Mogale Local Municipality

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2016
R

2015
R

41. Contingencies

Mohalerwa & Boleedi 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 is R 1 605 515.

Ephraim Chiloane

The municipality made an offer to transfer Erf 41 Leeuwfontein to the Plaintiff.

Council resolved not to effect the transfer because the said property belongs to someone else (Rathlagane Tribe) and not the municipality and that the municipal manager does not have power to dispose of immovable property belonging to the council. The Plaintiff approached the court for an order compelling the municipality to effect the transfer.

Lesiba Makopo

The Applicant was appointed by the municipality as the Director. Community on a fixed term contract which came to an end on the 31 March 2014. The post was advertised and he applied, went through the interview process but was not appointed. He then approached the Labour Court for an order setting aside the recommendations of the interview panel and to re-start the whole process of interview.

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.

Phillistus Sonto Matau

The Applicant was granted a travel allowance and was paid R 9 500. She then changed the car which affected her monthly transport allowance to R 6 000. She then declared a dispute of Unfair Labour Practice. On 17 July 2015 the Commissioner of SALGBC issued an arbitration award and ordered the municipality to re-instate the Applicant's travel allowance.

The municipality decided to review the arbitration.

Abel Sonto 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 a no work-no pay principle.

The employee then went to court and demanded the salary, estimated liability is R 10 000.

Lethlo Projects

The Plaintiff was instructed by the municipality to render services for the completion of a contract which was initially awarded to another service provider and terminated by the municipality for the rehabilitation of administration block.

The amount of potential liability is R 743 645.

Ephraim Mogale Local Municipality

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	2016 R	2015 R
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42. Related parties

Relationships
Accounting Officer
Key management
Executive Mayor
Speaker
Chief Whip
Mayoral Committee

Refer to accounting officer's report
Refer to note 26
Refer to details below
Refer to details below
Refer to details below
Refer to details below

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12. Related parties (continued)

Remuneration of management

Remuneration of Councillors

2016

	Annual remuneration	Travel allowance	Other allowance	Backpay	Pension	UIF	Travel and subsistence claims	SDL	Public office allowance	Total
Executive Mayor:										
MMakola MY	348 538	183 740	20 868	20 458	85 276	5 466	-	-	120 000	784 346
Chief Whip:										
Ratau MF	348 538	-	20 868	17 289	82 683	-	12 019	4 009	120 000	605 406
Speaker:										
Modisha LB	254 830	146 992	20 868	18 442	66 146	-	53 605	4 294	120 000	685 177
Executive Councillors:										
Mahobogane ST	231 404	137 805	20 868	17 289	62 012	-	44 916	4 002	120 000	638 296
Makita TS	138 223	-	20 868	10 377	45 569	-	1 511	2 057	120 000	338 605
Matlala MF	231 403	137 805	20 868	17 289	62 012	-	1 533	4 002	120 000	594 912
Monyamane EM	55 883	33 680	5 217	-	15 156	-	9 177	966	30 000	150 079
Phefadi MG	73 667	75 948	20 868	10 377	34 176	-	-	2 037	120 000	337 073
Seoka KM	149 338	99 635	20 868	43 586	47 530	-	31 482	3 155	120 000	515 594
Councillors:										
Bogopa JH	30 237	44 187	20 868	7 544	26 512	-	-	1 380	120 000	253 241
Bokaba HSM	30 237	44 187	20 868	7 544	26 512	-	-	1 380	120 000	250 728
Chauke S	30 237	44 187	20 868	7 544	26 512	-	-	1 380	120 000	250 728
Esson BA	41 157	-	13 377	7 544	21 717	-	-	906	76 922	161 623
Kakana KN	30 237	44 187	20 868	7 544	26 512	-	9 052	1 380	120 000	269 780
Keikana MJ	46 464	-	15 116	3 979	25 057	-	-	1 003	60 000	181 619
Mabaso WM	30 237	44 187	20 868	6 639	27 418	-	4 855	-	120 000	254 204
Makanyane GN	30 237	44 187	20 868	7 544	26 512	-	3 212	1 380	120 000	253 940
Iamogobo SC	30 237	44 187	20 868	7 544	26 512	-	16 169	1 380	120 000	266 897
Mashogo BG	30 237	44 187	20 868	7 544	26 512	-	15 650	1 380	120 000	266 378
Mokonyane MJ	67 797	-	20 868	7 544	33 141	-	-	1 399	120 000	260 749
Mokotshwa FK	67 797	-	20 868	7 544	33 141	-	-	1 431	120 000	260 781
Morwaswi ME	30 237	44 187	20 868	7 544	26 512	-	3 002	1 380	120 000	253 730
Mothwa NM	67 797	-	20 868	7 544	33 141	-	-	1 480	120 000	250 830
Mphahlele LJ	30 237	44 187	20 868	7 544	26 512	-	2 022	1 380	120 000	252 750

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42. Related parties (continued)

Nchabeleng MJ	30 237	44 187	20 868	7 544	26 512	-	4 918	1 380	120 000	255 646
Ndabeni NR	30 237	44 187	20 868	7 544	26 512	-	6 034	1 380	120 000	256 762
Phala MG	30 237	44 187	20 868	7 544	26 512	-	10 147	1 380	120 000	260 875
Phalane NF	41 196	-	13 377	2 901	22 363	-	2 754	881	80 000	163 472
Renoto P	30 237	44 187	20 868	7 544	26 512	-	3 602	1 380	120 000	254 330
Sehloa ET	30 237	44 187	20 868	7 544	26 512	-	28 279	1 380	120 000	279 007
Seono MR	30 237	44 187	20 868	7 544	26 512	-	20 655	1 380	120 000	271 383
Tshiguvho EM	30 237	44 187	20 868	7 544	26 512	-	6 170	1 380	120 000	256 898
Lentsoane M	20 088	-	5 237	1 853	9 886	-	-	394	34 615	72 073

2015

Name	Annual remuneration	Travel allowance	Other allowances	Backpay	Pension	Total
Executive Mayor:						
MMakola MY	438 596	171 998	28 865	24 370	80 831	744 660
Chief Whip:						
Ratua MF	438 596	26 390	27 428	16 745	80 831	589 990
Speaker:						
Modisha LB	350 877	180 031	27 678	13 743	64 665	636 994
Executive Councillors:						
Mahlabogoane ST	400 966	86 312	27 387	12 148	74 095	600 908
Makrila TS	241 228	6 076	25 486	7 994	44 457	325 241
Matlala MF	328 947	145 987	27 399	12 911	60 623	575 867
Monyamane EM	328 947	166 072	27 443	17 602	69 623	609 687
Phefadi MG	180 921	76 574	25 523	8 466	33 343	324 827
Councillors:						
Bogopa JH	140 351	46 557	24 882	5 352	25 866	243 008
Bokaba HS	140 351	41 280	24 882	5 352	25 866	237 731
Thauke S	140 351	41 280	24 877	5 352	25 871	237 731
Thauke S	175 438	-	24 877	5 077	32 332	237 724
Kekana KN	140 351	67 550	24 991	10 565	25 866	269 323
Kekana MM	140 351	51 092	24 882	5 352	25 866	247 543
Mabaso WM	140 351	54 343	23 925	10 044	25 866	254 529
Makanyane GN	140 351	41 280	24 882	5 352	25 866	237 731
Mamogobo SC	140 351	55 513	24 882	5 352	16 861	242 959

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42. Related parties (continued)

Mampane NZ	43 211	60 384	6 428	-	7 626	57 265
Mashogo BG	140 351	-	25 932	5 352	25 866	257 885
Mokojane MJ	175 438	-	24 877	5 077	32 332	237 724
Molotshwa FK	140 351	-	24 919	5 077	32 332	237 766
Morwasi ME	140 351	46 542	24 882	5 352	25 866	242 993
Mothwa NW	131 490	-	18 511	3 385	24 249	177 635
Mphahlele LJ	140 351	46 971	24 926	10 044	25 866	248 158
Nchabeleng MJ	140 351	48 104	24 882	5 352	25 866	244 555
Ndobeni NR	140 351	55 321	24 882	5 352	25 867	251 773
Phala MG	140 351	67 842	24 882	5 352	25 866	264 293
Ranoto P	140 351	47 774	24 882	5 352	25 866	244 225
Sebothoma OE	140 351	43 550	24 882	5 352	25 866	240 001
Sehlola ET	140 351	60 450	24 882	5 352	25 866	256 901
Seoka KM	140 351	62 218	24 933	5 352	25 866	258 720
Seono MR	140 351	65 795	28 353	5 352	25 866	266 717
Tshiguvho EM	140 351	43 940	24 882	5 352	25 866	240 391
	6 217 113	1 907 226	819 224	254 232	1 145 660	10 343 455

The councillors were not paid within the upper limits as prescribed by the Remuneration of Public Office-bearers Act, 1998 (Act No. 20 of 1998).

Executive management

Refer to note 26, Employee related costs.

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43. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial performance	Balance as previously reported	Prior period error	Reclassified	Total
Revenue				
Service charges	40 764 929	-	-	40 764 929
Rental of facilities and equipment	123 685	-	-	123 685
Interest received	4 979 205	-	-	4 979 205
Fines	1 868 179	-	-	1 868 179
Licences and permits	3 913 628	-	-	3 913 628
Other income	15 012 901	-	-	15 012 901
Property rates	25 771 581	-	-	25 771 581
Government grants and subsidies	126 296 106	-	-	126 296 106
	218 730 214	-	-	218 730 214
Expenses				
Employee related cost	53 150 283	20 232	(42 667)	53 127 848
Remuneration of councillors	10 343 455	-	-	10 343 455
Depreciation	40 721 576	64 600	-	40 786 176
Loss on disposal of assets	1 305 664	-	-	1 305 664
Finance cost	2 042 079	-	-	2 042 079
Debt impairment	2 944 339	(2 364 706)	-	579 633
Repairs and maintenance	7 874 188	3 496	47 898	7 925 582
Bulk purchases	23 580 252	(1 555 196)	-	22 025 056
Contracted services	4 071 247	(69 931)	1 348 138	5 349 454
General expenses	31 253 065	227 977	(5 229 643)	26 251 399
Grants and subsidies paid	1 587 562	3 857 774	(27 242)	5 418 094
	178 873 710	184 246	(3 903 516)	175 154 440
Operating (deficit) / surplus	39 856 504	8 253 800	-	48 110 304
Fair value adjustments	4 039 200	(2 701 200)	-	1 338 000
Actuarial gain / (loss)	3 196 530	-	-	3 196 530
	47 092 234	5 552 600	-	52 644 834
Statement of financial position				
Current assets				
Inventory	798 751	-	-	798 751
Receivables from exchange transactions	5 236 458	(1 801 446)	2 782 651	6 217 663
VAT receivable	2 043 013	(331 603)	-	1 711 410
Receivables from non-exchange transactions	16 230 001	1 639 155	-	17 869 156
Cash and cash equivalents	81 866 825	(1 062 228)	-	80 804 597
Deposits	260 564	-	-	260 564
	106 435 612	(1 556 122)	2 782 651	107 662 141
Non-current assets				
Investment property	118 087 200	-	(66 314 200)	51 773 000
Property, plant and equipment	793 054 824	162 862	-	793 217 686
Heritage assets	-	76 494	-	76 494
	911 142 024	239 356	(66 314 200)	845 067 180

Ephraim Mogale Local Municipality

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43. Prior period errors (continued)

Current liabilities			
Finance lease liability	1 425 253	-	1 425 253
Payables from exchange transactions	36 263 128	(3 274 129)	35 771 650
Consumer deposits	1 568 314	-	1 568 314
Unspent conditional grants	9 626 998	-	9 626 998
Provisions	204 668	-	204 668
	49 088 361	(3 274 129)	48 596 883

Non-current liabilities			
Finance lease obligation	3 589 907		3 589 907
Employee benefit obligations	17 351 000		17 351 000
Provisions	9 267 410		9 267 410
	30 208 317		30 208 317

Net assets			
Accumulated surplus - opening balance	891 188 723	-	825 813 812
(Surplus) / deficit for the year	47 092 235	1 018 067	48 110 304
	938 280 958	1 018 067	873 924 116

1. Error 1

In the previous financial year an operating lease payable was raised incorrectly in the financial statement and erroneously mapped to debtors. The adjustment in the current year is to correct the balances as at 30 June 2015.

Statement of financial position

Receivables from exchange transactions	-	255 654
Accumulated surplus	-	(176 057)
	-	79 597

Statement of financial performance

General expenses	-	(79 597)
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2. Error 2

During the year the reconciliation of the FNB bank account was reviewed and updated. A number of items were identified which needed to be captured in the trial balance, in order to correct the cash book balance at 30 June 2015.

Statement of financial position

Cash and cash equivalents	-	(76 035)
Payables from exchange transactions	-	(1 732)
Accumulated surplus	-	(5 300)
	-	(83 067)

Statement of financial performance

General Expenses	-	83 067
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3. Error 3

During the prior year the impairment of consumer deposits was incorrectly calculated. The calculation did not take into account the time value of money. As such the calculation was reformed and the impairment was corrected as the impact was significant.

Ephraim Mogale Local Municipality

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43. Prior period errors (continued)

Statement of financial position

Receivables from exchange transactions 725 552
Receivables from non-exchange transactions 1 639 155

2 364 707

Statement of financial performance

Debt impairment (2 364 707)

4. Error 4

During the year the fixed asset register was reconstructed. During this exercise the municipality identified a number of previously unrecognised heritage assets. This correction is to recognise the heritage assets in the accounting records.

Statement of financial position

Heritage Assets 76 494

Revaluation Reserve (76 494)

5. Error 5

During the year the entire creditors balance was investigated and restated. All subsequent payments were identified and any unpaid creditors identified.

Statement of financial position

Cash and cash equivalents 2 764 746

VAT receivable (331 603)

Payables from exchange transactions (3 257 730)

Accumulated surplus 2 247 219

1 422 632

Statement of financial performance

Employee related cost (42 667)

Repairs and maintenance 47 898

Bulk purchases (1 555 196)

Contracted services (69 931)

General expenses 224 506

Grants and subsidies paid (27 242)

(1 422 632)

6. Error 6

During the year the asset register was reconstructed. A Nissan Diesel vehicle was identified during the physical verification which had been purchased in the prior years but not recognised as an asset in the accounting records.

Statement of financial position

Property plant and equipment 257 161

Accumulated surplus (321 761)

(64 600)

Ephraim Mogale Local Municipality

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43. Prior period errors (continued)

Statement of financial performance

Depreciation

64 600

7. Error 7

In order to align the fixed asset register values with the values per financial system the following correction was processed

Statement of financial position

Investment property

12 000

Statement of financial performance

Fair value adjustments

(12 000)

8. Error 8

During the reconstruction of the investment property register it was determined that Moganyaka properties and X6 properties had no future value and had to be impaired

Investment properties previously included all properties where the Municipality disclosed all properties registered in the deeds office in the name of the municipality as investment property if not used for service delivery. Upon review and through application of management judgement it was decided that these properties do not represent any future benefit to the municipality for service delivery. The municipality does not control these properties and does not issue clearance certificates or any other administrative processes and has no effective control over these assets or the registration.

This includes property held in township titles (Marblehall Extension 6, Moganyaka A, Zamenkomst, the former R 293 towns, and unfinalised townships). In terms of GRAP 9 no future cash flows can be expected. Once the process of demarcation and township establishment is complete all the additional properties will form part of GRAP 17 as land and will be treated accordingly on final full title registration.

Statement of financial position

Investment property

(66 326 200)

Accumulated surplus

63 613 000

(2 713 200)

Statement of financial performance

Fair value adjustments

2 713 200

9. Error 9

During the reconstruction of the asset register 6 properties were identified which are inhabited by municipal officials and had been correctly accounted for as investment property. This correction represents the reversal of the duplication of the properties in property, plant and equipment.

Statement of financial position

Property plant and equipment

(94 300)

Statement of financial performance

94 300

10. Error 10

During the reperformance of bank reconciliations an incorrect journal was identified which was processed through bank.

Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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43. Prior period errors (continued)

Statement of financial position
Cash and cash equivalents
Receivable from exchange transactions
Payables from exchange transactions

-	(3 750 939)
-	(2 782 650)
-	6 533 589
-	-

11. Error 11

During the reconstruction of the property register it was determined that the Driefontein community hall was completed in June 2015. The cost of the community hall was in the prior year not transferred from work-in-progress to community assets. This error was corrected with the effect on property, plant and equipment being nil due the cost moving between two asset classes. The impact on the property, plant and equipment note can be summarised as follows:

Statement of financial position

Community assets
Work-in-progress

-	2 548 085
-	(2 548 085)
-	-

44. 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 receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. 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.

45. Going concern

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

46. Events after the reporting date

On 11 August 2016, the Minister of Co-operative Governance and Traditional Affairs announced that municipal councillors who were not re-elected will each receive a monetary payment equal up to three months' salary for their services and contributions as soon as the new councillors are sworn in. Councillors who have five or more years of service will get an amount equal to three months' salary and the rest will receive a pro rata amount.

Ephraim Mogale Local Municipality

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47. Unauthorised expenditure

Opening balance	102 916 228	97 000 713
Add: Unauthorised expenditure - current year	-	5 915 515
Amount condoned by council	(5 915 515)	-
	<u>97 000 713</u>	<u>102 916 228</u>

Section 125(2)(d)(i) of MFMA - states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable.

The total unauthorised expenditure was referred to council for further investigation, a portion has been condoned. Management is still awaiting the investigation outcomes of the remaining unauthorised expenditure.

48. Fruitless and wasteful expenditure

Opening balance	674 878	312 053
Add: Fruitless and wasteful expenditure - current year	14 704	362 825
	<u>689 582</u>	<u>674 878</u>

Section 125(2)(d)(i) of MFMA - states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable.

The total fruitless and wasteful expenditure was referred to council for further investigation. Management is still awaiting the outcome of the investigation.

49. Irregular expenditure

Opening balance	93 527 420	66 662 053
Add: Irregular expenditure - current year	19 760 508	26 865 367
	<u>113 287 928</u>	<u>93 527 420</u>

Analysis of expenditure awaiting condonation per age classification

Current year	19 760 508	26 865 367
Prior years	93 527 420	66 662 053
	<u>113 287 928</u>	<u>93 527 420</u>

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49. Irregular expenditure (continued)

Details of irregular expenditure – current year

Councillor remuneration		979 493
Manthabo2 Air-conditioning	The councillors were not paid within the upper limits as prescribed by the Remuneration of Public Office-bearers Act, 1998 (Act No. 20 of 1998). Amount paid to supplier exceeded the contract value	27 196
Nganyes Trading Enterprise	Awards made to a person in service of the auditee	3 000
Elephant springs	The transaction was procured without following competitive bidding process	550 000
Forest Technology	The transaction was procured without following competitive bidding process	268 362
Vusasa Construction	Failure to comply with preferential procurement regulation	173 706
Takatso Ya batho Trading	Failure to comply with preferential procurement regulation	27 800
Royal Classic	Non-Compliance with SCM Regulation	9 166
Park Hotel Mokopane	The transaction was procured without following the quotation process	173 113
Kingdoms Lodge	The transaction was procured without following the quotation process	139 695
Mabonza Lodge	The transaction was procured without following the quotation process	113 460
Human Communications	The transaction was procured without following the quotation process	92 323
Profounder Intelligence Management	The transaction was procured without following the quotation process	25 078
Mabonza Lodge	The transaction was procured without following the quotation process	9 900
Enterprises at University of Pretoria	The transaction was procured without following the quotation process	7 900
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	256 367
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	383 149
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	3 074 571
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	3 205 203
Patrick Makgoka Construction C	Unfair practice exercised-Bidder did not initial all pages of tender document	3 250 539
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	351 393
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	816 796
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	1 237 564
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	1 417 430

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49. Irregular expenditure (continued)		
Maesela Building Construction	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	1 795 207
EMC Consulting Engineers	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	673 806
EMC Consulting Engineers	Unfair practice exercised- The supplier was awarded a tender though he submitted copies of certified copies of ID, qualifications and certificates	698 291
		19 760 508

During the audit process additional irregular expenditure amounting R18 755 085 (2015:26 865 367) was identified, management are still to examine other similar items that did not form part of the samples tested by the auditors to determine whether or not there is additional irregular expenditure requiring disclosure. All these matters will also be investigated within the next 12 months.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	629 750	500 000
Amount paid - current year	(629 750)	(500 000)
	-	-

Audit fees

Current year fee	3 646 236	2 049 682
Amount paid - current year	(3 646 236)	(2 049 682)
	-	-

PAYE and UIF

Current year subscription / fee	10 186 293	6 319 425
Amount paid - current year	(10 186 293)	(6 319 425)
	-	-

Pension and medical aid deductions

Current year subscription / fee	12 395 695	4 253 414
Amount paid - current year	(12 395 695)	(4 253 414)
	-	-

VAT

VAT receivable	5 316 377	1 711 410
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VAT output payables and VAT input receivables are shown in note 8.

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 2016.

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Emergency			
Mpisi electrical network	6 270		32 118
Sole supplier or agent			
BB truck and tractor	-	2 637 121	
IMFO	108 038	7 652	
Komatsu	-	2 919 084	
Trolley and bin	-	791 908	
Government printing works	7 287	-	
Workshop electronics	339 142	-	
Institute of traffic and municipal police officers	3 000	-	
SALGA	41 000	-	
SAMSRA	6 000	-	
SITA (GovTech)	16 200	-	
Truvelo manufacturers	6 480	-	
IMESA	6 250	-	
Lexis Nexis	19 702	-	
IRMSA	5 244	-	
Torque IT	29 070	-	
Government directory	41 034	-	
CQS business integrity	12 288	-	
Sage VIP payroll	25 553	-	
Institute of internal auditors	4 267	-	
IMSSA	5 000	-	
Bentley systems intelligence	3 562	-	
SAPI	8 160	-	
Impossible or impractical			
Bushfellows	-	13 494	
Club news and printing trading as, The voice	-	8 200	
Environment and sustainable solutions cc	-	55 205	
Euphoria golf estate	-	114 582	
Forever Resorts Warmbaths	-	24 220	
Forsdyck workwear cc	-	86 993	
Karibu leisure resorts	-	11 716	
Protea hotels parktonian	-	9 775	
Thaba moshate hotel and casino	-	2 720	
The whitehouse guesthouse	-	40 845	
Twain 2	-	102 917	
Hilltop solutions	88 193	-	
Royal classics	13 227	-	
Human communications	92 323	-	
Whoodoo media	20 171	-	
Elephants springs hotel	550 000	-	
Mangueng traffic training college	45 000	-	
Enterprises at University of Pretoria	293 492	-	
Great north transport	60 500	-	
Profounder intelligence management	25 078	-	
Park hotel Mokopane	173 113	-	
Mabonza lodge	123 360	-	
Forest technology	268 362	-	
Le Mark training development	51 745	-	
Funnamics (TBAE)	42 000	-	
TSS transformers (Zest Weg)	28 491	-	
Kingdoms lodge	139 695	-	
	2 708 297		6 858 550

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51. Impairment of assets

Impairments

Property, plant and equipment
The impairment of the landfill site is due to the fact that the entity considered that there is an indication that the full carrying value of the asset is not recoverable. In terms of IGRAP2 if there is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss. The test was performed and the complete trading service and recoverable amount is applicable. The calculated impairment is disclosed as R1 524 703 for the 2016 financial year.

1 524 703

52. Budget differences

Material differences between budget and actual amounts

- 1 Variance is as results of private uses, saving electricity.
- 2 Variance is as results of renovation of Town hall, during renovation the hall could not be hired.
- 3 Variance is as a results of over budgeting, Budget included Roads and transport amount instead of budgeting for agency service fees only.
- 4 Variance on other income is mainly caused by fees departmental vote as a results of over budgeting .
- 5 Variance is as a result of increase in a number of outstanding debtors.
- 6 Variance is as result of monthly reconciliation on property rates which lead to a favourable adjustment during the year.
- 7 Variance is manly as a results on unspent Municipal Infrastructure Grant and Municipal System Improvement Grant .
- 8 Variance is as a result of budgeting fines on cash basis whereas the actual figure is on accrual basis.
- 9 Variance is as result of savings from vacant positions. E.g. Director Planning.
- 10 The variance is as a results on passing on of some councillors .
- 11 Variance on depreciation is as a results of over estimates on budget.
12. More interest was paid than anticipated in the budget.
- 13 Debt Impartment variances arises as a results of budgeting it under general expenditure instead of a separate item.
- 14 Collection cost variance arises as a results of budgeting it under general expenditure instead of a separate item.
- 15 Dismissal of chief mechanic and fleet superior led to low spending on repairs and maintenance of vehicles.
- 16 Consumption level of client did not reach our target.
- 17 Variance is caused by incorrectly budgeting for separate line items inside general expenditure
- 18 Transfer and subsidies variances arises as a results of budgeting it under general expenditure instead of a separate item.
- 19 Variance is caused by incorrectly budgeting for separate line items inside general expenditure .
20. Contacted services variance arises as a results of budgeting it under general expenditure instead of a separate item
21. Variance in total assets is caused by under budgeting
22. Variance in total liability is caused by under budgeting

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52. Budget differences (continued)

- 23 Variance in total net assets is caused by under budgeting
- 24 The overall variance in cash flow statement is as a result of overestimate of cash inflow to the municipality
- 25. Loss on disposal of assets and liabilities variance arises as a result of budgeting it under general expenditure instead of a separate item.
- 26. Fair value adjustment variance arises as a result of not budgeting it as a line item.
- 27. Actuarial Gain/ (Losses) variance arises as a result of budgeting it under general expenditure instead of a separate item.

CHAPTER 6: AUDITOR GENERAL REPORT

Introduction

The municipality received a Qualified opinion from the Office of the Auditor General with respect to 2015/16, a significant improvement from the Disclaimer received in 2014/15

COMPONENT A: AUDITOR GENERAL'S OPINION OF FINANCIAL STATEMENTS

6.1 AUDITOR GENERAL'S REPORT 2015/16

Refer attached report from the office of the Auditor General for the 2015/16 financial year ended 30 June 2016

Report of the auditor-general to the Limpopo provincial legislature and the council on Ephraim Mogale Local Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Ephraim Mogale Local Municipality set out on pages xxx to xxx, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Property, plant and equipment

6. The municipality did not recognise all items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. I identified infrastructure, plant and machinery belonging to the municipality that was not included in the underlying records, as the municipality did not have adequate systems. There were no satisfactory alternative means that I could perform to quantify the extent of the understatement of property, plant and equipment stated at R803 262 197 (2015: R793 217 685) as per the statement of financial position. Additionally, there is a resultant impact on the accumulated surplus.
7. The municipality did not adequately review the residual values and useful lives of property, plant and equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. I identified assets with a zero net carrying value that are still in use. Furthermore, I identified land and buildings included in the underlying accounting records with a gross carrying amount of zero. I was not able to determine the impact on the net carrying amount of property, plant and equipment stated at R803 262 197 (2015: R793 217 685) as per the statement of financial position as it was impracticable to do so. Additionally, there is a resultant impact on the accumulated surplus.

Investment property

8. The municipality recognised items that did not meet the definition of investment property in accordance with GRAP 16, *Investment property*. I identified owner occupied properties that were recorded as investment property instead of property, plant and equipment. Furthermore, I identified land that was recorded as investment property instead of inventory. There were no satisfactory alternative means that I could perform to quantify the extent of the overstatement of investment property of R57 562 700 (2015: R51 773 000) in the financial statements. Additionally, there is a resultant impact on property, plant and equipment, inventory, surplus for the period and the accumulated surplus.
9. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for investment property. As described in error number eight of note 43 to the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence for an amount of R34 352 000. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to the investment property corresponding figure stated at R51 773 000 in the financial statements was necessary.

Cash and cash equivalents

10. I was unable to obtain sufficient appropriate audit evidence to support bank reconciling items amounting to R12 299 399 (2015: R12 318 181) in respect of cash and cash equivalents, as the municipality did not have adequate systems in place. I could not confirm the reconciling items by alternative means. Consequently, I was unable to determine whether any adjustments to cash and cash equivalents stated at R113 249 023 (2015: R80 804 597) disclosed in the financial statements was necessary.

Irregular expenditure

11. The municipality made payments in contravention of the supply chain management requirements, resulting in irregular expenditure of R19 760 508 (2015: R26 865 367). As the municipality did not implement and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, I was unable to determine the full extent of the understatement by alternative means. Consequently, I was unable to determine whether any further adjustments relating to irregular expenditure disclosed at R113 287 928 (2015: R93 527 420) in the financial statements was necessary.

Qualified opinion

12. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matter

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

Material impairments

14. As disclosed in note 30 to the financial statements, material losses to the amount of R3 497 031 were incurred as a result of receivables being doubtful.

Additional matters

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

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

Predetermined objectives

19. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2016:
- Development priority 2: Basic service delivery and infrastructure development on pages xx to xx
20. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
21. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).
22. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
23. The material findings in respect of the selected development priority are as follows:

Priority 2: Basic service delivery and infrastructure development

Usefulness of reported performance information

Consistency of objectives, indicators and targets

24. Section 41(c) of the Municipal Systems Act, 2000 (Act No.32 of 2000) (MSA) requires the Integrated Development Plan (IDP) to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported objectives, reported indicators and reported targets

were not consistent with those in the approved integrated development plan. This was due to management not exercising proper oversight responsibility over performance planning and reporting.

Measurability of indicators and targets

25. The FMPPI requires that performance targets should be specific in identifying the nature and required level of performance and measurable. A total of 17% of important targets were not specific and measurable.
26. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 13% of important indicators were not well defined.

Reliability of reported performance information

27. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of 11% important indicators were not reliable when compared to the evidence provided.

Additional matters

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

Achievement of planned targets

29. Refer to the annual performance report on pages xx to xx for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development priorities reported in paragraphs 28 to 31 of this report.

Unaudited supplementary information

30. The supplementary information set out on pages xx to xx does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

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

Strategic planning and performance management

32. The performance management system was not adopted by council as required by section 38(a) of the MSA and the *Municipal planning and performance management regulation* (8).
33. Key performance indicators in respect of each of the development priorities and objectives were not set out in the IDP, as required by section 41(1)(a) of the MSA and the *Municipal planning and performance management regulation* 1 and 9(1)(a).
34. The service delivery and budget implementation plan (SDBIP) for implementing the municipality's delivery of municipal services and annual budget did not indicate projections for each month of the revenue to be collected, by source and the operational and capital expenditure, by vote as required by section 1 and 53(1)(c) of the MFMA.
35. The adopted IDP did not reflect and identify the key performance indicators and targets as required by sections 26(i) and 41 of the MSA, as well as regulation 2(1)(e) of the *Municipal planning and performance management regulation*.
36. The key performance indicators set by the municipality did not include indicators on percentage of households with access to basic electricity and solid waste removal] were not set by the municipality as required by section 43(2) of the MSA and the *Municipal planning and performance management regulation* 10(a).

Annual financial statements

37. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

38. Reasonable steps were not taken to prevent irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

39. Thresholds for local content on designated sectors' procurement were not properly applied in accordance with the requirements of the *Preferential Procurement regulation* 9.

Revenue management

40. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.

Asset management

41. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
42. Sufficient, appropriate audit evidence could not be obtained to determine whether or not capital assets permanently disposed were not needed to provide the minimum level of basic municipal service, in contravention of section 14(1) of the MFMA.
43. Capital assets were permanently disposed without the approval of the council, as required by section 14(2)(a) of the MFMA.

Human resource management and compensation

44. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff in contravention of section 67(d) of the MSA.

Consequence management

45. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
46. Cases of financial misconduct which constitute a crime committed by officials were not always reported to the South African Police Service, as required by section 10(1) of the *Municipal regulations on financial misconduct* procedures and criminal proceedings.

Internal control

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

Leadership

48. There was no effective review of the financial statements and the annual performance report, resulting in several material misstatements being identified.
49. The accounting officer did not implement effective processes to ensure that the municipality has adequate and sufficiently skilled resources and that unauthorised, irregular and fruitless and wasteful expenditure is prevented.
50. The action plan developed by the municipality to address internal and external audit findings did not adequately address the root causes to ensure that matters raised do not recur.
51. Unauthorised, irregular and fruitless and wasteful expenditure was not prevented and investigated to determine if any person is liable for the expenditure.

Financial and performance management

52. The financial statements and other information to be included in the annual report are not adequately reviewed for accuracy and completeness by the accounting officer.
53. The municipality does not have adequate skills in the finance unit resulting in over reliance on external consultants for financial reporting functions.
54. Controls over compliance with laws and regulations, daily and monthly processing and reconciling of transactions were not adequately monitored by the accounting officer.

Governance

55. The municipality's annual risk assessment report for the year was only approved on 25 May 2016, this was too late to facilitate risk prioritisation for the year, risk monitoring and also to inform the internal audit plan.
56. The internal audit unit could not complete all the planned audits and fulfil all of its responsibilities due to understaffing for the greater part of the year.
57. The effectiveness of the audit committee was affected by the understaffing of the internal audit unit for the greater part of the year and late submission of financial and performance reports for review.

Other reports

58. I draw attention to the following engagements that could potentially impact on the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

59. Investigations were performed internally on three officials in connection with misconduct. The investigations were finalised with the officials being warned and two being further suspended for nine days without remuneration.

Audibr-General

Auditor-General

Polokwane

30 November 2016



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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.