# EPHRAIM MOGALE
## LOCAL MUNICIPALITY

111
MARBLE HALL
0450
013-261 8400
013-261 2985

| | |
|---|---|
| Leeuwfontein Office | (013) 266 7025 |
| Elandskraal Office | (013) 268 0006 |
| Zamenkomst Office | (013)973 9160 |
| Traffic Section | (013) 261 8400 |


**EXTRACTS FROM THE MINUTES OF THE 5$^{TH}$ SPECIAL COUNCIL MEETING OF EPHRAIM MOGALE LOCAL MUNICIPALITY HELD ON MONDAY THE 25$^{TH}$ JANUARY 2016**

**FILE/S:** **9/1/2/4**

**SC5/02/2016 ANNUAL REPORT: 01 JULY 2014 TO 30 JUNE 2015**

**RESOLVED**

1. That community to submit representatives in connection with Annual Report for 2014/2015 the Council approves the report to be made public and invites the local.
2. That the Council takes cognizance of the circulated Annual report for the period of July 2014 to 30 June 2015.
3. That the Annual Report be submitted to the Auditor-General, Limpopo Provincial Treasury and Limpopo: Coghsta
4. That the report be referred to MPAC
5. That the Acting Municipal Manager implements the decision accordingly.

**P. RANOTO**
**ACTING SPEAKER** **25 JANUARY 2016**

**FINALISATION BY:**

**Referred to** Planning & Economic Dev. **by Acting Municipal Manager**

**M.J. Lekola**
**Acting Municipal Manager**

25/01/2016

EPHRAIM MOGALE MUNICIPALITY
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EPHRAIM

MOGALE

LOCAL

MUNICIPALITY

# ANNUAL REPORT

## 2014-15

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# CHAPTER 1: MUNICIPAL'S OVERVIEW

The EMLM's annual report for the period 1 July 2014 to 30 June 2015 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 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**

Viable and sustainable municipality that provides quality services.

**b. Key Policy Developments**

This report follows four 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 on optimising organisational performance to ensure a move towards organisational culture that adapts more easily to change.

Despite all challenges we will strive to continue rendering high quality services to our communities during 2014/2015 financial year. The Municipality committed itself to the principles of innovation and improved service delivery to take us forward into the future. EMLM have obtained a disclaimer audit opinion during the 2013/2014 financial year.

**c. Key Service Delivery Improvements**

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

- Construction of Moomane Community Hall.
- Construction of Driefontein Community Hall.
- Rehabilitation of Leeuwfontein Internal Streets.
- Construction of Mogalatsane and Phetwane Internal Roads.

- Construction of Letebejane and Ditholong Bus Route.
- Construction of Mmakgatle A-B Bus Route Phase 2.

**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.

**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)**

EMLM initiated a partnership with the Classy Funeral Brokers during the period under review allocating the municipality with trophies for achieving top learners. 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**

Whilst we acknowledge the progress made, we are 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 2012- 2017. In terms of our Vision, the Municipality wants to thank the community of EMLM 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 EMLM "**Viable and sustainable municipality that provides quality services**".

**Comparison of the two financial years; 2012/2013 and 2013/2014**

| 2013/2014 Financial Year | | | | |
|---|---|---|---|---|
| **KPA** | **TARGET** | **TARGETS ACHIEVED** | **TARGETS NOT ACHIEVED** | **% ACHIEVEMENT** |
| KPA 01 | 05 | 01 | 04 | 20% |
| KPA 02 | 23 | 11 | 13 | 54% |
| KPA 03 | 280 | 73 | 213 | 25% |
| KPA 04 | 133 | 322 | 01 | 242% |
| KPA 05 | 13 | 11 | 02 | 84% |
| KPA 06 | 2457 | 1879 | 609 | 76% |
| TOTAL | 2911 | 2297 | 842 | 76% |

*Table 1*

| 2014/2015 Financial Year | | | | |
|---|---|---|---|---|
| **KPA** | **TARGETS** | **TARGETS ACHIEVED** | **TARGETS NOT ACHIEVED** | **% ACHIEVEMENT** |
| KPA 01 | 05 | 03 | 02 | 60% |
| KPA 02 | 47 | 31 | 16 | 76% |
| KPA 03 | 04 | 03 | 01 | 75% |
| KPA 04 | 35 | 30 | 05 | 85% |
| KPA 05 | 09 | 07 | 02 | 77% |
| KPA 06 | 16 | 13 | 03 | 81% |
| TOTAL | 116 | 87 | 29 | 78% |

*Table 2*

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

(Signed by :) ______________________

**Mayor: Mmakola MY**

## COMPONENT B: MUNICIPAL MANAGER'S OVERVIEW

### 1.2 MUNICIPAL MANAGER'S OVERVIEW

The 2014/2015 financial year represented a turning point in the life of the Municipality where, in April 2013, the political and administrative leadership took hands and reshaped the Integrated Development Plan (IDP) for the next financial year. This was done through an intensive process of internal reflection and extensive public consultation that resulted in a revised IDP that was understood and appreciated by all role players. Although, the benefits thereof would only be enjoyed during the 2015/2016 financial year, it did serve to develop at that stage a common set of priorities and approaches among the leadership which may not have been there before

### MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

The name of the municipality was changed to Ephraim Mogale Local Municipality by an amendment of section 12 notice in Provincial Gazette No 1721 by General notice 10 of 2010 on 28 January 2010 with new logo and slogan - RE HLABOLLA SETSHABA which means "We develop our people".

The EMLM is composed of former Marble Hall New City council, Moutse West, 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 December 2000 in terms of section 12 notice no.302 dated 1 October 2000.The municipality was a cross boundary municipality which comprises 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.

Ephraim Mogale Local Municipality, formerly known as Greater Marble Hall Local Municipality is a local municipality (category B4) within the Sekhukhune District Municipality, in Limpopo. The municipality's new name was adopted in January 2010 with a new slogan that says "Rehlabolla setshaba", meaning "We develop our people". The municipality is named after the struggle hero Ephraim Mogale. The municipality borders Makuduthamaga Local Municipality in the south, Elias Motsoaledi 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 150 km from Polokwane, 100 km from Mokopane, 145 km from Pretoria, and 250 km from Mbombela. The municipality is the second smallest of the five local municipalities in the district, constituting 14, 4% of the area with 1 911, 07 square kilometers of the district's 13 264 square kilometres. 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.

| Municipal Powers and Functions | | |
|---|---|---|
| Air Pollution | Building regulations | Local tourism |
| Child care facilities | Electricity reticulation | Public places |
| Municipal airport | Storm water | Refuse removal refuse dumps and solid waste disposal |
| Municipal planning | Trading regulations | Street trading |
| Municipal Public Transport | Beaches and amusement facilities | Street lighting |
| Pontoons & Ferries | Registration authority | Traffic and parking |
| Municipal parks and recreation | Local amenities | Facilities for the accommodation, care and burial of animals |
| Municipal roads | Local sports facilities | Fencing and fences |
| Noise pollution | Markets | Licensing of dogs |
| Pounds | Municipal Abattoirs | Licensing and control of undertakings that sell food to the public |
| Control of undertakings that sell liquor to the public | Control of public nuisance | Cleansing |
| Cemeteries, funeral parlours and crematoria | Billboards and the display of advertisements in public places | |

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

| Municipal Population | | | | | |
|---|---|---|---|---|---|
| **Population** | **2011** | **2001** | **Households** | **2011** | **2001** |
| Total | 123082 | 121327 | Total | 32284 | 24189 |

*Table4: the table above depicts Municipal Population according to census 2011*

**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

| Major Natural Resources within the Municipality |
|---|
| Agriculture |
| Farming |
| Tourism |

**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.

**THE BACKLOG ON SERVICES (WATER AND SANITATION)**

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

**Water**

| EMLM | Households | %Backlog |
|---|---|---|
| | 28 313 | 87% |

**Sanitation**

The provision of sanitation in EMLM 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.

| EMLM | Households | %Backlog |
|---|---|---|
| | 29 346 | 90% |

**ELECTRICITY**

Household electricity backlog

| EMLM | Households | Backlog |
|---|---|---|
| | 32 284 | 958 |

Public lighting backlog

| EMLM | Villages | Backlog |
|---|---|---|
| | 56 | 34 |

**WASTE MANAGEMENT**

The Municipality managed to achieve and accommodate the collection of refuse for at least once a week in the following 5 areas: Marble Hall, Leeufontein, Leeufontein RDP, Elandskraal and Schoeman Farms. New refuse collection vehicles that assisted the Municipality in the efforts were bought at an amount of R5 565.000.00

The greening of the municipality was done by the planting of trees in Marble Hall Town and the Municipality won the Greenest Municipal Competition award in Sekhukhune district.

**Refuse disposal for Households within EMLM and Backlogs**

| | |
|---|---|
| Removed by local authority/private company at least once a week | 5619 |
| Removed by local authority/private company less often | 0 |
| Communal refuse dump | Unknown |
| Own refuse dump | Unknown |
| No rubbish disposal | - |
| Other | 26 665 |
| **Grand Total** | **32 284** |

**ROADS**

- Full report on organisational performance addresses the project status.

| Project Name | Approved Budget |
|---|---|
| Planning and Designs for Mohlalaotwane Internal Streets | R 1 200 000.00 |
| Rehabilitation of Leeuwfontein Internal Streets | R 1 200 000.00 |
| Construction of Mogalatsane and Phetwane Internal Roads | R 8 837 272.57 |
| Construction of Letebejane and Ditholong Bus Route | R 1 200 000.00 |
| Construction of Mmakgatle A-B Bus Route Phase 2 | R 4 571 440.48 |
| Construction of Matilu Internal Streets | R 2 040 600.58 |
| Construction of Puleng Internal Streets | R 1 384 898.20 |
| Planning and Designs Dichoeung Internal Streets | R 1 300 000.00 |
| Construction of Elandskraal Internal Streets | R 3 143 550.10 |

## MIG EXPENDITURE

- The percentage of MIG Expenditure for 2014/15 was 90%

## FINANCIAL HEALTH OVERVIEW

| FINANCIAL OVERVIEW – 2014/2015 | | | |
|---|---|---|---|
| Details | Original Budget | Adjustment Budget | Actual |
| Income | 96 425 753 | 97 004 262 | 92 434 108 |
| Grants | 126 497 000 | 126 497 000 | 126 296 106 |
| Taxes, levies and tariffs | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| **Sub-Total** | **222 922 753** | **223 501 262** | **218 730 214** |
| Less Expenditure | 249 348 154 | 269 501 262 | 178 873 710 |
| **Net Total** | **26 425 400** | **46 000 000** | **47 092 234** |

### Operating Ratios

| Operating Ratios | |
|---|---|
| Detail | % |
| Employee Costs | 97% |
| Repairs & maintenance | 85% |
| Finance charges and Depreciation | 98% |

## ORGANISATIONAL DEVELOPMENT OVERVIEW

### Human Resources Overview

2014/2015

| | |
|---|---|
| Total posts on the organogram | **315** |
| Total number of employees | **216** |
| Total number of vacancies | **99** |
| Number of terminations | **14** |
| Number of retirements | **3** |
| Resignations | **8** |
| Death | **3** |
| Contract ended | **1** |
| Retention/Promotions | **2** |

**Approved and reviewed policies**

| NO. | POLICY NAME | Approved | Reviewed | File/Resolution Number |
|---|---|---|---|---|
| 1 | Cellphone policy | Yes | 28/05/2015 | 095844 |
| 2 | Credit Control & Debt Collection policy | Yes | 28/05/2015 | 095857 |
| 3 | Indigent Support policy | Yes | 28/05/2015 | 095848 |
| 4 | Overtime & Standby policy | Yes | 28/05/2015 | 095854 |
| 5 | Property Rates policy | Yes | 28/05/2015 | 095856 |
| 6 | SCM Policy | Yes | 28/05/2015 | 095855 |
| 7 | Travel & Subsistence policy | Yes | 28/05/2015 | 095845 |
| 8 | Acting Allowance policy | Yes | 28/05/2015 | 095846 |
| 9 | Budget policy | Yes | 28/05/2015 | 095851 |
| 10 | Virement policy | Yes | 28/05/2015 | 095847 |
| 11 | Bursary for staff policy | Yes | 28/05/2015 | 095850 |
| 12 | Bursary for Community policy | Yes | 28/05/2015 | 095849 |
| 13 | Tariffs and Rates policy | Yes | 28/05/2015 | 095852 |
| 14 | Investment policy | Yes | 28/05/2015 | 095853 |
| 15 | Transport Allowance policy | Yes | 28/05/2015 | 095843 |

**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**

| NO | SURNAME & NAMES | WARD | VILLAGE | SCHOOL | PROJECT | YEAR | INSTITUTION | OUTCOME | COST |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Matlala Thabang | 12 | Mmakgatle | St Paul | BSC in Biology & Agricultural Science | 2015 | University of Pretoria | Final year | R55 000.00 |
| 2 | Maluleka Johana P | 08 | Moganyaka | Ngwanakwena | BSC in Agriculture & Plant Production | 2015 | University of Limpopo | Third year | R36 007.00 |
| 3 | Magaela Glotinah Puseletso | 08 | Moganyaka | Ngwanakwena | BSC in Agriculture & Plant Production | 2015 | University of Limpopo | Third year | R43 651.70 |
| 4 | Mphetu Danies | 15 | Elandskraal | Lepelle | BSC Mathematical Science | 2015 | University of Pretoria | Third | R12 042.95 |
| 5 | Mogadima Baron Moekaneng | 11 | Rakgoadi | Mokoneamabula | Civil Engineering | 2015 | University of Johannesburg | Second year | R55 000.00 |
| 6 | Malope Zanele | 08 | Leeuwfontein | Mahlontebe | Becom Economics & Management | 2015 | University of Limpopo | Second year | R55 000.00 |
| 7 | Makeke Charity M | 12 | Mabitsi A | Puputle | Diploma in Accounting | 2015 | Tshwane University of Technology | Third year | R26 010.00 |
| 8 | Nkoana Seleleka KP | 01 | Malebitsa | Kgagatlou | MBCHB Degree | 2015 | Sefako Makgato Health Science University | Second year | R87 616.00 |
| 9 | Maserumule Modibo Wendy | 11 | Rakgoadi | Ngwanamashile | BSC in Financial Mathematics | 2015 | University of North West | First year | R30 518.77 |
| 10 | Moeng Cornelius G | 11 | Rakgoadi | Mokoneamabula | Bachelor in Mining Engineering | 2015 | University of Pretoria | First year | R34 770.00 |

| NO | SURNAME & NAMES | WARD | VILLAGE | SCHOOL | PROJECT | YEAR | INSTITUTION | OUTCOME | COST |
|---|---|---|---|---|---|---|---|---|---|
| 11 | Kgwale Lesly | 08 | Moganyaka | Ngwanakwena | Bachelor of Science Biology Chemistry | 2015 | University of Venda | First year | R31 780.00 |
| 12 | Napo Fortunate Rorisang | 02 | Keerom | St Paul | B,Com Financial Services | 2015 | University of Pretoria | First year | R55 000.00 |
| 13 | Nchabeleng Sam | 08 | Moganyaka | Ngwanakwena | BSC in Life Sciences | 2015 | University of Limpopo | First year | R31 995.00 |
| 14 | Disegwane Shadwill | 11 | Rakgoadi | Mokoneamabula | Diploma in Finance & Accounting | 2015 | Tshwane University of Technology | First year | R17 040.00 |
| 15 | Chidi Thabiso Polone | 15 | Elandskraal | Lepelle | MBCHB Degree | 2015 | University of Stellenbosch | First year | R42 840.00 |
| 16 | Hopyani Kagiso G | 16 | Letebejane | Kotole | LLB Degree | 2015 | University of Johannesburg | First year | R26 670.00 |
| 17 | Matlala Pinyana Khutso | 11 | Makhutso | Moreri Choenyana | BSC in Life Science | 2015 | Sefako Makgato Health Science University | First year | R50 567.26 |
| 18 | Mmakola Mathome Otto | 11 | Rakgoadi | Mokoneamabula | Bachelor of Science | 2015 | University of Witwatersrand | First year | R77 547.00 |

**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 **36** employees received different training. The WSP and annual training report were submitted to LGSETA at the end of each financial year. Municipality spent **R580 000.00** of skills development levy and received **R43 000.00** from LGSETA.

At the beginning of the financial year **R600 000.00** was budgeted for training, and these funds were exhausted by the end of the financial year. The training plan is effectively implemented in our municipality as we ensure that all officials on the training plan undergo relevant training.

**AUDITOR GENERAL REPORT**

- See Chapter 6: Auditor-General Report 2014/15.

pp
**MATHEBELA MM**
**MUNICIPAL MANAGER**

# CHAPTER 2

## COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

### 2.1. Political Governance

The municipality is composed by the Mayor Cllr Mmakola MY, Speaker Cllr Modisha LB and 06 Executive committee members and other councillors. There are also Section 80 & 79 committees that process all the issues before they go to council.

**INFORMATION ON EPHRAIM MOGALE COUNCILLORS**

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.

Below is a table that categorised the Councillors within their specific political parties and wards for the 2014/2014 financial year:

| SURNAME & INITIALS | POSITION | CONTACTS |
|---|---|---|
| Cllr Mmakola M Y | Mayor | 082 575 5363 |
| Cllr Modisha L B | Speaker | 082 575 5207 |
| Cllr Ratau M F | Chiefwhip | 082 578 0256 |
| Cllr Monyamane E M | EXCO | 072 260 3717 |
| Cllr Matlala F | EXCO/Ward Councillor | 082 575 6617 |
| Cllr Mahlobogoane S T | EXCO | 082 764 1429 |
| Cllr Phefadi M G | EXCO | 076 092 4415 |
| Cllr Makitla T S | EXCO | 073 636 3967 |
| Cllr Bokaba H S | Ward Councillor (1) | 083 359 8111 |
| Cllr Kekaka M M | Ward Councillor (2) | 073 628 2333 |
| Cllr Ranoto P | Ward Councillor (3) | 072 491 2982 |
| Cllr Sebothoma O E | Ward Councillor (4) | 082 587 5283 |

| | | |
|---|---|---|
| Cllr Matlala F | Ward Councillor (5) | 082 575 6617 |
| Cllr Tshiguvho E M | Ward Councillor (6) | 076 383 7656 |
| Cllr Mphahlele L J | Ward Councillor (7) | 073 134 5467 |
| Cllr Makanyane G N | Ward Councillor (8) | 079 966 5551 |
| Cllr Ndobeni N R | Ward Councillor (9) | 079 176 7256 |
| Cllr Morwaswi E M | Ward Councillor (10) | 076 236 8921 |
| Cllr Seoka K M | Ward Councillor (11) | 082 719 1740 |
| Cllr Phala M G | Ward Councillor (12) | 076 091 8774 |
| Cllr Mashego B G | Ward Councillor (13) | 072 146 4994 |
| Cllr Chauke M S | Ward Councillor (14) | 079 856 2769 |
| Cllr Bogopa J H | Ward Councillor (15) | 073 422 0326 |
| Cllr Sehlola E T | Ward Councillor (16) | 082 723 3290 |
| Cllr Molotshwa F K | PR Councillor (PAC) | 073 215 6106 |
| Cllr Nchabeleng M J | PR Councillor (COPE) | 073 504 3771 |
| Cllr Mothwa N M | PR Councillor (MP) | 076 212 3429 |
| Cllr Mamogobo S C | PR Councillor (ANC) | 073 432 0566 |
| Cllr Mokonyane M J | PR Councillor (MP) | 071 457 1010 |
| Cllr Seono M R | PR Councillor (ANC) | 082 575 5274 |
| Cllr Esson B A | PR Councillor (DA) | 073 377 8640 |
| Cllr Mabaso W M | PR Councillor (ANC) | 079 264 0800 |
| Cllr Kekana K N | PR Councillor (ANC) | 079 681 9533 |

**EXECUTIVE COMMITTEE**

The Mayor of the Municipality, Councillor Mmakola MY, 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.

## PORTFOLIO COMMITTTEES

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 2014 – 30 June 2015:

| CORPORATE SERVICES PORTFOLIO COMMITTEE | | | | |
|---|---|---|---|---|
| **NO.** | **NAME OF COUNCILLORS** | **DESIGNATION** | **CELL NUMBERS** | **SPEED DIAL** |
| 1 | Cllr N R Ndobeni | Chairperson | | |
| 2 | Cllr M E Morwaswi | Member | | |
| 3 | Cllr L J Mphahlele | Member | | |
| 4 | Cllr F K Molotshwa | Member | | |
| 5 | Cllr B G Mashego | Member | | |
| 6 | Cllr S C Mamogobo | Member | | |
| 7 | Kgoshigadi M.P. Rahlagane | Royalty | | |
| 8 | Cllr F Matlala | EXCO member | | |
| BUDGET AND TREASURY PORTFOLIO COMMITTEE | | | | |
| 1 | Cllr W M Mabaso | Chairperson | | |
| 2 | Cllr B A Esson | Member | | |
| 3 | Cllr K N Kekana | Member | | |
| 4 | Cllr M M Kekana | Member | | |
| 5 | Cllr M J Mokonyane | Member | | |
| 6 | Cllr S T Mahlobogoane | EXCO Member | | |
| 7 | Kgoshi P.K. Kekana | Royalty | | |
| PLANNING AND ECONOMICE DEVELOPMET PORTFOLIO COMMITTEE | | | | |
| 1 | Cllr E T Sehlola | Chairperson | | |

| | | | | |
|---|---|---|---|---|
| 2 | Cllr G N Makanyane | Member | | |
| 3 | Cllr M J Nchabeleng | Member | | |
| 4 | Cllr J H Bogopa | Member | | |
| 5 | Cllr O E Sebothoma | Member | | |
| 6 | Cllr Tshighuvho E.M. | Member | | |
| 7 | Cllr T Makitla | EXCO Member | | |
| COMMUNITY SERVICES PORTFOLIO COMMITTEE | | | | |
| 1 | Cllr M R Seono | Chairperson | | |
| 2 | Cllr E M Tshiguvho | Member | | |
| 3 | Cllr N Z Mampane | Member | | |
| 4 | Clllr M S Chauke | Member | | |
| 5 | Cllr M G Phefadi | EXCO Member | | |
| 6 | Cllr B G Mashego | Member | | |
| 7 | Kgoshi M.M. Matlala | Royalty | | |
| INFRASTRUCTURE PORTFOLIO COMMITTEE | | | | |
| 1 | Cllr K M Seoka | Chairperson | | |
| 2 | Cllr N Z Mampane | Member | | |
| 3 | Cllr K N Kekana | Member | | |
| R | Cllr P Molotshwa | Member | | |
| 5 | Cllr H S M Bokaba | Member | | |
| 6 | M.E. Monyamane | EXCO Member | | |
| 7 | Kgoshi M Mashung | Royalty | | |
| CHAIRPERSON OF CHAIRPERSONS | | | | |
| 1 | Cllr P Ranoto | Chairperson | | |
| 2 | Cllr K M Seoka | Member | Infrastructure | |
| 3 | Cllr E T Sehlola | Member | Planning and ED | |

| | | | | |
|---|---|---|---|---|
| 4 | Cllr W M Mabaso | Member | Finance and Treasury | |
| 5 | Cllr M R Seono | Member | Community | |
| 6 | Cllr N R Ndobeni | Member | Corporate | |
| 7 | Cllr M G Phala | Chairperson | MPAC | |

| RULES AND ETHICS COMMITTEE | | | | |
|---|---|---|---|---|
| 1 | Cllr L B Modisha | Chairperson | | |
| 2 | Cllr O E Sebothoma | Member | | |
| 3 | Cllr MG Phala | Member | | |
| 4 | Cllr E T Sehlola | Member | | |
| 5 | Cllr M M Kekana | Member | | |
| 6 | Cllr F K Molotshwa | Member | | |
| 7 | Kgoshi Lehwelere-Matlala M.A | Royalty | | |

| MUNICIPAL PUBLIC ACCOUNTS COMMITTEE | | | | |
|---|---|---|---|---|
| 1 | Cllr M G Phala | Chairperson | | |
| 2 | Cllr B G Mashego | Member | | |
| 3 | Cllr M J Nchabeleng | Member | | |
| 4 | Cllr J H Bogopa | Member | | |
| 5 | Cllr M M Kekana | Member | | |
| 6 | Cllr O E Sebothoma | Member | | |
| 7 | Cllr K N Kekana | Member | | |
| 8 | Cllr S C Mamogobo | Member | | |
| 9 | Cllr M J Mokonyane | Member | | |

## 2.2. ADMINISTRATIVE GOVERNANCE

### INFORMATION FOR EPHRAIM MOGALE LOCAL MUNICIPALITY TOP MANAGEMENT

| DESIGNATION | INITIAL & SURNAME | GENDER | COMPETENCY |
|---|---|---|---|
| MUNICIPAL MANAGER | Monica Mathebela | F | BED Hons; CPMD; Certificate in Human Resources; Higher Diploma in Education |
| Director Corporate Services | Makoko Lekola | M | BA, Certificate in Business Management, MFMP, Certificate in Government Communication & Marketing, Certificate in Supply Chain Management |
| Chief Financial Officer | Khabo Ramosibi | F | CPMD; National Diploma in Cost Management & Accounting; Certificate in Business Skills; Certificate in Supply Chain Management |
| Director Economic Development and Planning | Vacant | | |
| Director Infrastructure Services | Mahubila Radingwana | F | B-Tech Transport Management (Civil); B-Tech Environmental Engineering; Diploma in Transport Management; Certificate in Supply Chain Management ; |
| Director Community Services | Vacant | | |

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

## 2.3. INTERGOVERNMENTAL RELATIONS

### 2.3.1. DISTRICT INTERGOVERNMENTAL STRUCTURES

- **District Monitoring and Evaluation forum**
- **Mayor's forum**
- **Municipal manager's forum**
- **Debt forum**
- **CFO's forum**
- **IDP forum**

### 2.3.2. PROVINCIAL INTERGOVERNMENTAL STRUCTURES

- **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

### 2.4. PUBLIC ACCOUNTABILITY AND PARTICIPATION

### 2.4.1 OVERVIEW OF PUBLIC ACCOUNTABLITY 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.

#### 2.4.1.1 COMMUNICATION, 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, value for money and efficiencies. They should ideally look to close the communication-consultation loop.

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

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

| COMMUNICATION ACTIVITY | Yes/No |
|---|---|
| Communication Unit | Yes |
| Communication Strategy | Yes |
| Communication Policy | Yes |
| Customer Satisfaction Surveys | Yes |
| Functional Complaint Management Systems | Yes |
| Newsletters distributed at least quarterly | 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 2014/2015 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 authorised 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.

### 2.4.2 IDP PARTICIPATION AND ALIGNMENT

| IDP Participation and Alignment Criteria* | Yes/No |
|---|---|
| Does the municipality have impact, outcome, input, output indicators? | Yes |
| Does the IDP have priorities, objectives, KPIs, development strategies? | Yes |
| Does the IDP have multi-year targets? | Yes |
| Are the above aligned and can they calculate into a score? | Yes |

| | |
|---|---|
| Does the budget align directly to the KPIs in the strategic plan? | Yes |
| Do the IDP KPIs align to the Section 57 Managers | Yes |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP? | Yes |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes | Yes |
| Were the indicators communicated to the public? | Yes |
| Were the four quarter aligned reports submitted within stipulated time frames? | Yes |

## COMPONENT D: CORPORATE GOVERNANCE

### 2.5 CORPORATE GOVERNANCE

### 2.5.1 OVERVIEW OF 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 = 315
- Filled posts = 216
- Vacant = 99

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.

### 2.5.2 RISK MANAGEMENT

Risk management forms part of Ephraim Mogale Local Municipality management's core responsibilities and it is an integral part of the internal processes of the municipality. It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the municipality's service delivery capacity. When properly executed risk management provides reasonable, but not absolute assurance, that the municipality will be successful in achieving its goals and objectives.

Note: MFMA S62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management. Ephraim Mogale Local Municipality is aware of the impact of risk on service delivery; as such it has developed extensive risk mitigating measures for both strategic and operational risks that have been identified.

South Africa's codes of corporate governance have consistently identified risk management as one of the key pillars of good-governance practice and this, as a continuous process, enables constant improvement in strategy design and strategy implementation as well as an organisation's systems and operations. The King III report on corporate governance has identified risk governance as one of the cornerstones that if successfully implemented, can create and sustain stakeholder value.

**The top risks that were identified during strategic risk assessment are:**

| Risk Category | Risk Description | Risk Root Cause | Background to the Objectives |
|---|---|---|---|
| Critical | High turnover of scarce skills personnel (Shortage of skilled personnel). | Salary scale and grading. | The municipality was downgraded to creating salary disparities amongst the old officials and the newly appointed ones. As a result; the newly appointed officials don't serve long due to low salaries. |
| Critical | Health Hazards. | Hazarders by-products from economy activities | Municipality is surrounded by farms and mines which often utilizes hazarder's by-products. |
| Critical | Theft and Vandalism of projects. | Unemployment and substance abuse (addictions). | Municipality / communities not immune from illicit flaw of illegal drugs and substances which incubate theft and vandalism of community assets / projects. |
| Critical | Lack of access to developmental land and increased land prices. | Land privately owned. | Marble hall town is surrounded by farms and privately owned land. However opportunity to buy back the land is always available as most of the farms are on sale. |
| Critical | Failure to attend IDP (and LED) meetings by business sector. | Poor participation. | The municipality's powers and functions around the KPA are mainly of facilitation in nature. Municipality should liaise with relevant government agencies of economic development and other stakeholders including private sector to ensure that the local economy benefit from their initiatives. |

| | | | |
|---|---|---|---|
| Critical | Untraced rate payers. | Poor credit control. | Municipality does not have effective debt collections in place resulting in high average payment rate. Indigent Register is not reviewed to reflect residents who qualify for free basic services. Leeufontein Township Residents do not pay for the services provided by the Municipality. |

### 2.5.3 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, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimise the likelihood of corruption and fraud.

**AUDIT COMMITTEE**

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must- (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to–

- internal financial control;
- risk management;
- performance management; and
- Effective governance.

In the financial year under review the Audit Committee also performed the Performance Audit Function. The Audit committee had a Council-approved charter.

In terms of the audit charter, the Audit Committee is also appointed as the Performance Audit Committee. In terms of the audit charter and subject to relevant legislation, the Audit Committee has the following roles with regards to performance management:

- to advise Council on the functionality of the performance management system;
- to advise Council whether the PMS complies with the Act;
- to advise Council on the extent to which the municipality's performance measures are reliable in measuring performance;

The Audit Committee has the following functions as prescribed in section 166(2)(a-e) of the Municipal Finance Management Act, 2003, Local Government Municipal and Performance Management Regulation, 2001:

- To advise the Council on all matters related to compliance and effective governance.

- To review the annual financial statements, to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual DoRA and other applicable legislation.
- Respond to the council on any issues raised by the Auditor-General in the audit report.
- Carry out such investigations into the financial affairs of the municipality as council may request.
- To perform such other functions as may be prescribed to it by council.
- To review the quarterly reports submitted to it by the internal audit unit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.
- To evaluate the compliance to existing policies and relevant legislation.
- To evaluate audited financial statements and reports with regard to the procurement of items and services.
- The compilation of reports to Council, at least twice during a financial year.
- To assess whether the performance indicators are sufficient.
- To determine possible reasons for discrepancies between performance and targets.
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised.
- To review significant transactions that does not normally form part of Council's business.
- To review the annual report of the municipality.
- Investigating cases of fraud, misbehavior and conflict of interest involving employees
- To focus on and review changes in the accounting policies.
- Making recommendations to council and also carrying out its responsibility to implement the recommendations.
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.
- On a regular basis, review its own effectiveness against pre-set criteria.
- Review the plans of the Internal Audit function and; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- Provide support to the Internal Audit Function.
- Ensure that no restrictions or limitations are placed on the Internal Audit Unit.
- Evaluate the activities of the Internal Audit function in terms of their role as prescribed by legislation.
- Provide council with comments and recommendations with regard to the proposed budget for the following year.

**Below are Audit Committee members**

| Name | Capacity | Meeting Dates |
|---|---|---|
| Mr T Malatji | Chairperson | 26 August 2015 |
| Ms Ramataboe | Member | |

| | | |
|---|---|---|
| Mr T Matabane | Member | 22 October 2015<br>15 December 2015<br>12 January 2015<br>31 March 2015<br>02 June 2015 |
| Mr Z Fihlani | Member | |
| Mr M Letsela | Member | |

**INTERNAL AUDIT UNIT**

Section 165 (2) (a), (b)(iv) of the MFMA requires that:
The internal audit unit of a municipality must–
(a) Prepare a risk based audit plan and an internal audit programme for each financial year; and

(b) Advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:

(c) Risk and risk management.

Below are the functions of the Internal Audit Unit that were performed during the year under review:

| FUNCTION | Comment |
|---|---|
| Risk analysis completed/reviewed. | Done |
| Risk based audit plan approved for 2013/2014 financial year. | Done |
| Internal Audit Programme drafted and approved. | Yes draft audit plan |
| Audit reports included the key following areas Completion Status | |
| Payroll Management | No |
| Leave Management | Yes |
| Infrastructure Project Management | No |
| Supply Chain Management | No |
| HR Management | Yes |
| Records Management | No |
| AOPO Q1ans 2 | Yes |

**2.5.4 SUPPLY CHAIN MANAGEMENT.**

**OVERVIEW OF SUPPLY CHAIN MANAGEMENT**

**<u>SCM Processes and Procedures</u>**

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)

**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.

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

## 2.6. BY-LAWS

The municipality has gazetted the below By-laws in the year under review

| NUMBER | BY-LAW | FILE | S/ROOM |
|---|---|---|---|
| 1 | Electricity supply by-laws for Ephraim Mogale Local Municipality | 1/3/1/5 | E/F19 **Gazetted** |

| | | | |
|---|---|---|---|
| | (Limpopo Province Provincial Gazette 1879 Notice No 221 – 15 December 2010) | {100467} | **15/12/2010** |
| 2 | Waste management by-laws for Ephraim Mogale Local Municipality (Limpopo Province Provincial Gazette 1879 Notice No 222 – 15 December 2010) | 1/3/1/6 {100466} | W/F19 **Gazetted 15/12/2010** |
| 3 | Street trading by-laws for Ephraim Mogale Local Municipality (Limpopo Province Provincial Gazette 2016 Notice No 344 – 25 November 2011) | -1/3/1/2 {100465} | S/F19 **Gazetted 25/11/2011** |
| 4 | Credit Control and Debt Collection by-law (Limpopo Province Extraordinary Gazette 2373 Notice No 83 – 13 June 2014 | 1/3/1/3 {100464} | C/F19 **Gazetted 13/06/2014** |
| 5 | Property Rates By-law (Limpopo Province Extraordinary Gazette 2373 Notice No 84 – 13 June 2014 | 1/3/1/4 {100463} | P/F19 **Gazetted 13/06/2014** |
| 6 | Resolution levying Property Rates (Limpopo Province Extraordinary Gazette 2574 Notice No 292 – 30 July 2015 | 1/3/1/4 {100462} | P/F19 **Gazetted 30/07/2015** |

### 2.7. MUNICIPAL WEBSITE

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.

### 2.8. 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 results 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

### 3.1 ELECTRICITY

**INTRODUCTION TO 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. All villages have been connected to the ESKOM grid except Manthole (±33households) which was added to the Municipality at a later stage. The backlog was 1066 of the total number of 32 284(census 2011) which is 3.3%. These are small new extensions and in-fills. The Municipality submit a list of the backlog to ESKOM who then submit a project proposal to the Municipality for approval. ESKOM then implement the project from the INEP allocation for the Municipality. The allocation for the year was 518 connections divided into 5 villages. ESKOM also do post connections which is a separate program.

Challenges:

- Limited capacity on ESKOM network.
- New extensions of residential sites in villages not according to town planning principles.
- Budgetary (INEP) constraints.
- Poor performance by ESKOM and/or their contractors

**DISTRIBUTION**

The Municipality holds a license issued by NERSA for the distribution of electricity in the town of Marble Hall only. The NMD of the ESKOM supply for the license area is 7.5MVA and the highest actual NMD achieved was 6.21MVA. It is an 11kV/400Volt system. All customers have been connected.

Challenges:

- Budgetary constraints.
- Densification

- Maintenance backlog
- Old equipment
- Capacity constraints on main supply to Industrial area and 11kV network not completely linked

**PUBLIC LIGHTING**

The Municipality is responsible for public lighting in the whole area. Only 15 residential areas have been provided with some public lighting. The Municipality is busy expanding this network with the installation of 25m scissor masts.

- Budgetary constraints.
- High cost of ESKOM connections
- Poor performance by ESKOM on quotations and installations
- Old equipment
- Vandalism
- Reliability and quality of ESKOM supplies in rural areas

## 3.2 FREE BASIC SERVICES AND INDIGENT SUPPORT

### INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

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 2014/15 financial year and manage to provide for 1900 beneficiaries who are on the indigent register.

## 3.3 ROADS, BRIDGES AND STORM WATER

### 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 passable roads

These objectives were 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.

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 total length of the road network under ownership of Ephraim Mogale Local Municipality is 1111, 9km, of which 974 km are gravel and 137.9 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.

### 3.4. MUNICIPAL INFRASTRUCTURE GRANT EXPENDITURE

| MUNICIPAL INFRASTRUCTURE GRANT FUNDED PROJECTS | |
|---|---|
| R31 070 000.00 | |
| MIG PROJECTS | 2014/15 Budget |
| Mmakgatle A-B Bus Route Phase 2 | R 4 870 190.87 |
| Rathoke Internal Streets-Phase 2 | R 520 135.42 |
| Leeuwfontein Internal Streets-Phase 2 | R 3,175,157.52 |
| Mmakgatle A-B Bus Route phase 1 | R 3,724,929.48 |
| Tshikanoshi High Mast Lights | R 785,448.60 |
| Elandskraal Internal Streets | R 3 143 550.10 |
| Ditholong/Letebejane Internal Streets | R 779 240.00 |
| Puleng Internal Streets | R 1 384 898.20 |
| Matilu Internal Streets | R 2 040 600.58 |
| Driefontein Community Hall | R2 864 710.52 |
| Moomane Community Hall | R3 184 598.54 |
| Mohlalaotwane Internal Streets | R 1 200 000.00 |
| Dichoeung Internal Streets | R 1 299 458.84 |

### 3.5 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL

**INTRODUCTION TO WASTE MANAGEMENT**

According to the census 2011, the Muncipality has a total number of households of 32284, and is currently providing refuse collection service twice a week in Marble Hall town , and a weekly service in Leeufontein ,Leeufontein RDP, and Elandskraal, Schoeman Farms with the total household of 5619 that are benefitting from waste collection service.. 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. Waste disposal is done at the only registered site which is situated in Marble Hall. The only street cleaning or litter picking service is also only done in Marble Hall town on a daily basis including weekends and some public hoildays. 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 individuals.

The recycling Service 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 enviroment, however the impact was not as expexcted as the progress was slow. The non payment of refuse collection services resulted in a delay to extend services to other areas.

The municipality procured new equipments and once the public participation on the payment for services is succesfull , a container service can be introduced to identified villages. Major challenges are non payment of the service by communities , vast distances , and illegal dumping .

The external audit of complaince for the landfill site in Marble Hall were completed for the first time and several recommendations were done to bring the landfill complaint to the legislation.

There are no entities doing refuse collection in the municipality. The Waste Management section can contribute more with proper revenue collection from Leeufontein and Elandskraal. The implementation of revenue collection is still outstanding at the abovementioned villages due to challenges with consumer accounts and data collection on consumers. The implementation can assist with additional revenue that can help with a sustainable and affordable service to other villages.

**Refuse disposal for Households within EMLM**

| | |
|---|---|
| Removed by local authority/private company at least once a week | 5619 |
| Removed by local authority/private company less often | 0 |
| Communal refuse dump | Unknown |
| Own refuse dump | Unknown |
| No rubbish disposal | - |
| Other | 26 665 |
| **Grand Total** | **32 284** |

## COMPONENT B: COMMUNITY & SOCIAL SERVICES.

### 3.6 INTRODUCTION

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 third time in a row for best Green municipality in the District. Marble Hall town and surrounding villages are generally clean

**Environmental Health**

The Environmental Health function is now the responsibility of the Sekhukhune District Municipality and they have concluded on the deployment of Health Practitioners to the local municipalities.

**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 9 % is still occurring .There is a lack of proper attendance during meetings and the LAC structure is not functional. Two HIV /AIDS awareness campaigns were successfully held at Uitvlught and Letebjane.

**Parks and Cemeteries**

The Municipality in its endeavor of increasing its aesthetic sense of Marble Hall town, have 12 parks in and around town of Marble Hall where trees were planted. As part of greening 800 trees were also bought and distribute for planting in villages. All town parks are also maintained by cutting grass, de bushing and removing of debris. The municipality has also established a new park in Leeuwfontein which will be utilized by the community for different community activities and events.

New equipment were bought to deal with the replacement of old equipment. The equipment which was bought were; 15 bush cutters, 2 chain saws, 2 pole prune cutters, 2 lawnmowers.

The municipality does not have enough staff to render this service, hence the municipality appointed 10 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 stadiums in Elandskraal and Malebitsa were also maintained.

Construction of cemetery fencing through the EPWP manner at the following seven villages, Moeding, Disanyane, Mmaneng, Mooihoek, Rathoke, Mamphogo and Tsikanossi was not finalized due to challenges in procurement but will be carried over to the next financial year. There are 55 cemeteries in sixteen (16) wards in the Municipal area. The municipality is currently servicing only Marble Hall, Regae, Leeufontein and Elandskraal. The municipality had a target of fencing seven (7) cemeteries but the target was not achieved due to internal challenges

There is no crematorium in the municipal area

**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 were successfully held in December, January 2015 and Easter weekend were road users were made aware of the road traffic act conditions, and Vehicle license and driver licenses were inspected.

Re allocation of hawkers to the hawker stall away from the N11 was on the program but unfortunately the process is slow due to resistance form the hawkers and stay away from the meetings

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.

Sport, Arts and Culture

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 constuction 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.

There is however a two sport, arts and culture officers which coordinate sport activities in the Municipality and align programs to district – and provincial activities.

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. The soccer team also were attending the National IMMSA games in East London and Kimberley

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 form community members. The Leeufontein soft ball team did also participate in district events.

The Moutse marathon is a private organized event were the Municipality is giving administrative support and the event is held annually with participant form all over the country.

A successful Mayor's football cup event was held with the finals being played at Elandskraal stadium at the end of June 2015.

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.

## COMPONENT C: PLANNING AND DEVELOPMENT

### 3.7 INTRODUCTION

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

### 3.8. PLANNING OVERVIEW

The Town Planning and Building division is responsible for the provision of strategic direction regarding the spatial planning of towns, and R 293 and 188 areas in EMLM. Below are all applications received and council resolutions for the financial year 2012/2013:

| DESCRIPTION | APPROVED | DISAPPROVED | NOTED |
|---|---|---|---|
| Expansion of existing fuel depot, Industrial Street, Marble Hall and distillation column-Econ oil (Fuel refining facility portion 520 of the farm Loskop 12JS | ✓ | | |
| PROPOSED STREET CLOSURE OF KORT STREET and SUBSEQUENT CONSOLIDATION WITH THE REMAINDER OF ERF 869 OF THE TOWNSHIP MARBLE HALL EXTENSION 4 | ✓ | | |
| Proposed rezoning filling station and Arabie Shopping Centre on the farm Arabie 685 KS | ✓ | | |

| DESCRIPTION | APPROVED | DISAPPROVED | NOTED |
|---|---|---|---|
| PROPOSED SHOPPING COMPLEX AT MATLEREKENG/ ZAMENKOMST | | | ✓ |
| PROPOSED REZONING OF PORTION 3 OF ERF 2828, MARBLE HALL TOWN EXTENSION 5 FROM “RESIDENTIAL 1” WITH A DENSITY OF “ONE DWELLING PER 500M²” TO “RESIDENTIAL 2” SUBJECT TO STANDARD CONDITIONS | | | ✓ |
| PROPOSED REZONING OF ERF 472 MARBLE HALL EXTENSION 5 FROM ‘RESIDENTIAL 1’ TO ‘RESIDENTIAL 3’ | ✓ | | |
| APPOVED PROPOSED REZONING OF ERF 537 IN MARBLE HALL EXTENSION 5 TOWNSHIPS FROM ‘RESIDENTIAL 1’ TO ‘RESIDENTIAL 2’ | ✓ | | |
| PROPOSED BUS STOP FACILITY FOR GREAT NORTH TRANSPORT (SOC) LTD | ✓ | | |
| APPROVED PROPOSED REZONING OF PORTION 1 OF ERF 791 IN MARBLE HALL EXTENSION 5 FROM ‘RESIDENTIAL 1’ TO‘BUSINESS 1’ | ✓ | | |
| 780 MARBLE HALL EXTENION 5 TOWNSHIP, REGISTRATION DIVISION J.S., LIMPOPO PROVINCE-HELD UNDER DEED OF TRANSFER T1084/1988 | ✓ | | |
| 736 MARBLE HALL EXTENION 5 TOWNSHIP, REGISTRATION DIVISION J.S., LIMPOPO PROVINCE-HELD UNDER DEED OF TRANSFER T046957/2003 | ✓ | | |
| 687 MARBLE HALL EXTENION 5 TOWNSHIP, REGISTRATION DIVISION J.S., LIMPOPO PROVINCE-HELD UNDER DEED OF TRANSFER T6048/1984 | ✓ | | |

| DESCRIPTION | APPROVED | DISAPPROVED | NOTED |
|---|---|---|---|
| PROPOSED SUB-DIVISION OF ERF 522 MARBLE HALL EXTENSION 5 | ✓ | | |
| PROPOSED TOWNSHIP ESTABLISHMENT: BOW INN ECO ESTATE ON THE REMAINDR OF PORTIONS 822,823,824 AND 825 OF THE FARM LOSKOP NOORD 12 JS | ✓ | | |
| Proposed development of shopping area, filling station, medical center and school in Matlerekeng | | | ✓ |
| PROPOSED DEVELOPMENT ON SITES 127 AND 128 AT LETEBETJANE VILLAGE 'WONDER PARK BUSINEES CENTRE' | | | ✓ |
| APPLICATION FOR BUSINESS SITE AT STAND NO. 923 ZAMEN SKOMST (MATLEREKENG 730KS) | | | ✓ |
| PROPOSED BUILDING EXTENSION OF METRO CASH AND CARRY RE/ 913 EXTENSION 1, MARBLE HALL | | ✓ | |

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.

## COMPONENT D: LOCAL ECONOMIC DEVELOPMENT

### LOCAL ECONOMIC DEVELOPMENT

**3.8 COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:**
The structures for youth and women in co-operatives were established during the year to assist in encouraging sectors involved to utilise the co-operative model for the upliftment of quality life. The youth

and women are the most vulnerable to poverty, unemployment and inequality. The SMMEs and co-operatives were supported through various trainings facilitated by the key stakeholders of local economic development. The successful LED summit was held as the broader platform for the various stakeholders to engage and share good practices amongst the role player in various sectors of the economy.

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

**3.9 LED INITIATIVES**

The 12 youth co-operatives were registered with the potential of 104 employment opportunities to be created, the National Youth Development Agency has been at the center of training and mentorship of these cooperatives. The applications for funding were in progress.

**CHALLENGES: LED**

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

**3.10 SERVICE PROVIDERS STRATEGIC PERFORMANCE**

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.

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

**CORPORATE SERVICES**

| NO. | NAME | TYPE OF SERVICE | RATING |
|---|---|---|---|
| 1. | TELKOM | TELEPHONE SYSTEMS | 5 |
| 2. | DITIRO IT RESOURCES & SERVICES | MAINTENANCE OF COPIER MANCHINES | 3 |
| 3 | IT IQHAZULULO | IT SUPPORT | 4 |
| 4 | DITIRO IT RESOURCES & SERVICES | PROVISION OF MICROSOFT LICENCES | 3 |
| 5. | HCIT | MAINTENANCE OF LINKED OFFICES | 5 |
| 6. | RICOH MPUMALANGA | MAINTENANCE OF DESKTOP PRINTERS | 5 |
| 7 | TELKOM | MAINTENANCE OF VPN CONNECTIONS | 5 |
| 8. | MUNSOFT | ELECTRONIC OFFSITE RECORDS BACKUP | 5 |
| 9. | DOCUFILE (PTY) LTD | OFFSITE FILE STORAGE | 5 |
| 10. | BUSINESS ENGINEERING (PTY) LTD | DOCUMENT MANAGEMENT | 5 |
| 11 | SITA | HOSTING AND UPDATING OF WEBSITE | 5 |

**BUDGET AND TREASURY**

| NO. | NAME | TYPE OF SERVICE | RATING |
|---|---|---|---|
| 1. | ABSA | Banking Services – Primary Bank | 4 |
| 2. | FNB | Banking Services | 4 |

| | | | |
|---|---|---|---|
| 3 | NEDBANK | Banking Services - Investment | 4 |
| 4 | MUNSOFT | Financial System | 5 |
| 5 | ALTIMAX | AFS and Asset Register | 5 |
| 6 | VIP | Payroll Systems | 5 |
| 7 | MARSH | Insurance | 5 |
| 8 | CONLOG | Pre-paid vending | 5 |
| 9 | CAB HOLDING | Printing and Posting of Statements | 5 |
| 10 | PROTEA COIN SECURITY | Cash management Services | 4 |
| 11 | MAX PROF | Vat Review | 5 |
| 12 | UNIQUECO PTY (LTD) | Valuation Roll | 5 |

**COMMUNITY SERVICES**

| NO. | NAME | TYPE OF SERVICE | RATING |
|---|---|---|---|
| 1. | Department Road and Transport – | Registration Authority SLA | 4 |
| 2. | Total Client Services | Support in traffic fine administration | 4 |
| 3 | Komatsu SA | Supply and delivery of Dozer | 4 |
| 4 | BB Truck | Supply and delivery of 2 Refuse trucks | 4 |
| 5 | Bonkosi Pty Ltd | Supply and delivery of Parks equipment | 4 |
| 6 | Trolley and Bin Ltd | Supply and delivery of 11 15 m 3 refuse containers | 4 |

| | | | |
|---|---|---|---|
| 7 | Theodor Kleynhans | Supply and delivery of machinery to rehabilitate landfill site | 4 |
| 8 | Tsogang trading | Supply and delivery of 800 indigenous trees | 4 |
| 9 | Thuto Thuto Setsabeng Trading | Supply and delivery of 120 refuse concrete road side bins | 4 |
| 10 | Environmental & Sustainable solutions cc | External compliance report of landfill site and Audit closure report for Landfill | 4 |
| 11 | Parten Gold Trading | Supply and delivery of fencing material | 0 |

**INFRASTRUCTURE SERVICES**

| NO. | NAME | TYPE OF SERVICE | RATING |
|---|---|---|---|
| 1. | ARB Electrical Wholesalers | Supply and Deliver mini substation | 1 |
| 2. | Giftron Distribution | Supply and deliver meter kiosks | 3 |
| 3 | Sectional Poles | Installation of masts lights Mohlalaotwane | 3 |
| 4 | Sectional Poles | Installation of masts lights Mbuzini/Morarela | 3 |
| 5. | Sectional Poles | Installation of masts lights Mohlotsi | 3 |
| 6. | Sectional Poles | Installation of masts lights Dichoeung | 3 |
| 7 | Sectional Poles | Installation of masts lights Tshikanosi | 3 |
| 8. | Basia Environmental Consulting | Energy Efficiency Project | 1 |
| 9. | Mayivuthe Contractors | Substation Upgrade | 4 |
| 10. | Ntshandikwe Construction and Projects | Supply & Deliver substation material | 1 |
| 11 | Mahloping 123 Empire | Supply and Deliver electrical building material | 5 |

| | | | |
|---|---|---|---|
| 12 | Giftron Distribution | Supply and deliver 115kWh Prepaid Meters | 4 |
| 13 | Mokakatledi A Thapo Lesibana Trading | Supply and Deliver public lighting maintenance material | 1 |
| 14 | ESKOM | Provide electrical supply points for mast lights | 1 |
| 15 | Giftron Distribution | Supply and Deliver electrical material for unit 1 hawker stalls | 5 |
| 16 | Sankie Supply and Construction services | Supply and Delivery of Cold mix Asphalts 25kg bags | 4 |
| 17 | Dikgabo Consulting Engineers- Puleng and Matilu Internal Streets. | Consulting Services. | 4 |
| 18 | Dolmen Engineers- Elandskraal Internal Streets. | Consulting Services. | 4 |
| 19 | EMC Consulting Engineers- Dichoeung Internal Road. | Consulting Services. | 2 |
| 20 | Mgababa Business Enterprise- Driefontein Community Hall | construction | 2 |
| 21 | Tshatshu Consulting and Project Managers- Mmakgatle A-B Bus Route Phase 2 | Consulting Services. | 4 |
| 22 | Komico Trade | construction | 4 |
| 23 | Mafanaedza Muvhango and Highpoint JV- Moomane Community Hall | construction | 3 |
| 24 | BIP Consulting Engineers- Rehabilitation of Leeuwfontein Internal Streets | Consulting Services. | 3 |
| 25 | Civstruct Consulting Engineers- Mogalatsane-Phetwane Internal Roads | Consulting Services. | 3 |
| 26 | Patrick Makgoka Construction- Mogalatsane-Phetwane Internal Streets. | construction | 5 |
| 27 | Manthabo2 Air-conditioning electrical and General Construction | Supply, Delivery, installation and Commissioning of air conditioners as and when it is required for 24 Months | 3 |

| | | | |
|---|---|---|---|
| 28 | Reneilwe Malebjane Enterprise | Building and equipment's at the Traffic Department | 3 |
| 29 | Sankie Supply and Construction services | Supply and Delivery of Cold mix Asphalts 25kg bags | 4 |
| 30 | Tem – Tek Business Enterprise | Supply and installation of ablution unit at Leeufontein cemeteries | 3 |
| 31 | Bakone Rejaeng Business Enterprise | Maintenance of sliding gate and Heavy duty electrical motor | 2 |
| 32 | Manotso Catering and projects | Maintenance of Matlala Ramoshebo Community hall | 3 |
| 33 | Loskop Alarm | Installation of alarm and monitoring | 3 |
| 34 | Ken and Son Business Enterprise | Supply and replacement of 2 geyser at the Workshop | 3 |
| 35 | Mmalena Trading Enterprise | Construction of vehicles at the Municipal workshop | 4 |
| 36 | SKD General trading | General Maintenance at House No 17. | 3 |
| 37 | Phamodi Sales | Maintenance of Zamenkomst Satellite office | 3 |

**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.

**MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT**

| KPA AND INDICATOR | MUNICIPAL ACHIEVEMENT | MUNICIPAL ACHIEVEMENT | MUNICIPAL ACHIEVEMENT |
|---|---|---|---|
| | 2012/13 | 2013/14 | 2014/145 |
| Debt coverage (Total operating revenue – operating grants received)/ debt service payments due within a year | 1.6 | 2.2 | 2.3 |

| | | | |
|---|---|---|---|
| Service debtors to revenue –(Total outstanding service debtors/ revenue received for services) | 0.7 | 0.9 | 1 |
| Cost coverage ( Available cash +investments)/ Monthly fixed operating expenditure | 2.3 | 2.8 | 3.7 |
| 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 | 72% | 40% | 59% |

| **Jobs Created during 2014/15 by LED Initiatives (Excluding EPWP projects)** | | | | |
|---|---|---|---|---|
| Total Jobs created / Top 3 initiatives | Jobs created | Jobs lost/displaced by other initiatives | Net total jobs created in year | Method of validating jobs created/lost |
| | | | | |
| | | | | |
| Initiative A (12/13) | 198 | 0 | 198 | register of employees |
| Initiative B (12/13) | | | | |
| Initiative C (12/13) | | | | |
| **Job creation through EPWP* projects** | | | | |

| Year | Jobs created through EPWP projects |
|---|---|
| | **No.** |
| 2012/13 | |
| 2013/14 | 382 |
| 2014/15 | 198 |

# CHAPTER 4

# HUMAN RESOURCE MANAGEMENT

## 4.1 HUMAN RESOURCE MANAGEMENT

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 2014/2015 municipality had employed 216 with the total of 99 vacancies.

Municipality filled **230** vacant posts prioritised during the year under review. This include the appointment of the Municipal Manager, Internal Auditor and Risk Officer.

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

### 4.1.1 Performance management

In municipality, performance management is limited to Section 56 managers only.

The municipality has conducted the 2014/2015 annual performance assessments for Four Directors and Municipal Manager who signed the performance agreement with the municipality, and none qualified for performance rewards.

Municipality has also conducted the 2012/2013 mid-year assessments for 04 Directors. 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.

### 4.1.2 Vacancies and turnover

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 post for Director Planning remained vacant for more than six months, due to difficulties in attracting suitable and qualified personnel. The position of the Director Community Services, was filled and becomes vacant when the Director was appointed the Municipal Manager as from the 01 April 2015.

| Employees: Human Resource Services | | | | |
|---|---|---|---|---|
| Job Level (task grades) | 2014/15 | | | |
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 – 3 | | | | |
| 4 – 6 | | | | |
| 7 – 9 | 02 | 02 | | |
| 10 – 12 | 05 | 05 | 0 | 0% |
| 13 – 15 | 01 | 01 | 0 | 0% |
| 16 – 18 | | | | |
| 19 – 20 | | | | |
| Total | 08 | 08 | 0 | 0% |

## 5.2 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

**INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES**

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 intergral to the fuctionality and efficiecy of the Municipality.The target for the reporting period was to achieve improved ICT sytems, processes and compliant infrastructure.Service delivery priorities for ICT are to ensure that the municipality has effecient and effective backup systems, officials are trained on ICT, all municiapal 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. EMLM 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.

| Employees: ICT Services (how many employees on the listed task grades and vacancies | | | | |
|---|---|---|---|---|
| Job Level | 2014/15 | | | |
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | | | | |
| 4 - 6 | | | | |
| 7 - 9 | 2 | 2 | | 0 % |
| 10 - 12 | 1 | 1 | 0 | 0% |
| 13 - 15 | | | | |
| 16 - 18 | | | | |
| 19 - 20 | | | | |
| Total | 3 | 3 | 0 | 0% |

| Capital Expenditure 2014/15: ICT Services | | | | | |
|---|---|---|---|---|---|
| R' 000 | | | | | |
| Capital Projects | 2014/15 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | | | | | |
| IT Master System Plan | R | 0 | | 0 | |
| (IT Network Support & Maintenance) | | | | | |

## COMPONENT E: ORGANISATIONAL PERFOMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the current year.

SEE ANNEXURE A

**EPHRAIM MOGALE LOCAL MUNICIPALITY**

# ANNUAL PERFORMANCE REPORT

2014/15



15|0727

2|4|3|6

# FOREWORD

The Annual Performance Report was compiled in accordance with section 121(1)(a)(b) of the Municipal Finance Management Act 56 of 2003 read with the Municipal Systems act 32 of 2000 section 46 (1) and (2).

The report covers the performance information from 1$^{st}$ July 2014 to 30$^{th}$ June 2015. It focuses on the implementation of the Service Delivery Budget Implementation Plan (SDBIP) which is the implementation tool of the Integrated Development Plan (IDP).

FINANCIAL YEAR 2013/2014 PERFORMANCE SUMMARY

| NUMBER | KEY PERFORMANCE AREA | NO. OF PROJECTS | NO. OF TARGETS | ACHIEVED | NOT ACHIEVED | EVALUATION PER KPA |
|---|---|---|---|---|---|---|
| 1. | SPATIAL RATIONALE | 5 | 5 | 1 | 4 | 20% |
| 2. | MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT | 8 | 23 | 11 | 13 | 54% |
| 3 | BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT | 45 | 280 | 73 | 213 | 25% |
| 4. | LOCAL ECONOMIC DEVELOPMENT | 3 | 133 | 322 | 1 | 242% |
| 5. | FINANCIAL VIABILITY | 13 | 13 | 11 | 2 | 84% |
| 6. | GOOD GOVERNANCE AND PUBLIC PARTICIPATION | 30 | 2457 | 1879 | 609 | 76% |

# ANNUAL PERFORMANCE REPORT: SUMMARY

## 2014/15

| KPA | NUMBER OF KPI's | ACHIEVED | NOT ACHIEVED | % ACHIEVED |
|---|---|---|---|---|
| SPATIAL RATIONALE | 5 | 3 | 2 | 60% |
| BASIC SERVICES | 47 | 31 | 16 | 76% |
| LED | 4 | 3 | 1 | 75% |
| TRANSFORMATION | 35 | 30 | 5 | 85% |
| FINANCIAL VIABILITY | 9 | 7 | 2 | 77% |
| GOOD GOVERNANCE | 16 | 13 | 3 | 81% |
| **TOTAL** | **111** | **87** | **24** | **78%** |

***The overall performance as per 2014/15 Financial Year was78 % which represents an improvement from 76% in the prior year, 2013/14.**

# KPA's PER DIRECTORATE

## 1. SPATIAL RATIONALE

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| PLANNING AND ECONOMIC DEVELOPMENT | Compliance with Town Planning Scheme regulations | To process land uses applications received. | Number of applications received processed within 60 working days | 20 town planning application processed. | All received applications | 20 Achieved | None | None | **Budget R0.00** **Expenditure R0.00** | Land Use Application Register. EXCO agenda. |
| | Site demarcations in Uitvlught | To ensure lawful security of tenure | Number of sites to be demarcated | 500 sites to be demarcated by appointed service provider with CoGHSTA | 1. Public Participation meetings 2.EIA , Geo-Technical and Surveying Investigations | Not achieved. | Coghsta appointed service providers on behalf of the municipality, however, the department experienced financial difficulties in their financial year. | Request a Report from Coghsta. | **Budget R0.00** **Expenditure R0.00** | Submission of reports, minutes of meetings with the community. |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| **PLANNING AND ECONOMIC DEVELOPMENT** | Approval of draft SG Site demarcations in Regae 1 and 2 | To ensure lawful security of tenure | Number of sites to be demarcated | 1 Approved SG Diagram for Regae Extension 2 | Approved draft SG Diagrams | 1 Achieved | None | None | **Budget** **R 133 519** **Expenditure** **0.00** | Submission of reports and approved SG diagram |
| | The review of the Spatial Development Framework | To ensure that the municipality has a framework to guide thriving economic development of the municipality | Reviewed SDF document | 1 | 1 | Not achieved | The project was being run by DRDLR and has financial problems in the financial year under review. | Request a report on the status of the SDF | **Budget** **R0.00** **Expenditure** **0.00** | 1.Exco Agenda 2.Drat SDF document |
| | Approval of building Plans | To process received building plans | Number of building plans approved within 5 working days as per National Building Regulations | (previous financial year) | All received and approved | Achieved 14 building plans applications were received and approved | None | None | **Budget** **R133 519** **Expenditure** **0.00** | Building plans register. Approved building plans |

# 2.BASIC SERVICE DELIVERY

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| INFRASTRUCTURE | Grading of Roads | To provide safe and appropriate road networks in the municipal areas | Km of roads to be graded | 998km | 500km of gravel roads graded | 1146KM achieved | None | None | **Budget** R1,624,557.91<br>**Expenditure** R452,957.05 | Inspection report |
| | Repairing of base and surface patches | To provide safe and appropriate road networks in the municipal areas | m2 of base and surface patches repaired | 684 000m2 | 1200 m2 of base and surface patches repaired | Not achieved (Only 835 m2 done) | Shortage of materials | Forward planning (Four months before the End of financial year) | **Budget** R1,624,557.91<br>**Expenditure** R452,957.05 | Inspection report |
| | Cleaning of storm-water structures(Channels and drains) | To provide safe and appropriate storm water networks in the municipal areas | Km of storm-water drain and channel cleaned | 40km | 40km of storm water pipes cleaned | 111KM achieved | None | None | **Budget** R1,624,557.91<br>**Expenditure** R452,957.05 | Inspection report |
| | Road Marking | To provide safe and appropriate road in the municipal areas | Km of tarred roads marked | 118km | (236)118 km twice per annum of tarred road marked | 118KM achieved | None | None | **Budget** R194,417.76<br>**Expenditure** R158,705.67 | Inspection report |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | Development of Maintenance plan | To develop housing maintenance plan | Maintenance Plan Developed | 1 | 1 Maintenance Plan developed | 1 Maintenance Plan developed Achieved | None | None | N/A | Maintenance plan |
| | Maintenance of Municipal buildings | To maintain municipal buildings in a good condition. | Number of municipal buildings to be maintained | 35 | 20 | Achieved 27 municipal buildings maintained | None | None | **Budget** R595,572.68 **Expenditure** R266,755.43 | Inspection report |
| INFRASTRUCTURE | Matilu Upgrading of Roads and Storm water | To upgrade roads and Storm water in Matilu | Km of roads constructed | 0 | 1.11km | Not Achieved (Construction of roadbed of 1.11km completed) | Late Registrations of the project | Forward planning | **Budget** R9 500 000 **Expenditure** R2 040600.58 | Completion certificate |
| | Upgrading of roads and Storm water Puleng | To upgrade roads and Stormwater in Puleng | Km of roads constructed | 0 | 1.08km | Not achieved (Construction of 1.08km roadbed completed) | Late Registrations of the project | Forward planning | **Budget** R9 500 000 **Expenditure** R1 384 898.20 | Completion certificate |
| | Upgrading of Elandskraal internal streets | To upgrade Elandskraal internal streets | Km of roads to be Upgraded | 0 | 2.2km | Not Achieved (Construction of 2.2 km roadbed completed) | Late Registrations of the project | Forward planning | **Budget** R10 000 000 **Expenditure** R3 143 555.10 | Completion certificate |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | Planning and Design of Letebejane & Ditholong internal road | To plan and design Letebejane & Ditholong internal road | Km of roads planned and designed | 0 | 2.3km road Completed Planning and Design | 2.3km road Completed Planning and Design | 2.3km road Completed Planning and Design .Achieved | None | **Budget** R1 292 000 **Expenditure** R779 240 | Design Report |
| INFRASTRUCTURE | Planning and Design for Rehabilitation of Leeuwfontein internal streets | To plan and design for Rehabilitation of Leeuwfontein internal streets | Km of roads Planned and Designed for rehabilitation | 3.5km | 3.78km of road completed Planning and Design | 3.78km of road completed Planning and Design | 3.78km of road completed Planning and Design Achieved | None | **Budget** R1 200 000 **Expenditure** R944 988.18 | Design Report |
| | Mohlalaotwane internal street (planning & design | To plan and design Mohlalaotwane internal street) | Km of roads to be planned & designed | 0 | 3.6km of road Completed Planning & design | 3.6km of road Completed Planning & design | 3.6km of road Completed Planning & design Achieved | None | **Budget** R1 200 000 **Expenditure** R1 200 000 | Design Report |
| | Upgrading of Mogalatsane-Phetwane internal road | To upgrade Mogalatsane-Phetwane internal road | Km of roads to be upgraded | 0 | 1.5km | 1.5km | 1.5km of roads completed Achieved | None | **Budget** R9 500 000 **Expenditure** R8 836 732.80 | Completion certificate |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | Upgrading of Mmakgatle A & B Phase 2 internal road | To upgrade Mmakgatle A & B Phase 2 internal road | Km of roads to be upgraded | 1km | 0.5km | 0.5km of road Achieved | None | None | **Budget** R5 450 000 **Expenditure** R4 870 190.87 | Completion certificate |
| | Dichoeung internal road (planning & design) | To plan and design Dichoeung internal road (planning & design) | Km of road to be planned & designed | 0 | 5.5km road Completed Planning & design | 5.5km road Completed Planning & design Achieved | None | None | **Budget** 1 300 000 **Expenditure** R1 299 458.84 | Design Report |
| INFRASTRUCTURE | Construction of Community Halls | To construct Driefontein Community hall | Number of community halls to be constructed | 1 | 1 | Construction of 1 community hall Achieved | None | None | **Budget** R2 869 623.96 **Expenditure** R2 864 711.40 | Completion certificate |
| | | To construct Moomane Community Hall | Number of community halls to be constructed | 1 | 1 | Construction of 1 community hall Achieved | None | None | **Budget** R3 186 681.90 **Expenditure** R3 184 598.54 | Completion certificate |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | TRANSFORMER MAINTENANCE-OIL TESTING (50 000) | To maintain and test transformers | Number of transformers to be maintained | 48 | 48 transformers tested and maintained. | Not achieved 48 transformers tested and no maintenance done | Non-responsive bidders | Re-advertise | **Budget** R1 577 000.00 | Inspection report. Oil test report. |
| | SUBSTATION UPGRADE (650 000) | To upgrade substation. | Number of substations to be upgraded ( panels (circuit breakers) | 5 | Substation upgraded (3 breakers upgraded) | Achieved 3 Substation upgraded (3 breakers upgraded) | None | None | | Completion certificate. Units on site. |
| | REPLACEMENT OF A MINISUBSTATION (400 000) | To replace mini-substation. | Number of mini-substations to be replaced. | 1 | 1 mini-substation replaced. | 1 mini substation replaced Achieved | None | None | **Expenditure** R1 156 395.31 | Replacement of mini-substation report |
| | REPLACEMENT OF 10 METER KIOSKS (200 000) | To replace meter Kiosks | Number of kiosks to be replaced | 10 | 10 meter kiosks replaced | 10 meter kiosks replaced .Achieved | None | None | | 10 new meter kiosks replacement report. |
| **INFRASTRUCTURE** | PURCHASE OF A LIGHT DELIVERY VEHICLE | To purchase a light delivery vehicle. | Number of LDV's with Toolbox Canopy to be purchased. | 1 | 1 new LDV with canopy purchased | Not Achieved(specifications ,advert, and evaluations and | Non responsive bidders | Re-advertise | Budget R300,00.00 **Expenditure** | Delivery note/registration. |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | adjudications were done) | | | R0.00 | |
| | (PUBLIC LIGHTING) INSPECTION AND MAINTENANCE of Streetlights | To maintain public lighting for public safety | Number of faulty street lights inspected to be repaired and maintained within 30 days. | 596 inspected and faulty units repaired | All streetlights inspected and repaired | 595 Achieved All streetlights inspected and repaired | None | None | Budget R246 040.00 | Inspection reports. Monthly reports |
| | PUBLIC LIGHTING MAINTENANCE-Mast lights | To provide and maintain public lighting for public safety | Number of faulty high mast lights inspected to be repaired and maintained within 30 days. | 170 inspected and faulty units repaired | All streetlights inspected and repaired | 170 Achieved All High masts lights inspected and repaired | None | None | **Expenditure** R110 258 .73 | Inspection reports. Monthly reports |
| | INSTALLATION OF MOHLALAOTWANE HIGH MAST | To install MOHLALAOTWANE HIGH MAST for public safety | Number of high mast lights to be installed. | 0 | Install 6 scissor mast lights. | 6 scissor mast lights installed Achieved | None | None | Budget R1,200,000.00 **Expenditure** R792,174.00 | Delivery note. Completion certificate. |
| **INFRASTRUCTURE** | INSTALLATION OF MBUZINI/MORARE LA HIGH MAST | To install MBUZINI/MORARE LA HIGH MAST | Number of high mast lights to be installed. | 0 | Install 6 scissor mast lights. | 6 scissor mast lights installed Achieved | None | None | Budget R1,200,000.00 | Delivery note. Completion certificate. |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | **Expenditure** R785,448.00 | |
| | INSTALLATION OF MOHLOTSI HIGH MAST | To install INSTALLATION OF MOHLOTSI HIGH MAST | Number of high mast lights to be installed | 0 | Install 4 scissor mast lights. | Installation of 4 scissor mast lights Achieved | None | None | Budget R900,000.00<br>**Expenditure** R550,973.00 | Delivery note. Completion certificate. |
| | INSTALLATION OF DICHOEUNG HIGH MAST | To Install DICHOEUNG HIGH MAST | Number of high mast lights to be installed | 0 | Install 5 scissor mast lights. | Installation of 5 scissor mast lights. Achieved | None | None | Budget R1,100,000.00<br>**Expenditure** R1 094 923 .60 | Delivery note. Completion certificate. |
| **INFRASTRUCTURE** | INSTALLATION OF TSHIKANOSI HIGH MAST | To install TSHIKANOSI HIGH MAST public lighting for public safety | Number of high mast lights to be installed | 0 | Install 6 scissor mast lights. | Installation of 6 scissor mast lights Achieved | None | None | Budget R1,500,000.00<br>**Expenditure** R1,465,745.08 | Delivery note. Completion certificate. |
| | ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT | To install energy efficiency fittings. | Number of fittings to be installed. | 668 | 307 light fittings. | 307 light fittings Achieved | None | None | Budget R3,606,841.00<br>**Expenditure** | Completion Certificate Monthly reports. |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | R3,334,633.31 | |
| COMMUNITY SERVICE | Cleaning of Parks and open spaces | To cut grass and clean all parks and open spaces | Number of parks and open spaces to be cleaned on monthly basis | 12(twelve) parks. | Parks X 96 times. | Only 43 done Not achieved | Vacant positions / 2 tractor driver and 5 assistants not filled. | Use EPWP workers to assist. Appoint acting drivers | Budget R101 529<br><br>Expenditure R 64 529 | Program and Signed monthly reports |
| | | To clean Town Entrances | Number of Entrances to be cleaned | (4) Four town entrances that were cleaned | Four entrances X 32 times | Only 18 done not achieved | Vacant positions /2 tractor driver and 5 assistants Not filled. | Use EPWP workers to assist Appoint acting drivers | | Program and Signed monthly reports |
| COMMUNITY SERVICE | Purchase of Machinery and Equipment | To purchase relevant machinery and equipment for maintenance | Number of machinery and equipment to be purchased | 4Ton Medium vehicle procured in 2013/14 | 1 LDV to be purchased | Not Achieved | No responsive tender | None (not budgeted for 15/16) | Budget R310 000<br><br>Expenditure R0.00 | Proof of minutes of SCM meetings. Advertisement and invoices |
| | | | | 15 brush cutters | 15 Bush cutters, 2 chain saws , 4 Pole | 15 Bushcutters<br><br>2chain saws 4 poles | None | None | Budget R 130 000 | Proof of minutes of SCM meetings. |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | purchased in 13'14 | pruners,3 lawn mowers to be purchased | 3 lawn movers all achieved | | | Expenditure R 117 300 | Advertisement and invoices |
| | Waste management | To provide an efficient and sustainable waste removal service | Number of villages where waste collection is done in a sustainable manner. | Four (4) villages where sustainable collection is done: Marble Hall X2 Week Leeuwfontein X 1 week L/fontein RDP X 1 week Elandskraal X 1 week Schoeman farm X 1 week (Communal site | Five (5) villages where sustainable collection will be done: Marble Hall X2 in a week (104 trips ) Leeuwfontein X 1 week (52 trips) Elandskraal X 1 week ( 52 trips) Leeufontein RDP | 5 village collectionns achieved | None | None | Budget R 949 570<br><br>Expenditure R 433 968.14 | Program and Signed Monthly report |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | XI week( 52 trips) Schoeman farm X I week (Communal site) | | | | | |
| | Waste Management | To Provide a safe, effective and economical waste management and refuse disposal system | Number of project plan developed and submitted for purchase of 15 m³ Refuse compactor unit truck. Refuse roll on roll off refuse container truck with LR 9 hook. 12 x 15 m ³ refuse containers. Dozer for Landfill | 0 | 1 | I Achieved | None | None | Budget R6 245 000 Expenditure R 5 565 000 | BSC Agenda. Proof of plan |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| COMMUNITY SERVICE | Landfill site rehabilitation | To provide a safe, effective, and economical disposal system by rehabilitation of landfill | Number of Rehabilitation at the bill site | Site Rehabilitation done in 2013/14 to comply with the license conditions | 1 | Not Achieved | Non responsive bidder | implemented in 1st quarter 15/16 | | |
| | Cemetery Service | To provide safe, appropriate and accessible burial space/cemetery by fencing identified cemeteries | Number of cemeteries to be fenced and approved | 7 cemeteries fenced in 13'14 Mamphokgo Moeding Tsimanyane Disanyane Tshikanoshi Rathoke Mokgwaneng | Seven (7) cemeteries to be fenced 14'15 Moganyaka South Mamaneng Tsimanyane Mmotwaneng Selebaneng Ga Masha Malebitsa | Not Achieved | Service Provide. Declined. | Budgeted in 2015'16 financial year | Budget R 624 000<br>Expenditure R0.00 | Completion and hand over report |
| COMMUNITY SERVICE | Fencing of new cemetery Marble Hall | To provide a safe, appropriate and accessible burial space/cemetery | Number of meters fenced and approved for the new cemetery in town | 0 | Meters of Palisade fencing of Marble Hall Cemetery | Not Achieved | No responsive tender . | Budgeted in 2015'16 financial year | Budget R 650 000<br>Expenditure | Completion and handover report |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | space in the municipal area by fencing the new cemetery in town | | | | | | | R0.00 | |
| | Landscaping | To beautify and green the municipal area | Number of trees to be planted | 220 trees planted. | Plant 800 indigenous trees at: Marble Hall town entrances. Donate indigenous trees to schools: 800 Trees to be planted in the entire municipal area. | 549 planted Not achieved | Trees were planted and some trees are uprooted and stolen by unknown passerby. | Trees should be provided to schools and clinics and strengthen public awareness to secure planted trees | Budget R 200 000 Expenditure R186 048 | Signed distribution register |
| COMMUNITY SERVICE | | To develop the landscape master plan | Number of master plans to be developed | No master plan in place | 1 | Not Achieved | Non-responsive bidders . | Budget in 2015'16 financial year | Budget R 1 600 000 Expenditure | Completed Plan |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | R0.00 | |
| | Sports, Arts and Culture | To promote Sports Arts and Culture | Number of sport activities implemented | Top 8 Tournament held | Mayoral Cup tournament to be held. Attendance of IMMSA Games | 1 Achieved | None | None | Budget R 53 000 Also used transport and Mayoral fund<br><br>Expenditure R 124 924 | Signed Reports |
| | HIV & AIDS | To raise awareness on HIV/AIDS prevalence. | Number of Awareness campaigns to be held | 0 | Two (2) Awareness campaigns to be held | 2 Achieved | None | None | **Budget** R 42 400<br><br>**Expenditure** R 35202.19 | Signed reports and attendance register. |
| | | To Restructure the LAC (Local Aids Council | Number of LAC restructured | None functional LAC in place | at: Letebejane Uitvlught. One (1) LAC Restructured | Not Achieved | Poor coordination | Proper planning and development of annual program | | Appointment letters signed by the mayor |
| | Relocation of hawkers | To facilitate the relocation process of hawkers to the | Number of hawkers to be relocated to the market stalls | 0 | 10 | Not Achieved | Hawkers' market stalls still under renovations. | First ten stall in unit 1 to be repaired in | Budget R0.00<br><br>Expenditure | MOU signed Report on no of hawkers relocated |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | municipal market stalls | | | | | | 15'16 first quarter | R0.00 | |
| **COMMUNITY SERVICE** | Arrive Alive Campaign | To curb road carnage during Festive season | Number of road blocks to be held as part of Arrive Alive Campaign | Five (5) roadblocks held | Seven(7) roadblocks<br>12 Dec 2014<br>16 Dec 2014<br>19 Dec 2014<br>24 Dec 2014<br>31 Dec 2014<br>06 Jan 2015<br>11 Jan 2015 | 7 Achieved | None | None | Budget<br>R 0.00<br><br>Expenditure<br>R0.00 | Reports on Roadblock |
| | Disaster Management | To coordinate response to reported cases | Number of reports on disaster management incidents responded to | 7 | 12 | 12 Achieved | None | None | Budget<br>R0.00<br><br>Expenditure<br>R0.00 | Reports on Disaster Management incidents |
| | | Safety and security | To establish the CSF (Community safety forum) | Number of CSF (community Safety forum) to be established | 0 | 1 Achieved | None | None | Budget<br>R 0.00<br><br>Expenditure<br>R0.0+0 | Reports |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| **3.LED** | | | | | | | | | | |
| **PLANNING AND ECONOMIC DEVELOPMENT** | Economic Empowerment for SMME's and Cooperatives | To provide economic support in all sectors of the economy in order to curb unemployment and related negative issues | Number of cooperatives supported with access to finance and training | 10 | 12 | 12 Achieved | None | None | **Budget** R0.00 **Expenditure** R0.00 | Reports Attendance Registers. |
| | Establishment of LED forum | To foster intergovernmental relations with regard to LED issues | Number of forums established | 0 | 1 | Not Achieved | The consultation with Coghsta on Terms of Reference for the forum could not be finalized on time | Fastrack the finalization of ToR by the first month of the new financial year | **Budget** R0.00 **Expenditure** R0.00 | Report and attendance register |
| | LED Summit | To enhance the economic growth | Number of LED Summits | 0 | 1 | 1 Achieved | None | None | R 133 519 Expenditure R 66 647 | attendance register and LED Summit report |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| **INFRASTRUCTURE SERVICES** | EPWP(LED) | To create job opportunities and poverty alleviation | No of work opportunities to created | 382 | 198 | 198 Achieved | None | None | **+Budget** R1 279 00<br>**Expenditure** R1 279 000 | Employment contract and time sheets |

# 4. MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **CORPORATE SERVICES** | Development of Job Descriptions | To lead, direct and manage staff within Department so that they are able to meet their objectives. | Number of Job Descriptions developed, | 40 | Develop 10 job descriptions annually | 10 | None | None | **Budget** R15 000.00<br>**Expenditure** R15 000.00 | Signed job descriptions |
| | Compliance with Employment Equity Act 55/1998 | To review and implement an Employment Equity Plan for the Council | Number of Employment of Equity plan reviewed | 1 EE Plan Developed | 1 Review Employment Equity Plan | 1 | None | None | **Budget** R6 500 .00 | Approved Employment Equity Plan |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | To ensure compliance to the plan in the municipality | Number of Reports on implementation of Employment Equity Plan | 4 | Prepare a quarterly report on implementation of EEA | 4 Achieved | None | None | **Expenditure** R 00.00 | Employment Equity Annual Report |
| | Employee Wellness Programs (EAP) | To promote employee Wellness and health programs | Number of Employee Wellness Programs | 2 | 4 programs per annum | Not achieved (only one program achieved) | No EAP Coordinator | Position for EAP Advertised and will be filled | **Budget** R50 000.00 **Expenditure** R20 950.00 | EAP Reports |
| | Occupation Health and Safety (OHS) | To ensure compliance with OHS legislations | Number of OHS committee meetings held | 4 | 4 | 4 Achieved | None | None | **Budget** R52 000.00 **Expenditure** R22 210.00 | OHS committee agenda and attendance register |
| | Training and Development | To develop skills of staff, Councillors and community members | Number of meeting attended by Training Committee members | 4 | 12 | Not achieved ( only 3 meetings held) | Poor coordination and attendance | Strengthen the committee and stick to the annual program | **Budget** R00.00 **Expenditure** R00.00 | Training Committee agenda. Minutes. Attendance Registers. Delivery register |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| CORPORATE SERVICES | | | Number of staff trained | 39 | 46 | 46 Achieved | None | None | **Budget** R469 655.79<br><br>**Expenditure** R460 179.74 | Training reports. Registration documents |
| | | | Number of staff bursary facilitated for allocation | 13 | 15 | 14 Achieved | Only 14 applications received from staff | Strengthen communication regarding the application for bursary | **Budget** R233 200.00<br><br>**Expenditure** R164 467.89 | allocation memo |
| | | | Number of community bursary facilitated for allocation | 16 | 20 | Not achieved<br><br>(only 18 achieved) | Some applications received did not meet the requirements. | Strengthen communication regarding the application for bursary | **Budget** R689 000.00<br><br>**Expenditure** R690 086.68 | Allocation memo |
| | | | Number of community members trained. | 5 | 6 | 7 Achieved | None | None | **Budget** R0.00<br><br>**Expenditure** R0.00 | Proof of payment. signed contracts and reports |
| CORPORATE SERVICES | | | Number of Councilors trained | 7 | 8 | 11 Achieved | None | None | **Budget** R249 392.00<br><br>**Expenditure** | Proof of payment. signed |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | R249 380.00 | contracts and reports |
| | Leave Management | To ensure management of leave and collection of clocking data | Number of leave reports. | 0 | 12 | 12 Achieved | None | None | **Budget** R00.00 **Expenditure** R00.00 | Leave Reports |
| | Local Labour Forum (LLF) | To ensure sound labour relations | Number of Local Labour Forum meetings to be held | 12 | 12 | Not Achieved (only 6 meetings held) | LLF Committee not functional due to non-attendance of unions. | Recommend the revival of the committee | **Budget** R00.00 **Expenditure** R00.00 | Signed minutes Attendance registers |
| | Fill budgeted vacancies | To appoint staff | Number of vacancies filled | 217 | 17 | Not Achieved (only 14 prioritized positions filed) | Not all positions were budgeted for | Filling of budgeted posts | **Budget** R00.00 **Expenditure** R00.00 | Recruitment and selection memos Appointment letters. |
| **PLANNING &ECONOMIC DEVELOPMENT** | IDP Review | To ensure that an Integrated Development Plan (IDP) is reviewed. | Number of credible IDP approved by Council | 1 | 1 | 1 Achieved | None | None | **Budget** R250 000.00 **Expenditure** R31 400.00 | IDP and Council resolution |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | Review Performance Management | To ensure proper implementation, monitoring, measurement and review of performance. | Number of performance management system framework reviewed and submitted to Council | 1 | 1 | 1 achieved | None | None | **Budget** R0.00<br>**Expenditure** R0.00 | Reviewed PMS Framework. Council agenda |
| | | To ensure Compliance with Statutory Requirements with regard to Performance Management | Number of performance review report | 4 | 4 | 4 Achieved | None | None | **Budget** R0.00<br>**Expenditure** R0 .00 | Quarterly Lekgotla Report |
| | | SDBIP quarterly performance reports | Number of Organizational performance reports submitted to Council | 4 | 4 | 4 Achieved | None | None | **Budget** R0.00<br>**Expenditure** R0.00 | Council Resolution. |
| PLANNING &ECNONMIC DEVELOPMENT | Strategic Planning | To ensure the review and develop strategies for | Number of strategic planning to be held | 1 | 1 | 1 Achieved | None | None | **Budget** R150 000<br>**Expenditure** R 80 277.00 | Strategic Planning Session Report |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | upcoming financial year | | | | | | | | |
| **Corporate services** | End-user support. | To ensure that all ICT queries are resolved. | Number of reports on queries received and resolved. | 12 | 12 | 12 Achieved | None | None | **Budget** R2 447 260.55<br>**Expenditure** R2 439 594.62 | - Reports.<br>- Job cards |
| | Disaster recovery and Business Continuity. | To ensure business continuity in the event of disaster. | Number of successful backup | 365 | 365 | 365 Achieved (12 Monthly reports) | None | None | | Daily back up reports. |
| | Renewal of ICT Licenses | To ensure compliance with ICT legislations on protection of ICT systems from intrusion. | Renewal of ICT licenses: | 3 | 3 | 3 Achieved | None | None | | License certificates |
| **Corporate services** | ICT infrastructure maintenance | To maintain ICT infrastructure | Number of reports on maintain ITC Infrastructure | 12 | 12 | 12 Achieved | None | None | | Monthly reports. |
| | Website Update | To ensure that website is updated | Number of report on the uploaded | 0 | 12 | 12 Achieved | None | None | **Budget** R00.00<br>**Expenditure** | Report and confirmation of work uploaded by |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | information on the website. | | | | | | R0.00 | SITA through an email |
| | Purchase ICT network equipment and accessories | To ensure stable network and reliable hardware | Number of installed ICT equipment and accessories | 65 Desktop, 39 Laptops 16 Switches | 10 | 10 Achieved | None | None | **Budget** R0.00 **Expenditure** R0.00 | Installation certificate |
| | Installation of fixed remote controlled projectors | To enhance interactive engagements during presentations | Number of installed fixed remote controlled projectors. | 0 | 3 | 3 Achieved | None | None | **Budget** R250 000.00 **Expenditure** R216 667.78 | - Installation Certificate |
| **Corporate services** | To review Indigent Register | No of indigent register reviewed | 1 | 1 | 1 | 1 Achieved | None | None | **Budget** R00.00 **Expenditure** R00.00 | Indigent register Council Resolution |
| | Record management | To safeguard records and related data for future reference i.r.o. NARSA Act. | Numbers of report on mail received and filled | 12 | 12 | 12 reports Achieved | None | None | **Budget** R00.00 **Expenditure** R0.00 | Monthly and quarterly reports |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| Corporate services | Archives | | Number of report on records filed off-site | 12 | 12 | 12 reports Achieved | None | None | **Budget** R0.00<br><br>**Expenditure** R0.00 | Monthly and quarterly reports. |
| | Install fire detectors | To safeguard records against fire in identified offices | Number of Installed fire detectors in identified offices | 3 | 1 | 1 Achieved | None | None | **Budget** R131 789.00<br><br>**Expenditure** R65 894.35 | Installation certificated |
| | Legislative updates | To comply with legislative requirements. | Number of reports on updated legislations | 12 | 12 | 12 Achieved | None | None | **Budget** R77 880.09<br><br>**Expenditure** R77 803.06 | Monthly report Council agenda |
| | Customer Care Charter | To develop Customer Service Delivery Charter aligned to Batho Pele Principles. | Number of service charters developed and submitted for approval | 0 | 1 | 1 Achieved | None | None | **Budget** R00.00<br><br>**Expenditure** R00.00 | Charter Council agenda |
| | Policy Confirmation n | To ensure that policies comply with legislations and policies | Number of policies developed that are align to | 14 | 12 | 12 Achieved | None | None | **Budget** R0.00 | Approved Policies. |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| Corporate services | | | legislations and submitted for approval | | | | | | **Expenditure** R0.00 | Approved By Laws.<br><br>Council agenda Attendance Registers. |
| | By-laws confirmation and publish | To ensure that By-laws are compliance to legislations. | Number of By-laws received for confirm and published within 90days | 1 | 1 | 1 Achieved | None | None | **Budget** R0.00<br><br>**Expenditure** R0.00 | |
| | Legal Matters | To advice and facilitate representation on legal | Number of report on cases received and attended to | 12 | 12 | 12 reports Achieved | None | None | **Budget** R0.00<br><br>**Expenditure** R0.00 | Reports Instructions letter |

## 5. FINANCIAL VIABILITY

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| **Corporate services** | To provide Free Basic Services (FBE) | Number of beneficiaries provided with free basic electricity | 1450 | 1500 | 1500 | 1500 Achieved | None | None | **Budget** R 795 828<br>**Expenditure** R 733 007.47 | Budget Extract |
| **BTO** | Compilation of annual financial statements based on standards of GRAP and MFMA | To ensure submission of AFS within the prescribed MFMA time frames | Set of AFS submitted | AFS 2012/2013 submission | AFS submitted by 31 August 2014 | 1 AFS submitted - Achieved | None | None | **Budget R 1 749 213.54**<br>**Expenditure R 1 384 183.07** | AFS submitted and AG acknowledgement |
| | revenue enhancement | To implement revenue collection in areas outside marble hall | Percentage improvement in internally generated revenue and collection in areas outside marble hall | 10% | 20% | Not Achieved | Culture of non-payment | Councillor to educate public on importance of payment of services | **Budget R 0.00**<br>**Expenditure R 0.00** | Sec 71 Report<br>Billing v/s Collection Report |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| BTO | Improvement of the audit report | To ensure that the 2013_14 audit opinion has improved | Improved audit report/outcome to Qualified audit opinion. | Disclaimer audit opinion-2012/2013 | A qualified audit opinion | Not Achieved | Lack of capacity | Develop PDP to identify skills gap.<br>Recruit skilled personnel<br>Appoint service provider for a period of 2 to 3 years for transformation and skills transfer.. | **Budget** **R 0.00**<br>**Expenditure** **R 0.00** | Audit Report |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| BTO | Compilation of GRAP compliant asset register | To ensure compilation of a GRAP Compliant fixed asset register | Number GRAP compliant asset register compiled | Asset register 2012/2013 | 1 GRAP compliant asset register | 1 Achieved | None | None | **Budget** **R 1 375 073.19** <br> **Expenditure** **R 1 348 137.72** | Asset register |
| | Management of the Financial management grant | To ensure fully functional and complaint institutional and individual performance management | % Expenditure on Financial Management Grant | 100% | 100% | 100% Achieved | None | None | **R 1 600 000.00** <br> **Expenditure** **R 1 532 424.38** | Budget Extract |
| | Implementation of SCM processes | To ensure the efficient and effective functional procurement/SCM processes. | Number of SCM compliance reports submitted to council | 4 quarterly SCM reports | 4 quarterly SCM reports | 4 SCM reports Achieved | None | None | **Budget** **R 0.00** <br> **Expenditure** **R 0.00** | SCM quarterly reports |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| BTO | Compilation of annual budget for 2015-16. | To ensure compilation of Annual budget in terms of MFMA and Regulations | Number of Annual Budget prepared and approved by the council before start of the financial year | Annual budget for 2014/2015 | Approved budget 2014/2015 | 1 Annual Budget approved - Achieved | None | None | **Budget** **R 0.00** **Expenditure** **R 0.00** | None |
| | Compilation of adjustment budget for 2015/2016 | To ensure compilation of adjustment budget 2 in terms of MFMA and regulations | Number of adjustment budget prepared and submitted for approval by the legislative deadline | Adjustment budget 2013/2014 | 1 adjustment budget approved by council 28 February 2015 | 1 Adjustment Budget Achieved | None | None | **Budget** **R 0.00** **Expenditure** **R 0.00** | |
| **6. GOOD GOVERNANCE AND PUBLIC PARTICIPATION** | | | | | | | | | | |
| | Publishing of Newsletters | To inform the community about municipal activities | Number of newsletters published | 4 | 1 | 1 Achieved | None | None | **Budget** R50 000.00 **Expenditure** R 29 640 .00 | Newsletters. |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| CORPORATE SERVICES | Mayoral outreach program | To conduct Mayoral outreach programs | Number of Mayoral outreach programs conducted | 16 | 16 | 16 Achieved | None | None | **Budget** R386 037.09<br>**Expenditure** R375 261.04 | Attendance register |
| | Ward Committee | To have a well-coordinated communication and good relations with the public. | Number of Ward Committee meetings conducted | 192 | 192 | 192 Ward Committee meetings Achieved | None | None | **Budget** R2 329 971.45<br>**Expenditure** R2 329 064.00 | Signed Minutes and attendance register |
| | Awareness on Land Use Management Systems and Integrated Development | To ensure appropriate land use and integrated development | No of workshops held with Magoši | 0 | 2 workshops with Magoši | 2 Achieved | None | None | **Budget** R0.00<br>**Expenditure** R0.00 | Reports and attendance registers |
| | **Council meeting** | | Number of Council Meetings held | 4 | 4 | 4 Achieved | None | None | | **Council agenda, Minutes and** |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | **EXCO** | To ensure optimum functionality of Council | Number of EXCO meeting held | 12 | 12 | 12 Achieved | None | None | **Budget** R77 835 .59 | **Reports** **Minutes** |
| | **MPAC** | | Number of MPAC meeting held | 4 | 12 | Not Achieved (only 10 Achieved) | Not adhering to the annual program | adhering to the annual program | | **Attendance Registers** |
| **Corporate services** | **Portfolio Committees** | | Number of Portfolio meeting held | 60 | 60 | Not Achieved (only 33 Portfolio Committees meetings held) | No items | None | **Expenditure** R 69 544.34 | |
| MM's | **Mayoral programs for special needs people** | To enhance and encourage the Aged & people living with Disability to participate in the Council activities | Number of programs implemented by Council | 4 | 4 | 4 Achieved | None | None | **Budget** R51 557.81 **Expenditure** R51 557.00 | **Signed Minutes & reports** |
| | **Conducting Quarterly Internal Audits.** | **To provide an independent objective** | Number of reports submitted | 2014/2015 22 Internal | 22 | 22 Achieved | None | None | NONE | **Audit Committee agenda's** |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| MM'S OFFICE | | **internal audit assurance.** | timeously to Audit Committee per Annual Audit Plan | Audits Reports | | | | | | |
| | **Quarterly SDBIP Performance Reports and Audit Committee Progress reports** | **To provide an independent objective internal audit assurance.** | Number of performance reports submitted to EXCO every quarter. | 2014/2015 Quarterly Performance Reports | 4 | 4 Achieved | None | None | - **Budget** R00.00<br>**Expenditure** R00.00 | **EXCO agenda. EXCO minutes.** |
| | **2014/2015 Internal Audit Charter** | **To provide an independent objective internal audit assurance.** | Number of internal audit charter reviewed. | 1 | 1 | 1 Achieved | None | None | **Budget** R00.00<br>**Expenditure** R00.00 | **Audit Committee minutes Approved audit charter.** |
| MM'S OFFICE | **Conduct risk assessment and review.** | **To provide an independent objective on internal audit assurance.** | Number of risk register developed | 1 | 1 | 1 Achieved | None | None | **Budget** R00.00<br>**Expenditure** R00.00 | **Signed risk register** |

| DIRECTORATE | Project | Objective | KPI | Baseline | Annual Target | PROGRESS | CHALLENGE | REMEDIAL | Budget and Expenditure | Evidence |
|---|---|---|---|---|---|---|---|---|---|---|
| | **To review policy on risk assessment** | **To provide an independent objective internal audit assurance.** | Number of risk management policy reviewed | 1 | 1 | 1 Achieved | None | None | **Budget** R00.00<br><br>**Expenditure** R00.00 | **Reviewed Risk Management Policy Document EXCO agenda. EXCO minutes.** |
| MM'S OFFICE | **Review fraud prevention policy.** | **To provide an independent objective internal audit assurance. To curb fraud & corruption activities.** | Number of Fraud prevention policy reviewed | 1 | 1 | None | None | None | **Budget** R00.00<br><br>**Expenditure** R00.00 | **Reviewed Fraud Prevention Policy Document EXCO agenda. EXCO minutes** |

**M.M. MATHEBELA**
**MUNICIPAL MANAGER**

**Date:** 26/10/15

## COMPONENT F: MANAGING THE MUNICIPAL WORKFORCE

**MUNICIPAL WORKFORCE MANAGEMENT**

EMLM 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 (2012-2017). 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 the next five years which is ready for adoption by Council.

### 4.3. POLICIES

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

| NO. | POLICY NAME | RESOLUTION NUMBER | DEVELOPED | REVIEWED |
|---|---|---|---|---|
| 1 | Sports & Recreation Policy | | ✓ | |
| 2 | Expanded Public Works Programme policy | | ✓ | |
| 3 | Study Assistance Policy | | | ✓ |
| 4 | Conflict of Interest Policy | | ✓ | |
| 5 | Recruitment, Selection and Appointment Policy | | ✓ | ✓ |
| 6 | | | ✓ | |
| 7 | EMLM Employees Incapacity Policy | | ✓ | |
| 8 | Amended Employees Cell phone Allowance Policy | | ✓ | ✓ |
| 9 | | | ✓ | |
| 10 | Property rates policy | | ✓ | ✓ |
| 11 | Discretionary fund policy | | ✓ | |
| 12 | Information Technology Management policy | | ✓ | |
| 13 | e-mail and internet policy | | ✓ | |
| 14 | ICT disaster recovery policy | | ✓ | |
| 15 | IT governance framework | | ✓ | |
| 16 | Travelling Allowance Policy | | | ✓ |

| Employees | | | | | |
|---|---|---|---|---|---|
| Description | 2013/14 | 2014/15 | | | |
| | Employees | Approved Posts | Employees | vacancies | Variance |
| | No. | No. | No. | No. | % |
| Electricity | 9 | | 11 | 2 | 82% |
| Roads | 30 | | 42 | 12 | 71% |
| Transport | 5 | | 7 | 2 | 71% |
| Planning | 7 | | 8 | 1 | 88% |
| Local Economic Development | | | 1 | 1 | 0% |
| Planning (Strategic & Regulatary) | | | 1 | 1 | 0% |
| Community & Social Services | 75 | | 85 | 10 | 88% |
| Environmental Protection | 27 | | 29 | 2 | 93% |
| Corporate Policy Offices and Other | 31 | | 29 | 2 | 94% |
| Totals | 184 | | 213 | 32 | 86% |

| Vacancy Rate 2014/15 | | | |
|---|---|---|---|
| Designations | *Total Approved Posts | *Variances (Total time that vacancies exist using fulltime equivalents) | *Variances (as a proportion of total posts in each category) |
| | **No.** | **No.** | **%** |
| Municipal Manager | 1 | 0 | 0% |
| CFO | 1 | 0 | 0% |
| S57 Managers | 6 | 2 | 33% |
| Senior management: Levels 13-15) | 14 | 12 | 86% |
| **Total** | **22** | **12** | **55%** |

| Turn-over Rate | | | |
|---|---|---|---|
| Details | Total Appointments as of beginning of Financial Year | Terminations during the Financial Year | Turn-over Rate* |
| | No. | No. | |
| 2014/15 | 15 | 14 | 1 |

### 4.4 INJURIES, SICKNESS AND SUSPENSIONS

- Two officials were suspended from duty for misconduct during the year under review.
- 01 minor injury was reported on duty and affected officials consulted their doctors and the case was reported to the Department of Labour.
- The municipality spent **R21 010.00** on medical surveillance for officials.

| Number and Cost of Injuries on Duty | | | | | |
|---|---|---|---|---|---|
| Type of injury | Injury Leave Taken | Employees using injury leave | Average injury leave taken per employee | Average Injury Leave per employee | Total Estimated Cost |
| | Days | No. | % | Days | R'000 |
| Required basic medical attention only | 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 |

## 4.5 CAPACITATING THE MUNICIPAL WORKFORCE

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 **34** employees received different training. The WSP and annual training report were submitted to LGSETA at the end of each financial year. Municipality spent **R580 000.00** of skills development levy and received **R43 000.00** from LGSETA.

At the beginning of the financial year **R600 000.00** was budgeted for training, and these funds were exhausted by the end of the financial year. The training plan is effectively implemented in our municipality as we ensure that all officials on the training plan undergo relevant training.

The following are the trainings that took place:

| Total number of employees trained | Training programme |
|---|---|
| 6 Officials<br>5 Interns | MFMP |
| 16 | CERTIFICATE IN SCM |
| None | LGAAC |
| 1 Officials | Asset Maintenance & management |
| 2 Officials | PED for IDP |
| None | Integrated HIV/ AIDS & TB Management |
| 3 Officials | BASIC COMPUTER TRAINING |
| 3 Officials | CPMD |
| **Total: 34 Officials** | |

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

| Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded | | |
|---|---|---|
| Beneficiaries | Gender | Total |
| Lower skilled (levels 1-2) | Female | 0 |
| | Male | 0 |
| Skilled (levels 3-5) | Female | |
| | Male | 0 |
| Highly skilled production (levels 6-8) | Female | |
| | Male | 0 |
| Highly skilled supervision (levels9-12) | Female | |
| | Male | 0 |
| Senior management (levels13-16) | Female | |
| | Male | 2 |
| MM and S 57 | Female | |
| | Male | |
| Total | | 2 |

### 4.5.1 Managing workforce expenditure

#### 4.5.1.1 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.

### 4.5.2 Disclosure of financial interest

Disclosure forms are given to all officials and councillors at the beginning of each financial year for completion. For the year under review, 32.councillors and 20 officials completed their disclosure forms. No conflict of interest were identified.

## COMPONENT G: LEGAL REPORT

The following is the litigation report for the financial year 2014/2015:

| CASE NO: | AMOUNT CLAIMED | PLAINTIFF | TYPE OF MATTER | FACTS | STATUS OF THE MATTER | ATTORNEY |
|---|---|---|---|---|---|---|
| **CASE NO: 57932/09** | R 585 709-00 | Kwanha's Business Enterprise | Contractual Dispute: Breach | The municipality awarded a tender to the Plaintiff in 2006 for the upgrading of the drainage system. On the 17 April 2007, the Plaintiff was instructed to suspend all the works in regard to the project as an agreement between the municipality and the Plaintiff was reached that the drainage system should deviate from the original route.<br><br>The Plaintiff equipment's remained on site until June 2008.<br><br>The Plaintiff is using for standing time when the equipment's were still on site until June 2008. | The matter has been set-down for trial at the High Court North Gauteng on the 26 July 2016. | Kgatla Inc. |
| **CASE NO: 654/2014** | R 280 000-00 | Walterama Kgatla Inc. | Contractual Dispute. | The municipality awarded the Plaintiff a tender for the provision of debt collection services. The Plaintiff submitted an | The matter was set for the 27 October 2015. | Mamadimo Magagane Attorneys. |

| CASE NO: | AMOUNT CLAIMED | PLAINTIFF | TYPE OF MATTER | FACTS | STATUS OF THE MATTER | ATTORNEY |
|---|---|---|---|---|---|---|
| | | | | invoice of the amount of R208 000-00 which the municipality refused to settle based on clause 6.2 of the service level agreement. | | |
| **CASE NO: 72139/2015** | R 1 605 515-35 | Mohlalerwa & Boledi Construction | 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 parties are currently in the process of Discovery.<br><br>An affidavit has already been commissioned by the Municipal Manager in this respect. | Popela Maake Attorneys |
| **CASE NO: 33157/13** | NIL | Ephraim Chiloane | Interdict | The municipality made an offer to transfer Erf 41 Leeuwfontein to the Plaintiff.<br><br>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 | The matter has been set-down for trial at the High Court North Gauteng on the 1 February 2016. | Renqe Kunene Incorporated |

| CASE NO: | AMOUNT CLAIMED | PLAINTIFF | TYPE OF MATTER | FACTS | STATUS OF THE MATTER | ATTORNEY |
|---|---|---|---|---|---|---|
| | | | | Plaintiff approached the court for an order compelling the municipality to effect the transfer. | | |
| **CASE NO: J1324/145** | NIL | Lesiba Makopo | Legitimate Expectation and Unfair Discrimination. | 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. | The Respondent is preparing Notice of Compliance in terms of Rule 7 A (2) (b) of the Labour Court rules. | Popela Maake Attorneys |
| **CASE NO: J368/15** | R 2 105 500 -35 | Phillip Mphahlele | Damages and defamation of character | The Applicant was employed by the municipality and he resigned in 2009 pending criminal investigation by the Hawks. | The Respondent is preparing an application for the dismissal of the matter. | Popela Maake Attorneys. |

| CASE NO: | AMOUNT CLAIMED | PLAINTIFF | TYPE OF MATTER | FACTS | STATUS OF THE MATTER | ATTORNEY |
|---|---|---|---|---|---|---|
| | | | | The Hawks did not proceed with criminal case.<br><br>The Applicant alleges that the municipality coerced him to resign and that his character has been defamed him as a result of the allegations which were been investigated by the Hawks. | An affidavit has already been commissioned by the Municipal Manager in this respect. | |
| **CASE NO: 846/13** | R 205 000-00 | Gerhardus Muller | The municipality erroneously paid an amount of<br><br>R 205 000-00 into the Defendant's bank account. He utilised the money after the municipality has notified him not to do so. The Defendant refused to repay the money and | Judgment was granted against the Defendant.<br><br>A warrant of execution against his property was issued and served, but the sheriff advised that the Defendant does not have any attachable properties to satisfy the judgment. | The matter has been finalised and a default judgement has been granted in favour of the municipality unfortunately the Sheriff is unable to attach properties belonging to the Defendant as he does not have any attachable properties to | Kgatla Incorporated. |

| CASE NO: | AMOUNT CLAIMED | PLAINTIFF | TYPE OF MATTER | FACTS | STATUS OF THE MATTER | ATTORNEY |
|---|---|---|---|---|---|---|
| | | | the municipality instituted action to recover the money. | | satisfy the judgement. | |
| **CASE NO: 846/13** | NIL | Phillistus Sonto Matau | Application in terms of Section 145 of the Labour Relations Act. | On the 17 July 201t5 the Commissioner of SALGBC issued an arbitration award in favour of the employee and ordered the municipality to pay the amount of R 21 060-00 to the employee for her travel allowance.<br>The municipality decided to review the arbitration. | Notice in terms of section 145 of the Labour Relations Act was filed with the Labour Court. | Mokwana Inc. |

# CHAPTER 5: FINANCIAL PERFORMANCE

Ephraim Mogale Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

## General Information

| | |
|---|---|
| **Legal form of entity** | Local municipality |
| **Municipal demarcation code** | LIM471 |
| **Nature of business and principal activities** | The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community. |
| **Executive Mayor** | Mmakola MY |
| **Speaker** | Modisha LB |
| **Chief Whip** | Ratau MF |
| **Mayoral committee** | Mahlobogoane ST<br>Makitla TS<br>Matlala F<br>Monyamane EM<br>Phefadi MG |
| **Traditional leaders** | Matlala MM<br>Mashung MJ<br>Lehwelere-Mathlala MA<br>Rahlagane MP<br>Kekana PK |
| **Councillors** | Bogopa JH<br>Bokaba HS<br>Chauke MS<br>Esson BA<br>Kekana KN<br>Kekana MM<br>Mabaso WM<br>Makanyane GN<br>Mamogobo SC<br>Mashego GB<br>Mokonyane MJ<br>Molotshwa FK<br>Morwaswi ME<br>Mothwa NM<br>Mphahlele LJ<br>Nchabeleng MJ<br>Ndobeni NR<br>Phala MG<br>Ranoto P<br>Sebothoma OE<br>Sehlola ET<br>Seoka KM<br>Seono MR<br>Tshiguvho EM |
| **Grading of local authority** | Grade 2 |
| **Capacity of local authority** | Low capacity |

## General Information

| | |
|---|---|
| **Accounting Officer** | Mathebela M (1 April 2015 to date)<br>Mashamba NS (Acting)<br>(1 July 2014 to 31 March 2015) |
| **Chief Finance Officer (CFO)** | Ramosibi K |
| **Registered office** | No. 13 Ficus street<br>Civic centre<br>MARBLE HALL<br>0450 |
| **Business address** | No. 13 Ficus street<br>Civic centre<br>MARBLE HALL<br>LIMPOPO<br>0450 |
| **Postal address** | PO Box 111<br>MARBLE HALL<br>LIMPOPO<br>0450 |
| **Bankers** | ABSA Bank<br>First National Bank |
| **Auditors** | Auditor General of South Africa |
| **Attorneys** | Kgatla Incorporated<br>Popela Maake Attorneys<br>Renqe Kunene Incorporated<br>Mamadimo Magane Attorneys |

# Index

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



**Abbreviations**

| | |
|---|---|
| EPWP | Expanded Public Works Program |
| FMG | Finance Management Grant |
| GRAP | Generally Recognised Accounting Practice |
| IPSAS | International Public Sector Accounting Standards |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| MSIG | Municipal System Improvement Grant |
| PAYE | Pay As You Earn |
| SALGA | South Africa Local Government Association |
| SDL | Skills Develpoment Levy |
| UIF | Unemployment Insurance Fund |

## 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 were 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 Practise (GRAP) and the Municipal Finance Management Act (Act 56 of 2003) 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 places 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 2016 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 presnted in their report.

The annual financial statements set out on pages 7 to 93, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed at Marble Hall and by:

**Accounting Officer**
**M Mathebela**

# Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

**Audit committee members and attendance**

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 7 meetings were held.

| Name of member | Number of meetings attended |
|---|---|
| Malatji TM (Chairperson) | 7 |
| Fihlani Z | 2 |
| Letsela MH | 7 |
| Matabane BTA | 7 |
| Ramataboe M | 7 |

**Audit committee responsibility**

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

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

**The effectiveness of internal control**

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

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

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 (delete if not applicable);
- 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.

Malatji

**Chairperson of the Audit Committee**

## Audit Committee Report

Date: 31 August 2015

# Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2015.

## 1. Review of activities

**Main business and operations**

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality.

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

Net surplus of the municipality was R 46,413,827 (2014: surplus R 15,546,513).

## 2. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 938,280,958.

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.

## 3. Subsequent events

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

## 4. Accounting policies

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements 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 M | South African |

## Statement of Financial Position as at 30 June 2015

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 81,866,825 | 49,745,011 |
| Deposits | 4 | 260,564 | 100,926 |
| Receivables from exchange transactions | 5 | 5,236,458 | 5,334,809 |
| Receivables from non-exchange transactions | 6 | 16,230,001 | 9,833,942 |
| VAT receivable | 7 | 2,043,013 | 4,394,788 |
| Inventories | 8 | 798,751 | 689,236 |
| | | **106,435,612** | **70,098,712** |
| **Non-Current Assets** | | | |
| Investment property | 9 | 118,087,200 | 114,048,000 |
| Property, plant and equipment | 10 | 793,054,824 | 788,573,861 |
| | | **911,142,024** | **902,621,861** |
| Non-Current Assets | | 911,142,024 | 902,621,861 |
| Current Assets | | 106,435,612 | 70,098,712 |
| **Total Assets** | | **1,017,577,636** | **972,720,573** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | 11 | 36,263,128 | 37,356,635 |
| Consumer deposits | 12 | 1,568,314 | 1,620,351 |
| Finance lease obligation | 13 | 1,425,253 | 1,316,866 |
| Unspent conditional grants and receipts | 14 | 9,626,998 | 9,426,104 |
| Provisions | 15 | 204,668 | 182,276 |
| | | **49,088,361** | **49,902,232** |
| **Non-Current Liabilities** | | | |
| Finance lease obligation | 13 | 3,589,907 | 5,015,160 |
| Provisions | 15 | 9,267,410 | 8,426,547 |
| Employee benefit obligation | 16 | 17,351,000 | 18,242,000 |
| | | **30,208,317** | **31,683,707** |
| Non-Current Liabilities | | 30,208,317 | 31,683,707 |
| Current Liabilities | | 49,088,361 | 49,902,232 |
| **Total Liabilities** | | **79,296,678** | **81,585,939** |
| Assets | | 1,017,577,636 | 972,720,573 |
| Liabilities | | (79,296,678) | (81,585,939) |
| **Net Assets** | | **938,280,958** | **891,134,634** |
| Accumulated surplus | | 938,280,958 | 891,134,634 |

* See Note 43

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 17 | 40,764,929 | 36,994,241 |
| Rental income | 18 | 123,685 | 158,352 |
| Interest received | 19 | 4,979,205 | 5,315,725 |
| Licences and permits | 20 | 3,913,628 | 4,420,034 |
| Other income | 21 | 15,012,901 | 3,297,654 |
| **Total revenue from exchange transactions** | | **64,794,348** | **50,186,006** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 22 | 25,771,581 | 29,830,571 |
| **Transfer revenue** | | | |
| Government grants and subsidies | 23 | 126,296,106 | 99,289,556 |
| Fines | 24 | 1,868,179 | 1,239,376 |
| **Total revenue from non-exchange transactions** | | **153,935,866** | **130,359,503** |
| | | 64,794,348 | 50,186,006 |
| | | 153,935,866 | 130,359,503 |
| **Total revenue** | | **218,730,214** | **180,545,509** |
| **Expenditure** | | | |
| Employee related costs | 25 | (53,150,283) | (49,251,330) |
| Remuneration of councillors | 26 | (10,343,455) | (9,879,963) |
| Debt impairment | 27 | (2,944,339) | (6,066,546) |
| Depreciation and amortisation | 28 | (40,721,576) | (37,960,565) |
| Finance costs | 29 | (2,042,079) | (1,432,117) |
| Repairs and maintenance | 30 | (7,874,188) | (9,180,043) |
| Bulk purchases | 31 | (23,580,252) | (21,544,525) |
| Contracted services | 32 | (4,071,247) | (2,854,919) |
| Grants and subsidies paid | 33 | (1,587,562) | (1,173,633) |
| General expenses | 34 | (31,253,065) | (28,920,952) |
| Loss on disposal of assets | 35 | (1,305,664) | - |
| **Total expenditure** | | **(178,873,710)** | **(168,264,593)** |
| | | - | - |
| Total revenue | | 218,730,214 | 180,545,509 |
| Total expenditure | | (178,873,710) | (168,264,593) |
| **Operating surplus** | | **39,856,504** | **12,280,916** |
| Fair value adjustments | 36 | 4,039,200 | 6,719,000 |
| Actuarial gains/ (losses) | 16 | 3,196,530 | (3,566,000) |
| | | **7,235,730** | **3,153,000** |
| Surplus before taxation | | 47,092,234 | 15,433,916 |
| Taxation | | - | - |
| **Surplus for the year** | | **47,092,234** | **15,433,916** |

* See Note 43

## Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| **Balance at 01 July 2013** | **875,700,720** | **875,700,720** |
| Changes in net assets | | |
| Surplus for the year | 15,433,914 | 15,433,914 |
| Total changes | 15,433,914 | 15,433,914 |
| Opening balance as previously reported | 894,770,890 | 894,770,890 |
| Adjustments | | |
| Prior year adjustments refer to note 43 | (3,582,167) | (3,582,167) |
| **Restated* Balance at 01 July 2014 as restated*** | **891,188,723** | **891,188,723** |
| Changes in net assets | | |
| Surplus for the year | 47,092,235 | 47,092,235 |
| Total changes | 47,092,235 | 47,092,235 |
| **Balance at 30 June 2015** | **938,280,958** | **938,280,958** |

Note(s)

* See Note 43

## Cash Flow Statement

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Government grants and subsidies | | 126,497,000 | 108,715,660 |
| Services | | 69,253,061 | 69,044,866 |
| Interest income | | 4,956,814 | 5,187,539 |
| Other income | 21 | 9,682,304 | (1,758,416) |
| | | 210,389,179 | 181,189,649 |
| **Payments** | | | |
| Employee costs | | (64,384,738) | (51,669,455) |
| Suppliers | | (65,499,634) | (81,364,397) |
| Finance costs | | (1,785,276) | (1,057,686) |
| | | (131,669,648) | (134,091,538) |
| Total receipts | | 210,389,179 | 181,189,649 |
| Total payments | | (131,669,648) | (134,091,538) |
| **Net cash flows from operating activities** | 37 | **78,719,531** | **47,098,111** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 10 | (46,508,203) | (32,181,626) |
| Proceeds from sale of property, plant and equipment | 10 | 1,305,664 | 1,478,489 |
| Net movement in receivables | 9 | 156,100 | (77,925) |
| **Net cash flows from investing activities** | | **(45,046,439)** | **(30,781,062)** |
| **Cash flows from financing activities** | | | |
| Finance lease payments | | (1,573,670) | 815,869 |
| Loans | | 22,391 | 182,276 |
| **Net cash flows from financing activities** | | **(1,551,279)** | **998,145** |
| **Net increase/(decrease) in cash and cash equivalents** | | **32,121,813** | **17,315,194** |
| Cash and cash equivalents at the beginning of the year | | 49,745,011 | 32,429,817 |
| **Cash and cash equivalents at the end of the year** | 3 | **81,866,824** | **49,745,011** |

* See Note 43

## Statement of Comparison of Budget and Actual Amounts

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference (note 51) |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 48,661,458 | - | **48,661,458** | 40,764,929 | **(7,896,529)** | 51.1 |
| Rental income | 197,661 | - | **197,661** | 123,685 | **(73,976)** | |
| Licences and permits | 17,966,463 | (13,442,000) | **4,524,463** | 3,913,628 | **(610,835)** | |
| Other income | 4,671,046 | (1,468,622) | **3,202,424** | 15,012,901 | **11,810,477** | 51.2 |
| Interest received | 4,827,856 | 2,320,778 | **7,148,634** | 4,979,205 | **(2,169,429)** | 51.3 |
| **Total revenue from exchange transactions** | **76,324,484** | **(12,589,844)** | **63,734,640** | **64,794,348** | **1,059,708** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 15,204,926 | 10,046,352 | **25,251,278** | 25,771,581 | **520,303** | |
| **Transfer revenue** | | | | | | |
| Government grants and subsidies | 126,497,000 | - | **126,497,000** | 126,296,106 | **(200,894)** | 51.4 |
| Fines | 635,169 | 100,000 | **735,169** | 1,868,179 | **1,133,010** | 51.5 |
| **Total revenue from non-exchange transactions** | **142,337,095** | **10,146,352** | **152,483,447** | **153,935,866** | **1,452,419** | |
| 'Total revenue from exchange transactions' | 76,324,484 | (12,589,844) | **63,734,640** | 64,794,348 | **1,059,708** | |
| 'Total revenue from non-exchange transactions' | 142,337,095 | 10,146,352 | **152,483,447** | 153,935,866 | **1,452,419** | |
| **Total revenue** | **218,661,579** | **(2,443,492)** | **216,218,087** | **218,730,214** | **2,512,127** | |
| **Expenditure** | | | | | | |
| Employee related costs | (50,947,726) | (3,293,668) | **(54,241,394)** | (53,150,283) | **1,091,111** | |
| Remuneration of councillors | (10,156,093) | 259,451 | **(9,896,642)** | (10,343,455) | **(446,813)** | |
| Depreciation and amortisation | (26,500,000) | (13,500,000) | **(40,000,000)** | (40,721,576) | **(721,576)** | |
| Finance costs | (3,360,200) | 1,455,000 | **(1,905,200)** | (2,042,079) | **(136,879)** | |
| Debt impairment | (636,000) | (5,364,000) | **(6,000,000)** | (2,944,339) | **3,055,661** | |
| Repairs and maintenance | (33,450,463) | 8,316,742 | **(25,133,721)** | (7,874,188) | **17,259,533** | |
| Bulk purchases | (23,827,855) | (145,000) | **(23,972,855)** | (23,580,252) | **392,603** | |
| Contracted services | (2,996,446) | (1,318,196) | **(4,314,642)** | (4,071,247) | **243,395** | |
| Grants and subsidies paid | (2,334,074) | 628,601 | **(1,705,473)** | (1,587,562) | **117,911** | |
| General expenses | (27,508,122) | (18,761,396) | **(46,269,518)** | (31,253,065) | **15,016,453** | |
| **Total expenditure** | **(181,716,979)** | **(31,722,466)** | **(213,439,445)** | **(177,568,046)** | **35,871,399** | |
| | 218,661,579 | (2,443,492) | **216,218,087** | 218,730,214 | **2,512,127** | |
| | (181,716,979) | (31,722,466) | **(213,439,445)** | (177,568,046) | **35,871,399** | |
| **Operating surplus** | **36,944,600** | **(34,165,958)** | **2,778,642** | **41,162,168** | **38,383,526** | |
| Loss on disposal of assets and liabilities | - | - | - | (1,305,664) | **(1,305,664)** | |
| Fair value adjustments | - | - | - | 4,039,200 | **4,039,200** | |
| Actuarial gains/losses | - | - | - | 3,196,530 | **3,196,530** | |
| | - | - | - | **5,930,066** | **5,930,066** | |

## Statement of Comparison of Budget and Actual Amounts

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference (note 51) |
|---|---|---|---|---|---|---|
| | 36,944,600 | (34,165,958) | 2,778,642 | 41,162,168 | 38,383,526 | |
| | - | - | - | 5,930,066 | 5,930,066 | |
| **Surplus before taxation** | **36,944,600** | **(34,165,958)** | **2,778,642** | **47,092,234** | **44,313,592** | |
| Deficit before taxation | 36,944,600 | (34,165,958) | 2,778,642 | 47,092,234 | 44,313,592 | |
| Taxation | - | - | - | - | - | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **36,944,600** | **(34,165,958)** | **2,778,642** | **47,092,234** | **44,313,592** | |

# Statement of Comparison of Budget and Actual Amounts

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference (note 51) |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | - | - | - | 798,751 | 798,751 | |
| Receivables from exchange transactions | - | - | - | 5,236,457 | 5,236,457 | |
| Receivables from non-exchange transactions | - | - | - | 16,230,001 | 16,230,001 | |
| VAT receivable | - | - | - | 2,043,013 | 2,043,013 | |
| Deposits | - | - | - | 260,564 | 260,564 | |
| Cash and cash equivalents | - | - | - | 81,866,825 | 81,866,825 | |
| | - | - | - | 106,435,611 | 106,435,611 | |
| **Non-Current Assets** | | | | | | |
| Investment property | - | - | - | 118,087,200 | 118,087,200 | |
| Property, plant and equipment | 63,430,000 | (1,690,289) | 61,739,711 | 793,054,824 | 731,315,113 | |
| | 63,430,000 | (1,690,289) | 61,739,711 | 911,142,024 | 849,402,313 | |
| Non-Current Assets | - | - | - | 106,435,611 | 106,435,611 | |
| Current Assets | 63,430,000 | (1,690,289) | 61,739,711 | 911,142,024 | 849,402,313 | |
| **Total Assets** | 63,430,000 | (1,690,289) | 61,739,711 | 1,017,577,635 | 955,837,924 | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Finance lease obligation | - | - | - | 1,425,253 | 1,425,253 | |
| Payables from exchange transactions | - | - | - | 36,263,128 | 36,263,128 | |
| Consumer deposits | - | - | - | 1,568,314 | 1,568,314 | |
| Unspent conditional grants and receipts | - | - | - | 9,626,998 | 9,626,998 | |
| Provisions | - | - | - | 204,668 | 204,668 | |
| | - | - | - | 49,088,361 | 49,088,361 | |
| **Non-Current Liabilities** | | | | | | |
| Finance lease obligation | - | - | - | 3,589,907 | 3,589,907 | |
| Employee benefit obligation | - | - | - | 17,351,000 | 17,351,000 | |
| Provisions | - | - | - | 9,267,409 | 9,267,409 | |
| | - | - | - | 30,208,316 | 30,208,316 | |
| | - | - | - | 49,088,361 | 49,088,361 | |
| | - | - | - | 30,208,316 | 30,208,316 | |
| | - | - | - | - | - | |
| **Total Liabilities** | - | - | - | 79,296,677 | 79,296,677 | |
| Assets | 63,430,000 | (1,690,289) | 61,739,711 | 1,017,577,635 | 955,837,924 | |
| Liabilities | - | - | - | (79,296,677) | (79,296,677) | |
| **Net Assets** | 63,430,000 | (1,690,289) | 61,739,711 | 938,280,958 | 876,541,247 | |

## Statement of Comparison of Budget and Actual Amounts

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference (note 51) |
| --- | --- | --- | --- | --- | --- | --- |
| **Net Assets** | | | | | | |
| **Net Assets Attributable to Owners of Controlling Entity** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus | 63,430,000 | (1,690,289) | 61,739,711 | 938,280,957 | 876,541,246 | |
| **Undefined Difference** | - | - | - | 1 | 1 | |
| **Total Net Assets** | 63,430,000 | (1,690,289) | 61,739,711 | 938,280,957 | 876,541,246 | |

| Figures in Rand | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|



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# Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2015

**2015**

**Financial Performance**

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Property rates | 15,204,926 | 10,046,352 | 25,251,278 | - | | | 25,251,278 | 25,771,581 | | | 520,303 | 102 % | 169 % |
| Service charges | 48,661,458 | - | 48,661,458 | - | | | 48,661,458 | 40,764,929 | | | (7,896,529) | 84 % | 84 % |
| Investment revenue | 4,827,856 | 2,320,778 | 7,148,634 | - | | | 7,148,634 | 4,979,205 | | | (2,169,429) | 70 % | 103 % |
| Transfers recognised - operational | 126,497,000 | - | 126,497,000 | - | | | 126,497,000 | 126,296,106 | | | (200,894) | 100 % | 100 % |
| Other own revenue | 23,470,338 | (14,810,622) | 8,659,716 | - | | | 8,659,716 | 24,957,593 | | | 16,297,877 | 288 % | 106 % |
| **Total revenue (excluding capital transfers and contributions)** | **218,661,578** | **(2,443,492)** | **216,218,086** | **-** | | | **216,218,086** | **222,769,414** | | | **6,551,328** | **103 %** | **102 %** |
| Employee costs | (50,947,726) | (3,293,668) | (54,241,394) | - | | - | (54,241,394) | (53,150,283) | | - | 1,091,111 | 98 % | 104 % |
| Remuneration of councillors | (10,156,093) | 259,451 | (9,896,642) | - | | - | (9,896,642) | (10,343,455) | | - | (446,813) | 105 % | 102 % |
| Debt impairment | (636,000) | (5,364,000) | (6,000,000) | | | | (6,000,000) | (2,944,339) | | - | 3,055,661 | 49 % | 463 % |
| Depreciation and asset impairment | (26,500,000) | (13,500,000) | (40,000,000) | | | | (40,000,000) | (40,721,576) | | - | (721,576) | 102 % | 154 % |
| Finance charges | (3,360,200) | 1,455,000 | (1,905,200) | - | | - | (1,905,200) | (2,042,079) | | - | (136,879) | 107 % | 61 % |
| Materials and bulk purchases | (23,827,855) | (145,000) | (23,972,855) | - | | - | (23,972,855) | (23,580,252) | | - | 392,603 | 98 % | 99 % |
| Transfers and grants | (2,334,074) | 628,601 | (1,705,473) | - | | - | (1,705,473) | (1,587,562) | | - | 117,911 | 93 % | 68 % |
| Other expenditure | (63,955,032) | 1,198,220 | (62,756,812) | - | | - | (62,756,812) | (44,504,165) | | - | 18,252,647 | 71 % | 70 % |
| **Total expenditure** | **(181,716,980)** | **(18,761,396)** | **(200,478,376)** | **-** | | **-** | **(200,478,376)** | **(178,873,711)** | | **-** | **21,604,665** | **89 %** | **98 %** |
| Total revenue (excluding capital transfers and contributions) | 218,661,578 | (2,443,492) | 216,218,086 | - | | - | 216,218,086 | 222,769,414 | | - | 6,551,328 | 103 % | 102 % |
| Total expenditure | (181,716,980) | (18,761,396) | (200,478,376) | - | | - | (200,478,376) | (178,873,711) | | - | 21,604,665 | 89 % | 98 % |
| **Surplus/(Deficit)** | **36,944,598** | **(21,204,888)** | **15,739,710** | **-** | | | **15,739,710** | **43,895,703** | | | **28,155,993** | **279 %** | **119 %** |
| Surplus/(Deficit) | 36,944,598 | (21,204,888) | 15,739,710 | - | | - | 15,739,710 | 43,895,703 | | - | 28,155,993 | 279 % | 119 % |
| Surplus (Deficit) after capital transfers and contributions | 36,944,598 | (21,204,888) | 15,739,710 | - | | - | 15,739,710 | 43,895,703 | | - | 28,155,993 | 279 % | 119 % |
| **Surplus/(Deficit) for the year** | **36,944,598** | **(21,204,888)** | **15,739,710** | **-** | | | **15,739,710** | **43,895,703** | | | **28,155,993** | **279 %** | **119 %** |

**Capital Expenditure and Funds Sources**

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# Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

| Figures in Rand | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash Flows** | | | | | | | | | | | |
| Net cash from (used) operating | - | - | - | - | | - | 78,719,531 | | 78,719,531 | DIV/0 % | DIV/0 % |
| Net cash from (used) investing | - | - | - | - | | - | (45,046,439) | | (45,046,439) | DIV/0 % | DIV/0 % |
| Net cash from (used) financing | - | - | - | - | | - | (1,551,279) | | (1,551,279) | DIV/0 % | DIV/0 % |
| **Net increase/(decrease) in cash and cash equivalents** | **-** | **-** | **-** | **-** | | **-** | **32,121,813** | | **32,121,813** | **DIV/0 %** | **DIV/0 %** |
| Cash and cash equivalents at the beginning of the year | - | - | - | - | | - | 49,745,011 | | 49,745,011 | DIV/0 % | DIV/0 % |
| Net increase / (decrease) in cash and cash equivalents | - | - | - | - | - | - | 32,121,813 | - | (32,121,813) | DIV/0 % | DIV/0 % |
| Cash and cash equivalents at the beginning of the year | - | - | - | - | - | - | 49,745,011 | - | (49,745,011) | DIV/0 % | DIV/0 % |
| **Cash and cash equivalents at year end** | **-** | **-** | **-** | **-** | | **-** | **81,866,824** | | **(81,866,824)** | **DIV/0 %** | **DIV/0 %** |

# Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

| Figures in Rand | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|---|---|---|---|---|
| **2014** | | | | |
| **Financial Performance** | | | | |
| Property rates | | | | 29,830,571 |
| Service charges | | | | 36,994,241 |
| Investment revenue | | | | 5,315,725 |
| Transfers recognised - operational | | | | 99,289,556 |
| Other own revenue | | | | 9,115,416 |
| **Total revenue (excluding capital transfers and contributions)** | | | | **180,545,509** |
| Employee costs | - | - | - | (49,251,330) |
| Remuneration of councillors | - | - | - | (9,879,963) |
| Debt impairment | - | - | - | (6,066,546) |
| Depreciation and asset impairment | - | - | - | (37,960,565) |
| Finance charges | - | - | - | (1,432,117) |
| Materials and bulk purchases | - | - | - | (21,544,525) |
| Transfers and grants | - | - | - | (1,173,633) |
| Other expenditure | - | - | - | (40,955,914) |
| **Total expenditure** | **-** | **-** | **-** | **(168,264,593)** |
| Total revenue (excluding capital transfers and contributions) | - | - | - | 180,545,509 |
| Total expenditure | - | - | - | (168,264,593) |
| **Surplus/(Deficit)** | | | | **12,280,916** |
| Surplus/(Deficit) | - | - | - | 12,280,916 |
| Surplus (Deficit) after capital transfers and contributions | - | - | - | 12,280,916 |
| **Surplus/(Deficit) for the year** | | | | **12,280,916** |

**Captial Expenditure and Funds Sources**

# Ephraim Mogale Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

| Figures in Rand | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|---|---|---|---|---|
| **Cash Flows** | | | | |
| Net cash from (used) operating | | | | 47,098,111 |
| Net cash from (used) investing | | | | (30,781,062) |
| Net cash from (used) financing | | | | 998,145 |
| **Net increase/(decrease) in cash and cash equivalents** | | | | **17,315,194** |
| Net increase / (decrease) in cash and cash equivalents | - | - | - | 17,315,194 |
| **Cash and cash equivalents at year end** | | | | **17,315,194** |

## 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), including any interpretations, guidelines and directives, 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 the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

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

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, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

**Impairment testing**

The recoverable (service) 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

**Value in use of cash generating assets:**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

**Value in use of non-cash generating assets:**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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.

## Accounting Policies

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

**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 15 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 property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

**Post retirement benefits**

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep 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 pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

**Effective interest rate**

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

**Allowance for impairment**

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the 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
- 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 can be measured reliably.

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

Where investment property is acquired at no cost, or for a nominal cost, 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.

## Accounting Policies

### 1.3 Investment property (continued)

**Fair value**

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

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

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

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

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

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

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.4 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 reporting period.

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

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

Property, plant and equipment are initially recognised 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 at no cost, or for a nominal cost, 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), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

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

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

# Accounting Policies

**1.4 Property, plant and equipment (continued)**

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.

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.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

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 | Average useful life |
|---|---|
| Land | Indefinite |
| Buildings | 20 - 30 years |
| Plant and machinery | 3 - 10 years |
| Motor vehicles | 5 years |
| Office equipment | 4 - 6 years |
| Infrastructure | 2 - 100 years |
| Community | 5 - 25 years |
| Landfill site | 2 - 100 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

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

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.Such a difference is recognised in surplus or deficit when the item is derecognised.

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.

# Accounting Policies

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which 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 cash-generating assets and/or impairment of non-cash-generating assets.

### 1.6 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A financial asset is:

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

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

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

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

# Accounting Policies

### 1.6 Financial Instruments (continued)

**Classification**

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

| Class | Category |
|---|---|
| Deposits | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

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 |
|---|---|
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Finance lease obligation | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised 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.

**Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabiliites initially at fair value.

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

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

## Accounting Policies

### 1.6 Financial instruments (continued)

**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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

**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 municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, 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 where 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.

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.

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.

# Accounting Policies

### 1.6 Financial instruments (continued)

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 a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

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

**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 amount of the transferred asset is 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 municipality 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).

## Accounting Policies

### 1.7 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 building 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 recognised separately as an expense 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.

Any contingent rents are recognised separately as revenue in the period in which they are received.

**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 over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, 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.

### 1.8 Inventories (continued)

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

The cost of inventories is assigned using the 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.

### 1.9 Value-added Tax (VAT)

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

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

**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 was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

## Accounting Policies

**1.10 Impairment of cash-generating assets (continued)**

**Value in use**

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

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

**Discount rate**

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

**Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

**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.

## Accounting Policies

**1.10 Impairment of cash-generating assets (continued)**

**Reversal of impairment loss**

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

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

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

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

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

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

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

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

**1.11 Impairment of non-cash-generating assets**

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

**Identification**

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

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

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

## Accounting Policies

**1.11 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 asset is determined using the following approach:

**Depreciated replacement cost approach**

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality will 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.

**1.12 Statutory receivables**

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.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

## Accounting Policies

**1.12 Statutory receivables (continued)**

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due the the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been inccurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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 the allowance account. The reversal does not result in a carrying amount of the statutory receivable 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.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit wihtin operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:
- the rights to the cash flows from the statutory 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;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of 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;
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is 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 considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

# Accounting Policies

### 1.13 Employee benefits

**Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 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 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the 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 municipality 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 municipality 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 municipality 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 are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

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

## Accounting Policies

**1.13 Employee benefits (continued)**

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

Defined contribution plans are post-employment benefit plans under which the municipality 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 municipality during a reporting period, the municipality 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 municipality 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 12 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.

## Accounting Policies

**1.13 Employee benefits (continued)**

**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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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 amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality 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;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

## Accounting Policies

**1.13 Employee benefits (continued)**

The municipality 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.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

## Accounting Policies

**1.13 Employee benefits (continued)**

**Other long-term employee benefits**

The municipality has an obligation to provide 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 is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards 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 municipality 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;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

**Termination benefits**

The municipality 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 municipality 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.

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

**1.14 Provisions and contingencies**

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

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

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

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

## Accounting Policies

**1.14 Provisions and contingencies (continued)**

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 expenditure.

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.

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

## Accounting Policies

### 1.14 Provisions and contingencies (continued)

**Decommissioning, restoration and similar liability**

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers 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 municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

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

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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 services performed to date as a percentage of total services to be performed.

## Accounting Policies

### 1.15 Revenue from exchange transactions (continued)

**Interest, royalties and dividends**

Revenue arising from the use by others of municipal assets yielding interest, royalties 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.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

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

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

**Recognition**

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

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

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

## Accounting Policies

**1.16 Revenue from non-exchange transactions (continued)**

**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 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**

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

**Collection charges and penalties**

Collection charges and penalty interest are recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

**Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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 debtors.

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

## Accounting Policies

**1.16 Revenue from non-exchange transactions (continued)**

**Services in-kind**

Services in-kind are not recognised.

**1.17 Turnover**

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

**1.18 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.

**1.19 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 42 for detail.

**1.20 Unauthorised expenditure**

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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.

**1.21 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.

**1.22 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 excludes unauthorised expenditure.

All expenditure relating to irregular 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.

**1.23 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 debited/credit against accumulated surplus when retrospective adjustments are made.

## Accounting Policies

### 1.24 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 39.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

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

### 1.25 Grants in aid

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

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

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

### 1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The 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.

### 1.27 Related parties

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

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

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

### 1.28 Events after reporting date

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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**2. New standards and interpretations**

**2.1 Standards and interpretations effective and adopted in the current year**

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**GRAP 5 (revised 2013): Borrowing Costs**

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

**GRAP 100 (revised 2013): Discontinued Operations**

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

**2.2 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

**GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

## 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 105: Transfers of Functions Between Entities Under Common Control**

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

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

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

**GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

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

## Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

**GRAP 107: Mergers**

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

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

**GRAP 20: Related Parties**

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

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two 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 reporting 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.

## Notes to the Annual Financial Statements

**2. New standards and Interpretations (continued)**

- 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.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

**IGRAP 11: Consolidation – Special purpose entities**

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

## Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

**GRAP 7 (as revised 2010): Investments in Associates**

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

**GRAP 8 (as revised 2010): Interests in Joint Ventures**

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

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

**GRAP 32: Service Concession Arrangements: Grantor**

# Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

**IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures**

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:
- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

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

**GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements**

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

## Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

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

**GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently 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.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

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

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

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

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

## Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

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

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

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

## Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

**Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP**

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

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

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2015 | 2014 |
|---|---|---|
| Bank balances | 59,466,978 | 28,549,317 |
| Call Account | 22,399,847 | 21,195,694 |
| | **81,866,825** | **49,745,011** |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2015 | 30 June 2014 | 30 June 2013 |
| First National Bank - Cheque account - 5295 002 0208 | 6,872,361 | 16,756,404 | 8,928,282 | 8,145,394 | 16,756,404 | 6,455,290 |
| First National Bank -Cheque account - 6205 7590 0393 | - | - | 32,885 | 32,503 | 32,503 | - |
| ABSA Bank - Cheque Account - 4079 367 427 | 43,282,557 | 11,677,241 | 44,153,205 | 51,235,537 | 11,706,865 | 25,942,024 |
| Nedbank - Call Account - 03 / 7881098821 / 000002 | 22,399,847 | 21,195,694 | - | 22,399,847 | 21,195,694 | - |
| **Total** | **72,554,765** | **49,629,339** | **53,114,372** | **81,813,281** | **49,691,466** | **32,397,314** |

### 4. Deposits

| | 2015 | 2014 |
|---|---|---|
| **Eskom**<br>A security deposit is held by Eskom who is the bulk electricity supplier of the municipality. | 260,564 | 100,926 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 5. Receivables from exchange transactions

| | | |
|---|---|---|
| Electricity | 2,926,808 | 989,380 |
| Refuse | 373,761 | 888,199 |
| Other (including interest) | 1,935,889 | 3,457,230 |
| | **5,236,458** | **5,334,809** |
| **Gross balances** | | |
| Electricity | 3,869,469 | 2,640,679 |
| Refuse | 1,225,304 | 2,370,623 |
| Other (including interest) | 9,082,814 | 9,227,428 |
| | **14,177,587** | **14,238,730** |
| **Less : Allowance for impairment** | | |
| Electricity | (942,661) | (1,651,299) |
| Refuse | (851,543) | (1,482,424) |
| Other (including interest) | (7,723,322) | (5,770,198) |
| | **(9,517,526)** | **(8,903,921)** |
| **Net Balance** | | |
| Electricity | 2,926,808 | 989,380 |
| Refuse | 373,761 | 888,199 |
| Other including interest | 1,935,889 | 3,457,230 |
| | **5,236,458** | **5,334,809** |
| **Electricity** | | |
| Current (0-30 days) | 2,508,423 | 1,664,350 |
| 31-60 days | 170,489 | 74,735 |
| 61-90 days | 127,443 | 38,989 |
| > 90 days | 1,063,114 | 862,605 |
| Less : Allowance for impairment | (942,661) | (1,651,299) |
| | **2,926,808** | **989,380** |
| **Refuse** | | |
| Current (0-30 days) | 215,564 | 231,906 |
| 31-60 days | 73,869 | 55,661 |
| 61-90 days | 85,346 | 50,159 |
| > 90 days | 850,525 | 2,032,897 |
| Less : Allowance for impairment | (851,543) | (1,482,424) |
| | **373,761** | **888,199** |
| **Other (including interest)** | | |
| Current (0-30 days) | 728,309 | 1,851,066 |
| 31-60 days | 323,347 | 378,646 |
| 61-90 days | 318,316 | 345,735 |
| > 90 days | 7,712,842 | 6,651,981 |
| Less : Allowance for impairment | (7,723,322) | (5,770,198) |
| | **1,359,492** | **3,457,230** |

**Receivables from exchange transactions pledged as security**

No receivables from exchange transactions were pledged as security.

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 5. Receivables from exchange transactions (continued)

### Credit quality of receivables from exchange transactions

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

### Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, no receivables from exchange transactions (2014: R nil) were past due but not impaired.

### Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 14,177,587 (2014: R 14,238,730) were impaired and provided for.

The amount of the provision was R 9,517,526 as of 30 June 2015 (2014: R 8,903,921).

## 6. Receivables from non exchange transactions

| | 2015 | 2014 |
|---|---|---|
| Rates | 30,085,540 | 25,434,431 |
| Fines | 2,015,031 | 743,530 |
| **Gross balances** | | |
| | **32,100,571** | **26,177,961** |
| **Less: Allowance for impairment** | | |
| Rates | (14,426,986) | (15,764,067) |
| Fines | (1,622,584) | (579,953) |
| | **(16,049,570)** | **(16,344,020)** |
| **Net balance** | | |
| Rates | 15,658,554 | 9,670,365 |
| Fines | 571,447 | 163,577 |
| | **16,230,001** | **9,833,942** |
| **Fines** | | |
| Current (0-30 days) | 104,500 | 47,500 |
| 31-60 days | 59,750 | 38,500 |
| 61-90 days | 108,000 | 55,200 |
| > 90 days | 1,896,351 | 602,330 |
| Less : Allowance for impairment | (1,597,154) | (579,953) |
| | **571,447** | **163,577** |
| **Net balance** | **-** | **-** |
| **Rates from non exhange transactions** | | |
| Current (0-30 days) | 2,756,976 | 3,750,560 |
| 31 - 60 days | 1,225,780 | 1,274,519 |
| 61 - 90 days | 1,203,337 | 1,216,252 |
| > 90 days | 24,899,447 | 19,193,101 |
| Less : Allowance for impairment | (14,458,914) | (15,904,941) |
| | **15,626,626** | **9,529,491** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 6. Receivables from non exchange transactions (continued)

**Summary of debtors by customer classification**

| | 2015 | 2014 |
|---|---|---|
| **Consumers** | | |
| Current (0 -30 days) | 2,283,810 | 2,546,891 |
| 31 - 60 days | 524,115 | 574,360 |
| 61 - 90 days | 511,290 | 510,741 |
| > 90 days | 11,677,665 | 9,713,238 |
| | 14,996,880 | 13,345,230 |
| Less: Allowance for impairment | (8,212,906) | (8,548,625) |
| | **6,783,974** | **4,796,605** |
| **Industrial/ commercial** | | |
| Current (0 -30 days) | 3,818,589 | 4,755,864 |
| 31 - 60 days | 1,245,396 | 1,150,402 |
| 61 - 90 days | 1,212,629 | 1,085,100 |
| > 90 days | 22,507,818 | 18,392,435 |
| | 28,784,432 | 25,383,801 |
| Less: Allowance for impairment | (15,763,534) | (16,260,237) |
| | **13,020,898** | **9,123,564** |
| **National and provincial government** | | |
| Current (0 -30 days) | 106,873 | 195,126 |
| 31 - 60 days | 23,973 | 58,798 |
| 61 - 90 days | 10,521 | 55,294 |
| 91 - 120 days | 340,446 | 634,911 |
| | **481,813** | **944,129** |
| **Total** | | |
| Current (0 -30 days) | 6,209,272 | 7,497,881 |
| 31 - 60 days | 1,793,485 | 1,783,561 |
| 61 - 90 days | 1,734,440 | 1,651,134 |
| > 90 days | 30,437,316 | 23,569,352 |
| | 40,174,513 | 34,501,928 |
| Less: Allowance for impairment | (23,976,440) | (24,808,861) |
| | **16,198,073** | **9,693,067** |

| | 2015 | 2014 |
|---|---|---|
| **Reconciliation of allowance for impairment (excluding fines)** | | |
| Balance at beginning of the year | 16,484,894 | 10,277,474 |
| Contributions to allowance | - | 5,627,467 |
| Reversal of allowance | (832,421) | - |
| **Reconciliation of allowance of impairment (fines)** | | |
| Balance at the beginning of the year | 579,953 | - |
| Contributions to allowance | 1,017,201 | 579,953 |
| | **17,249,627** | **16,484,894** |

**Consumer debtors pledged as security**

No consumer debtors were pledged as security

**Credit quality of receivables from non exchange transactions**

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

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**6. Receivables from non exchange transactions (continued)**

**Receivables from exchange transactions past due but not impaired**

Receivables from non exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, no receivables from exchange transactions (2014: R nil) were past due but not impaired

**7. VAT receivable**

| | 2015 | 2014 |
|---|---|---|
| VAT Receivable | 2,043,013 | 4,394,788 |

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from receivable. All VAT returns were submitted throughout the year

**8. Inventories**

| | 2015 | 2014 |
|---|---|---|
| Consumables | 798,751 | 689,236 |

**Inventory pledged as security**

No inventory was pledged as security for the years ended 30 June 2014 and 2015

**9. Investment property**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 118,087,200 | - | 118,087,200 | 114,048,000 | - | 114,048,000 |

**Reconciliation of investment property - 2015**

| | Opening balance | Fair value adjustments | Total |
|---|---|---|---|
| Investment property | 114,048,000 | 4,039,200 | 118,087,200 |

**Pledged as security**

None of the above investment property have been pledged as security.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal

The municipality does not have any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements 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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
| --- | --- | --- |

### 9. Investment property (continued)

**Details of valuation**

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mr Lourens Nel (professional valuator - 4464/2) (SACPVP) (SAIV), of Uniqueco Properties (Pty) Ltd. Uniqueco Properties (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuations were 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.

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 3,755,019 | - | 3,755,019 | 3,755,019 | - | 3,755,019 |
| Buildings | 33,126,335 | (7,076,767) | 26,049,568 | 33,126,335 | (5,972,556) | 27,153,779 |
| Plant and machinery | 35,130,378 | (18,352,068) | 16,778,310 | 29,571,329 | (15,094,980) | 14,476,349 |
| Motor vehicles | 6,045,397 | (3,704,790) | 2,340,607 | 6,045,397 | (2,903,735) | 3,141,662 |
| Office equipment | 8,259,960 | (6,478,763) | 1,781,197 | 8,204,987 | (5,786,341) | 2,418,646 |
| IT equipment | 2,137,693 | (1,310,241) | 827,452 | 2,015,483 | (942,472) | 1,073,011 |
| Infrastructure | 883,070,168 | (187,143,060) | 695,927,108 | 850,978,799 | (155,253,176) | 695,725,623 |
| Community | 19,252,222 | (2,280,806) | 16,971,416 | 19,252,222 | (1,485,321) | 17,766,901 |
| Landfill site | 7,514,786 | (3,081,417) | 4,433,369 | 6,833,807 | (2,853,623) | 3,980,184 |
| Work in Progress | 18,270,324 | - | 18,270,324 | 11,986,699 | - | 11,986,699 |
| Leased assets | 8,112,668 | (2,192,214) | 5,920,454 | 8,112,668 | (1,016,680) | 7,095,988 |
| **Total** | **1,024,674,950** | **(231,620,126)** | **793,054,824** | **979,882,745** | **(191,308,884)** | **788,573,861** |

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## Notes to the Annual Financial Statements

Figures in Rand

**10. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2015**

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land | 3,755,019 | - | - | - | - | 3,755,019 |
| Buildings | 27,153,779 | - | - | - | (1,104,212) | 26,049,567 |
| Plant and machinery | 14,476,349 | 5,559,048 | - | - | (3,257,087) | 16,778,310 |
| Motor vehicles | 3,141,662 | - | - | - | (801,055) | 2,340,607 |
| Office equipment | 2,418,647 | 54,972 | - | - | (692,422) | 1,781,197 |
| IT equipment | 1,073,011 | 122,210 | - | - | (367,769) | 827,452 |
| Infrastructure | 695,725,623 | 283,778 | (1,305,664) | 33,523,591 | (32,300,220) | 695,927,108 |
| Community | 17,766,901 | - | - | - | (795,485) | 16,971,416 |
| Landfill site | 3,980,184 | 680,979 | - | - | (227,793) | 4,433,370 |
| Work in Progress | 11,986,699 | 39,807,216 | - | (33,523,591) | - | 18,270,324 |
| Leased assets | 7,095,988 | - | - | - | (1,175,534) | 5,920,454 |
| | **788,573,862** | **46,508,203** | **(1,305,664)** | **-** | **(40,721,577)** | **793,054,824** |

**Reconciliation of property, plant and equipment - 2014**

| | Opening balance | Additions | Capital under construction | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land | 3,755,019 | - | - | - | - | 3,755,019 |
| Buildings | 28,257,990 | - | - | - | (1,104,211) | 27,153,779 |
| Plant and machinery | 6,834,865 | 9,573,311 | - | - | (1,931,827) | 14,476,349 |
| Motor vehicles | 1,765,184 | 1,922,796 | - | - | (546,318) | 3,141,662 |
| Office equipment | 1,864,399 | 1,144,733 | - | - | (590,485) | 2,418,647 |
| IT equipment | 611,086 | 704,660 | - | - | (242,735) | 1,073,011 |
| Infrastructure | 709,196,467 | - | - | 18,352,883 | (31,823,727) | 695,725,623 |
| Community | 7,797,220 | 8,580,714 | - | 1,937,179 | (548,212) | 17,766,901 |
| Landfill site | 1,993,809 | 2,142,744 | - | - | (156,369) | 3,980,184 |
| Work in Progress | 19,635,673 | - | 12,641,088 | (20,290,062) | - | 11,986,699 |
| Leased assets | - | 8,112,668 | - | - | (1,016,680) | 7,095,988 |
| | **781,711,712** | **32,181,626** | **12,641,088** | **-** | **(37,960,564)** | **788,573,862** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**10. 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)**

| | 2015 | 2014 |
|---|---|---|
| Vehicles and heavy machinery | 5,920,454 | 7,095,988 |

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.

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 11. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 18,775,030 | 9,675,159 |
| Accrued leave pay | 5,129,593 | 4,227,833 |
| Accrued bonus | 1,190,377 | 1,126,971 |
| Operating lease payables | - | 52,530 |
| Retentions | 5,269,432 | 4,714,252 |
| Credit balances on receivables | 2,043,265 | 1,122,677 |
| Sekhukhune creditor | - | 12,564,383 |
| Other creditors | 104,492 | 121,891 |
| Unallocated payments | 2,458,758 | 2,458,758 |
| Unallocated receipts | 1,292,181 | 1,292,181 |
| | **36,263,128** | **37,356,635** |

## 12. Consumer deposits

| | | |
|---|---|---|
| Rates | 1,568,314 | 1,620,351 |

## 13. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1,775,951 | 1,775,951 |
| - in second to fifth year inclusive | 3,929,244 | 5,705,195 |
| | 5,705,195 | 7,481,146 |
| less: future finance charges | (690,035) | (1,149,120) |
| **Present value of minimum lease payments** | **5,015,160** | **6,332,026** |
| **Present value of minimum lease payments due** | | |
| - within one year | 1,425,253 | 1,316,866 |
| - in second to fifth year inclusive | 3,589,907 | 5,015,160 |
| | **5,015,160** | **6,332,026** |
| Non-current liabilities | 3,589,907 | 5,015,160 |
| Current liabilities | 1,425,253 | 1,316,866 |
| | **5,015,160** | **6,332,026** |

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

The average lease term was 4-5 years and the average effective borrowing rate was 8% (2014: 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 10.

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 14. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Municipal infrastructure grant | 4,707,597 | 5,221,412 |
| Municipal system improvement grant | 1,218,620 | 468,026 |
| Financial management grant | 77,125 | 113,011 |
| Energy efficiency and demand side grant | 3,606,541 | 3,606,541 |
| Expanded public work programme grant | 17,114 | 17,114 |
| | **9,626,997** | **9,426,104** |

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | 9,426,104 | - |
| Additions during the year | 34,883,000 | 31,566,700 |
| Income recognition during the year | (34,682,106) | (22,140,596) |
| | **9,626,998** | **9,426,104** |

Also refer to note 23 for reconciliation of grants from National/Provincial Government.

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

## Ephraim Mogale Local Municipality
Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

**Figures in Rand**

### 15. Provisions

**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 |

**Reconciliation of provisions - 2014**

| | Opening Balance | Additions | Increase due to unwinding of discount | Total |
|---|---|---|---|---|
| Environmental rehabilitation - landfill sites | 6,331,393 | 2,142,744 | 134,686 | 8,608,823 |

| | | |
|---|---|---|
| Non-current liabilities | 9,267,410 | 8,426,547 |
| Current liabilities | 204,668 | 182,276 |
| | **9,472,078** | **8,608,823** |

This valuation was performed by Mr Seakle Godschalk Pr Sci Nat and Dr Maryna Möhr-Swart, both partners in Environmental & Sustainability Solutions (ESS). ESS is a boutique consultancy focusing on all aspects of environmental and sustainability accounting.
Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions as well as with the South African Institute of Ecologists and Environmental Scientists. He holds a Master's degree in Science as well as a Master's degree in Accounting.
Dr Möhr-Swart holds an MBA as well as a D Tech. For the latter she developed an Environmental Management Accounting model for the mining industry. She was a member of the United Nations expert workgroup that developed an International Guidance Document: Environmental Management Accounting that was published by the International Federation of Accountants (IFAC) in 2005.
Both members represent South Africa on the International Standards Organisation workgroup for the development of standards on Material Flow Cost Accounting (MFCA). They developed an environmental management accounting system for Gold Fields. For the Department of Defence, they developed the Environmental Liability Costing Model to estimate the rehabilitation costs of military training areas. On their own initiative they developed the General Landfill Closure Costing Model (GLCCM) that formed the basis for this valuation.

**Environmental rehabilitation provision**

The environment rehabilitation provision relates to the decomissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**15. Provisions (continued)**

Major uncertainties surround the final decommisioning and rehabilitation costs at the end of the useful life and the remaining useful life of the landfill site. The current undiscounted amount at the end of the useful life is estimated as R13 249 222 and the the current remaining useful life is estmated as 11 years.

No reimbursement for the rehabilitation of the landfill site will be received

**16. 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:**

| | 2015 | 2014 |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation-wholly unfunded | (13,174,000) | (13,683,000) |
| Present value of long service awards obligation | (4,177,000) | (4,559,000) |
| | **(17,351,000)** | **(18,242,000)** |

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

| | 2015 | 2014 |
|---|---|---|
| Opening balance | 13,683,000 | 10,780,000 |
| Net expense recognised in the statement of financial performance | (509,000) | 2,903,000 |
| | **13,174,000** | **13,683,000** |

**Net expense of the defined benefit obligation recognised in the statement of financial performance**

| | 2015 | 2014 |
|---|---|---|
| Current service cost | 543,000 | 610,000 |
| Interest cost | 1,235,000 | 774,000 |
| Actuarial (gains) losses | (2,287,000) | 1,519,000 |
| | **(509,000)** | **2,903,000** |

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

| | 2015 | 2014 |
|---|---|---|
| Opening balance | 4,559,000 | 2,129,000 |
| Benefits paid | (174,470) | - |
| Net expense recognised in the statement of financial performance | (207,530) | 2,430,000 |
| | **4,177,000** | **4,559,000** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 16. Employee benefit obligations (continued)

**Net expense of the long service awards obligation recognised in the statement of financial performance**

| | | |
|---|---|---|
| Current service cost | 334,000 | 234,000 |
| Interest cost | 368,000 | 149,000 |
| Actuarial (gains)/ losses | (909,530) | 2,047,000 |
| | **(207,530)** | **2,430,000** |

**Key assumptions used**

Assumptions used at the reporting date:

| | | |
|---|---|---|
| Discount rate - Post retirement medical aid | 9.35 % | 8.94 % |
| Consumer price inflation - Post retirement medical aid | 6.89 % | 7.05 % |
| Health care cost inflation | 8.39 % | 8.05 % |
| Discount rate - Long service award | 8.36 % | 7.96 % |
| Consumer price inflation - Long service award | 6.06 % | 6.30 % |
| Salary increase rate | 7.06 % | 7.33 % |

**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 | 332,000 | (323,000) |
| Effect on defined benefit obligation | 1,675,000 | (2,026,000) |

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

| | 2015<br>R | 2014<br>R | 2013<br>R | 2012<br>R | 2011<br>R |
|---|---|---|---|---|---|
| Defined benefit obligation | 13,174,000 | 13,683,000 | 10,780,000 | 7,409,162 | 5,683,162 |
| Long service awards obligation | 4,177,000 | 4,559,000 | 2,129,118 | 1,895,118 | 1,538,118 |

**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.

### 17. Service charges

| | | |
|---|---|---|
| Sale of electricity | 37,384,302 | 34,080,395 |
| Refuse removal | 3,380,627 | 2,913,846 |
| | **40,764,929** | **36,994,241** |

### 18. Rental income

| | | |
|---|---|---|
| Facilities and equipment | 123,685 | 158,352 |
| Premises | - | - |
| Garages and parking | - | - |
| Facilities and equipment | 123,685 | 158,352 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|
| **19. Investment revenue** | | |
| **Interest revenue** | | |
| Interest charged on Eskom deposits | 12,348 | - |
| Interest on cash and cash equivalents | 2,451,977 | 1,903,903 |
| Interest on outstanding receivable balances | 2,514,879 | 3,411,822 |
| | **4,979,204** | **5,315,725** |
| | - | - |
| | 4,979,204 | 5,315,725 |
| **20. Licences and permits** | | |
| Licences and permits | 3,913,628 | 4,420,034 |
| **21. Other revenue** | | |
| Other income | 15,012,901 | 3,297,654 |

Major components of other income include departmental fees and sale of tender documents

| **The amount included in other revenue arising from exchanges of goods or services are as follows:** | | |
|---|---|---|
| Claims for skills development | 69,551 | 366,302 |
| Departmental fees | 1,664,828 | 1,571,298 |
| Sales of tender documents | 409,350 | 201,080 |
| Sekhukhune Commission on Water Sales | - | 971,888 |
| Write off of Sekhukune creditor balance | 12,564,383 | - |
| Other | 304,789 | 187,086 |
| | **15,012,901** | **3,297,654** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 22. Property rates

**Rates received**

| | | |
|---|---|---|
| Residential | 8,042,159 | 9,560,155 |
| Commercial | 7,644,544 | 8,446,678 |
| State | 187,355 | 216,180 |
| Municipal | (99,705) | 178,728 |
| Small holdings and farms | 9,977,062 | 11,373,544 |
| Other | 20,166 | 55,287 |
| | **25,771,581** | **29,830,572** |

**Valuations**

| | | |
|---|---|---|
| Agricultural | 2,090,034,513 | 1,992,026,160 |
| Business and commercial | 434,913,600 | 435,502,200 |
| Educational | 42,110,000 | 41,870,000 |
| Municipal | 26,617,000 | 25,667,000 |
| POB | 1,050,000 | 1,050,000 |
| PSI | 775,230 | 775,230 |
| Religious | 28,079,000 | 28,079,000 |
| Residential | 997,012,700 | 991,368,100 |
| State owned | 1,536,000 | 1,536,000 |
| Vacant | 1,032,000 | 1,032,000 |
| | **3,623,160,043** | **3,518,905,690** |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. 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 a month to month basis.

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 23. Government grants and subsidies

| | | |
|---|---|---|
| Equitable share | 91,614,000 | 77,149,000 |
| Financial management grant | 1,635,885 | 1,436,989 |
| Municipal system improvement program grant | 183,406 | 421,974 |
| Energy efficiency and demand side grant | - | 1,393,159 |
| Municipal infrastructure grant | 31,583,815 | 17,905,588 |
| Expanded public works programme grant | 1,279,000 | 982,846 |
| | **126,296,106** | **99,289,556** |

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|---|---|---|
| Conditional grants received | 34,861,106 | 22,140,556 |
| Unconditional grants received | 91,435,000 | 77,149,000 |
| | **126,296,106** | **99,289,556** |

### Equitable Share

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

### Municipal infrastructure grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 5,221,412 | - |
| Current - year receipts | 31,070,000 | 23,127,000 |
| Conditions met - transferred to revenue | (31,583,815) | (17,905,588) |
| | **4,707,597** | **5,221,412** |

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

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 unspent amounts on the following projects:
- Upgrading of Puleng road
- Upgrading of Matilu road
- Makgatle A&B internal road
- Leeufontein internal streets
- Elandskraal internal road
- Letebejane internal road

### Municipal system improvement programme grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 468,026 | - |
| Current - year receipts | 934,000 | 890,000 |
| Conditions met - transferred to revenue | (183,406) | (421,974) |
| | **1,218,620** | **468,026** |

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 23. Government grants and subsidies (continued)

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**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 113,011 | - |
| Current - year receipts | 1,600,000 | 1,550,000 |
| Conditions met - transferred to revenue | (1,635,886) | (1,436,989) |
| | **77,125** | **113,011** |

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

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 efficiency and demand side grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 3,606,541 | - |
| Current - year receipts | - | 4,999,700 |
| Conditions met - transferred to revenue | - | (1,393,159) |
| | **3,606,541** | **3,606,541** |

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

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 | 17,114 | - |
| Current - year receipts | 1,279,000 | 1,000,000 |
| Conditions met - transferred to revenue | (1,279,000) | (982,886) |
| | **17,114** | **17,114** |

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

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.

## 24. Fines

| **Fines** | | |
|---|---|---|
| Traffic Fines | 1,541,950 | 906,050 |
| Meter tampering fines | 326,229 | 333,326 |
| | **1,868,179** | **1,239,376** |

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 25. Employee related costs

| | | |
|---|---|---|
| Basic | 31,836,760 | 29,658,260 |
| Bonus | 3,677,901 | 3,913,258 |
| Medical aid - company contributions | 1,994,205 | 1,854,502 |
| UIF | 279,705 | 268,333 |
| Other payroll levies | 17,018 | 16,193 |
| Group life insurance | 85,553 | 70,965 |
| Standby allowance | 340,707 | 310,912 |
| Short term benefit | 468,362 | 316,642 |
| Other short term costs | 12,000 | 6,000 |
| Defined contribution plans | 6,378,457 | 5,995,989 |
| Travel, motor car, accommodation, subsistence and other allowances | 202,493 | 1,318,769 |
| Overtime payments | 1,389,132 | 1,057,222 |
| Car allowance | 2,689,583 | 2,341,090 |
| Housing benefits and allowances | 82,481 | 80,304 |
| Seta levies | 462,814 | 430,573 |
| Travel and accomodation | 3,233,111 | 1,495,273 |
| Other # 8 | - | 117,047 |
| | **53,150,282** | **49,251,332** |

**Remuneration of Municipal Manager : Mathebela MM**

| | | |
|---|---|---|
| Annual remuneration | 141,674 | - |
| Travel allowance | 37,377 | - |
| Other allowances | 15,751 | - |
| Contributions to UIF, medical and pension funds | 18,219 | - |
| | **213,021** | **-** |

Mrs MM Mathebela was appointed to position of Municipal Manager on 1 April 2015

**Remuneration of Acting Municipal Manager: Mashamba NS**

| | | |
|---|---|---|
| Annual remuneration | 29,807 | - |
| Travel allowance | 16,703 | - |
| Other allowances | 15,792 | - |
| Back pay | 66,815 | - |
| | **129,117** | **-** |

Mr NS Mashamba acted as municipal manager for the period 1 April 2014 to 31 March 2015. He received all his remuneration and backpay in the 2014/2015 financial year

**Remuneration of Chief Financial Officer: Ramosibi KA**

| | | |
|---|---|---|
| Annual remuneration | 580,464 | 46,020 |
| Travel allowance | 14,205 | - |
| Other allowances | 52,220 | 3,881 |
| Back pay | 10,988 | - |
| Contributions to UIF, medical and pension funds | 71,719 | - |
| Service bonus | - | 5,687 |
| | **729,596** | **55,588** |

Ms KA Ramosibi was appointed as Chief Financial Officer on 1 June 2014.

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 25. Employee related costs (continued)

**Remuneration of Acting Chief Financial Officer: Mohaudi R**

| | | |
|---|---|---|
| Annual remuneration | - | 275,953 |
| Travel allowance | - | 170,112 |
| Other allowances | - | 52,466 |
| Acting Allowance | - | 88,871 |
| Contributions to UIF, medical and pension funds | - | 25,522 |
| | **-** | **612,924** |

Mr R Mohaudi acted as CFO for the period from 1 June 2013 to 31 May 2014.

**Remuneration of Director Corporate Services: Lekola MJ**

| | | |
|---|---|---|
| Annual remuneration | 574,221 | 544,352 |
| Travel allowance | 11,890 | 12,141 |
| Other allowances | 56,898 | 53,498 |
| Back pay | 8,388 | - |
| Contributions to UIF, medical and pension funds | 87,656 | 83,409 |
| Service bonus | 33,739 | 31,594 |
| | **772,792** | **724,994** |

**Remuneration of Director Technical Services: Monakedi ME**

| | | |
|---|---|---|
| Annual remuneration | 672,517 | 432,201 |
| Travel allowance | 161,923 | 102,759 |
| Other allowances | 53,106 | 20,497 |
| Back pay | 13,865 | - |
| Contributions to UIF, medical and pension funds | 71,719 | 45,496 |
| Service bonus | 33,739 | - |
| | **1,006,869** | **600,953** |

**Remuneration of Director Community Services: Mathebela MM**

| | | |
|---|---|---|
| Annual remuneration | 216,323 | - |
| Travel allowance | 43,968 | - |
| Other allowances | 20,804 | - |
| Contributions to UIF, medical and pension funds | 36,438 | - |
| | **317,533** | **-** |

Mrs MM Mathebela was appointed to the position of Director Community Services on 1 October 2014 and was employed as such until 31 March 2015.

**Remuneration of Director Community: Makopo LM**

| | | |
|---|---|---|
| Annual remuneration | - | 359,652 |
| Travel allowance | - | 58,197 |
| Other allowances | - | 173,810 |
| Contributions to UIF, medical and pension funds | - | 44,216 |
| Service bonus | - | 33,753 |
| | **-** | **669,628** |

Mr LM Makopo's employment contract expired on 31 March 2014

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 25. Employee related costs (continued)

**Acting Municipal Managers during the 2013/2014 and 2014/2015**

During the 2013/2014 and 2014/2015 financial years, PJ Phahlamohlaka acted as Municipal Manager for the period 23 Augusut 2013 to 20 February 2014

## 26. Remuneration of councillors

| | 2015 | 2014 |
|---|---|---|
| Executive Mayor | 744,660 | 716,352 |
| Chief whip | 589,990 | 569,044 |
| Speaker | 636,994 | 249,650 |
| Executive councillors | 2,427,530 | 1,494,757 |
| Councillors | 5,944,281 | 6,850,160 |
| | **10,343,455** | **9,879,963** |

**In-kind benefits**

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

**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 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.

| 2015 | Annual remuneration | Travel allowance | Other allowances | Back pay | Pension | Total |
|---|---|---|---|---|---|---|
| **Executive Mayor** | | | | | | |
| MMakola MY | 438,596 | 171,998 | 28,865 | 24,370 | 80,831 | 744,660 |
| **Chief Whip** | | | | | | |
| Ratau 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 |
| | **1,228,069** | **378,419** | **83,971** | **54,858** | **226,327** | **1,971,644** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 26. Remuneration of councillors (continued)

| 2014 | Annual remuneration | Travel allowance | Other allowances | Back pay | Pension | Total |
|---|---|---|---|---|---|---|
| **Executive Mayor** | | | | | | |
| MMakola MY | 420,111 | 164,749 | 38,526 | 18,829 | 74,137 | 716,352 |
| **Chief Whip** | | | | | | |
| Ratau MF | 420,111 | 32,555 | 25,438 | 16,803 | 74,137 | 569,044 |
| **Speaker** | | | | | | |
| Modisha LB | 134,436 | 60,122 | 18,678 | 12,691 | 23,724 | 249,651 |
| | **974,658** | **257,426** | **82,642** | **48,323** | **171,998** | **1,535,047** |

| 2015 Executive Councillors | Annual remuneration | Travel allowance | Other allowances | Back pay | Pension | Total |
|---|---|---|---|---|---|---|
| Mahlobogoane ST | 400,966 | 86,312 | 27,387 | 12,148 | 74,095 | 600,908 |
| Makitla 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 | 60,623 | 600,687 |
| Phefadi MG | 180,921 | 76,574 | 25,523 | 8,466 | 33,343 | 324,827 |
| | **1,481,009** | **481,021** | **133,238** | **59,121** | **273,141** | **2,427,530** |

| 2015 Councillors | Annual remuneration | Travel allowance | Other allowances | Back pay | Pension | Total |
|---|---|---|---|---|---|---|
| Bogopa JH | 140,351 | 46,557 | 24,882 | 5,352 | 25,866 | 243,008 |
| Chauke S | 140,351 | 41,280 | 24,882 | 5,352 | 25,866 | 237,730 |
| Esson BA | 175,438 | - | 24,877 | 5,077 | 32,332 | 237,726 |
| Kekana KN | 140,351 | 67,550 | 24,991 | 10,565 | 25,866 | 269,322 |
| Kekana MM | 140,351 | 51,092 | 24,882 | 5,352 | 25,866 | 247,542 |
| Bokaba HS | 140,351 | 41,280 | 24,882 | 5,352 | 25,866 | 237,730 |
| Mabaso WM | 140,351 | 54,343 | 23,925 | 10,044 | 25,866 | 254,528 |
| Makanyane GN | 140,351 | 41,280 | 24,882 | 5,352 | 25,866 | 237,730 |
| Mamogobo SC | 140,351 | 55,513 | 24,882 | 5,352 | 25,866 | 251,963 |
| Mampane NZ | 43,211 | - | 6,428 | - | 7,626 | 57,265 |
| Mashego BG | 140,351 | 60,384 | 25,932 | 5,352 | 25,866 | 257,885 |
| Mokonyane MJ | 175,438 | - | 24,877 | 5,077 | 32,332 | 237,726 |
| Molotshwa FK | 175,438 | - | 24,919 | 5,077 | 32,332 | 237,767 |
| Morwaswi ME | 140,351 | 46,542 | 24,882 | 5,352 | 25,866 | 242,993 |
| Mothwa NM | 131,490 | - | 18,511 | 3,385 | 24,249 | 177,636 |
| Mphahlele LJ | 140,351 | 46,971 | 24,926 | 10,044 | 25,866 | 248,157 |
| Nchabeleng MJ | 140,351 | 48,104 | 24,882 | 5,352 | 25,866 | 244,554 |
| Ndobeni NR | 140,351 | 55,321 | 24,882 | 5,352 | 25,867 | 251,772 |
| 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 | 258,719 |
| Seono MR | 140,351 | 65,795 | 29,353 | 5,352 | 25,866 | 266,718 |
| Tshiguvho EM | 140,351 | 43,940 | 24,882 | 5,352 | 25,866 | 240,390 |
| Subtotal | 3,508,035 | 1,047,786 | 602,020 | 140,253 | 646,192 | 5,944,281 |
| | **6,217,114** | **1,907,228** | **819,229** | **254,230** | **1,145,654** | **10,343,455** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**26. Remuneration of councillors (continued)**

| 2014 Executive Councillors | Annual remuneration | Travel allowance | Other allowances | Back pay | Pension | Total |
|---|---|---|---|---|---|---|
| Mahlobogoane ST | 145,959 | 54,098 | 18,676 | 12,691 | 25,757 | 257,181 |
| Makitla TS | 79,221 | - | 8,800 | - | 13,980 | 102,001 |
| Matlala MF | 134,436 | 48,158 | 18,678 | 12,691 | 23,724 | 237,687 |
| Monyamane EM | 315,084 | 177,511 | 25,452 | 16,802 | 55,603 | 590,452 |
| Phefadi MG | 173,296 | 69,468 | 23,642 | 10,448 | 30,582 | 307,436 |
| | **847,996** | **349,235** | **95,248** | **52,632** | **149,646** | **1,494,757** |

| 2014 Councillors | Annual remuneration | Travel allowance | Other allowances | Back pay | Pension | Total |
|---|---|---|---|---|---|---|
| Bogopa JH | 134,436 | 51,634 | 18,678 | 12,691 | 23,724 | 241,163 |
| Chauke S | 134,436 | 39,540 | 18,678 | 12,691 | 23,724 | 229,069 |
| Esson BA | 168,045 | - | 18,673 | 12,691 | 29,655 | 229,064 |
| Kekana KN | 336,089 | 192,998 | 26,184 | 17,744 | 59,310 | 632,325 |
| Kekana MM | 134,436 | 48,157 | 18,678 | 12,691 | 23,724 | 237,686 |
| Selamole SS | 11,171 | - | 744 | - | - | 11,915 |
| Bokaba HS | 134,436 | 39,540 | 18,678 | 12,691 | 23,724 | 229,069 |
| Mabaso WM | 315,084 | 163,712 | 25,453 | 16,802 | 55,603 | 576,654 |
| Maibelo MF | 56,808 | 16,715 | 5,631 | - | 7,747 | 86,901 |
| Makanyane GN | 134,436 | 46,073 | 18,678 | 12,691 | 23,724 | 235,602 |
| Mamogobo SC | 134,436 | 42,104 | 18,678 | 12,691 | 23,724 | 231,633 |
| Mashego BG | 134,436 | 56,257 | 18,678 | 12,691 | 23,724 | 245,786 |
| Mokonyane MJ | 154,327 | - | 17,536 | 10,878 | 27,234 | 209,975 |
| Molotshwa FK | 99,455 | - | 13,002 | 2,881 | 17,551 | 132,889 |
| Morwaswi ME | 134,436 | 42,041 | 18,678 | 12,691 | 23,724 | 231,570 |
| Motsepe JS | 11,171 | - | 742 | - | - | 11,913 |
| Mphahlele LJ | 315,084 | 160,348 | 25,453 | 16,802 | 55,603 | 573,290 |
| Nchabeleng MJ | 134,436 | 42,910 | 18,678 | 12,691 | 23,724 | 232,439 |
| Ndobeni NR | 134,436 | 52,185 | 18,678 | 12,691 | 23,724 | 241,714 |
| Nzmampane S | 154,327 | - | 17,536 | 10,878 | 27,234 | 209,975 |
| Phala MG | 134,436 | 63,120 | 18,678 | 12,690 | 23,724 | 252,648 |
| Ranoto P | 134,436 | 44,448 | 18,678 | 12,690 | 23,724 | 233,976 |
| Sebothoma OE | 134,435 | 47,400 | 18,678 | 12,690 | 23,724 | 236,927 |
| Sehlola ET | 134,435 | 45,770 | 18,678 | 12,690 | 23,724 | 235,297 |
| Seoka KM | 134,435 | 46,480 | 18,678 | 12,690 | 23,724 | 236,007 |
| Seono MR | 134,435 | 64,770 | 18,678 | 12,690 | 23,724 | 254,297 |
| Shalang LJ | 15,360 | - | 1,194 | - | - | 16,554 |
| Thabane SM | 88,300 | - | 9,525 | 10,287 | 16,643 | 124,755 |
| Tshiguvho EM | 134,435 | 39,540 | 18,678 | 12,690 | 23,724 | 229,067 |
| Subtotal | 4,010,628 | 1,345,742 | 479,199 | 314,703 | 699,888 | 6,850,160 |
| | **5,833,281** | **1,952,403** | **657,091** | **415,657** | **1,021,531** | **9,879,963** |

**27. Debt impairment**

| | 2015 | 2014 |
|---|---|---|
| Contributions to allowance for impairment | 319,156 | 6,066,546 |
| Bad debts written off | 2,625,183 | - |
| | **2,944,339** | **6,066,546** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 28. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 40,721,576 | 37,960,565 |

### 29. Finance costs

| | | |
|---|---|---|
| Finance leases | 256,803 | 374,431 |
| Finance cost - Landfill site | 182,276 | 134,686 |
| Finance costs - Post-retirement medical aid benefits | 1,235,000 | 774,000 |
| Finance costs - Long service awards | 368,000 | 149,000 |
| | **2,042,079** | **1,432,117** |

### 30. Repairs and maintenance

| | | |
|---|---|---|
| **Repairs and maintenance per class:** | | |
| Buildings | 2,176,759 | 3,203,031 |
| Community | 912,102 | 776,458 |
| Infrastructure | 112,005 | 456,813 |
| IT Equipment | - | 19,786 |
| Motor Vehicles | 4,673,322 | 4,723,955 |
| | **7,874,188** | **9,180,043** |

### 31. Bulk purchases

| | | |
|---|---|---|
| Electricity | 23,580,252 | 21,544,525 |

Electricity losses
For the 2014/2015 financial year, distribution losses on electricity amount 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.

For the 2013/2014 financial year, distribution losses on electricity amount 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.

### 32. Contracted services

| | | |
|---|---|---|
| Information Technology Services | 3,784,558 | 2,755,342 |
| Specialist Services | 286,688 | 99,577 |
| | **4,071,246** | **2,854,919** |

### 33. Grants and subsidies paid

| | | |
|---|---|---|
| **Other subsidies** | | |
| Indigent | - | 17,450 |
| Staff Bursary | 164,468 | 8,020 |
| Free and subsidised services | 733,007 | 690,195 |
| Community Bursary | 690,087 | 457,968 |
| | **1,587,562** | **1,173,633** |
| Grants paid to ME's | - | - |
| Other subsidies | 1,587,562 | 1,173,633 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 34. General expenses

| | | |
|---|---|---|
| Advertising | 427,434 | 419,906 |
| Asset Reports | 1,348,138 | 1,283,631 |
| Auditors remuneration | 2,049,682 | 2,936,651 |
| Bank charges | 250,606 | 339,035 |
| Cleaning | 118,124 | 87,817 |
| Consumer Connections | 108,547 | 79,780 |
| Conferences and seminars | 416,586 | 690,924 |
| Consulting and professional fees | 2,989,168 | 1,114,220 |
| Consumables | 257,286 | 264,024 |
| Donations | 99,651 | 142,336 |
| Electricity | 2,989,306 | 1,995,533 |
| Entertainment | 131,174 | 132,289 |
| Fuel | 29,398 | 152,140 |
| Grant Expenditure | 3,857,775 | 3,069,420 |
| Housing and building control | 1,336 | 6,469 |
| Insurance | 746,729 | 1,535,544 |
| Internal audit | 799,726 | 461,243 |
| Marketing | 2,859,996 | 3,130,870 |
| Medical expenses | 543,000 | 610,000 |
| Motor vehicle expenses | 1,561,226 | 1,319,810 |
| Operating leases | 1,262,625 | 912,265 |
| Performance management | 38,355 | 695,873 |
| Postage and courier | 146,535 | 112,123 |
| Printing and stationery | 501,869 | 438,001 |
| Promotions | 49,526 | 4,061 |
| Protective clothing | 120,650 | 134,762 |
| Refuse | 222,456 | 174,955 |
| Security (Guarding of municipal property) | 4,589,805 | 3,912,995 |
| Software expenses | 95,986 | 104,426 |
| Staff welfare | 43,160 | 389,316 |
| Sewerage and waste disposal | - | 10,831 |
| Strategic planning | 132,907 | 38,027 |
| Subscriptions and membership fees | 537,339 | 510,235 |
| Telephone and fax | 869,040 | 605,319 |
| Training | 709,560 | 729,182 |
| Valuation roll and GIS | 348,364 | 307,063 |
| Water | - | 69,877 |
| | **31,253,065** | **28,920,953** |

## 35. Loss on disposal of assets

| | | |
|---|---|---|
| Proceeds on disposal of property,plant and equipment | - | - |
| Property, plant and equipment | (1,305,664) | - |
| | **(1,305,664)** | **-** |

## 36. Fair value adjustments

| | | |
|---|---|---|
| Investment property (Fair value model) | 4,039,200 | 6,719,000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 37. Cash generated from operations

| | | |
|---|---|---|
| Surplus | 46,413,827 | 15,433,914 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 40,721,576 | 37,960,565 |
| Fair value adjustments | (4,039,200) | (6,719,000) |
| Fair value adjustment - Medical aid actuarial gain (loss) | 256,803 | 374,431 |
| Provision for impairment | 2,944,339 | 6,066,546 |
| Movements in retirement benefit assets and liabilities | (891,000) | 7,461,838 |
| Movements in provisions | - | (1,478,487) |
| Provision for short term portion of land fill site | 840,863 | 2,095,154 |
| Actuarial gains and losses | - | 3,566,000 |
| Consumer deposits | (52,037) | (68,582) |
| **Changes in working capital:** | | |
| Inventories | (109,514) | (44,576) |
| Consumer receivables | (2,160,644) | (3,017,746) |
| Receivables from non-exchange transactions | (6,664,644) | (4,339,273) |
| Payables from exchange transactions | (1,093,507) | (15,278,079) |
| VAT | 2,351,775 | (4,394,788) |
| Unspent conditional grants and receipts | 200,894 | 9,426,104 |
| | **78,719,531** | **47,044,021** |

## 38. Financial instruments disclosure

### Categories of financial instruments

### 2015

#### Financial assets

| | At amortised cost | Total |
|---|---|---|
| Cash and cash equivalents | 81,813,280 | 81,813,280 |
| Receivables from exchange transactions | 3,827,639 | 3,827,639 |
| Receivables from non-exchange transactions | 16,198,073 | 16,198,073 |
| Deposits | 260,564 | 260,564 |
| | **102,099,556** | **102,099,556** |

#### Financial liabilities

| | At amortised cost | Total |
|---|---|---|
| Payables from exchange transactions | 36,201,028 | 36,201,028 |
| Consumer deposits | 1,568,314 | 1,568,314 |
| Finance lease obligation | 5,015,160 | 5,015,160 |
| Unspent conditional grants and receipts | 9,626,998 | 9,626,998 |
| | **52,411,500** | **52,411,500** |

### 2014

#### Financial assets

| | At amortised cost | Total |
|---|---|---|
| Cash and cash equivalents | 49,691,467 | 49,691,467 |
| Receivables from exchange transactions | 533,489 | 533,489 |
| Receivables from non-exchange transactions | 9,693,067 | 9,693,067 |
| | **59,918,023** | **59,918,023** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

. **Financial instruments disclosure (continued)**

**Financial liabilities**

| | At amortised cost | Total |
|---|---|---|
| Payables from exchange transactions | 37,434,560 | 37,434,560 |
| Consumer deposits | 1,620,351 | 1,620,351 |
| Finance lease obligation | 6,332,026 | 6,332,026 |
| Unspent conditional grants and receipts | 9,426,104 | 9,426,104 |
| | **54,813,041** | **54,813,041** |

### 39. Commitments

**Authorised capital expenditure**

| | 2015 | 2014 |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Infrastructure | 24,318,667 | 11,655,047 |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 24,318,667 | 11,655,047 |

**Authorised operational expenditure**

| | 2015 | 2014 |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Leasing of plant | 1,525,686 | - |
| • Security | 5,960,448 | - |
| • Consulting and Training | 2,030,000 | - |
| | **9,516,134** | **-** |
| **Total operational commitments** | | |
| Already contracted for but not provided for | 9,516,134 | - |

**Total commitments**

| | 2015 | 2014 |
|---|---|---|
| **Total commitments** | | |
| Authorised capital expenditure | 24,318,667 | 11,655,047 |
| Authorised operational expenditure | 9,516,134 | - |
| | **33,834,801** | **11,655,047** |

**Operating leases - as lessee (expense)**

| | 2015 | 2014 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 675,439 | 867,554 |
| - in second to fifth year inclusive | - | 675,439 |
| | **675,439** | **1,542,993** |

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

### 40. Contingencies

**Kwanha's Business Enterprises**
A party is suing the municipality for idle time of equipment that remained inactive on a work site. The party is seeking a settlement of R 585,709 (2014: R 100,000). The expected outcome of this litigation is unknown to legal council and the municipality at this stage.

**Phillip Mphahlele**
A defamation of character suit has been instituted against the municipality during the 2014/2015 financial year. The claimant is seeking damages to the value of R 2,105,500.35 (2014: R 0). Legal council and the municipality are of the opinion that the claimant is unlikely to succeed with his claim.

**Walterama-Kgatla Inc.**
A service provider was contracted to provide debt collection services on behalf of the municipality The municipality is disputing the amount and refuses to pay the invoice amount of R 208,000 (2014: R 100,000). As at 30 June 2015, this case was still heading to trial and the possible outcome is not known at this stages.

**Mohlarerwa & Boledi Constrcution**
The municiality awarded a contractor a tender for the rehabilitation of the administration block. The contractor submitted an invoice an invoice to the amount of R 1,605,515.35 for the work performed, which the municipality has refused to pay as the amount has already been paid. The parties are still exchanging pleadings at this stage and the possible outcome is still unknown by legal council and the municipality.

**Contingent assets**

**Gerhardus Muller**
The municipality erroneously paid an amount of R 205,000 into the defendant's bank account. He used the money despite being notified not to do so. The defendant has refused to pay back the funds and the municipality has instituted action against. The outcome is unknown.

### 41. Related parties

| Relationships | |
| --- | --- |
| Accounting Officer | Refer to Accounting Officer's report note |
| Key management | Please refer to note 25 |
| Executive Mayor | Please refer to note 26 |
| Speaker | Please refer to note 26 |
| Chief Whip | Please refer to note 26 |
| Mayoral Committee | Please refer to note 26 |
| Members of management | Refer to note 40 |

### 42. Comparative figures

Certain comparative figures have been reclassified.

The reason for reclassification are as follows:
- Statement of financial performance items being incorrectly disclosed in the statement of financial position
- Statement of financial position of items being incorrectly disclosed in the statement of financial performance
- The incorrect amount of credit balances in receivables being taken to payables
- Benefits paid on employee benefits being taken to employee costs
- Long service awards being disclosed incorrectly under provisions instead of employee benefits

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2014 is disclosed in note 43 - Prior period errors.

The effects of the reclassification are as follows:

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 42. Comparative figures (continued)

| | | |
|---|---|---|
| **Statement of Financial Position** | | |
| Receivables from exchange transaction | - | (15,829,714) |
| Receivables from non-exchange transactions | - | 7,736,891 |
| Property, plant and equipment | - | 9,168,891 |
| Payables from exchange transaction | - | (7,472,313) |
| Consumer deposits | - | (4,515) |
| Employee benefit obligation | - | 5,290,118 |
| Provisions | - | (2,119,098) |
| **Statement of Financial Performance** | | |
| Other income | - | (616,025) |
| Employee related costs | - | (254,000) |
| Finance costs | - | (923,030) |
| General expenses | - | 10,941,887 |
| Actuarial gains/losses | - | (3,767,000) |

### 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 compartives 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.

Refer to note 42 for details on comparative figures.

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 43. Prior period errors (continued)

| Statement of Financial Performance for the year ended 30 June 2014 | Balance as previously reported | Prior period error | Reclassified (note 42) | Restated balance |
|---|---|---|---|---|
| **Revenue** | | | | |
| Service charges | 37,243,517 | 142,835 | (470,036) | 36,916,316 |
| Rental income | 158,352 | - | - | 158,352 |
| Licenses and permits | 9,888,761 | - | (5,468,727) | 4,420,034 |
| Interest received | (780,735) | 6,096,460 | - | 5,315,725 |
| Other income | 2,944,418 | 969,261 | (616,025) | 3,297,654 |
| Property rates | 29,830,569 | - | - | 29,830,571 |
| Government grants and subsidies | 96,060,652 | 3,650,819 | (421,915) | 99,289,556 |
| Fines | 162,520 | 1,076,856 | - | 1,239,376 |
| Total revenue | 175,508,054 | 11,936,231 | (6,976,703) | 180,467,584 |
| **Expenditure** | | | | |
| Employee related costs | (46,178,097) | 383,723 | (3,456,956) | (49,251,330) |
| Remuneration of councillors | (9,398,616) | - | (481,347) | (9,879,963) |
| Debt impairment | (11,254,934) | 5,047,514 | - | (6,207,420) |
| Depreciation and amortisation | (37,785,544) | (175,021) | - | (37,960,565) |
| Finance costs | (1,298,225) | 923,814 | (1,057,706) | (1,432,117) |
| Repairs and maintenance | (6,144,498) | (645,814) | (2,389,731) | (9,180,043) |
| Bulk purchases | (21,544,525) | - | - | (21,544,525) |
| Contracted services | (3,516,232) | - | 661,313 | (2,854,919) |
| Grants and subsidies paid | (715,665) | - | (457,968) | (1,173,633) |
| General expenses | (50,866,402) | 3,023,530 | 19,253,316 | (28,589,556) |
| Total expenditure | (188,702,738) | 8,557,746 | 12,070,921 | (168,074,071) |
| Operating surplus / (deficit) | (13,194,684) | - | - | (13,194,684) |
| Fair value adjustments | 6,719,000 | - | - | 6,719,000 |
| Actuarial gains/(losses) | - | 201,000 | (3,767,000) | (3,566,000) |
| Surplus / (deficit) for the year | (6,475,684) | 201,000 | (3,767,000) | (10,041,684) |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**43. Prior period errors (continued)**

| Statement of Financial Position as at 30 June 2014 | Balance as previously reported | Prior period error | Reclassified (note 42) | Restated balance |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | 36,652,948 | 2,354,517 | 10,684,002 | 49,691,467 |
| Deposits (security held in advance | 100,926 | - | - | 100,926 |
| Receivables from exchange transactions | 6,667,361 | 7,157,729 | (8,490,281) | 5,334,809 |
| Receivables from non-exchange transactions | 15,563,949 | (1,824,469) | (4,078,343) | 9,661,137 |
| Inventories | 689,236 | - | - | 689,236 |
| Total current assets | 59,674,420 | 7,687,777 | (1,884,622) | 65,477,575 |
| **Non-current Assets** | | | | |
| Investment property | 114,048,000 | - | - | 114,048,000 |
| Property, plant and equipment | 781,894,169 | (2,489,200) | 9,168,892 | 788,573,861 |
| VAT Receivable | 47,574 | 3,944,902 | 733,162 | 4,725,638 |
| Total non-current assets | 895,989,743 | 1,455,702 | 9,902,054 | 907,347,499 |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Payables from exchange transactions | 27,212,587 | (249,956) | 10,471,929 | 37,434,560 |
| Consumer deposits | 1,585,232 | - | 35,119 | 1,620,351 |
| Operating lease liability | 161,741 | (161,741) | - | - |
| Finance lease obligation | 1,316,866 | - | - | 1,316,866 |
| Unspent conditional grants and receipts | 11,672,161 | (3,650,819) | 1,404,762 | 9,426,104 |
| Total current liabilities | 41,948,587 | (4,062,516) | 11,911,810 | 49,797,881 |
| **Non-current Liabilities** | | | | |
| Finance lease obligation | 5,015,160 | - | - | 5,015,160 |
| Employee benefit obligation | 12,526,162 | 425,720 | 5,290,118 | 18,242,000 |
| Provisions | 10,727,941 | (20) | (2,301,374) | 8,426,547 |
| Total non-current liabilities | 28,269,263 | 425,700 | 2,988,744 | 31,683,707 |
| **Net Assets** | | | | |
| Accumulated surplus - Opening balance | 890,958,479 | (15,343,780) | 7,338,293 | 882,952,992 |
| Surplus / (deficit) for the year | (6,475,684) | 12,725,152 | 1,958,750 | 8,208,218 |
| Movements in net assets | 963,539 | (963,539) | - | - |
| Total net assets | 885,446,334 | (3,582,167) | 9,297,043 | 891,161,210 |

**1. Amounts as per trial balance and annual financial statements do not agree**

| | 2015 | 2014 |
|---|---|---|
| Increase in cash and cash equivalents | - | 1,683,075 |
| Increase in receivables from exchange transactions | - | 7,157,729 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|
| **43. Prior period errors (continued)** | | |
| Decrease in receivables from non-exchange transactions | - | (1,792,539) |
| Decrease in property, plant and equipment | - | (2,191,617) |
| Increase in VAT receivable | - | 708,408 |
| Decrease in payables from exchange transactions | - | (21,129) |
| Decrease in provisions | - | (20) |
| Decrease in accumulated surplus | - | 1,960,381 |
| Increase in service charges | - | 1,523 |
| Increase in interest received | - | 1,008,826 |
| Decrease in other income | - | (5,082) |
| Decrease in employee related costs | - | 151,520 |
| Increase in depreciation | - | 100,857 |
| Decrease in finance cost | - | 923,814 |
| Increase in general expense | - | 60,627 |
| | **-** | **9,746,373** |

Amount as per trial balance and annual financial statements do not agree

The figures used to compile the annual financial statements for the 2013/2014 financial year do not agree to the annual financial statements. This was corrected to bring the annual financial statements in line with the accounting records of the municipality.

The above adjustments did not have any financial on the accounting records of the municipality. This is merely an alignment of the annual financial statements with the Munsoft accounting system as at 30 June 2014.

| | | |
|---|---|---|
| **2. Understatement of VAT receivable** | | |
| Increase in VAT receivable | - | 3,603,076 |
| Increase in cash and bank | - | 641,815 |
| Increase in opening accumulated surpls | - | 3,279,753 |
| Increase in other income | - | 965,138 |
| | **-** | **8,489,782** |

Understatement of VAT receivable

A comparison was done of the VAT receivable to the VAT statement of account from SARS and a difference of R3 603 076 was noted. This was due to a refund not being recorded during the 2013/2014 financial year of R641 815, input tax not being claimed an expenses resulting in an additional refund of R965 138 and errors on VAT submission prior to 30 June 2013.

| | | |
|---|---|---|
| **3. Library membership fees incorrectly treated as a liability** | | |
| Decrease in payables from exchange transactions | - | (16,519) |
| Increase in opening accumulated surplus | - | 14,064 |
| Increase in other income | - | 2,455 |
| | - | - |

Library membership fees incorrectly treated as a liability

Receipts on library membership fees have been incorrectly accounted for as a refundable during the 2013/2014 and prior financial year. However, this amount is not refundable at any point and should be accounted for as revenue. An amount of R2 455 relates to the 2013/2014 financial year and R14 064 to prior years.

| | | |
|---|---|---|
| **4. Accrual accounts not utilised or reversed in prior periods** | | |
| Decrease in payables from exchange transactions | - | (224,801) |
| Increase in opening accumulated surplus | - | 224,801 |
| | - | - |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**43. Prior period errors (continued)**

Accrual accounts not utilised or reversed in prior periods

Review of the 2014/2015 figures revealed accruals that had been raised during the 2011/2012 financial year and not utilised during the 2012/2013 financial year. The accounting treatment of the prior year resulted in opening balances being carried forward and being cleared in the respective periods against the relevant expenses These amounts were cleared in the current year against the accumulated surplus account in the current year. Prior period from 1 July 2010 to 30 June 2012. The total amount of these accounts is R224 801.

| **5. Benefits paid on long service award incorrectly taken to bonus accrual** | | |
|---|---|---|
| Decrease in payables from exchange transactions | - | (201,000) |
| Increase in actuarial gains and losses | - | 201,000 |
| | - | - |

Benefits paid on long service award incorrectly taken to bonus accrual

As per the actuarial report for the measurement of the long service award employee benefit, an estimate of employee benefits paid was made to the value of R201 000. The report requires this figure be adjusted to the actual figure. An accrual was raised based on the estimate of benefits paid, however, due to no actual payment occuring, this amount was to be taken to actuarial gains and losses to balance the movement on the long service award for the 2013/2014 financial year as per the actuarial valuation report

| **6. Correction of bonus accrual as at 30 June 2014** | | |
|---|---|---|
| Decrease in payables from exchange transactions | - | (232,203) |
| Decrease in employment costs | - | 232,203 |
| | - | - |

Correction of bonus accrual as at 30 June 2014

A recalculation of the bonus accrual as at 30 June 2014 revealed that the amount accrued had been overprovided by R232 203

| **7. Opening balances on employee benefits are incorrect** | | |
|---|---|---|
| Increase in employee benefit obligation | - | 425,720 |
| Decrease in accumulated surplus | - | (425,720) |
| | - | - |

Opening balances on employee benefits are incorrect

It was noted that the closing balances for the long service award and the post-retirement medical aid benefit did not agree to the balances as per the actuarial valuation as at 30 June 2014. After reconciling all movements, it was discovered that the opening balances (closing balance for 2012/2013 financial year) had not been adjusted correctly to reflect this balance.

The difference noted was R382 838 on the post-retirement medical aid benefit and R42 822 on the long service award.

| **8. Incorrect property, plant and equipment figures disclosed in 2013/2014 financial year** | | |
|---|---|---|
| Decrease in property,plant and equipment | - | (108,583) |
| Decrease in opening accumulated surplus | - | (34,419) |
| Increase in depreciation | - | (74,164) |
| | - | **(217,166)** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 43. Prior period errors (continued)

Incorrect property, plant and equipment figures disclosed in 2013/2014 financial year

The figures as per the disclosure in the annual financial statements did not agree to the fixed asset register as at 30 June 2014. This included both cost (overstated by R1 008 782), accumulated depreciation (overstated by R900 199) and depreciation for the 2013/2014 financial year (understated by R74 164)

| **9. Correction of straight lining liability as at 30 June 2014** | | |
|---|---|---|
| Decrease in Payables from exchange transactions | - | (488,531) |
| Increase in accumulated surplus | - | 312,474 |
| Decrease in Other Expenditure | - | 176,057 |
| | - | - |

Correction of straight lining liability as at 30 June 2014

A re-calculation of the straight lining liability as at 30 June 2014 revealed that the amount was overstated by R488 531. This was due to the 2013/2014 rent expense amount not being correctly straight lined by R176 057 and incorrect straight lining in prior periods to the value of R312 474

| **10. Grants corrected to include VAT amounts** | | |
|---|---|---|
| Increase in conditional grant revenue | - | 3,650,819 |
| Decrease in unspent portion of conditional grants | - | (3,650,819) |
| | - | - |

Correction of VAT on expenditure related to conditional grants excluded from amounts transferred to revenue

| **11. Account for prepaid electricity not recorded** | | |
|---|---|---|
| Increase in revenue | - | (72,957) |
| Increase in VAT output | - | (10,760) |
| Increase in cash and cash equivalents | - | 83,717 |
| | - | - |

To account for prepaid electricity revenue for April 2014 which was not recorded.

| **12. Reversal of prepaid electricity incorrectly accounted for** | | |
|---|---|---|
| Decrease in revenue | - | (68,355) |
| Increase in current liabilities | - | 77,925 |
| Decrease in VAT output | - | (9,570) |
| | - | - |

Reversal of prepaid electricity for 2013 accounted for in the 2014 financial year

| **13. Interest correction due to incorrect accounting treatment** | | |
|---|---|---|
| Decrease in current assets | - | 54,090 |
| Decrease in revenue | - | (54,090) |
| | - | - |

Adjusting for interest earned recorded in the incorrect accounting periods

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 43. Prior period errors (continued)

**14. Correction of accruals incorrectly recorded**

| | | |
|---|---|---|
| Increase in VAT input | - | (367,771) |
| Increase in creditors | - | 367,771 |
| | - | - |

To correct accruals incorrectly recorded at the invoice amount, exclusive of VAT

**15. Correction of interest on Sekhukhene District Debtor**

| | | |
|---|---|---|
| Increase in accumulated surplus | - | 5,141,724 |
| Increase in investment income | - | (5,141,724) |
| | - | - |

**16. Correction of irrecoverable debt**

| | | |
|---|---|---|
| Decrease in accumulated surplus | - | (31,930) |
| Decrease in irrecoverable debt | - | 31,930 |
| | - | - |

### 44. Risk management

**Financial risk management**

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

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

**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 receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, 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 management.

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

### 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

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

## Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 47. Unauthorised expenditure

| | | |
|---|---|---|
| Opening balance | 97,000,713 | 35,939,552 |
| Unauthorised expenditure incurred | - | 61,061,161 |
| | **97,000,713** | **97,000,713** |

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 unauthorized expenditure, that occurred during the financial year, and whether these are recoverable.
The total unauthorised expenditure was referred to council for further investigation. The management is still awaiting the investigation outcomes.

### 48. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance | 218,389 | 186,257 |
| Fruitless and wasteful expenditure incurred | 362,146 | 32,132 |
| | **580,535** | **218,389** |

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 unauthorized 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. The management is still awaiting the outcome of the investigation.

### 49. Irregular expenditure

| | | |
|---|---|---|
| Opening balance | 66,441,363 | 33,158,008 |
| Add: Irregular expenditure - current year | - | 33,283,355 |
| | **66,441,363** | **66,441,363** |

**Analysis of expenditure awaiting condonation per age classification**

| | | |
|---|---|---|
| Current year | - | 33,283,355 |
| Prior year: | 66,441,363 | 33,158,008 |
| 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 unauthorized expenditure, that occurred during the financial year, and whether these are recoverable. | | |
| The total irregular expenditure was referred to council for further investigation and still waiting for the investigation outcomes. | | |
| | **66,441,363** | **66,441,363** |

**Details of irregular expenditure not recoverable (not condoned)**

| | |
|---|---|
| Prior year irregular expenditure | 66,441,363 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 50. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government**

| | | |
|---|---|---|
| Current year | 500,000 | 450,000 |
| Amount paid - current year | (500,000) | (450,000) |
| | - | - |

**Material losses through criminal conduct**

Management is not aware of any material losses though criminal conduct.

**Audit fees**

| | | |
|---|---|---|
| Current year fees | 2,049,682 | 2,936,651 |
| Amount paid - current year | (2,049,682) | (2,936,651) |
| | - | - |

**PAYE and UIF**

| | | |
|---|---|---|
| Current year | 6,319,425 | 5,840,987 |
| Amount paid - current year | (6,319,425) | (5,840,987) |
| | - | - |

**Pension and medical aid deductions**

| | | |
|---|---|---|
| Current year | 4,253,414 | 3,560,199 |
| Amount paid - current year | (4,253,414) | (3,560,199) |
| | - | - |

**VAT**

| | | |
|---|---|---|
| VAT receivable | 2,043,013 | 4,394,788 |

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 2015.

# Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 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 Council. The expenses incurred as listed hereunder have been condoned.

| | | |
|---|---|---|
| **Emergency** | | |
| Mpisi Electrical Network | 32,118 | - |
| **Sole supplier or agent** | | |
| BB Truck and Tractor | 2,637,121 | - |
| IMFO | 7,652 | - |
| Komatsu | 2,919,084 | - |
| Trolley and Bin | 791,908 | - |
| **Impossible or impractical** | | |
| Bushfellows | 13,494 | - |
| Club News and Printing t/a 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 | 2,032,135 |
| Protea Hotel | - | 7,120 |
| Amper Alles | - | 10,555 |
| Thandozi Trading | - | 439,250 |
| Miki Masemola Transport | - | 2,500 |
| Monoka Tours | - | 3,500 |
| MCRS | - | 13,700 |
| Peza Catering | - | 2,500 |
| Madelv Civil and Building Construction | - | 460,161 |
| Bolivia Lodge | - | 10,205 |
| BCC Funeral | - | 4,100 |
| Blyd Canon | - | 2,040 |
| Bison Mining | - | 15,920 |
| Loskop Radio | - | 18,691 |
| Moleke Projects | - | 461,700 |
| Impact | - | 213,032 |
| Odd jobs | - | 15,064 |
| | **6,858,550** | **3,712,173** |

### 51. Budget differences

**Material differences between budget and actual amounts**

**51. Budget differences (continued)**

**51.1 Service charges**

Billing for Conventional Electricity over-projected. No material variance on refuse.

**51.2 Other Income**

Sekhukhune Write-Off.

**51.3 Interest received**

Unrealistic projection of investment income which was based on incremental budgeting.

**51.4 Government grants and subsidies**

No material variance on Grants and Subsidies

**51.5 Fines**

Accounting correctly for traffic fines IGRAP.

# CHAPTER 6: AUDITOR GENERAL REPORT

## COMPONENT A: AUDITOR GENERAL'S OPINION OF FINANCIAL STATEMENTS

6.1 Auditor General's Report

# 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 was engaged to audit the financial statements of the Ephraim Mogale Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information 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, 2014 (Act No. 10 of 2014) (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 conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for disclaimer of opinion

#### Property, plant and equipment

4. The municipality did not asses property, plant and equipment for impairment as required by SA Standards of GRAP 21, *Impairment of non-cash generating assets*. Furthermore, the municipality did not assess the appropriateness of residual values and useful lives of items of property, plant and equipment as required by SA Standards of GRAP 17 *Property, plant and equipment*. There were no satisfactory alternative audit procedures that I could perform. Consequently I was unable to determine whether any adjustment relating to property, plant and equipment stated at R793 054 824 (2014: R788 573 861) as it was impractical to do so.

5. The municipality did not separately depreciate items of property, plant and equipment in accordance with SA Standards of GRAP 17, *Property, plant and equipment*. Included in property plant and equipment of R793 054 824 (2014: R788 573 861) is a balance of R695 927 108 (2014: R695 725 623) of infrastructure assets that have not been depreciated separately as these assets were not componentised. I was unable to obtain sufficient

appropriate audit evidence that items of property, plant and equipment had been appropriately recorded, as the municipality did not have adequate systems and I could not confirm this by alternative means. Consequently, I was unable to determine whether any adjustment to property, plant and equipment stated at R793 054 824 (2014: R788 573 861) in the financial statements was necessary.

6. The municipality did not recognise all items of property, plant and equipment in accordance with SA Standards of GRAP 17, *Property, plant and equipment*. I identified land and equipment 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 procedures that I could perform to quantify the extent of the understatement of property, plant and equipment stated at R793 054 824 (2014: R788 573 861) as per the statement of financial position. Additionally, there is a resultant impact on the accumulated surplus.

7. I was unable to physically verify assets that were recorded in the underlying records of the municipality, as the municipality did not maintain an asset register with full details of assets owned. There was no system of control on which I could rely for the purpose of my audit to obtain reasonable assurance that recorded assets are not overstated. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment of R793 054 824 (2014: R788 573 861) in the financial statements was necessary.

8. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for property, plant and equipment in the financial statements. As described in note 43, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to the property, plant and equipment corresponding figure stated at R788 573 861 in the financial statements was necessary.

## Investment property

9. The municipality recognised items that did not meet the definition of investment property in accordance with SA Standards of GRAP 16, *Investment property*. I identified land that was recorded as investment property instead of inventory. Furthermore, I identified similar properties that had not been included in the investment property register. There were no satisfactory alternative procedures that I could perform to quantify the extent of the overstatement of investment property of R118 087 200 (2014: R114 048 000) in the financial statements. Additionally, there was a resultant impact on inventory, surplus for the period and the accumulated surplus.

10. The municipality recognised items that did not meet the definition of investment property in accordance with SA Standards of GRAP 16, *Investment property*. Reconstruction and Development Programme (RDP) houses amounting to R5 583 000 (2014: R5 460 000) were incorrectly recorded as investment property. Due to the matters reported on in the preceding paragraph, the net impact on the investment property balance could not be determined.

## Cash and cash equivalents

11. I was unable to obtain sufficient appropriate audit evidence to support the bank reconciling items of R119 907 608 in respect of cash and cash equivalents, as the municipality did not have adequate systems and I could not confirm this by alternative means. Consequently, I was unable to determine whether any adjustments to cash and cash equivalents stated at R81 866 825 (2014: R49 745 011) disclosed in the financial statements was necessary.

12. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for cash and cash equivalents. As described in 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. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to the cash and cash equivalents corresponding figure stated at R49 745 011 in the financial statements was necessary.

## Payables

13. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for all payables, due to the status of the accounting records. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustments to trade payables stated at R18 775 030 (2014: R9 675 159) in note 11 to the financial statements were necessary.

14. Payables disclosed in note 11 to the financial statements includes unallocated receipts and payments of R3 750 939 (2014: R3 750 939) which did not have appropriate supporting documents. Furthermore, I was unable to obtain sufficient appropriate audit evidence that all unspecified receipts were recorded. I was unable to confirm these receipts by alternative means. Consequently, I was unable to determine whether any adjustment to payables stated at R36 263 128 (2014: R37 356 635) in the financial statements was necessary.

15. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for payables. As described in note 43, in the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to the payables corresponding figure stated at R37 356 635 in the financial statements was necessary.

## Revenue

16. The municipality did not appropriately account for revenue from property rates in accordance with SA Standards of GRAP 23, *Revenue from non-exchange transactions*. I identified significant differences between the municipality's records and my recalculation for property rates. Consequently, revenue from property rates is understated by R3 305 159 (2014: R1 712 416). Additionally, there is a resultant impact on the surplus for the period and receivables from non-exchange transactions.

## Statement of comparison of budget and actual amounts

17. The municipality did not disclose the comparison of the budget amounts in accordance with SA Standards of GRAP 24, *Presentation of budget information in financial statements.* The budget amounts included in the statement of comparison of budget and actual amounts did not agree to the approved and council adopted budget. No reconciliation could be provided for the last approved budget and the budget amounts presented in the financial statements. Furthermore, there were no virements disclosed in the statement of comparison of budget and actual amounts.

## Prior period error

18. I was unable to obtain sufficient appropriate audit evidence for the correction of prior period errors as described in note 43 to the financial statements. I was unable to confirm the correction of prior period errors by alternative means. Consequently I was unable to determine whether any adjustment to the related corresponding figures in the financial statements for the following was necessary:

- Receivables from exchange transactions stated at R5 334 809
- Receivables from non-exchange transactions stated at R9 833 942
- VAT receivable stated at R4 394 788
- Employee benefit obligation stated at R18 242 000
- Provisions stated at R8 246 547
- Unspent conditional grants stated R9 426 104
- Employee related costs stated at R49 251 330
- Debt impairment stated at R6 066 546
- Repairs and maintenance stated at R9 180 043
- General expenses stated at R28 920 952
- Interest received stated at R5 315 725

## Cash flow statement

19. The municipality did not prepare and present its cash flow statement in accordance with SA Standards of GRAP 2, *Cash flow statements*. I identified differences of R1 306 952 (2014: R4 877 689) between my recalculation and the net increase in cash and cash equivalents mainly due to non-cash items included in the cash-flow statement. Consequently, the net increase in cash and cash equivalents stated at R32 121 813 (2014: R17 315 194) is not correctly presented in the cash flow statement.

## Unauthorised expenditure

20. The municipality did not include particulars of unauthorised expenditure in note 47 to the financial statements as required by section 125(2)(d) of the MFMA. The municipality incurred expenditure in excess of the budget resulting in unauthorised expenditure being understated by R4 571 522. The municipality did not have adequate systems in place to identify and report on all unauthorised expenditure incurred. Consequently I was unable to determine the full extent of the understatement in unauthorised expenditure as it was impracticable to do so.

## Irregular expenditure

21. The municipality did not include particulars of irregular expenditure in note 49 to the financial statements as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management requirements which were not included in irregular expenditure, resulting in irregular expenditure being understated by R22 359 589. The municipality did not have adequate systems in place to identify and report on all irregular expenditure incurred. Consequently I was unable to determine the full extent of the understatement in irregular expenditure as it was impracticable to do so.

### Fruitless and wasteful expenditure

22. I identified fruitless and wasteful expenditure amounting to R94 310 which was not recorded in the underlying records. The municipality did not quantify and disclose the full extent of the unrecorded fruitless and wasteful expenditure. There were no satisfactory alternative procedures that I could perform to quantify the extent of the understatement of fruitless and wasteful expenditure stated at R580 535 (2014: R218 389) per note 48 to the annual financial statements.

## Opinion

23. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

## Emphasis of matter

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

### Material impairments

25. As disclosed in notes 5 and 6 to the financial statements, material losses to the amount of R25 567 096 were incurred as a result of receivables being doubtful.

## Additional matters

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

### Unaudited supplementary schedule

27. 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

28. 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.

### Withdrawal from the engagement

29. Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. But for the legislated requirement to perform the audit of the municipality, I would have withdrawn from the engagement in terms of the ISAs.

## Report on other legal and regulatory requirements

30. 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, non-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

31. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2015:

- Development priority 2: Basic service delivery on pages xx to xx

32. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

33. 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).

34. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

35. The material findings in respect of the selected development priority are as follows:

### Basic Service Delivery

### Usefulness of reported performance information

### Consistency of objectives, indicators and targets

36. Section 41(c) of the Municipal Systems Act, (Act No.32 of 2000) (MSA) requires the integrated development plan 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, a total of 88% of the reported indicators and a total of 100% of the reported targets were not consistent with those in the approved integrated development plan. This was due to a lack of proper systems and processes for performance management.

### Measurability of indicators and targets

37. Performance targets should be specific in clearly identifying the nature and required level of performance as required by the FMPPI. A total of 55% of the targets were not specific.

38. Performance targets should be measurable as required by the FMPPI. We could not measure the required performance for 26% of the targets.

39. The period or deadline for delivery of targets should be specified as required by the FMPPI. A total of 62% of the targets were not time bound.

40. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 53% of the indicators were not well defined.

41. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 55% of the indicators were not verifiable.

This was because management did not adhere to the requirements of the FMPPI due to a lack of proper systems and processes and technical indicator descriptions.

### Reliability of reported performance information

42. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This was due to a lack of standard operating procedures or documented system descriptions for the accurate recording of actual achievements, technical indicator descriptions for the accurate measurement, recording and monitoring of performance, monitoring of the completeness of source documentation in support of actual achievement, frequent review of the validity of reported achievements against source documentation.

## Additional matters

43. I draw attention to the following matters:

### Achievement of planned targets

44. 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 37 to 43 of this report.

### Unaudited supplementary information

45. 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

46. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-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

47. The adopted integrated development plan (IDP) did not reflect and identify the municipal council's vision for the long term development of the municipality, and the key performance indicators and targets as required by sections 26 and 41 of the MSA, as well as *Municipal planning and performance management regulation* 2(1)(e).

48. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.

49. 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 of the MFMA.

50. Revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.

51. The annual performance agreements for the municipal manager and all senior managers are not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan as required in terms of section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.

52. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and how it is conducted, organised and managed, as required by sections 38 of the MSA and regulation 7 of the *Municipal planning and performance management regulations.*

## Annual financial statements, performance and annual reports

53. 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, revenue 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 disclaimer audit opinion.

54. The oversight report, containing comments on the annual report, was not adopted by council within two months from the date on which the 2013-14 annual report was tabled, as required by section 129(1) of the MFMA.

55. The annual performance report for the year under review did not include measures taken to improve performance as required by section 46(1)(c) of the MSA.

## Internal audit

56. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer and report to the audit committee on matters relating to internal controls, accounting procedures and practices, risk and risk management.

57. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

## Procurement and contract management

58. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of *Supply Chain Management (SCM) regulation* 16(b) and 17(b).

59. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids and that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM regulation 19(a) and 36(1).

60. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and *the Preferential Procurement Regulations*.

61. Contracts and quotation 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, as required by SCM regulation 13(c).

## Human resource management and compensation

62. 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.

63. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by the *Municipal Regulations on Minimum Competency Levels* 14(2)(b).

## Expenditure management

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

## Conditional grants

65. Municipal Systems Improvement Grant (MSIG) and Local Government Financial Management Grant (LGFMG) funds were retained for rollover to the next financial year without seeking the approval of the National Treasury, as required by sections 22(1) of the DoRA.

66. The municipality did not evaluate its performance in respect of programmes or functions funded by the MSIG, as required by section 12(5) of the DoRA.

## Revenue management

67. 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 MFMA.

68. An adequate management, accounting and information system which accounts for revenue and debtors and receipts of revenue was not in place, as required by section 64(2)(e) of the MFMA.

69. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

### Asset management

70. 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.

### Consequence management

71. 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.

72. 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

73. 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 disclaimer of opinion, the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

### Leadership

74. Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not adequately exercised.

75. 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.

### Financial and performance management

76. The financial statements and other information to be included in the annual report are not reviewed for accuracy and completeness by the accounting officer.

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

### Governance

78. The risk assessment procedures implemented by the municipality were inadequate, as all risks affecting the municipality were not formally identified, responded to and monitored during the year.

79. The internal audit unit was significantly understaffed during the year and could not fulfil all of its responsibilities.

## Other reports

## Investigations

80. An investigation was performed by an external investigator on two fleet management officials in connection with theft of fuel. The investigation was finalised and the officials were dismissed in May 2015.

Polokwane

30 November 2015

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*