



GA-SEGONYANA LOCAL MUNICIPALITY

ANNUAL REPORT

2016/2017



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Chapter One

Mayor's foreword

Vision:

"Progressive sustainable development. Ga-Segonyana the stream of life."

Key Policy Developments:

In ensuring the delivery of quality and affordable services, in a sustainable manner that enhances good governance, equity and accountability to the people of Ga-Segonyana.

The report shows that the municipality has aggressively implemented existing policies in order to have maximum impact in its service delivery programmes. Such as the alignment of the LED Strategy to other key policies such as the IDP, National Spatial Development Perspective, the Provincial Growth strategy and National LED Framework.

Key Service Delivery Improvements:

The report shows that the municipality has taken extraordinary measures to tend to the basic services needs of all residents in the city, but more especially the most vulnerable residing in rural areas and informal settlements.

Ga-Segonyana Local Municipality is changing at a rapid speed due to the approval new Mining/prospecting licenses nearer to Kuruman town. As a result of the emergence of the mining operations, there has been significant growth of villages and a rapid expansion of Kuruman town, as people move closer to economic activities.

This leads to unplanned backlogs and has placed an immeasurable strain on municipal planning, provision of bulk services and reticulation. As in the other towns in the Gamagara Corridor this rapid growth has an adverse effect on Municipal infrastructure upgrading of bulk supply of water, sanitation, housing, electricity and roads. The IDP is therefore also aligned with most of the National, Provincial and District policy documents and planning initiative.

Very important is the realization that the investments made on Traditional land by the Ga-Segonyana Municipality, created ownership rights-problems and through the CRDP programme the acquisition of Title Deeds for RDP House-Owners in rural villages is now addressed. In terms of the integrated settlement Profiles quoted in the Northern Cape Provincial Growth and Development Strategy, Kuruman is classified as a Regional Centre with a large Population, with High Development Potential as well as High Needs for Infrastructural and Social investments from National Government.

Public Participation:

Public participation is the hallmark of successful political administration. Apart from legislated public participation meetings of the municipality, these were augmented with other methods of community consultation.

The municipality has engaged with the public in a number of forums. Key to these are the IDP Road Shows which afford communities to give input in the IDP document. Of the 14 wards only two wards are not functional. The ward meetings take place as required by the legislation.

1.1. MUNICIPAL MANAGER'S OVERVIEW

The 2016/17 financial year marked another chapter in third the sphere of government, which is the Local Government, as Local Government elections were held on the 3rd August 2016. The new Council forged another five years of new priorities and vision for the Municipality.

The administration is tasked to ensure that the various measurable performance targets. The core mandate of the new Council is the provision of the basic services. The 2016/17 financial primarily focused on the revitalization of the ageing infrastructure which is roads, water, sewer and sanitation in particular. The above-mentioned revitalization programme including cleaning campaigns throughout the 14 Wards would not have been possible without the harmonious working relationship between the Political Leadership, Administration and the different Communities of Ga-Segonyana.

The Municipality further continues to strengthen the Administration by adopting different policies and bylaws. The latter is one of the challenges particularly when it comes to implementation. The performance targets are closely monitored on quarterly basis. The migration of the people from the neighbouring Municipalities has manifested in the Municipality being the biggest populated area in the District. This has over stretched the Municipality in providing services for its community.

The Administration is also facing challenges and competition in retention of the scarce skills. The market related remuneration offered by different mining houses in the District remains the biggest challenge hindrance. The Municipality is also striving towards and effective Administration and a better Auditor General Audit outcome. The Municipality has shaved services with the District Municipality on the following area: Internal Audit, Risk Management and Audit and Performance committee

As I conclude, the Municipality also faces a challenge on its effective rendering of services as the consumers of services are not timeously paying for services and rates and taxes.

The debtors book of the Municipality is nearing R100million. This brings a challenge to the Administration as the cash-flow is adversely affected.

The 2016/17 financial has seen the Municipality improving in responding to queries of service delivery and improved customer care response. We applaud all the different stakeholders who played a pivotal role in ensuring that we carry our mandate as we are coal face of Service delivery.

Collective efforts of all stakeholders will enhance good government effective administration and smooth rendering of services. Let us deepen the unity between Political Sphere, Administration and the Community in striving towards providing sustainable service delivery in the year ahead of us



MUNICIPAL MANAGER

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

Ga-Segonyana Local Municipality was established in 2000 through the amalgamation of Kuruman and Mothibistad Municipalities. The municipality consists of 33 residential areas of which 20% is constituted of urban and peri-urban areas and 80% is rural areas. The municipality covers an area of 4 491km². The CBD of the municipality is situated in Kuruman and residential areas of the municipality are within the 80km with the population estimated at 93 652(Census, 2011). The municipality is divided into 13 wards with 13 Ward Councillors and 12 Proportional Representative Councillors. Council is seated in Kuruman. All rural residential areas are administered by the Traditional Authorities. These areas do not obtain title deeds because they are not formalised. There are two Paramount Chiefs representing the Batlharo Ba-ga Motlhwane and the Batlhaping Ba-ga Jantjie in the municipal council. This dynamic administration process marks the challenge in the general development and planning of the municipality. As much the two administrations are claiming to be working together, sprawling development in the rural areas which is not aligned to municipal development plan. These challenges create a strain on the municipal resource planning and allocation.

Dependency ratio was at 58,1% and educational status was at 8,4% went through higher education, 29% attended school, 20,6% attended matric in the Ga-Segonyana Municipality area of jurisdiction. The unemployment rate was 33, 7% during the 2011 census. Economy of the municipality is reliant on mining, agriculture, tourism and commercial sector in and around Kuruman town. Rapid mining development lead to extreme pressure on resources planning and allocation in that, these developments does not allow for thorough assessment of availability resources like the availability of water, electricity, waste management, sanitation and other municipal services.

Ga-Segonyana depends on underground water supply for its domestic, agricultural and commercial demand and use.

The service delivery profile of Ga-Segonyana municipal area is still largely based on traditional patterns of development and under-development, although enormous progress has been made since 1994 to ensure access to basic services to the most vulnerable sections of the population.

Ga-Segonyana local municipality has the largest population size when compared to other local municipalities under John Taolo Gaetsewe district. The municipality represented more than 40 percent of the total population of John Taolo Gaetsewe in 2012, the population increased from 73 054 in 2002 to 91 395 in 2012 which was a 2.27 percent average growth rate. Table 6.3.1.1 shows the population profile of Ga-Segonyana local municipality for 2002 and 2012.

FIGURE 1: THE GA-SEGONYANA POPULATION (STATSSA, CENSUS, 2011)

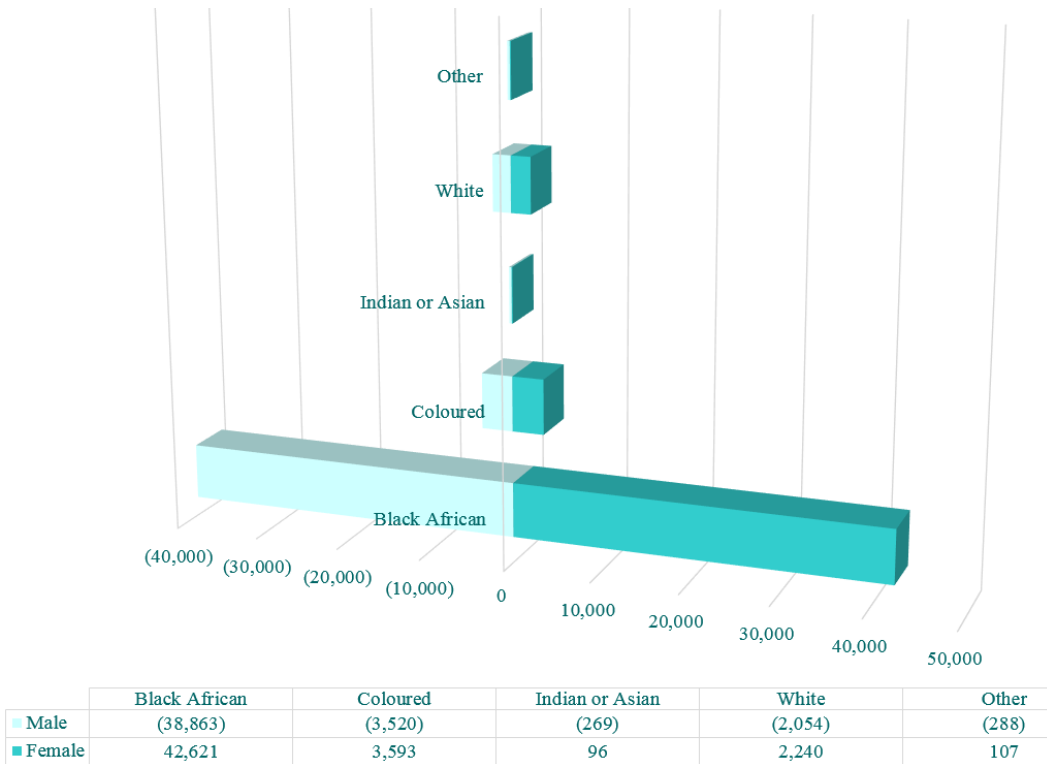


TABLE 1: POPULATION PROFILE FOR GA-SEONYANA LM, 2002-2012 (GLOBAL INSIGHT, 2013)

Year	Ga-Segonyana	JT Gaetsewe	Number	Average persons / household
Year 2002	73 054	193 918	18 728	3.90
Year 2012	91 395	217 400	28 322	3.23
% Change	2.27	1.15		
Race	Male	Female	Total	
African	37 692	41 858	79 550	
White	2 080	2 207	4 287	
Coloured	3 541	3 712	7 253	
Asian	215	90	305	
Total	53 528	47 867	91 395	

The population of Ga-Segonyana was predominantly Africans, representing 87.03 percent of the total population while there were only 305 Asians living in the municipality in 2012. Females living in the municipality were 10 percent more than males and constituted 52.37 percent of the total population. On average, a number of 3.23 people lived in one household in 2012.

FIGURE 2: POPULATION GROWTH RATE, 2002-2012 (GLOBAL INSIGHT, 2013)

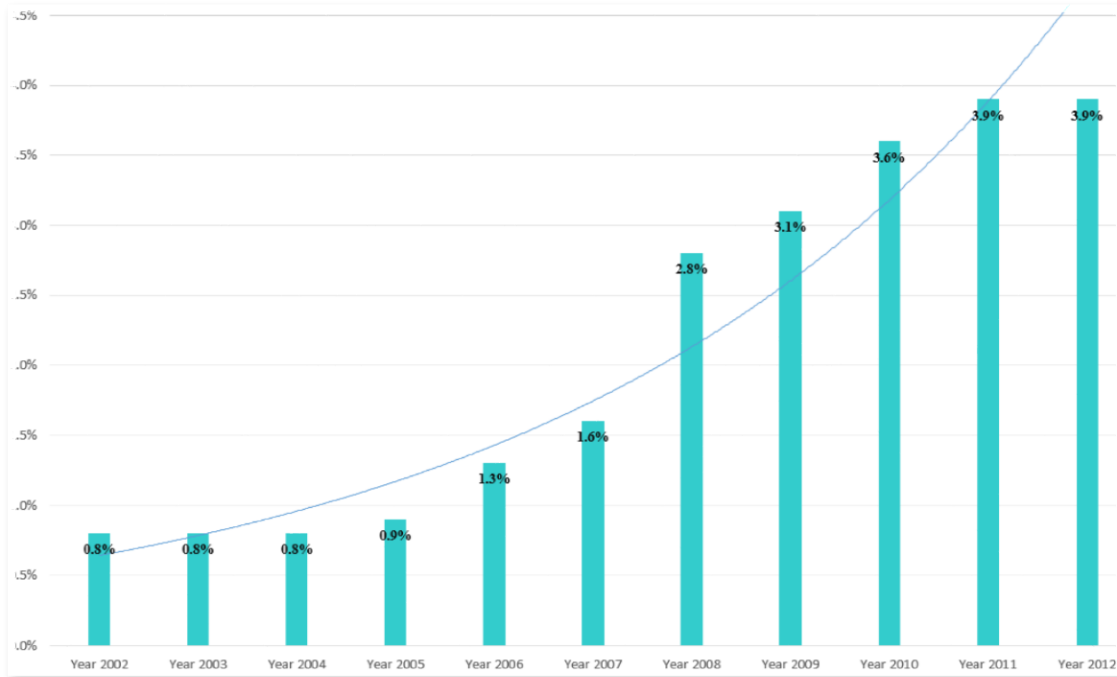
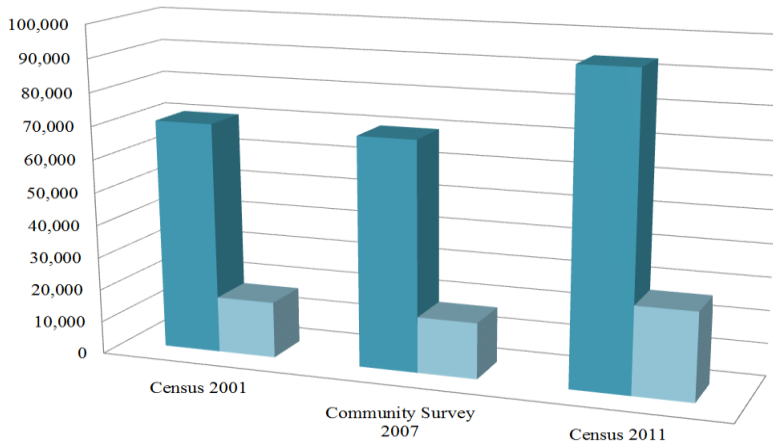


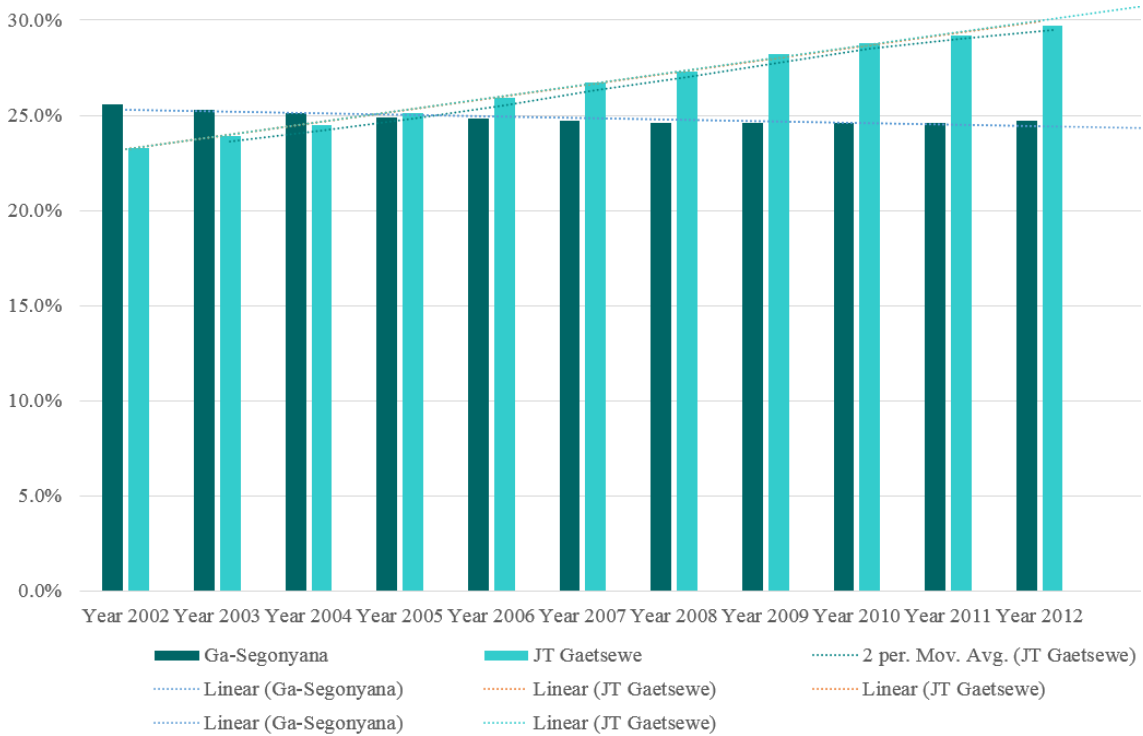
FIGURE 3: GROWTH / DECLINE IN POPULATION AND HOUSEHOLD PROFILE (2001-2011)



	Census 2001	Community Survey 2007	Census 2011
Persons	70,392	69,791	93,651
Households	17,163	17,106	26,816

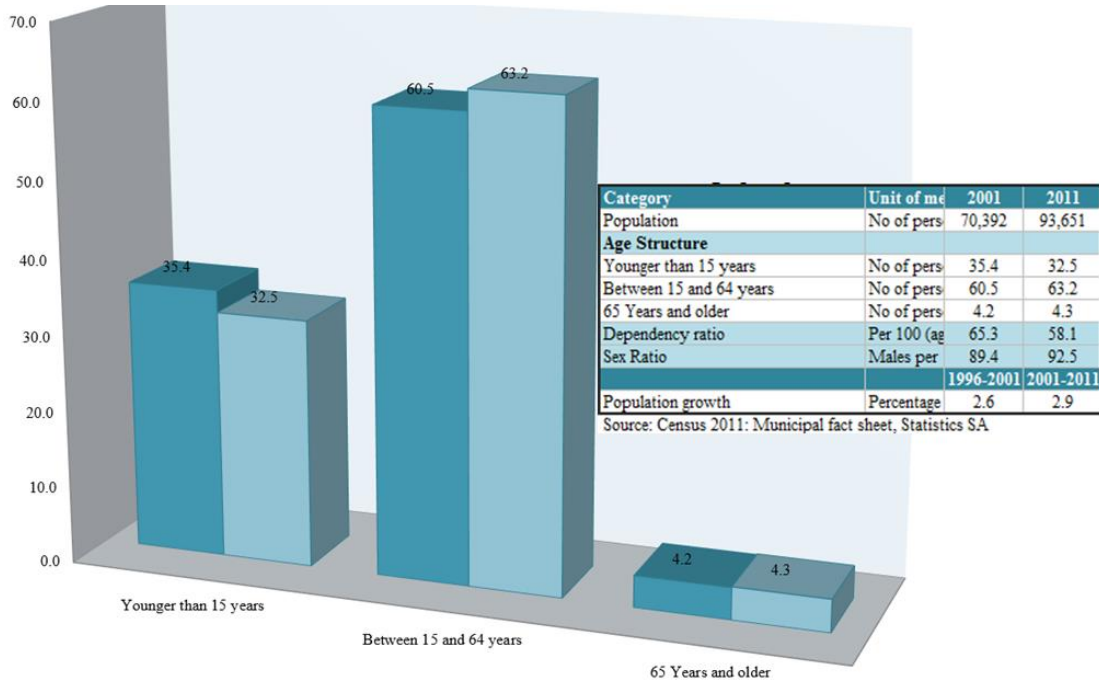
Following a steady increase in population growth rate between 2002 and 2007, the population growth rate surged to 2.8 percent in 2008 and maintained the momentum to reach a maximum of 3.9 percent in 2012. The population grew on average by 2.27 percent for the period under study.

FIGURE 4: URBANISATION RATE IN GA-SEGONYANA LOCAL AND JT GAETSEWE DISTRICT MUNICIPALITY (GLOBAL INSIGHT, 2013)



The figure above shows a declining urbanisation rate in Ga-Segonyana, having declined from 25.6 percent in 2002 to 24.7 percent in 2012. In 2012, only 24.7 percent of the total population of Ga-Segonyana resided in urban areas.

FIGURE 5: BASIC DEMOGRAPHIC PROFILE (STATSSA, MUNICIPAL FACT SHEET, CENSUS , 2011)



It is clear that the trend in the Ga-Segonyana municipal area is towards a growing population. This is largely attributable to the mining activities in the area. This movement of people is predominantly from the municipal jurisdiction area of the Joe Morolong municipality.

FIGURE 6: POPULATION GROUP (STATSSA, MUNICIPAL FACT SHEET, CENSUS , 2011)

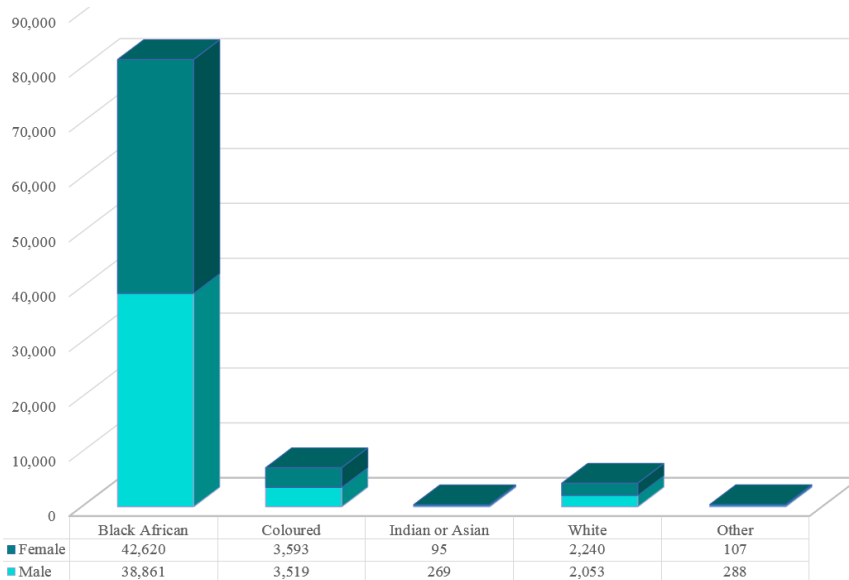


FIGURE 7: GENDER AND POPULATION GROUP (STATSSA, CENSUS, 2011)

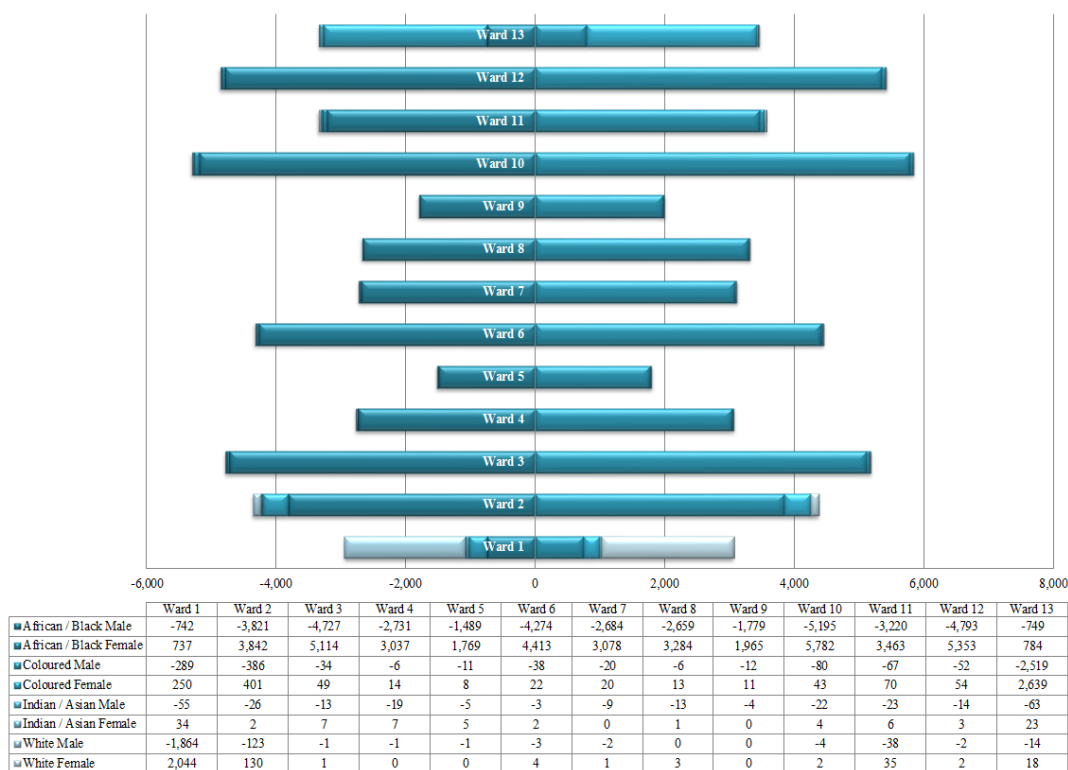


FIGURE 8: HOUSEHOLD PROFILE (STATSSA, MUNICIPAL FACT SHEET, CENSUS , 2011)

Category	Unit of measurement	Y2001	Y2011
Households	Number of households	17,163	28,816
Average household size	Number of persons/house	4.0	3.5
Female headed households	Percentage / households	51.7	42.7
Formal dwellings	Percentage / households	72.5	81
Housing owned / paid off	Percentage / households	61.6	65.7

The growth in the number of households is in line with the population growth in the area. In this regard, the nature of the households accurately reflects the increased level of development: Female headed households have reduced from 51,7 – 42,7% of households, which implied improved social stability, formal dwellings have increased from 72,5 – 81%, which reflect better quality housing, and the percentage of households that owned their houses has increase by 4% to 65,7%.

FIGURE 9: LANGUAGE PROFILE

(STATSSA, MUNICIPAL FACT SHEET, CENSUS , 2011)

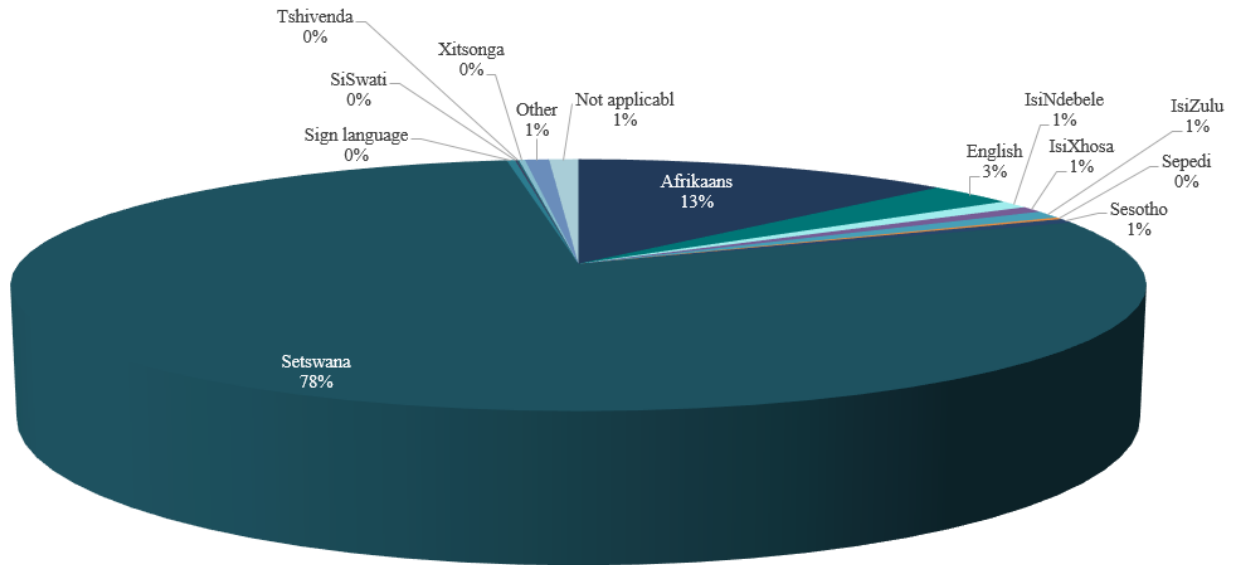
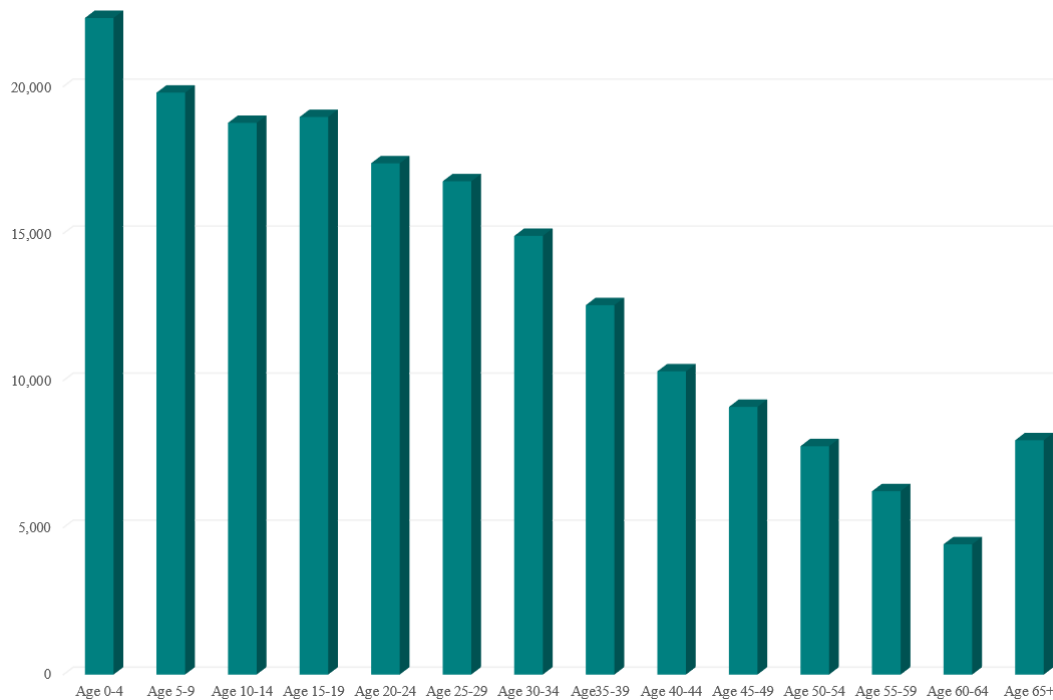


FIGURE 10 AGE PROFILE

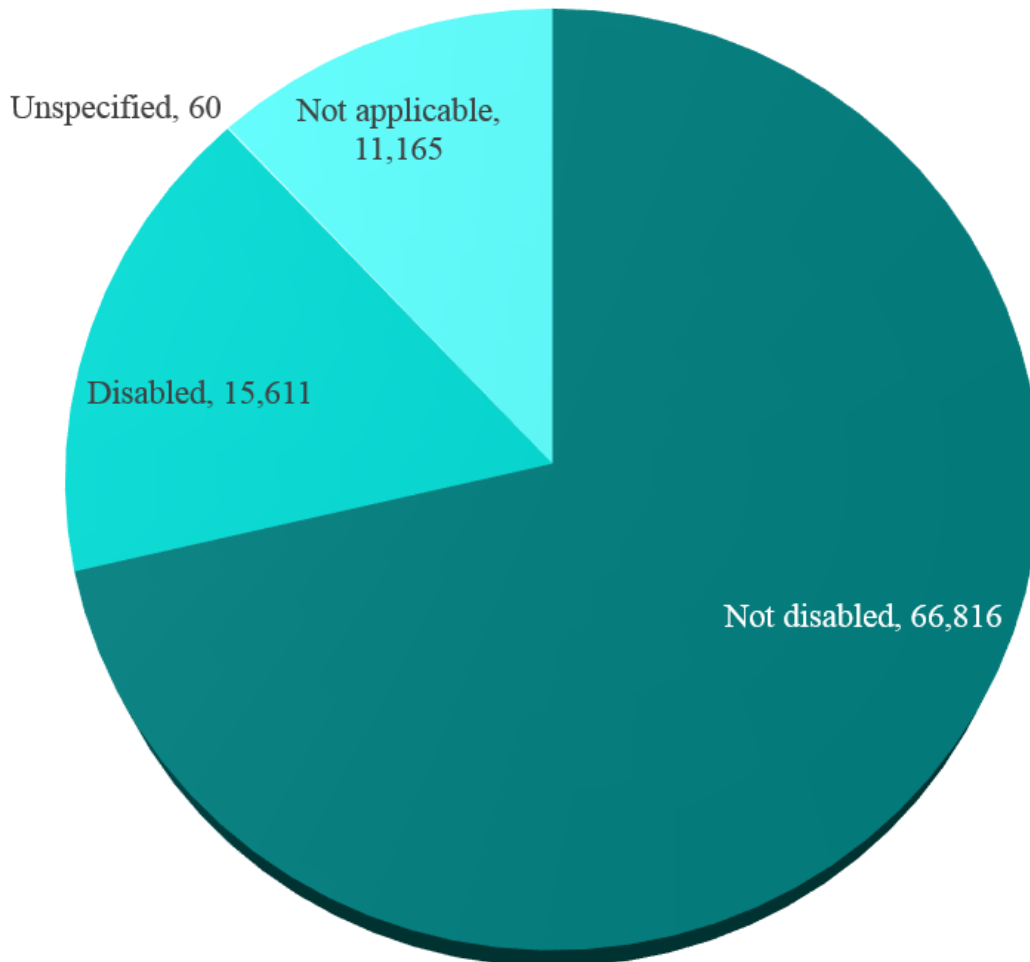
(STATSSA, MUNICIPAL FACT SHEET, CENSUS , 2011)



The Ga-Segonyana Local Municipality span a geographical land-area of 4,492km² and a population density of 20,8 persons per km².

FIGURE 11 *PERSONS WITH DISABILITIES*

(STATSSA, MUNICIPAL FACT SHEET, CENSUS , 2011)

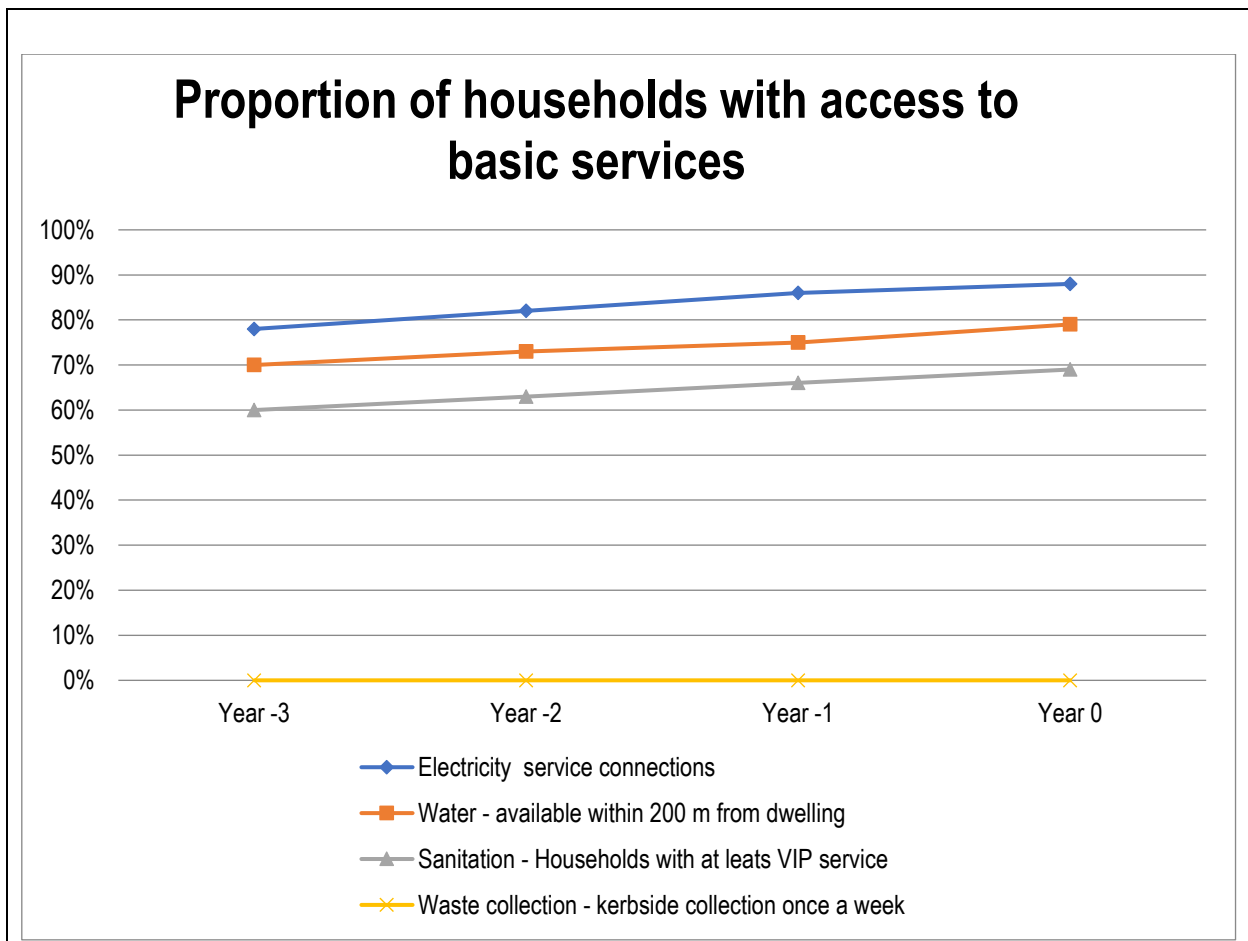


1.3 SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

Projects funded by grants are always completed within the stipulated timeframe and budget. ESKOM is currently busy increasing its capacity in the villages, to reduce the electricity backlogs. The Municipality is currently in the process of completing the 24ml Kuruman Bulk Water Reservoir Complex. This is however a challenge of funding to complete the bulk pipeline, electrical and mechanical components of the project. The Municipality has got three-year implementation programme of roads, sanitation and water projects that are currently being rolled out across the different Wards of the Municipality. With the assistance of the Mining houses the Municipality has succeeded in addressing to a large extent the numerous potholes in the urban areas. The informal settlements are currently receiving attention from the Department of Human Settlements, to formalise and deliver basic services.

There are large backlogs in water and sanitation in the rural areas. The maintenance of gravel roads is still not receiving adequate attention. The grant funding is assisting to reduce the backlogs, but it will take a number of years to completely eradicate these backlogs due to inward migration into the Municipal Area. The retrenchments experienced in the Mining Sector has also put strain on the Municipality's ability to reduce backlogs.



COMMENT ON ACCESS TO BASIC SERVICES

The biggest shortfalls in the Municipality's efforts to deliver basic services are limited funding and the ever-increasing backlogs resulting from rapid urbanisation in mostly the settlements situated nearer to Kuruman. Urbanisation resulting from mine retrenchments and community expectations for job opportunities in this Area exacerbates the shortfalls in service delivery. The Municipality is reliant on grant funding and assistance from the Mining Houses through Social Labour Plan (SLP) funding. Most often this funding becomes limited, as it gets directed to refurbishment of the existing services as well. The other factor which limits basic service delivery is the non-payment of services by the community, resulting in the Municipality failing to generate sufficient revenue to meet the basic service delivery demands of the community.

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The municipality obtained an actual surplus of R35 546 513.00 at the end of the financial year due to spending less than budget and billing less than anticipated. The main challenge was generating less cash flow due to culture of non-payment especially at Mothibistadt as we are unable to disconnect electricity because Eskom is the provider. The liquidity ratio is standing at 0.8 which is less than the norm of 1 due to cash flow problems encountered by the municipality. Total outstanding debtors is more than 60% of the age analysis which explains that the bulk of the debt is more than 180 days. The debt coverage is standing at 1.2 and 78% of creditors are paid within 30 days. 68% of revenue excluding grants was spent on employee costs.

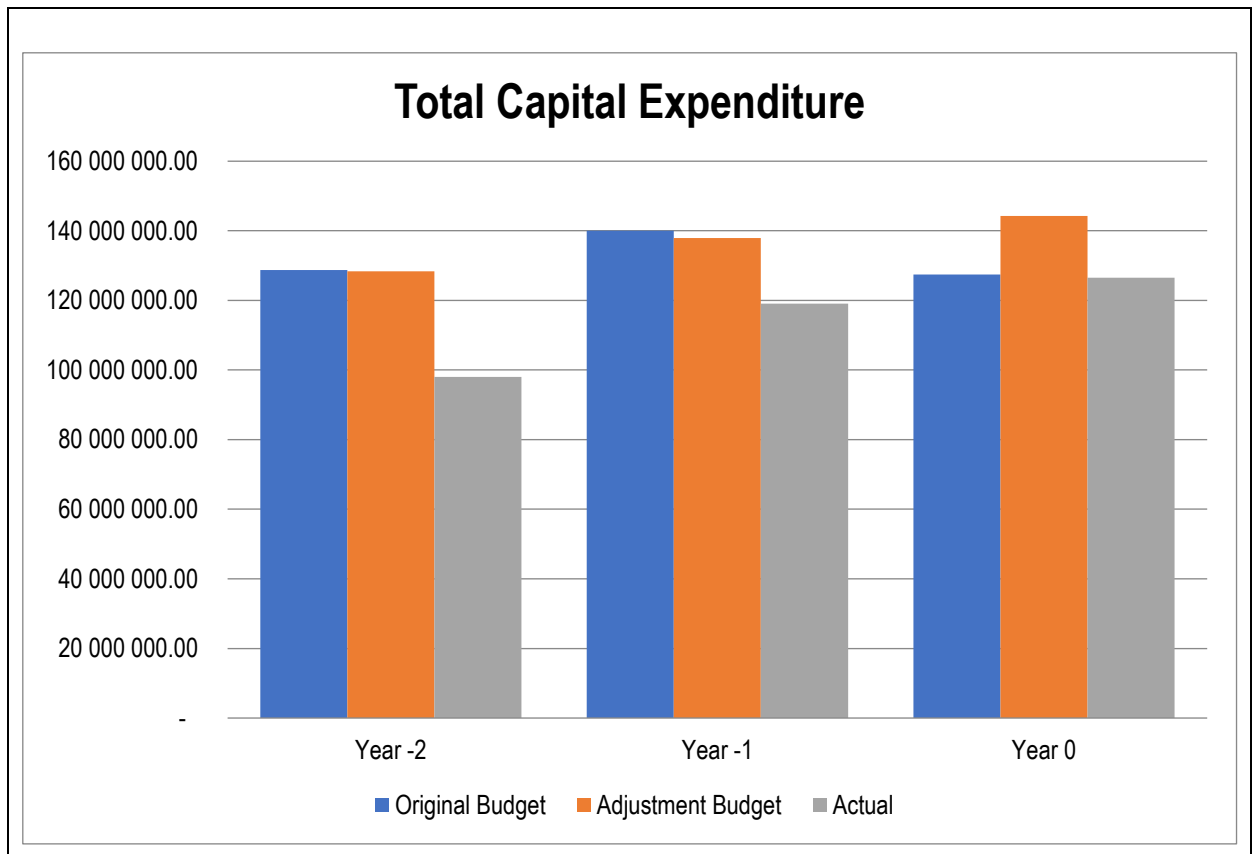
Financial Overview: 2016/2017			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	R229 522 000.00	R243 919 149.00	R226 228 557.00
Taxes, Levies and tariffs	R159 899 296.00	R163 212 896.00	R158 295 699.00
Other	R37 187 794.00	R33 503 795.00	R41 559 785.00
Sub Total	R426 609 090.00	R440 635 840.00	R426 084 041.00
Less: Expenditure	R 314 077 676.00	R312 157 610.00	R390 537 528.00
Net Total*	R112 531 414.00	R128 478 230.00	R35 546 513.00

Operating Ratios	
Detail	%
Employee Cost	100%
Repairs & Maintenance	43%
Finance Charges & Impairment	399%

COMMENT ON OPERATING RATIOS:

Employee Costs' is 39% to total operating cost instead of 30% due to less spending on other expenditure. 'Repairs and maintenance' is at 43% instead of 20% because the Municipality spent more on maintenance than other expenditure as it is service delivery driven.; Finance Charges and Impairment is only 1%.

Total Capital Expenditure: 2014/2015 to 2016/2017			
	R'000		
Detail	2014/2015	2015/2016	2016/2017
Original Budget	R128 705 176.00	R140 031 000.00	R127 434 800.00
Adjustment Budget	R128 367 828.00	R137 926 000.00	R144 230 949.00
Actual	R97 975 421.00	R119 057 325.00	R126 503 873.00



1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

After the review of the Top Layer SDBIP the municipality reported 153 KPIs in the SDBIP. As indicated below, the municipality achieved 58% of its targets. For 2015/2016 financial year the municipality reported 172 KPI and 153 KPIs in 2016/2017 financial year. Infrastructure Services performance has decreased by 60% as compared to the previous financial year's performance due to municipal financial constraints and lack of sufficient evidence provided. Reported performance had to be realigned with evidence submitted. During the 2015/2016 financial year, no residential sites were developed and no stands have been sold as the stands were not serviced. No resealing of streets was done, resealing was done only in 2014/2015 financial year. Only 4 364 m² of badly damaged streets were attended through patching of holes due to lack of funds. As the municipal owned grader is no longer operational, a service provider was appointed to maintain gravel roads.

For the year under review, 60 residential sides were developed and due to unavailability of funds 40 more sites could not be developed. 1km of tarred road was resealed and 19200m² of tarred road was patched. With challenges such as revenue collection from the traffic department, the department, in line with the set and approved key performance in the SDBIP achieved targets. During the review of the SDBIP for 2017/2018 financial year, the department will be advised to include revenue collections KPIs. 15 capital projects were assessed and as shown below 33.33% targets were achieved, 46.67% were delayed and 20% there was no/minimal progress.

Performance of capital projects for 2016/2017 financial year.

The attached report indicates that by the end of the financial 4 capital projects were incomplete namely;

- 1). Upgrading of Mandela drive street from Maruping to Mothibistad link road
- 2). Construction of Mapoteng water network extensions
- 3). Construction of Mokalamosesane bulk water supply augmentation phase 2. Thus, project started in July 2017
- 4). Construction of seven miles community hall

The projects were not completed due to the following;

- 1). Late payment to the contractor influenced the progress pace on site
- 2). Local Government Elections had effect on the projects due to election of nominated Ward Cllr which has led to community strike that are not related to the project. The project was put on hold until the completion of Local elections. The projects were re-established 6 months later
- 3). Constant Community strikes have impeded the progress of the project which have caused the anticipated completion period to be missed.
- 4). Delay with the procurement processes for the appointment of Contractor

1.6 AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: 2016/2017 (CURRENT YEAR)

Ga-Segonyana Local Municipality received an Unqualified audit opinion for 2016/2018 Financial Year

1.7 STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft 2016/2017 Annual Report to Internal Audit and Auditor-General	Still pending
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	October
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	Still pending
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General Audits Annual Report including consolidated Annual Financial Statements and Performance data	November
12	Municipalities receive and start to address the Auditor General's comments	January
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	February
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	February

COMMENT ON THE ANNUAL REPORT PROCESS:

Ga-Segonyana Local Municipality introduced the implementation of the MFMA Circular 63 in 2016/2017 financial year. Management agreed to develop the Annual Report for 2016/2017 financial year using the MFMA circular 63 reporting template. However, there has been a lot of challenges because municipal staff did not receive any training or workshop on the reporting template, understanding some of the tables and providing relevant information in time was a major challenge.

Chapter two

2.1. INTRODUCTION TO GOVERNANCE

INTRODUCTION TO GOVERNANCE

The Constitution of the Republic of South Africa Act 108 of 1996 stipulated that public administration should adhere to a number of principles, including that:

- A high standard of professional ethics be promoted and maintained
 - Services be provided impartially, fairly, equitably and without bias
 - Resources be utilised efficiently, economically and effectively
 - People's needs be responded to
 - The public be encouraged to participate in policy making, and it be accountable, transparent and development-oriented. Good governance has major characteristics which are;
- Participation by citizens
 - Rule of law -which are fair legal frameworks that are enforced impartially
 - Transparency - decision taken and their enforcement of laws requires and their enforcement are done in a manner that follows rules and regulations and information is freely available and accessible to those who will be affected by such decision and enforcement.
 - Responsiveness - good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe
 - Consensus oriented - good governance requires mediation of different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved
 - Equity and inclusiveness - this requires all groups and particularly the most vulnerable, to have opportunities to improve or maintain their well-being
 - Effectiveness and efficiency - Good governance means that processes and institutions produce results that meet that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the next context of good governance also covers the sustainable use of natural resources and the protection of the environment.
 - Accountability - is a key requirement of good governance not only government institutions but also, the private sector and civil society organisations must be accountable to the public and to their institutional stakeholder.

In the Ga-segonyana local Municipality the political wing of the municipality exercises their executive and legislative powers and functions to govern the affairs of the municipality and the administrative wing is responsible for Corporate Governance as prescribed by various legislative frameworks

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Systems Act requires the municipality to clarify the roles and responsibilities of the most important role players in the municipality. Municipalities are complex institutions with wide-ranging powers and duties governed by politicians and assisted by a staff component whose main purpose it is to ensure and maintain services to the community. This goal is only achievable if there is harmonious interaction between the various role-players. They must know and understand their respective roles follow protocols and co-operate with each other but, when they fail, they should be able to correct their mistakes in terms of pre-determined processes.

The Constitution not only confers on a municipality the right to govern the affairs of the community within the municipal area, but also empowers the Municipal Council to make decisions concerning the exercise of all the powers and the performance of all the functions of the municipality. To this end the Municipal Council is clearly the principal political structure and the ultimate decision maker of the Municipality.

The Mayor is the political leader of Ga-Segonyana Local Municipality, he is responsible to enhance good governance, promote institutional pride, build external and media relations, engage with communities and facilitate the process of governing. The Mayor is responsible for monitoring the management of the municipality's administration in accordance with the directions of the municipal council. He is accountable to council and must report to council on performance and discharge of powers, functions and duties of the office. The Mayor is assisted by the Mayoral Committee. The Mayor 's area of responsibility from a geographical perspective is not limited to the geographical area of the municipality. Due to the municipality 's involvement in co-operative governance the Mayor 's influence is much wider, e.g. the Premier 's Co-ordinating Forum, SALGA, Mayoral Forum, etc.

As regards the functional area the Mayor possesses all the powers conferred by law on the office, as well as those powers that have been delegated to him/her, or can be implied, or derive from civic culture or tradition.

INTRODUCTION TO POLITICAL GOVERNANCE

Ga-Segonyana Local Municipality is a category B municipality established in terms of section 12 notice of the Municipal Structures Act 117 of 1998.

The Constitution of the Republic of South Africa of 1996 and Municipal Structures Act of 2000 requires that every Council elects a Chairperson, who is called the Speaker. The aim of the Office of the Speaker is to structure the two functions of a Municipal Council which are the legislative function and its executive function. The Speaker presides over meetings of Council and performs the duties and exercises the powers delegated to the Speaker.

As the Mayor of Ga-Segonyana Local Municipality commits to efficient service delivery to the people of Ga-Segonyana at large. I also commit to work with the staff, trade unions through the management led by current Municipal Manager Mr Martin Tsatsimpe to ensure that we all reading from the same page in providing speedily and efficient service to our people. All councillors of Ga-Segonyana commits to delivery of their promises on services delivery. All Councillors are committed and determined to confront all challenges of Poverty, inequality and unemployment. Together moving Development Local government forward.

The duties of the Speaker include:

- Ensuring that Council meets at least quarterly
- Maintaining order during meetings of Council
- Ensure compliance in the Council and Council committees in the line with Code of Conduct of Councillors and
- Ensure that Council meetings are conducted in accordance with the adopted rules and orders of the Council.

Therefore, as the elected Speaker of Ga-Segonyana Council I am committed to use this office to protect and uphold the Constitution of the Republic, we will ensure that public participation becomes one of the strategic tool we apply to reach out too many and thousands of people of Ga-Segonyana. The Speakers Office will at material times ensure good governance through political oversight functions that is efficient and effective in order to hold the administration accountable so that the elected officials can also account to their constituencies and people who voted us in to political office bearer positions.

The other key stakeholder that I am committing this office to work with closely are the labour unions recognised in this institution and the ward committees who are our eyes and ears on the ground. Together as team we will take our municipahilty forward and make it an employer of choice as envisioned in the 2030 plan of Government in the National Development Plan.

According to the gazette the Mayor and Speaker are full-time but the full-time position of the Speaker is subjected to change in terms of the Division of Revenue Bill. The Speaker will facilitate the nomination and process of the Executive Committee In terms of section 43 of the Local Government: Municipal Structures Act; 117/98. The procedure set out in the schedule 3 of the Structures Act applies to the election of the Executive Committee.

The Speaker call for the nomination of candidate for Executive Committee members and presides over the election of Exco in terms of the proce4dure of Schedule 3 of the Structures Act 117 of 1998.

MPAC must be established in terms of section 79 of the Municipal Structure Act and the Municipal Finance Management Act, Act 56 of 2003 to serve as an oversight committee to exercise oversight over the Executive obligations of Council. The purpose of establishment MPACs is to ensure that municipal resources are used efficiently and effectively. By so doing, the MPAC would help to increase council and public awareness of the financial performance issues of the municipality.

The MPAC shall comprise of councillors excluding any councillor who is serving as Mayor, Speaker, Chief Whip and a member of the Executive Committee. However, council may invite representatives of the community and co-opt members of the public who have expertise in relevant specific fields to assist and advice in the deliberations when the need arise. These representatives will have no voting rights as they are not elected councillors.



Cllr. Neo Masegela
Mayor & PR Councillor
(ANC)

COUNCIL OF GA-SEGONYANA LOCAL MUNICIPALITY



Cllr. Tuelo Meyers
Speaker & PR Councillor
(ANC)



Cllr. Keamogetse Madikiza
Ward 8 Councillor &
Chairperson of IDP
Standing Committee
(ANC)



Cllr. Bothoiboile Modise
Ward 2 Councillor &
Chairperson of Finance
Standing Committee
(ANC)



Cllr. Neo Disipi
Ward 5 Councillor &
Chairperson of Human Resource
Standing Committee
(ANC)



Cllr. William Aucamp
Ward 1 Councillor &
Chairperson of Community
Services Committee
(DA)



Cllr. Lesangkgang Moagi
Chairperson MPAC
Ward 3 Councillor (ANC)



Cllr. Lea Nelson
PR Councillor (DA)



Cllr. Olobogeng Leserwane
PR Councillor (EFF)



Cllr. Nomsa Thupaemang
PR Councillor (COPE)



Cllr. Goitseang Assegai
PR Councillor (ANC)



Cllr. Lebogang Moseki
PR Councillor (ANC)



Cllr. Sylvia Bloem
PR Councillor (ANC)



Cllr. Barend Eiman
Ward 13 Councillor (ANC)



Cllr. Lebogang Makoke
Ward 14 Councillor (ANC)



Cllr. Goitseone Mntuyedwa
Ward 4 Councillor (ANC)



Cllr. Dineonyane Mputa
Ward 6 Councillor (ANC)



Cllr. Keolebogile Makwati
Ward 7 Councillor (ANC)



Cllr. Oldridge Mathibe
PR Councillor (DA)



Cllr. Kennetseng Kanjeruba
Ward 11 Councillor (ANC)



Cllr. Nkagiseng Ngesi
Ward 12 Councillor (ANC)



Cllr. Boratwaemang Leserwane
Ward 9 Councillor (ANC)



Cllr. Itumeleng Tshetshemeserogwe
Ward 10 Councillor (ANC)



Cllr. Malebogo Disang
PR Councillor (EFF)



Cllr. Mosamiemang Reetsang
PR Councillor (EFF)



Cllr. Matshidiso Galeboe
PR Councillor (EFF)



Cllr. Keabetswe Chweu
PR Councillor (EFF)

POLITICAL DECISION-TAKING

The functions of the Mayor are set out in the Municipal Structures Act. The mayor is elected by the Municipal council to co-ordinate the work of the Municipality. The Mayor is the political head of the municipality and is expected to provide the required leadership necessary to keep the municipality moving in the proper direction. The mayor presides over meetings of the executive committee and performs functions assigned to him or her by the municipal council or the executive committee. These duties include any ceremonial duties. The Municipal Manager is directly accountable to the mayor. The mayor appoints the municipal manager and heads of departments upon resolution of the council. One person may serve a maximum of two consecutive terms as mayor in the same council.

The Constitution and Municipal Structures Act requires that every Council elects a Chairperson, who is called The Speaker. The aim of the Office of the Speaker is to structure the two functions of a Municipal Council, i.e. its legislative function and its executive function. The Speaker presides at meetings of the Council and performs the duties and exercises the powers delegated to the Speaker. These duties include:

- Ensuring that Council meets at least quarterly;
- Maintaining order during meetings; must ensure;
- Ensuring compliance in the Council and Council committees with the Code of Conduct of Councillors; and
- Ensuring that Council meetings are conducted in accordance with the rules and orders of the Council.

The new system of local government represents a paradigm shift from the old system since it incorporates a vision of a developmental local government system. The Office of the Chief-Whip was established to create synergy and to maintain discipline among Councillors from various Political Parties. The Role of the Chief-Whip of the Council covers both the political and administrative domains of Council with emphasis on the political aspect.

The Chief-Whip has to ensure that relationships are constructive and focused on key issues that aimed at improving the lives of the Ga-Segonyana residence. The Chief-Whip further acts as a link between the Speaker, The Executive and the Administration. The Chief-Whip ensures that there is equitable representation in Committees of Council. The Chief-Whip of the Council also serves as the Chief-Whip of the ruling party and his responsibilities include the managements of the whippery of the ANC. It is also his responsibility to chair the Caucus and ensure that members of the Party speak with one voice.

2.2. ADMINISTRATIVE GOVERNANCE

GA-SEGONYANA LOCAL MUNICIPALITY MANAGERS



Edward Ntefang
Municipal Manager



Martin Tsatsimpe
Director Corporate Services



Pabalelo Sampson
Director Community Services



Hendrik Smit
Director Infrastructure
Services



Tshegofatso Jarvis
Chief Financial Officer
(Acting)

The Municipality appointed the new Chief Financial Offer on the 1st of June 2017.

2.3 DISTRICT INTERGOVERNMENTAL

DISTRICT INTERGOVERNMENTAL STRUCTURES

The role of a district intergovernmental forum is to serve as a consultative forum for the district municipality and the local municipalities in the district to discuss and consult each other on matters of mutual interest, including—

- a) draft national and provincial policy and legislation relating to matters affecting local government interests in the district;
- b) the implementation of national and provincial policy and legislation with respect to such matters in the district;
- c) matters arising in the Premier's intergovernmental forum affecting the district;
- d) mutual support in terms of section 88 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- e) the provision of services in the district;
- f) coherent planning and development in the district;
- g) the co-ordination and alignment of the strategic and performance plans and priorities, objectives and strategies of the municipalities in the district; and
- h) any other matters of strategic importance which affect the interests of the municipalities in the district.

A district intergovernmental forum may refer a matter arising in the forum to—

- a) the Premier's intergovernmental forum; or
- b) any other provincial intergovernmental forum established in terms of section

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The municipality involve or communicate with our communities in its affairs by means of public advertisement (in local newspapers and local radio station) of the Integrated Development Plan and Service Delivery and Budget Implementation Plan, as well as its performance plans with specific reference to the Annual Report. The municipality also advertise the activities of the Oversight Report and invite participation from the communities.

The community also participate through the structures of the IDP Representative Forum and the IDP/Budget community consultative roadshows that we conduct annually. The IDP Rep Forums are held four times per annum, IDP/Budget community consultation road shows two times per annum. The purpose of these meetings is to involve community in the Review of IDP and to come up with the issues relating to service delivery. All Councillors, Management, Directors of sector departments, Traditional Leaders, Community Based Organisations (CBO), Non-Government Organisation (NGO's), Faith Based Organisation, Ward Committee Secretaries, Community Development Workers (CDW's) and Advocacy Groups forms part of the IDP Rep Forum. And all the community members form part of the IDP/Budget community consultative meetings. Politicians and managers also conduct public engagement session when new or reviewed by-laws, policies, strategic or sector plans and strategies are considered.

Vision: Progressive Sustainable Development. Ga-Segonyana-the stream of life.

All the council approved (Draft IDP, IDP and Annual Report) documents are placed on the municipal website.

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
RDP beneficiaries Community meeting	13-10-2016	1	0	57	Yes	The ward of ward 2 councillor explained to the community about 100 youth to be trained by COGHTA for RDPs that will be built in the ward.
Toilets project Community meeting	25-09-2016	1	0	127	Yes	The ward councillor of ward 3 informed the community to identify the toilets in poor conditions to be replaced with new toilets.
Water project Community meeting	29-09-2016	1	0	82	Yes	The ward councillor of ward 4 informed the community about the water project that will come in the ward and how will the hiring be done.
Ward challenges community meeting	26-10-2016	1	0	47	No	The councillor of ward 5 confirmed with the community that he will raise all the challenges with the municipality for assistance.
Electrification Community meeting	27-09-2016	1	0	74	No	The ward councillor of ward 7 confirmed with the community that there are several houses that needs to be electrified and Eskom is aware of that
Water taps vandalization community meeting	31-10-2016	1	0	98	yes	The ward councillor of ward 8 met with the chieftaincy to alert them about the vandalized taps in the ward and how it should be addressed
Introduction of new contract community meeting	30-08-2016	1	0	25	Yes	The ward councillor of ward 9 introduced the new contract to the community and told the community the hiring will be done in a community meeting.
Tavern restriction community meeting	19-09-2016	1	0	32	No	The community of ward 10 still awaits the ward councillor to give them feedback on the restrictions of taverns in ward 10.
RDP beneficiaries Community meeting	22-09-2016	1	0	104	No	The ward councillor of ward 13 explained to the community that according to the RDP houses list, preference will be given to elderly people.
Councillor intervention meeting	15-09-2016	1	0+	6	yes	The ward of ward 14 councillor promised the family that the matter of their living conditions will be taken into attention soon.

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Illegal electricity connection community meeting	2-02-2016	1	0	105	yes	The ward councillor of ward 4 confirmed with the community that the matter of illegal electricity connection will be dealt with soon
Challenges community meeting	30-01-2017	1	0	72	Yes	The ward councillor of ward 5 told the community that the challenges they raised will be addressed with relevant department in the municipality.
Challenges community meeting	15-02-2017	1	0	87	Yes	The councillor of ward 8 told the community that the challenges raised by them will be addressed.
Ward committee introduction community meeting	22-02-2017	1	0	73	yes	The ward councillor of ward 9 introduced the ward committee to the communities.
School challenges community meeting	11-01-2017	1	0	14	Yes	The ward councillor of ward 11 met with the HODs of the school and confirmed with them that the challenges they raised with her will be dealt with soon.

2.5 IDP PARTICIPATION AND ALIGNMENT

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

OVERVIEW OF CORPORATE GOVERNANCE

The Local Community needs to trust that their Municipality and Municipal Management will do what is in their best interest and on the other hand Municipal Management must listen to what its communities need through public participation.

Good corporate governance should factor local governments levels of legislative compliance with executive-level compliance focused on establishing consistency and standards as an embedded process. Quarterly performance reports are compiled and submitted to Internal Audit for auditing and the reports are submitted to Council Committees. The reports give the progress on Municipal projects.

Risk assessment and management processes are key to effective governance hence the municipality constantly monitors risks to ensure efficiency. Departments submit quarterly operational and strategic risk management progress reports.

Financial position of the Municipality is reported on a monthly and quarterly basis to National and Provincial Treasury as well as Municipal Council. On an Annual basis the Municipality produces Annual Financial Statements which, together with the Annual Performance Report are audited by the Auditor General. The Municipality is making use of shared Audit services based at the District Municipality.

2.6 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

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

The Supply Chain Management Policy has been approved by the Municipal Council. According to this approved policy and the National Treasury Regulations, this policy needs to be reviewed annually by the accounting officer and proposals for amendment must be submitted to Council. Since the initial adoption, the policy was last amended on 30th May 2017, item Appendix H. The amended policy came into effect on 01st July 2017.

The Preferential Procurement Regulations, 2017 became effective on 01st April 2017. The new Regulations were implemented by Ga-Segonyana Local Municipality as from 01st April 2017. Changes that has been introduced by the new regulations has been incorporated in the amended SCM policy.

Central Supplier Database vs. Municipal Suppliers Database

With effect from 01st July 2016 the municipality practiced procurement processes which had to be in line with the introduction of the Central Supplier Database (CSD) For Government.

All bidders / suppliers have to be registered on the CSD before the supplier can be considered to do business with the municipality. Since the municipal accounting system (MunSoft) is not linked to the CSD system, suppliers are requested to still apply to be suppliers in the municipal database. The CSD however supersede the internal database.

The CSD implementation has assisted the processes of supply chain in that the report can be generated on a real-time basis, which can indicate the following:

- The Tax Status of the Supplier
- The B-BBEE Status Level Contribution of the Supplier.
- The Banking Details of the Supplier.
- The owners/ director's shareholding
- Declaration in relation to the employment in the organ of state

Bid Committees are composed in accordance with the Policy, a system of Bid Committees has been established.

Bid Specification Committee

Bid Specification Committee is established for each individual bid and approved by the Municipal Manager, and meet on an ad hoc basis to deal with the drafting of specification as and when required; with the assistance from the SCM Unit.

The composition of the Bid Specification Committees is as follow:

- At least one SCM practitioner.
- At least one official from the user department.
- The external expert where necessary.

Bid Evaluation Committee (BEC):

The following are the members of the Bid Evaluation Committee as appointed by the Municipal Manager:

- | | | |
|---------------------------|--|---------------------|
| • Mr. Hendrik Smit | Director: Technical Services | (Chairperson) |
| • Mr. Boitumelo Sechogel | Manager: SCM | Member/ Secretariat |
| • Mr. Baganne Choche | Senior Town Planner | Member |
| • Mr. Rooney Pule | Manager: Legal and Compliance Services | Member |
| • Mr. Ambrose Keetile | Manager: Waste Management | Member |
| • Mrs. Tshegofatso Jarvis | Dep CFO | Member |

BEC Meeting:

The meeting of the BEC has no specific dates or days. Meetings are convened on an as and when required basis. Challenges faced by the sitting of the BEC meeting is that the members are not always available on that required date.

Bid Adjudication Committee (BAC):

The Bid Adjudication Committee is a standing committee comprising of the following members

- | | | |
|-------------------------|---------------------------------|---------------------|
| • Mr. Kagiso Noke | Chief Financial Officer | Chairperson |
| • Mrs. Pabalelo Sampson | Director: Community Services | Member |
| • Mr. Tafita Sehloho | Manager: Expenditure Accountant | Member |
| • Mrs. Onalenna Ruiters | Procurement Officer | Member/ Secretariat |
| • Mrs. Gloria Monchwe | Manager: PMU | Member |

By-laws Introduced during 2016/2017					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
None	10	No	25/05/17 until 23/06/17	No	N/A

BAC Meeting

The meeting of the BAC has no specific dates or days. Meetings are convened on an as and when required basis which are heavily dependent on the submission from the BEC. Challenges faced by the sitting of the BAC meeting is that the members are not always available on that required date as well.

Regulation 32

The municipality in the recent past has relied on the use of tender processes by other organ of state.

Contract and Contract Management

The Office of Legal and Compliance under the Directorate of Corporate Services is in charge of drafting of **Service Level Agreements**.

- Form MBD 7.1 for the supply and delivery of goods;
- Form MBD 7.2 for the rendering of services;
- Formal SLA for any goods and services (other than construction related contracts) which is not of a once-off nature and for which the level of service needs to be prescribed and monitored.

Managing of Performance of Contractors

It is a requirement in terms of section 116 (2)(b) of the MFMA that the accounting officer must be in writing stipulate the terms and conditions of the contract or agreement, which must include provision providing for the termination of the contract or agreement in the case of non-performance, dispute resolution mechanisms to settle dispute between the parties.

The municipality has a project management unit which is tasked with the evaluation and monitoring of infrastructure projects.

2.7 BY-LAWS

COMMENT ON BY-LAWS:

Reviewed By-laws were taken to Council and approved on the 28/09/17 and they will be gazetted after restructuring of fines at Magistrate Court.

2.8 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	yes	08/02/2017
All current budget-related policies	yes	03/06/2017
The previous annual report (2015/2016)	no	
The annual report (2016/2017) published/to be published	yes	08/02/2017
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2016/2017) and resulting scorecards	yes	19/01/2017
All service delivery agreements (2016/2017)	Yes	13/04/2017;13/04/2017;13/04/2017;04/07/2017;04/07/2017;04/07/2017;07/04/2017;07/04/2017
All long-term borrowing contracts (2016/2017)	no	
All supply chain management contracts above a prescribed value (give value) for 2016/2017	yes	05/10/2017;13/04/2016;07/04/2017;
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2017/2018	no	
Contracts agreed in 2016/2017 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	no	
Public-private partnership agreements referred to in section 120 made in 2016/2017	no	
All quarterly reports tabled in the council in terms of section 52 (d) during 2016/2017	yes	17/01/2017;24/07/2017;05/05/2017;16/10/2017

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

Personal computers have not been placed in a public space to access council web-based information. An old computer will be identified so that it can be fixed up and used for access to the public. The municipality hasn't measured hits on its website, and will put in a script that will count hits on the website.

Chapter 3

INTRODUCTION

The Municipality implemented grant funded service delivery projects across various Wards in the Financial Year 2016/'17. A 4,1km surfaced link road was completed between Vergenoeg and Batlharos. Another 4,6km surfaced link road was completed between Vergenoeg and Maruping. Mandela Road (2,055km) in Maruping was also commenced with, and is still under construction. A total of eight hundred and eighty-six (886) VIP units were also provided in Ditshoswaneng, Bankhara-Bodulong and Magojaneng. A total of one thousand two hundred and eighty-two (1282) households were provided with access to basic water (200m radius standpipes) in Mapoteng, Mokalamosesane and Ditshoswaneng.

INTRODUCTION TO BASIC SERVICES

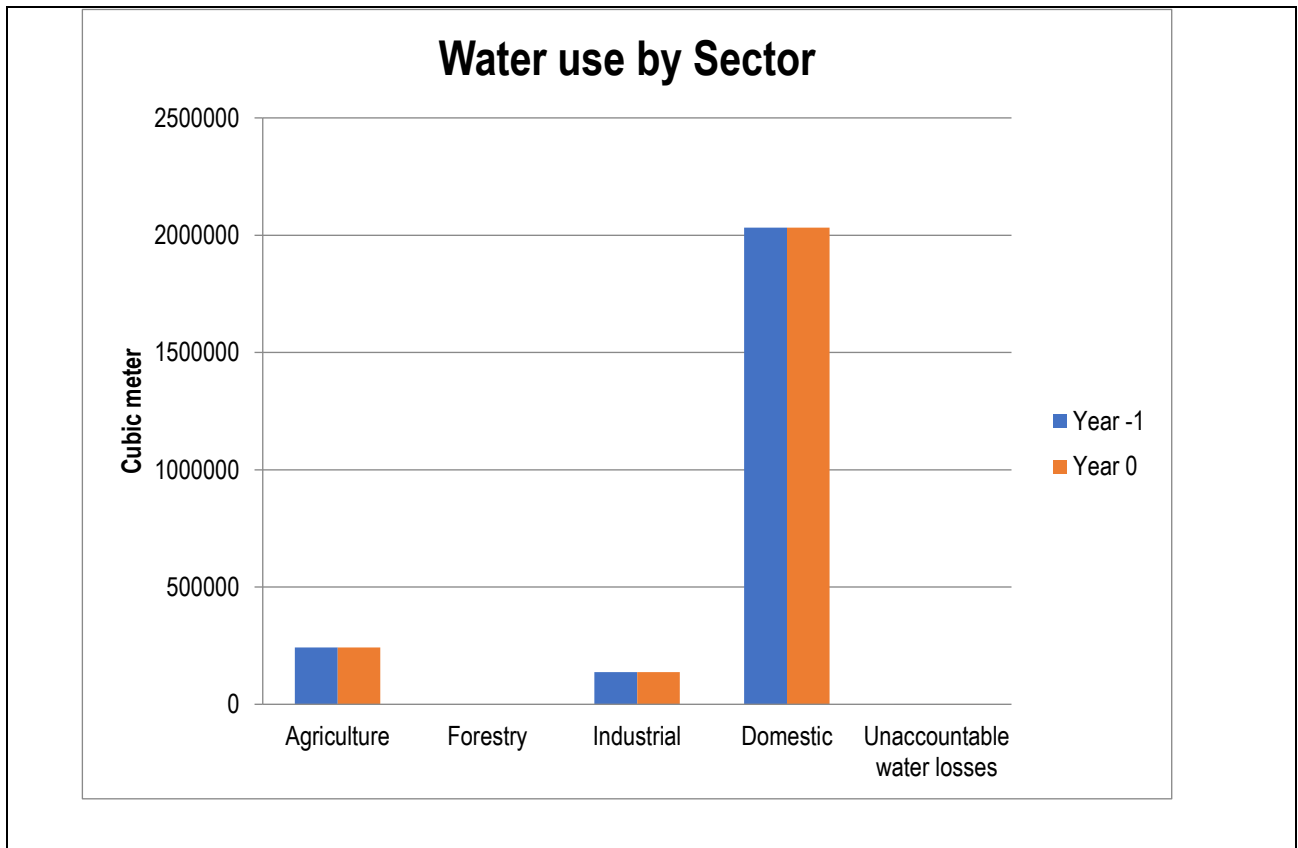
There are major shortfalls on all basic services, namely: Water, Sanitation, Electricity and Roads. The major challenge is the availability of funding and the constant influx of people into the Municipality. Water is being provided at the RDP Standard of 200m radius, subject to the availability of water sources. Sanitation is being provided by means of VIP toilets. Electricity provision is being undertaken by ESKOM for the rural areas, while Wrenchville, Kuruman and Bakhara-Bodulong are provided by the Municipality. As far as roads are concerned, surfaced access roads and bus routes are being developed by the Municipality. The Municipality is also maintaining the existing gravel roads in the villages, but does not have much success due to financial constraints. Grant funding remains the only source of funding for the delivery of basic services.

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

The Municipality is the Water Service Authority (WSA) for the entire Municipal Area. It serves as the water service provider for Kuruman, Wrenchville and Bankhara-Bodulong. The rural areas, including Mothibistad, are serviced by Sedibeng Water as the appointed Water Service Provider for Ga-Segonyana Local Municipality. The Municipality depends entirely on underground water sources for its domestic, agricultural and commercial consumption. To date a total of twenty-two thousand seven hundred and ninety-three (22793) rural households have benefitted from the supply of water services. The Municipality's blue drop status is at 73%.

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2015/2016	241955	0	136955	2032186	10
2016/2017	241955	0	136955	2032186	12
					2

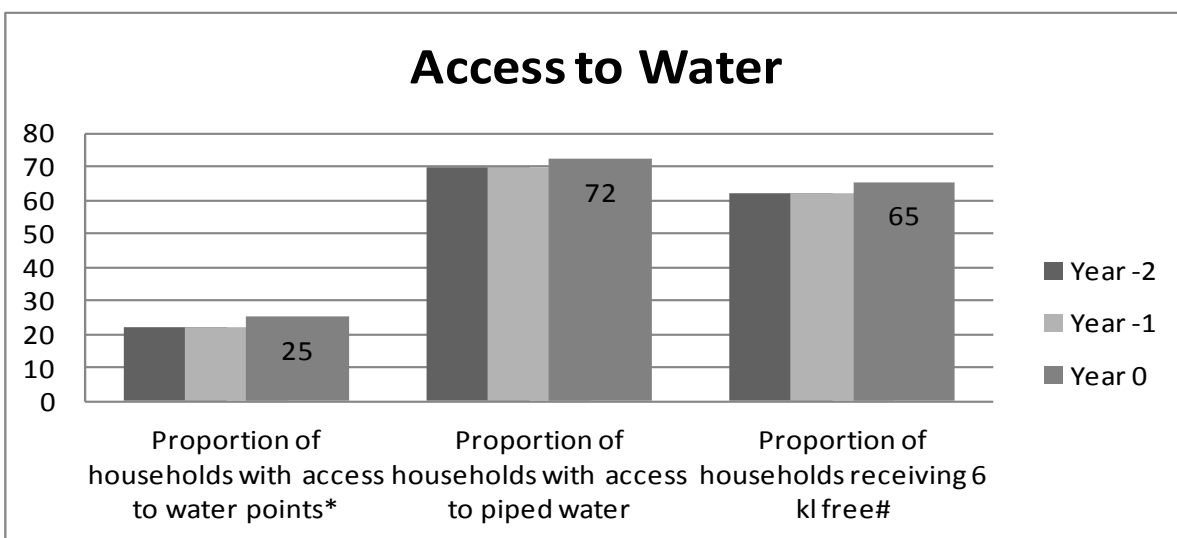


COMMENT ON WATER USE BY SECTOR:

The Municipality is the main supplier of water for domestic and industrial use. This excludes people who get water supply through boreholes in their premises and the provision of water for agricultural use by the Department of Agriculture. As small percentage of agricultural small holdings in Kuruman get their water supply from the Municipality. Water produced and sold is significantly affected by the extreme losses as a result of the damage to the Kuruman Reservoir. However, the Municipality is currently constructing a new 24megalitre water reservoir to reduce the water losses. Despite this challenge, the Municipality has been able to supply water consistently to all the concerned sectors for consumption. The Municipality also experiences losses or unaccounted-for water through the illegal extraction from fire hydrants and illegal water connections.

Water Service Delivery Levels				
Description	Households			
	2013/2014	2014/2015	2015/2016	2016/2017
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Water: (above min level)</u>				
Piped water inside dwelling	5	5	6	6
Piped water inside yard (but not in dwelling)	5	5	6	6
Using public tap (within 200m from dwelling)	8	8	9	10
Other water supply (within 200m)	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	17	19	21	22
<i>Minimum Service Level and Above Percentage</i>	70%	70%	70%	65%
<u>Water: (below min level)</u>				
Using public tap (more than 200m from dwelling)	8	8	9	10
Other water supply (more than 200m from dwelling)	–	–	–	–
No water supply				2
<i>Below Minimum Service Level sub-total</i>	8	8	9	12
<i>Below Minimum Service Level Percentage</i>	30%	30%	30%	35%
Total number of households*	25	26	30	34

Households - Water Service Delivery Levels below the minimum						
Description	2013/2014	2014/2015	2015/2016	2016/2017		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
	Formal Settlements					
Total households	1	1	27	27	27	27
Households below minimum service level	1	1	2	2	2	2
Proportion of households below minimum service level	100%	100%	7%	9%	9%	9%
Informal Settlements						
Total households	1	1	2	2	2	2
Households below minimum service level	1	1	2	2	2	2
Proportion of households below minimum service level	100%	100%	100%	100%	100%	100%



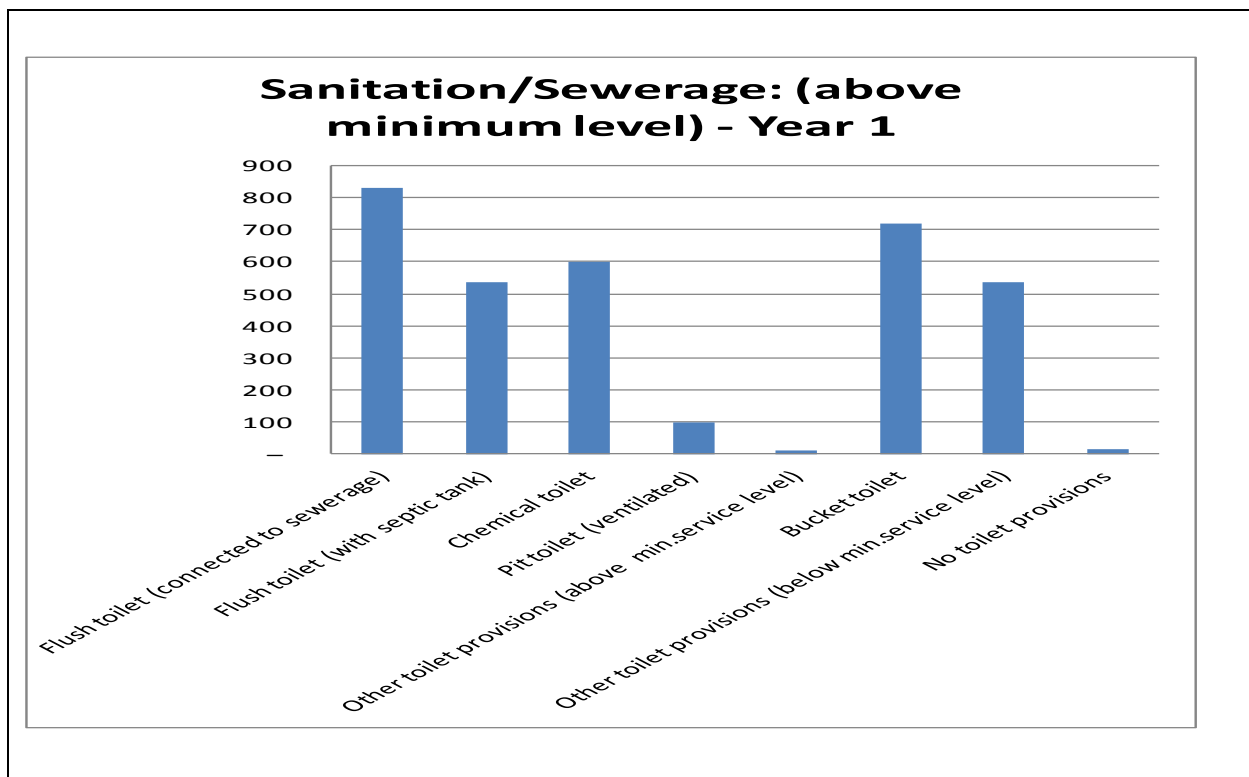
COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

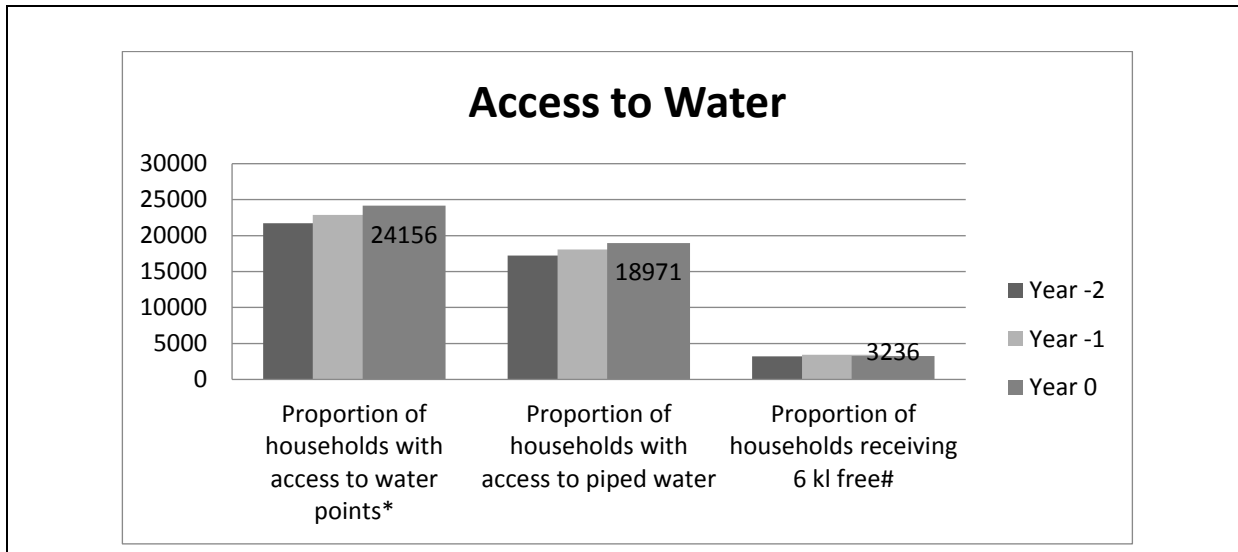
The Municipality endeavours to provide a basic level of access to water for its residents at the RDP Standard of 200m radius. In other circumstances residents have been able to make use of the services of Sedibeng Water to attain yard and ultimately house connections. The biggest challenge in water provision is the ever-increasing backlogs, which result from the illegal occupation and allocation of stands in the rural areas. This makes it difficult for the Municipality to plan for the complete eradication of water backlogs in the Municipality

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

In its efforts to eradicate sanitation backlogs, the Municipality has embarked on a three-year programme with the appointment of a dedicated service provider. This makes it easier to deliver the construction of VIP units across the Municipality. Out of the existing Municipal settlements, Wrenchville, Mothibistad, Kuruman and parts of Bankhara-Bodulong have access to full water borne sanitation. The rest of the settlements in the Municipality are receiving VIP sanitation





Employees: Water Services					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	16	5	16	5	100%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	3	1	3	1	100%
13 - 15	1	0	1	0	0%
16 - 18	1	0	1	0	0%
19 - 20	0	0	0	0	0%
Total	21	6	21	6	100%

Financial Performance 2016/2017: Water Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	42287400	1436400		
Expenditure:					
Employees	0	3296100	348127	2795041	-18%
Repairs and Maintenance	0	22850600	2435350	20997297	-9%
Other	0	0	0	0	0%
Total Operational Expenditure	0	26146700	2783477	23792339	-10%
Net Operational Expenditure	0	-16140700	1347077	23792339	168%

Capital Expenditure 2016/2017: Water Services					
R' 000					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	105045403	1388886	102928180	-2%	
Maruping/Batlharos: External and Water distribution: Phase Two	6833838	-265121	6568717	-4%	49406360
Construction of Seven Miles Bulk water supply phase 2	10094973	2305963	10593943	5%	12400936
Mapoteng water network extensions	11100862	499528	7752225	-43%	11600390
Mokalamosesane bulk water supply	8360000	0	7387389	-13%	19257272
Ditshoswaneng water extention network: phase 2	5041140	227460	4800372	-5%	5268600
Ga-Sebolao water supply phase 2 (Retention 15/16 FY project)	0	178100	178100	0%	178100
Thamoyanche water supply phase 2 (Retention 15/16FY project)	0	147372	147372	0%	147372
WSOS	12051395	471810	9857126	-22%	12523205
Kuruman Bulk Water Reservoir Complex	12167149	0	7491325	-62%	130000000
WSOS (Retention 15/16 FY)	0	92281	92281	0%	92281

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

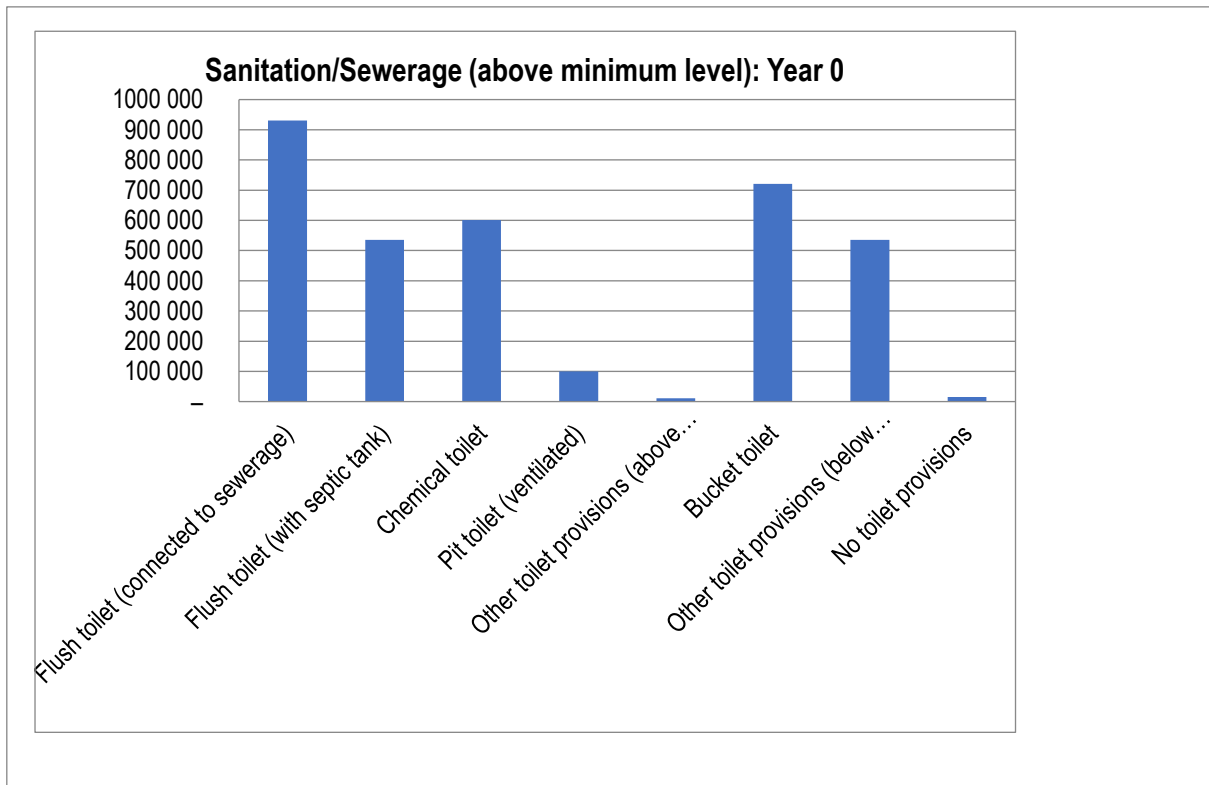
COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The Municipality endeavours to provide a basic level of access to water for its residents at the RDP Standard of 200m radius. In other circumstances residents have been able to make use of the services of Sedibeng Water to attain yard and ultimately house connections. The biggest challenge in water provision is the ever-increasing backlogs, which result from the illegal occupation and allocation of stands in the rural areas. This makes it difficult for the Municipality to plan for the complete eradication of water backlogs in the Municipality.

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

In its efforts to eradicate sanitation backlogs, the Municipality has embarked on a three-year programme with the appointment of a dedicated service provider. This makes it easier to deliver the construction of VIP units across the Municipality. Out of the existing Municipal settlements, Wrenchville, Mothibistad, Kuruman and parts of Bankhara-Bodulong have access to full water borne sanitation. The rest of the settlements in the Municipality are receiving VIP sanitation.



Sanitation Service Delivery Levels				
Description	2013/2014	2014/2015	2015/2016	*Households 2016/2017
	Outcome No.	Outcome No.	Outcome No.	Actual No.
<u>Sanitation/sewerage: (above minimum level)</u>				
Flush toilet (connected to sewerage)	9	9	9	9
Flush toilet (with septic tank)	-	-	-	-
Chemical toilet	-	-	-	-
Pit toilet (ventilated)	-	0	1	2
Other toilet provisions (above min.service level)	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	9	10	11	11
<i>Minimum Service Level and Above Percentage</i>	100.0%	100.0%	100.0%	82.3%
<u>Sanitation/sewerage: (below minimum level)</u>				
Bucket toilet	-	-	-	-
Other toilet provisions (below min.service level)	-	-	-	-
No toilet provisions	-	-	-	2
<i>Below Minimum Service Level sub-total</i>	-	-	-	2
<i>Below Minimum Service Level Percentage</i>	0.0%	0.0%	0.0%	17.7%
Total households	9	10	11	13
*Total number of households including informal settlements				

Households - Sanitation Service Delivery Levels below the minimum						
Description	2013/2014	2014/2015	2015/2016	2016/2017		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	9	9	9	10	10	10
Households below minimum service level	-	-	-	-	-	-
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
Informal Settlements						
Total households	17	17	18	18	18	18
Households below minimum service level	2	2	2	2	2	2
Proportion of households below minimum service level	13%	13%	13%	13%	13%	14%
T 3.2.4						

Employees: Sanitation Services					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	28	5	16	5	100%
4 - 6	0	0	0	0	0%
7 - 9	1	0	0	0	0%
10 - 12	3	1	3	1	100%
13 - 15	1	0	1	0	0%
16 - 18	1	0	1	0	0%
19 - 20	0	0	0	0	0%
Total	34	6	21	6	100%

Financial Performance 2016/2017: Sanitation Services						R'000
Details	2015/2016	2016/2017				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue					0%	
Expenditure:						
Employees	3249526	3754823	24674	3521308	-7%	
Repairs and Maintenance	7245952	2000300	760000	2460590	19%	
Other	0	0	0	0	0%	
Total Operational Expenditure	10495479	5960352	954674	10154596	41%	
Net Operational Expenditure	10495479	15506748	654674	18180978	15%	

Capital Expenditure 2016/2017: Sanitation Services						R' 000
Capital Projects	2016/2017					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All	17520063	0	14792615	-18%		
Rural Sanitation programme	8786187	0	7026506	-25%	130610879	
Rural sanitation programme: Bankhara Bodulong and Ward 7	8733876	0	7766109	-12%	87333876	

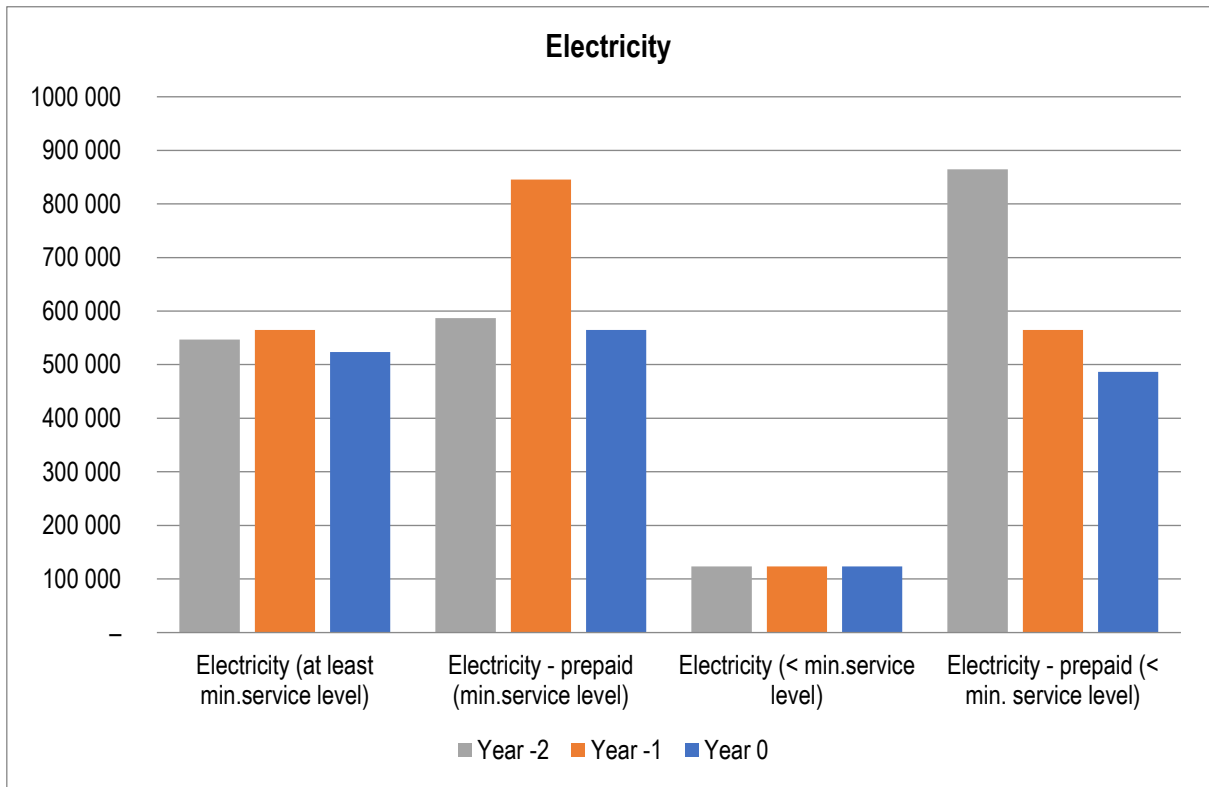
COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

The Municipality has enrolled on the rural sanitation programme funded by MIG amounting to R212m for a period of 5years, of which the implementation commenced in 2015. To date a total of 2828 units have been delivered, with an expenditure of R42,2m. The existing Kuruman Waste Water Treatment Works and the Mothibistad Oxidation Ponds have currently reached capacity due to the growth of both areas. The upgrading and refurbishment of the Kuruman Waste Water Treatment Works and Mothibistad Oxidation Ponds is scheduled to commence in the 2018/'19 financial year. The business plan has been approved.

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

The Municipality is the electricity provider for Kuruman, Wrenchville and Bankhara-Bodulong. The rural areas including Mothibistad are being serviced and provided by ESKOM. The Municipality has submitted business plans for the upgrading of bulk electrical infrastructure and network in order to meet the electricity demands. The Municipality has submitted applications to ESKOM for the electrification of infills and extensions in the rural areas, to address the backlogs resulting from the growth of the villages. ESKOM is currently in the process of upgrading the Mothibistad Substation. The Department of Energy is funding the upgrading of Moffat Substation, which is the main substation that will feed the electrification of Bankhara-Bodulong and Wrenchville.



Electricity Service Delivery Levels				
Households				
Description	2013/2014	2014/2015	2015/2016	2016/2017
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Energy: (above minimum level)</u>				
Electricity (at least min.service level)	13	16	19	24
Electricity - prepaid (min.service level)	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	13	16	19	24
<i>Minimum Service Level and Above Percentage</i>	100.0%	100.0%	100.0%	100.0%
<u>Energy: (below minimum level)</u>				
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	–	–	–	–
<i>Below Minimum Service Level Percentage</i>	0.0%	0.0%	0.0%	0.0%
Total number of households	13	16	19	24

Households - Electricity Service Delivery Levels below the minimum						
Households						
Description	2013/2014	2014/2015	2015/2016	2016/2017		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	13	16	19	24	24	24
Households below minimum service level	–	–	–	–	–	–
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
Informal Settlements						
Total households	2	2	2	2	2	2
Households ts below minimum service level	–	–	–	–	–	–
Proportion of households ts below minimum service level	0%	0%	0%	0%	0%	0%

Employees: Electricity Services					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	13	2	13	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	2	0%
10 - 12	4	0	4	0	0%
13 - 15	1	0	1	0	0%
16 - 18	1	0	1	0	0%
19 - 20	0	0	0	0	0%
Total	19	2	19	2	100%

Financial Performance 2016/2017: Electricity Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees		4434196	220000	4862749	9%
Repairs and Maintenance		4525800	1164000	4965737	9%
Other	0	0	0	0	0%
Total Operational Expenditure	0	91879442	2560563	85862109	-7%
Net Operational Expenditure	0	91879442	2560563	85862109	-7%

Capital Expenditure 2016/2017: Electricity Services					
R' 000					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	3000000	500000	3507038	14%	
Upgrading of Moffat substation	3000000	500000	3507038	14%	280

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The Municipality's electrical infrastructure is under significant pressure. There is limited funding to address the challenges of ageing electrical infrastructure and network. The Municipality has lost significant investment opportunities as a result of the unavailability of bulk infrastructure. The Municipal operational budget is unable to cover upgrading requirements, and has been spent on the acquisition of items such as transformers and cables to address short term challenges of periodic cut-offs which are a consequence of the ageing infrastructure. Mining houses are not coming forth with funding to assist the Municipality to upgrade its infrastructure and to address the electricity demand challenges.

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

- a) Household refuse collection is done weekly in Kuruman town, Mothibistad and Wrenchville. Business refuse collection is done on daily basis from Monday to achieve according to the National standard for weekly Refuse Collection from every household by 2017.
- b) Major successes achieved and challenges faced in 2017/2018. 13447 household refuse collection was achieved 2016-2017 financial year. Challenges is that no refuse collection is done in 33 villages of Ga-segonyana due to rural areas and insufficient capital and human resources to cover the areas.
- c) Progress made with waste disposal, street cleaning and recycling.
- d) Waste disposal: Kuruman landfill site is licenced B33/2/441/9/P128
- e) Street cleaning: Day and Night shifts street cleaning on daily basis
- f) Recycling: Pickers collect recyclables from the Landfill site sort and sell them to private companies.
- g) Top 3 service delivery priorities: Households collection weekly, Business collection daily and Garden refuse on call- out
- h) The impact on refuse collection is to provide clean and healthy environment.
- i) Measures taken municipality had 24 Learnership programme on Environmental Management Practise for 12 months to improve performance and service delivery efficiency during the year
- j) Cleaning Campaigns and Awareness programmes to combat littering and illegal dumping
- k) Management and operation of landfill site is out-sourced to private service provider

Solid Waste Service Delivery Levels				
Description	2013/2014	2014/2015	2015/2016	Households 2016/2017
	Actual No.	Actual No.	Actual No.	Actual No.
Solid Waste Removal: (Minimum level)				
Removed at least once a week	2 895	2 685	2 846	13447
<i>Minimum Service Level and Above sub-total</i>	2 895	2 685	2 846	13447
<i>Minimum Service Level and Above percentage</i>	50.9%	47.1%	51.5%	100.0%
Solid Waste Removal: (Below minimum level)				
Removed less frequently than once a week	655	547	565	–
Using communal refuse dump	865	846	487	–
Using own refuse dump	655	547	565	–
Other rubbish disposal	502	952	938	–
No rubbish disposal	112	123	124	–
<i>Below Minimum Service Level sub-total</i>	2 790	3 015	2 678	–
<i>Below Minimum Service Level percentage</i>	49.1%	52.9%	48.5%	0.0%
Total number of households	5 685	5 699	5 523	13

Employees: Solid Waste Management Services					
Job Level	2015/2016	2016/2017			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	1	1	1	0	0%
4 – 6	1	1	1	0	0%
7 – 9	1	1	1	0	0%
10 – 12	1	1	1	1	100%
13 -15	7	7	7	1	14%
16 – 18	1	1	1	0	0%
19 – 20	42	42	42	6	14%
Total	54	54	54	8	15%

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:

Management of Landfill site is a 3-year project with a budget of R9 Million, there is no variance with the budget. There is no variation with the budget for the period of 3 years contract with the Service. The 3-year contract of Management of Landfill site started 01 April 2016 project end 31 March 2019.

3.5 HOUSING

INTRODUCTION TO HOUSING

Housing backlogs are a moving target, that is driven largely by people's socio-economic aspirations. Housing backlogs are significantly impacted by the Municipality's spatial structure. The vastness of the Municipal Area has put pressure on the main service center which is Kuruman, to house hundreds of people that have over recent years migrated from their historical and traditional settlements situated furthest from Kuruman. The settlement patterns of the Municipality are characterized by small pockets of villages, that are often far from basic services and provide a challenge in responding to housing needs in terms of the Breaking New Ground Policy Framework. For this purpose, the in-situ housing delivery programme has been adopted, as it permits the construction of houses for beneficiaries in the villages with little risk of displacement of the beneficiaries. This allows the Municipality to eradicate mud houses and other informal structures, restoring our people's dignity. We have made use of the services of Mosegedi & Associates, Segumotsi General Trading Enterprises and Tshilale Trading in our endeavors to eradicate housing backlogs in our Municipality through the in-situ delivery programme. The fact that the Provincial Department of Human Settlements has taken over the implementation of projects has proven to be a challenge. Our role is currently only limited to beneficiary administration. This restricts the Municipality from having full control over the delivery of housing. Delays in the payment of contractors' claims has also impacted negatively on the delivery process. This results in a slow delivery of houses and often leads to the abandonment of sites by contractors.

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2013/2014	25269	8875	35.1%
2014/2015	25774	9052	35.1%
2015/2016	26290	9234	35.1%
2016/2017	26816	9418	35.1%

Employees: Housing Services					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0%
4 – 6	1	0	1	0	0%
7 – 9	2	1	2	0	0%
10 – 12	3	1	3	0	0%
13 – 15	2	0	2	0	0%
16 – 18	1	0	1	0	0%
19 – 20	0	0	0	0	0%
Total	9	2	9	0	0%

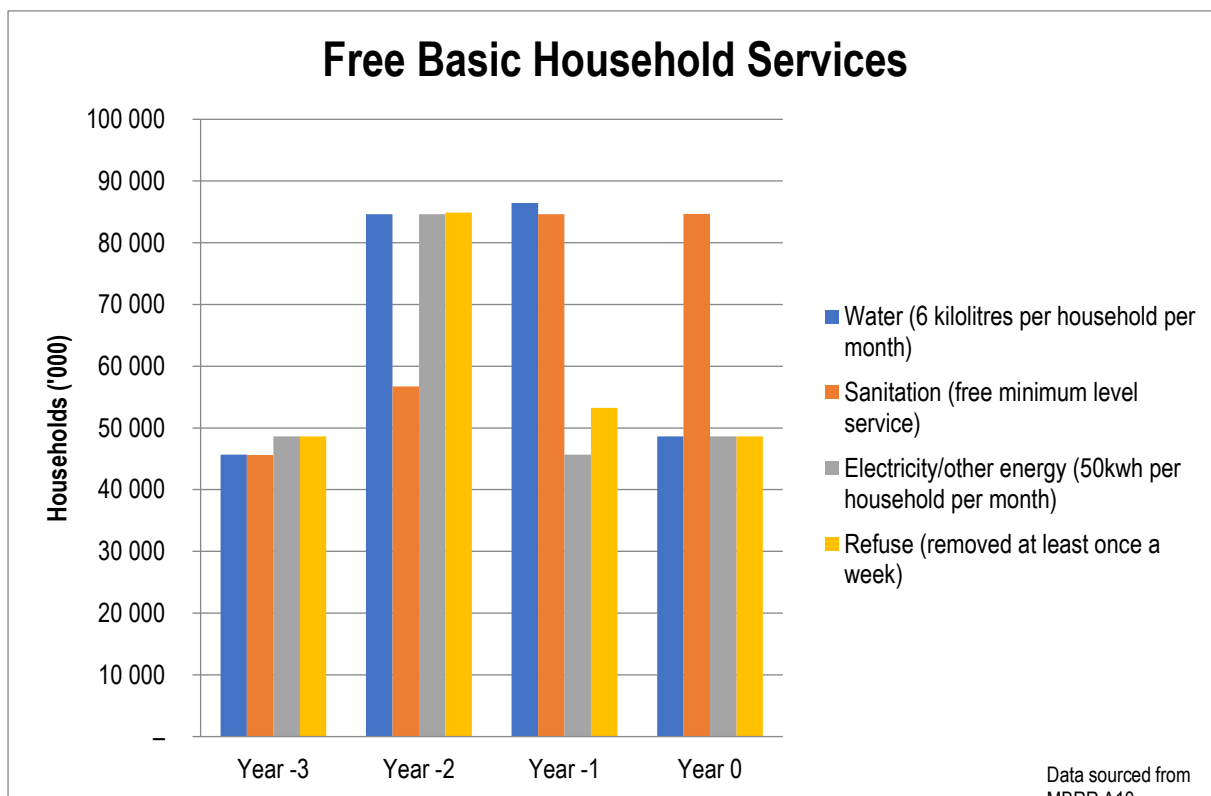
Financial Performance 2016/2017: Housing Services					
					R'000
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	0	3205173	262307	3448039	7%
Repairs and Maintenance	0	66590	11590	28326	-135%
Other	0	0	0	0	0%
Total Operational Expenditure	0	3271763	273897	3476365	6%
Net Operational Expenditure	0	3271763	273897	3476365	6%

R' 000					
Capital Projects	2016/2017				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	7700160	196	378	-2036979%	
Bankhara-Bodulong 200	7700000	0	128	-6015525%	280

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

Overall performance has largely been impacted by the total seizure and implementation of housing projects by Department of Human Settlements. Its therefore impossible to plan any project as we are fully dependent on their delivery schedule and funding of projects, including the appointments of service providers.

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT



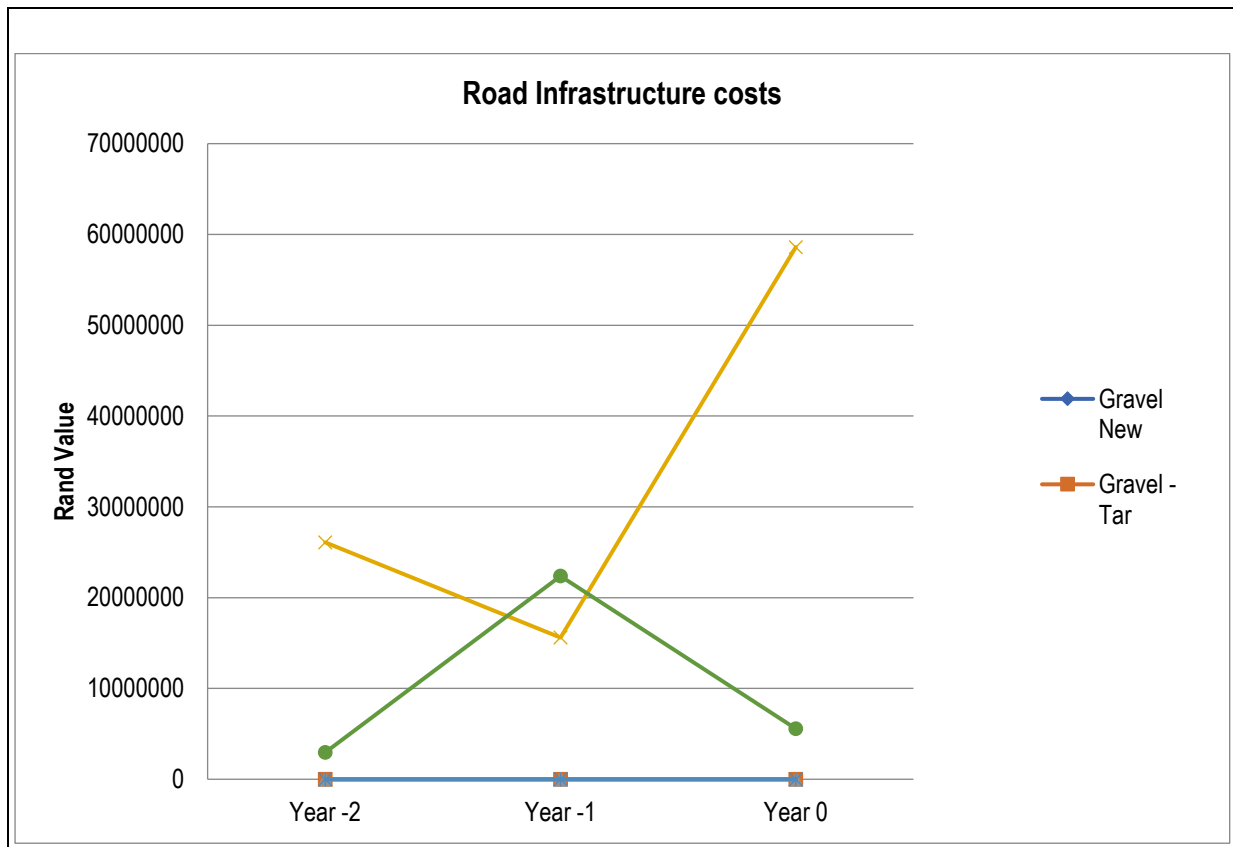
3.7 ROADS

INTRODUCTION TO ROADS

The majority of the Municipal roads in the rural areas are gravel which requires upgrading to paved or surfaced roads. Existing surfaced roads in Kuruman, Mothibstad and Wrenchville have aged and require resealing and patching. Some existing gravel or collector roads in Ga-Segonyana are in a constant need of maintenance due the high volumes of traffic and the damage caused by storm water runoff. The riding quality deteriorates rapidly and requires regular grading and re-gravelling. This high maintenance activities impact heavily on the Municipal operating budget. The Municipality is currently embarking on a rural roads programme with an intention to pave the existing gravel roads. To date, a total of 31,7km of paved and surfaced roads have been completed through this programme

Gravel Road Infrastructure					
				Kilometres	
	Total gravel roads	New gravel roads constructed	Gravel roads surfaced	Gravel roads paved	Gravel roads graded/maintained
2014/2015	721	1,2	9,94	0	0
2015/2016	721	1,2	4,2	0	9,5
2016/2017	721	1,2	10,9	2,1	6

Cost of Construction/Maintenance						
						R' 000
	Gravel			Surfaced & Paved		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
2014/2015	0	0	0	26074146.34	0	2957100
2015/2016	0	0	0	15600000	0	22372152.6
2016/2017	0	0	0	58601107.28	0	5565720



Vision: Progressive Sustainable Development. Ga-Segonyana-the stream of life.

Road Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2015/2016		2016/2017			2017/2018	2018/2019	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
Elimination of gravel roads in townships	Kilometers of gravel roads tarred (Kilometers of gravel road remaining)	9,9 kms gravel roads tarred (711 kms gravel roads remaining)	4,2 kms gravel roads tarred (711 kms gravel roads remaining)	4,2 kms gravel roads tarred (706 kms gravel roads remaining)	10,9 kms gravel roads tarred (696 kms gravel roads remaining)	10,9 kms gravel roads tarred (685 kms gravel roads remaining)	41km (685 kms gravel roads remaining)	7 kms gravel roads tarred (644 kms gravel roads remaining)	7 kms gravel roads tarred (637 kms gravel roads remaining)
Development of municipal roads as required	41 kms of municipal roads developed	9,9 kms	4,2 kms	4,2 kms	10,9 kms	10,9 kms	41 kms	7 kms	7 kms

Employees: Road Services					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	0	0	0	0%
4 - 6	26	1	0	1	0%
7 - 9	3	0	0	0	0%
10 - 12	3	0	0	0	0%
13 - 15	1	0	0	0	0%
16 - 18	1	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	35	1	0	1	100%

Financial Performance 2016/2017: Road Services					
					R'000
Details	2015/2016	2016/2017			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	0	3296100	348127	2795041	-18%
Repairs and Maintenance	0	23131800	2710350	20997297	-10%
Other	0	0	0	0	0%
Total Operational Expenditure	0	26427900	3058477	23792339	-11%
Net Operational Expenditure	0	26427900	3058477	23792339	-11%

Capital Expenditure 2016/2017: Road Services					
R' 000					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	26860341	4495843	26758970	0%	
Upgrading of the vergenoeg - Maruping link road to bituminous standard	13594300	3274849	12643211	-8%	21185576
Upgrading of Mandela Drive to Mothibstad road	4606298	4012714	8247736	44%	11322734
Upgrading of the vergenoeg - Batlharos link road to bituminous standard	8659744	-2791721	5868023	-48%	18972296

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The Municipality has so far been addressing the roads backlog with the grant funding from MIG mainly focusing in the rural areas. The mining houses have also assisted the municipality significantly with regards to the eradication of potholes in the Municipal area. The district Municipality has also embarked on a programme of assisting the locals with the ROADS Assets Management Plan to manage the roads assets in order.

3.8 PLANNING

INTRODUCTION TO PLANNING

Ga-Segonyana Local Municipality is part of the District Municipal Planning Tribunal. The district and its three local municipalities (Ga-Segonyana LM which is part) have resolved to form a Municipal Planning Tribunal for the district municipal area in line with Section 34 (2) of the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013). The District Municipal Planning Tribunal (DMPT) has been established to assist the local municipalities in deciding on development applications. Each local municipality has appeals tribunal i.e. its Council. The service level agreement was signed on the 18 September 2015 and published on Kathu Gazette (16 April 2016). The DMPT was published on the 25 April 2016 on Northern Cape Provincial Gazette (Vol. No. 2007) and Kathu Gazette on the 16 April 2016. The table below captures the constitution of the DMPT.

Section 35 (3) of the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013) requires that a municipality must, in order to determine land use and land development applications in its area, categorise development applications to be considered by the authorised official and those to be referred to the Municipal Planning Tribunal.

PLANNING AND DEVELOPMENT

The competitive advantage that Ga-Segonyana has in comparison to the other two Local Municipalities in the District, is the vast tracts of land under the ownership of the Municipality which allows for planning and integration of settlements through the spatial planning instruments of the Municipality. Since the adoption of the SDF, Council has been engaged in a process of advancing land development initiatives that are coherent with the SDF, namely in the integration of Wrenchville, Mothibistad and Kuruman through the Galowe 5223 Development, the strengthening of the main public transport corridors (D325 & D300) and the reinforcement of the Main Road Corridor with the approval of commercial developments on Erf 5041 (Oasis Casino) and Erf 5247 (Ellecon Developments). Investors and developers alike have responded positively to this progressive and vigilant approach to development by the Municipality through the upgrading of the properties situated along the Main Road. We have noted with pleasure the newly developed Ford dealership, the upgrading of the KFC, the office developments, changing of facades and the development of a pedestrian and cycling pathway from the corner of De Jager and Main Streets, stretching to Wrenchville. This auger well for a town needing revitalisation, and Council is leading this by its commitment to advancing land development. Main Road is earmarked as a corridor in the SDF, where commercial developments should be strengthened.

The Municipality continues to battle illegal land use activities, namely manifesting itself in: Illegal street trading, illegal car washes, illegal seasonal traders in perishables, illegal guesthouses and overnight accommodation including unauthorised building works. Despite the above challenges, the Municipality continues to create an enabling environment for LED to flourish by recently approving the construction of an SMME Hub on Erf 809, Kuruman. This exciting new project is being wholly funded and implemented by ASSMANG Khumani Mine in partnership with the Municipality. It stems from the Social Labour Plan commitments of the current cycle, which the mine is obliged to complete.

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
Planning application received	0	0	3	5	0	0
Determination made in year of receipt	0	0	3	5	0	0
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	0	0	0

Planning Policy Objectives Taken From IDP									
Service Indicators (i)	Outline Service Targets (ii)	2015/2016		2016/2017			2017/2018	2018/2019	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Determine planning application within a reasonable timescale	Approval or rejection of all build environment applications within a 12 week	Determination within 12 weeks	Determination within 12 weeks	Determination within 12 weeks	Determination within 12 weeks	Determination within 12 weeks	Determination within 11 weeks	Determination within 12 weeks	Determination within 12 weeks
	Reduction in planning decisions overturned	3 planning decisions overturned	3 planning decisions overturned	5% planning decisions overturned	5% planning decisions overturned	5 planning decisions overturned	4% planning decisions overturned	No planning decisions overturned	No planning decisions overturned

Employees: Planning Services					
Job Level	2015/2016		2016/2017		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	0	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	3	0	3	0	0%
13 - 15	2	0	2	0	0%
16 - 18	1	0	1	0	0%
19 - 20	0	0	0	0	0%
Total	8	0	8		0%

Financial Performance 2016/2017: Planning Services					R'000
Details	2015/2016	2016/2017			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	0	0	0	0	0%
Expenditure:	0				
Employees	0	3205173	262307	3448039	7%
Repairs and Maintenance	0	3195127	2620790	5628632	43%
Other	0				0%
Total Operational Expenditure	0	6400300	2883097	9076671	29%
Net Operational Expenditure	0	6400300	2883097	9076671	29%

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

Physical Planning is not allocated any funding for capital projects. The Municipality is only playing an administrative function in the coordination and facilitation of land development projects. The challenge for physical planning remains the unsystematic allocations of land in the traditional areas, which create service delivery backlogs for the Municipality. The Municipality is currently compiling the Spatial Development Framework which will be linked to a capital investment framework for the basic service delivery.

3.9 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Jobs Created during 2016/2017 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
	No.	No.	No.	
Total (all initiatives)				
2014/2015	210	0	210	Attendance & Payment Registers
2015/2016	141	0	141	Attendance & Payment Registers
2016/2017	153	0	153	Attendance & Payment Registers
Patching & Resealing of Potholes	68	0	68	Attendance & Payment Registers
Mapoteng Water Supply Phase 3	12	0	12	Attendance & Payment Registers
Mokalamosesane Water Supply	13	0	13	Attendance & Payment Registers
Seven Miles water supply	14	0	14	Attendance & Payment Registers
Rural Sanitation	14	0	14	Attendance & Payment Registers
Upgrading of Gravel Roads: Seeding	5	0	5	Attendance & Payment Registers
Upgrading of Rural Roads: magoaneng	5	0	5	Attendance & Payment Registers
Construction of Seven Miles Community Halls	15	0	15	Attendance & Payment Registers
Mandela Drive	7	0	7	Attendance & Payment Registers

Job creation through EPWP* projects		
	EPWP Projects	Jobs created through EPWP projects
Details	No.	No.
2014/2015	13	210
2015/2016	11	153
2016/2017	9	141
* - Extended Public Works Programme		

3.10 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

Eight (8) libraries are operational Four (4) libraries are structural libraries and others are container libraries. One (1) library building was burned by Community of Wrenchville. 3 Container libraries at Seoding Gasehubane and Seven Miles are used to provide service those communities that are living in poverty.

SERVICE STATISTICS FOR LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

- Total number of for Library visits: Statistics for the whole year: 41792

Financial Performance 2016/2017: Libraries; Archives; Museums; Galleries; Community Facilities; Other R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1840221	2255690	232000	1840221	-23%
Expenditure:					
Employees	3119514	3123878	0	3119514	0%
Repairs and Maintenance	2330076	2243000	232000	2330076	4%
Other	0	0	0	0	0%
Total Operational Expenditure	5449590	5366878	232000	2330076	-130%
Net Operational Expenditure	3609369	3111188	232000	3609369	14%

COMMENT ON THE PERFORMANCE OF LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC) OVERALL:

Department of Sports Arts and Culture is funding the Library Services and projects. -One (1) largest capital projects: Construction of Wrenchville Library with a budget of R3 Million without variation to the budget received from Sasria Insurance for library that was burned by community of Wrenchville
- 5 year targets set out in the IDP schedule: Construction of new libraries at the following areas namely: Kuruman library Magojaneng, Mapoteng, Ncweng and renovation at Bankhara/ Bodulong library.

3.11 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETORIES & CREMATORIUMS

- Top 3 service delivery priorities and the impact you have had on them during the year
- Maintenance of 3 graveyards Ward 1(Kuruman), Ward 2(Bankhara)and Mothibistad Ward 3 and digging of graves at Kuruman, Mothibistad and Wrenchville Cemeteries
- Fencing of Kuruman Cemetery completed
- Request for funding to fence and maintain cemeteries in rural areas

- e) -There is NO CREMATORIUMS available in our jurisdiction

SERVICE STATISTICS FOR CEMETORIES & CREMATORIUMS

Maintenance of 3 Cemeteries: Ward 1(Kuruman),Ward 2(Bankhara)and Ward 3(Mothibistad) and digging of graves at Kuruman, Mothibistad and Wrenchville Cemeteries.

Financial Performance 2016/2017: Cemeteries and Crematoriums					
					R'000
Details	2015/2016	2016/2017			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	196009	211790	20000	196009	-8%
Expenditure:					
Employees	880420	1520383	537600	880420	-73%
Repairs and Maintenance	8848	111040	20000	8848	
Other	0	0	0	0	
Total Operational Expenditure	889268	1631423	557600	889268	-83%
Net Operational Expenditure	693259	1419633	537600	693259	-105%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIUMS OVERALL:

priority of the four largest capital projects include Maintenance of Kuruman ,Wrenchville and Mothibistad. No variations from budget for net operating and capital expenditure. Year 5 targets set out in the IDP schedule: Target is maintenance of cemeteries in 3 urban areas namely: Kuruman, Wrenchville and Mothibistad.

- a) Challenges at Cemeteries: No budget to maintain and fence cemeteries in 33 villages
- b) NO BUDGET TO ERECT CREMATORIUMS

3.12 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

INTRODUCTION BIO-DIVERSITY AND LANDSCAPE

- a) -Security at Billy Duvenhage Nature Reserve and Maintenance of Parks.
- b) -Top 3 service delivery priorities and the impact you have had on them during the year.
- c) -Maintenance of parks in Kuruman, Wrenchville, Mothibistad, kagung, Seoding ,Maruping, Batlharos and Gamopedi to support communities that are living in poverty for recreational facilities.

SERVICE STATISTICS FOR BIO-DIVERSITY AND LANDSCAPE

*1 Nature reserve: Billy duvenhage Nature

*15 Parks in Gasegonyana jurisdiction

Employees: Bio-Diversity; Landscape and Other					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	1	1	1	0	0%
13 - 15	0	0	0	0	0
16 - 18	1	1	1	1	100%
19 - 20	6	6	6	7	117%
Total	8	8	8	8	100%

Financial Performance 2016/2017: Bio-Diversity; Landscape and Other					
					R'000
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	319055	140924	0	319055	56%
Expenditure:					
Employees	518086	529184	17835	518086	-2%
Repairs and Maintenance	24402	55000	20000	24402	-125%
Other	0	0	0	0	
Total Operational Expenditure	542488	584184	37835	542488	-8%
Net Operational Expenditure	223433	443260	37835	223433	-98%

COMMENT ON THE PERFORMANCE OF BIO-DIVERSITY; LANDSCAPE AND OTHER OVERALL:

- Provision of security services at billy duvenhage nature reserve for 24 hours, (day & night shift)
- Maintenance of 15 parks and 4 stadiums in Ga-segonyana areas

3.13 FIRE

INTRODUCTION TO FIRE SERVICES

The municipal fire services are operating on ad-hoc basis (office hours 07h30-16h30), and of which two officials are on standby from their respective homes for any emergencies that might arise after hours. The Staff component is fourteen (14) of which three are permanent and eleven (11) temporary employees.

Service is based on three pillars namely:

- a) -Firefighting & Rescue(Operations)
- b) -Administration
- c) -Fire Safety and Prevention

Municipal Fire Service Data					
	Details	2015/2016	2016/2017		2017/2018
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires attended in the year	86	40	86	40
2	Total of other incidents attended in the year	105	40	105	40
3	Average turnout time - urban areas	50%	40%	40%	50%
4	Average turnout time - rural areas	40%	50%	40%	50%
5	Fire fighters in post at year end	3	6	3	6
6	Total fire appliances at year end	2	3	2	3
7	Average number of appliance off the road during the year	1	1	1	

**eleven temporary fire fighters*

To respond within the required response times as quoted from SANS Code of practice by building a fire station and establish a fully fleshed service to operate on 24 hour /seven (7) days a week.

Employees: Fire Services					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100%
4 - 6	1	1	1	0	0%
7 - 9	0	0	0	0	0
10 - 12	3	3	3	0	0%
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	11	11	11	0	0%
Total	14	15	14	1	7%

Financial Performance 2016/2017: Fire Services					
					R'000
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	52496	53000	3000	52496	-1%
Expenditure:					
Fire fighters	1244867	2771985	1149529	1244867	-122%
Other employees	0	0	0	0	
Repairs and Maintenance	123050	191800	30000	123050	-56%
Other					
Total Operational Expenditure	1367917	2963785	1179529	1367917	-117%
Net Operational Expenditure	1315421	2910785	1176529	1315421	-121%

COMMENT ON THE PERFORMANCE OF FIRE SERVICES OVERALL:

The fire station business plan was submitted to MIG for funding, as according to the IDP if the business plan is funded, the project will commence from 2018 -2019 financial year. The priority to obtain funds for this project to establish a fully fleshed fire station which will be beneficial to the community and the municipality.

3.14 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

The disaster management function is part of the emergency services division and report to the director community services. 3 top priorities: - Disaster management and social relief on affected families due to fire, heavy rainfalls etc, disaster prevention and Disaster Awareness

- a) -Implementation of municipal by-law on public nuisances and animal licensing.

SERVICE STATISTICS FOR DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

- Total number of Disaster management 105 incidents which occurred during the year
- Total number of fire 86 incidents which occurred during the year
- Implementation of municipal by-law on public nuisances and animal licensing.

Employees: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					
Job Level	2015/2016		2016/2017		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	
4 - 6	1	1	1	0	0%
7 - 9	0	0	0	0	
10 - 12	0	0	0	0	
13 - 15	0	0	0	0	
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	1	2	1	1	50%

Financial Performance 2016/2017: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	49858	50000	0	49858	0%
Expenditure:					
Employees	487905	408807	67332	487905	16%
Repairs and Maintenance	2988	85900	60000	2988	-2775%
Other	0	0	0	0	
Total Operational Expenditure	490893	494707	127332	490893	-1%
Net Operational Expenditure	441035	444707	127332	441035	-1%

COMMENT ON THE PERFORMANCE OF DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL OF PUBLIC NUISANCES, ETC OVERALL:

Although the budget is scrutinized on actual cost it can be safely said that an impact of any unplanned or planned Emergency Exercise cannot be determined due to unforeseen circumstances e.g. severe weather conditions

3.15 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

The municipality is maintaining four (4) Stadiums namely Wrenchville, Mothibistad, Batlharos and Bankhara.

Top 3 service delivery priorities

- a) Rental of the Stadium for sports activities and Festivals.

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- b) Cutting grass and irrigation of lawn
- c) Recreational activities like social gathering and year end parties and team building

Measures taken to improve performance and the major efficiencies achieved by your service during the year.

- a) Erection of palisades at Wrenchville Stadium
- b) fixing ablution block at Mothibistad and Bankhara stadium
- c) Challenges is vandalism at Sports facilities including swimming pool
- d) Support given to those communities that are living in poverty.
- e) Discount on rental of sports facilities and others renting on municipal tariffs

Employees: Sport and Recreation					
Job Level	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	1	1	1	1	100%
7 - 9	1	1	1	1	100%
10 - 12	1	1	1	1	100%
13 - 15	1	1	1	1	100%
16 - 18	2	2	2	2	100%
19 - 20	13	13	13	3	23%
Total	20	20	20	9	45%
					T 3.23.3

Financial Performance 2016/2017: Sport and Recreation					
					R'000
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	340652	445000	35000	340652	76%
Expenditure:					
Employees	2767919	2839489	0	2767919	90%
Repairs and Maintenance	162824	627800	310000	162824	25%
Other					
Total Operational Expenditure	2930743	3467289	310000	2930743	84%
Net Operational Expenditure					
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.23.4

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R' 000					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	12000000	0	12000000	0%	
Project A	6000000	0	6000000	0%	6000000
Project B	6000000	0	6000000	0%	6000000
Project C					
Project D					
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					
T 3.23.5					

COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

- a) Department of Environmental Affairs funded Batlharos and Gamopedi Greening project(Park) for an amount of R12 Million.No variation has been done in terms of capital projects.Varience in operating budget is due to insufficient funds available to perform duties and payment 24 temporary workers
- b) targets set out in the IDP schedule can be attained within approved budget provision: Maintenance of 4 Sports Grounds(Stadiums) Namely: Mothibistad, Wrenchville,Bankhara and Batlharos.
- c) 2 largest capital: Erection of Batlharos and Gamopedi Park: Greening project
- d) Maintenance of 4 Sports Grounds(Stadiums) Namely: Mothibistad, Wrenchville,Bankhara and Batlharos.

3.16 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

The financial services department has four sections namely Revenue and Debt collection unit, Supply Chain, Expenditure and Payroll and Financial Management under leadership of Director Financial Services. The department has about 40 employees including 5 Financial Management interns. Revenue is derived from services rendered to Kuruman, Wrenchville and Mothibistadt. The municipality only provides prepaid electricity to Bankhara Bodulong and sanitation and refuse services to Mothibistadt. The bulk of the debt is for household property rates especially at Mothibistadt and Bankhara Bodulong because of lack of payment. The municipality has appointed attorneys to deal with outstanding debt in order to improve cash flow.

Debt Recovery							
							R' 000
Details of the types of account raised and recovered	2015/2016		2016/2017			2017/2018	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	31 172	23 360	36 250	30 334	84	39 075	85
Electricity	61 598	63 802	81 376	78 542	97	90 319	98
Water	15 641	15 077	17 473	15 627	90	18 740	92
Sanitation	13 761	8 855	15 057	9 854	66	12 386	70
Refuse	7 394	5 142	7 921	5 607	71	9 050	73

Employees: Financial Services					
Job Level	2015/2016		2016/2017		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0%
4 – 6	2	3	2	1	33%
7 – 9	23	22	21	1	5%
10 – 12	12	17	15	2	12%
13 – 15	6	10	7	3	30%
16 – 18	2	2	1	1	50%
19 – 20	0	0	0	0	0%
Total	45	54	46	8	15%

T 3.25.4

Financial Performance 2016/2017: Financial Services					
R'000					
Details	2015/2016		2016/2017		
	Actual /	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	R298 914 181.00	R319 288 090.00	R319 147 691.00	R 304 595 892.00	-0.05
Expenditure:					
Employees	R105 110 774.00	R118 007 048.00	R111 549 276.00	R111 685 510.00	-0.06
Repairs and Maintenance	R28 703 283.00	R43 996 248.00	R43 793 164.00	R19 116 285.00	-1.30

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Other	R224 122 998.00	R152 074 380.00	R156 815 170.00	R261 518 681.00	0.42
Total Operational Expenditure	R357 937 055.00	R314 077 676.00	R312 157 610.00	R392 320 476.00	0.20
Net Operational Expenditure	R59 022 874.00	R-5 210 414.00	R-6 990 081.00	R87 724 584.00	1.06

Capital Expenditure 2016/2017: Financial Services					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	R127 434 800.00	R144 230 949.00	R102 928 180.00	- 0.24	
Project A	R2 073 800.00	R2 202 800.00	R161 013.00	- 11.88	280.00
Project B	R50 000.00	R50 000.00		-	150.00
Project C	R38 890 975.00	R37 689 455.87	R36 119 329.00	- 0.08	320.00
Project D	R86 420 025.00	R104 288 693.13	R 66 647 838.00	- 0.30	90.00

3.17 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The municipality has had little investment in ICT, where now our ICT infrastructure is old and needs replacement.

Our priorities are: cabling, security, internet speed, server room, offsite backups Plans that have been implemented: purchase of a new firewall is in progress. Other plans: increase internet speed by upgrading speed to 10mbps to match our local Telkom exchange; replace cabling; build a new server room; get an agreement with a municipality in our district to place a server which will act as our offsite backup.

Employees: ICT Services					
Job Level	2015/2016		2016/2017		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	1	1	1	1	100%
10 - 12	2	2	2	2	100%
13 - 15	1	1	1	1	100%
16 - 18	0	0	0	0	0%

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19 - 20	0	0	0	0	0%
Total	4	4	4	4	100%
					T3.27.4

Financial Performance 2016/2017: ICT Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	1173305	1318557	1318557	1259327	-5%
Repairs and Maintenance	430040	120600	120600	28270	-327%
Other	400134	300569	300569	519426	42%
Total Operational Expenditure	2003479	1739726	1739726	1807023	4%
Net Operational Expenditure	2003479	1739726	1739726	1807023	4%
					T 3.27.5

Capital Expenditure 2016/2017: ICT Services					
R' 000					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/A				
Project A					
Project B					
Project C					
Project D					

Chapter 4

4.INTRODUCTION TO ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organizational Development Performance is a process of ensuring organizational improvement through change of policies, power and leadership. It further intends to practice a systematic change in the attitude beliefs of employees to ensure efficient and effective performance through implementation of Performance Management Framework plan in place.

The organizational Performance Management System in the municipality;

- a. Improve municipal wide performance by enhancing performance at a departmental and municipal level.
- b. Ensure alignment between the Integrated Development Plan, Municipal Budget, Service Delivery and Budget Implementation, Performance Agreements or the Municipal Manager's scorecard – and the activities and targets for which the Directorates and municipal entities are held accountable.
- c. Ensure constant monitoring and evaluation at this level through quarterly reviews;
- d. Enable the Municipality to assess the extent of delivery at strategic points, and to plan for interventions where necessary

The Employee Performance Management System

- a) To accelerate work performance of individuals to a higher level and to develop the capacity and ability of the Municipality to sustain performance by encouraging Individual accountability and responsibility for individual performance, as well as development.
- b) Improve the organizational performance by enhancing and acknowledging individual exceptional performance and sanction under performance.
- c) Communicates the standards and performance expectation to each employee.
- d) Clarify expectations of what individuals are required to achieve.
- e) Serves as a guide for the development of the skills and competencies of individuals within the organization.
- f) Foster a sound working relationship between managers and employees through counselling and coaching i.e. the provision of feedback.
- g) Provide a tool for managers to manage the performance of their staff.
- h) Allow employees to become more actively involved in managing their own performance.
- i) To identify underperformance and to implement and justify the resultant corrective follow-up actions.
- j) Reward employees whose performance exceeds the output criteria.
- k) Instil a performance-oriented culture throughout the organization, at the level of employees.
- l) Offer improved token of appreciation as part of motivation to reward excellent performance by individuals.
- m) Improve communication within the work environment

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2015/2016		2016/2017		
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	5	5	5	3	60
Waste Water (Sanitation)	8 541 256	8 541 256	8 285 018	8 285 018	100
Electricity	12 354 652	12 354 652	10 254 361	10 254 361	100
Waste Management	14 231 546	14 231 546	13 235 338	13 235 338	100
Housing	6 542 352	6 542 352	5 495 576	5 495 576	100
Waste Water (Storm water Drainage)	5 642 551	5 642 551	5 529 700	5 529 700	100
Roads	5 642 551	5 642 551	5 529 700	5 529 700	100
Transport	5 321 531	5 321 531	4 470 086	4 470 086	100
Planning	1 253 652	1 253 652	1 002 922	1 002 922	100
Local Economic Development	2 515 644	2 515 644	2 062 828	2 062 828	100
Planning (Strategic & Regulatory)	12 545 845	12 545 845	10 413 051	10 413 051	100
Community & Social Services	4 564 885	4 564 885	3 697 557	3 697 557	100
Environmental Protection	N/A	N/A	N/A	N/A	0
Health	N/A	N/A	N/A	N/A	0
Security and Safety	6	6	6	3	50
Sport and Recreation	N/A	N/A	N/A	N/A	0
Corporate Policy Offices and Other	5648645.00	5648645.00	4970807.60	4970807.60	100
Totals	84 805	84 805	74 947	74 947	1 310

Vacancy Rate: 2016/2017			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	1	100.00
Other S57 Managers (excluding Finance Posts)	4	0	0.00
Other S57 Managers (Finance posts)	1	0	0.00
Police officers	N/A	N/A	0.00
Fire fighters	7	3	42.86
Senior management: Levels 13-15 (excluding Finance Posts)	18	0	0.00
Senior management: Levels 13-15 (Finance posts)	5	0	0.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	35	8	22.86
Highly skilled supervision: levels 9-12 (Finance posts)	8	1	12.50
Total	80	13	16.25

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Year -DEC 16-FEB 17	321	11	3%
2015/2016 JULY 16-SEPT 16	315	4	1%

4.2. POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	N/A	N/A	N/A
2	Attraction and Retention (Critical Skills Retention)	100		
3	Code of Conduct for employees			
4	Delegations, Authorisation & Responsibility	N/A	N/A	N/A
5	Disciplinary Code and Procedures			COLLECTIVE AGREEMENT NOT POLICY
6	Essential Services	N/A	N/A	N/A
7	Employee Assistance / Wellness	100		30-Mar-16
8	Employment Equity			
9	Exit Management			
10	Grievance Procedures			
11	HIV/Aids			
12	Human Resource and Development (Human Resources Strategy)	N/A	N/A	
13	Information Technology			
14	Job Evaluation	100	N/A	30-Jun-15
15	Leave	100	100	27-May-15
16	Occupational Health and Safety	100	N/A	TO BE REVIEWED
17	Official Housing	N/A	N/A	N/A
18	Official Journeys	N/A	N/A	N/A
19	Official transport to attend Funerals	N/A	N/A	N/A
20	Official Working Hours and Overtime (Overtime and Time-off Policy)	100	100	27-May-15
21	Organisational Rights			COLLECTIVE AGREEMENT NOT POLICY
22	Payroll Deductions			
23	Performance Management and Development			SUBMITTED
24	Recruitment, Selection and Appointments		100	30-Mar-16
25	Remuneration Scales and Allowances (Acting Allowance)		100	27-May-15
26	Resettlement	N/A	N/A	N/A
27	Sexual Harassment	100	100	30-Mar-16
28	Skills Development	N/A	N/A	N/A
29	Smoking	100	N/A	30-Mar-16
30	Special Skills			Refer to Attraction and Retention
31	Work Organisation			
32	Uniforms and Protective Clothing			REQUIREMENTS OF THE ACT
33	Other:			

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	60	5	8%	12	60
Temporary total disablement					
Permanent disablement					
Fatal					
Total	60	5	8%	12	60

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Chief Traffic Officer	Refusal to carry out lawful instruction	25 - 07-2016	Union referred matter to Bargaining Council - case dismissed.	07 - 12 – 2016

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Cashier	Gross Negligence and Gross Dishonesty- loss to the municipality R16000,00.	Disciplinary hearing sat and finalised, employee was found not guilty.	11-07-2017
Superintendent Electrical	Fraud - loss to municipality R10000,00.	Case pending delay due to numerous factors - availability of the Chairperson and Union Representative; union referred case to bargaining council twice; aspects of this case at Labour court.	Pending

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

1. Only one suspension for the period under review and was concluded on the 24 October 2017, however the union took the matter to the Bargaining Council as an Unfair Labour Practice. The case was dismissed on the 07 December 2017.

2. A Cashier was charged with Gross Negligence and Gross Dishonesty where the pay point was broken into and R16000,00 was stolen. The disciplinary hearing found the cashier not guilty and that the municipality was partly liable due to the failure to collect the days cash.

3.A Superintendent Electricity is charged with Fraud for renting out municipal property without permission. The case is still pending due to numerous delays by the chairperson and the Union representative as they are caught up with other commitments. The matter will sit again in November 2017.

4.4 PERFORMANCE REWARDS

Performance Rewards by Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2017/2018 R' 000	Proportion of beneficiaries within group %
PMS policy framework was cascaded down to lower level in the 2017/2018 FY Therefore there were no performance rewards for 2016/2017 financial year					

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Development Expenditure											R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2017/2018								%
			Learnership		programmes & other short courses		Other forms of training		Total		
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	
MM and S57	Female		0	0	0	0	7308	7308	7308	7308	10
	Male		0	0	0	0	4872	4872	4872	4872	
Legislators, senior officials and managers	Female		0	0	7308	7308	0	0	14616	7308	10
	Male		0	0	4872	4872	0	0	9744	4872	
Professionals	Female		0	0	14616	14616	0	0	29232	14616	20
	Male		0	0	9744	9744	0	0	19488	9744	
Technicians and associate professionals	Female		0	0	5481	5481	0	0	10962	5481	10
	Male		0	0	6699	6699	0	0	13398	6699	
Clerks	Female		0	0	8526	8526	0	0	17052	8526	10
	Male		0	0	3654	3654	0	0	7308	3654	
Service and sales workers LED ALIGNED	Female		0	0	9135	9135	0	0	18270	9135	10
	Male		0	0	3045	3045	0	0	6090	3045	
Plant and machine operators and assemblers	Female		0	0	3654	3654	0	0	7308	3654	15
	Male		0	0	14616	14616	0	0	29232	14616	
Elementary occupations	Female		0	0	11876	11876	0	0	23752	11876	15
	Male		0	0	6395	6395	0	0	12790	6395	
Sub total	Female		0	0	67904	67904	7308	7308	143116	75212	
	Male		0	0	53897	53897	4872	4872	112666	58769	
Total		0	0	0	121800	121800	24360	24360	121800	121800	100

Chapter 5

5.INTRODUCTION

The statement of financial performance for 2016/17 shows a surplus of R35 546 513 which is 33% higher as compared to last financial year. The statement of financial position shows an increase of 5% as compared to last financial year. Liabilities have increased by 19% as compared to last financial year and this is a concern for the municipality. The Cash flow statement shows an increase of 14% as compared to last financial year.

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	2016/2017										
	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
R thousands	1	2	3	4	5	6	7	8	9	10	11
Financial Performance											
Property rates	36 980	(100)	36 880			36 880	36 250		630	98.29	1.70
Service charges	122 919	3 414	126 333			126 333	122 045		4 288	96.61	3.49
Investment revenue	1 590	(500)	1 090			1 090	176		914	16.16	57.48
Transfers recognised - operational	122 201	230	122 431			122 431	121 925		506	99.59	0.41
Other own revenue	35 598	(3 184)	32 414			32 414	41 384		(8 970)	127.67	-25.20
Total Revenue (excluding capital transfers and contributions)	319 288	(140)	319 148	-	-	319 148	321 781	-	(2 633)	0	0
Employee costs	110 536	(4 158)	106 378			106 378	103 870		2 508	97.64	2.27
Remuneration of councillors	7 471	(2 300)	5 171			5 171	7 815	(2 644)	(2 644)	151.14	-35.40
Debt impairment	537	-	537			537	18 041	(17 504)	(17 504)	3359.93	-3259.93
Depreciation & asset impairment	19 846	-	19 846			19 846	55 078	(35 232)	(35 232)	277.52	-177.52
Finance charges	2 512	-	2 512			2 512	6 158	(3 646)	(3 646)	245.14	-145.14
Materials and bulk purchases	118 552	(203)	118 349			118 349	115 269		3 080	97.40	2.60
Transfers and grants			-			-			-		
Other expenditure	54 623	4 741	59 364			59 364	84 306	(24 942)	(24 942)	142.02	-45.66
Total Expenditure	314 078	(1 920)	312 158	-	-	312 158	390 538	(83 969)	(78 380)	4	(4)
Surplus/(Deficit)	5 210	1 780	6 990	-		6 990	(68 757)		75 747	(4)	4
Transfers recognised – capital	107 321	14 167	121 488			121 488	104 303		17 185	85.85	16.01
Contributions recognised - capital & contributed assets			-			-					
Surplus/(Deficit) after capital transfers & contributions											
Share of surplus/ (deficit) of associate			-			-					

Vision: Progressive Sustainable Development. Ga-Segonyana-the stream of life.

Description	2016/2017										
	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
R thousands	1	2	3	4	5	6	7	8	9	10	11
Surplus/(Deficit) for the year	112 531	15 947	128 478	-		128 478	35 547		92 932	(4)	4
Capital expenditure & funds sources											
Capital expenditure											
Transfers recognised – capital	107 321	14 167	121 488			121 488	91 276		30 212	75.13	28.15
Public contributions & donations	15 000		15 000			15 000	5 884		9 116	39.23	60.77
Borrowing	1 600		1 600			1 600			1 600	0.00	100.00
Internally generated funds	3 514	2 629	6 143			6 143	5 768		375	93.90	10.67
Total sources of capital funds	127 435	16 796	144 231			144 231	102 928		41 303	0	0
Cash flows											
Net cash from (used) operating	116 925	14 352	131 277			131 277	103 925		27 352	79.16	23.39
Net cash from (used) investing	(127 435)	(1 441)	(128 876)			(128 876)	(102 155)		(26 720)	79.27	20.97
Net cash from (used) financing	(2 416)	-	(2 416)			(2 416)	(1 312)		(1 104)	54.30	45.70
Cash/cash equivalents at the year end	621	(103)	518			518	990		(472)	191.27	-76.07

T 5.1.1

Notes

3 = sum of Colum 1 and 2

2 represents movements in original budget to get to final adjustments budget (including shifting of funds)

Virements must offset each other so that virements in Total Expenditure equals zero

6 = sum of column 3, 4 and 5

8 does not necessarily equal the difference between 9 and 8 because overspending is not the only reason for unauthorised expenditure

9 = 7 – 6

10 = (7/6)*100

11 = (9/1)*100

14 = 13 - 1215 in revenue equals
Audited Outcome plus funds actually
recovered
15 in expenditure equals Audited
Outcome less funds actually
recovered
15 in Cash Flow equals Audited
Outcome plus funds recovered

R '000						
Description	2015/2016	2016/2017			2016/2017 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	56 248	34 901	37 325	33 280	-4.87%	-12.16%
Waste Water (Sanitation)	10 495	5 960	6 920	10 156	41.31%	31.86%
Electricity	96 904	91 879	93 156	54 841	-67.54%	-69.87%
Waste Management	18 509	16 528	15 471	13 351	-23.80%	-15.88%
Housing						
Component A: sub-total	182 156	149 268	152 873	111 627	-33.72%	-36.95%
Waste Water (Storm water Drainage)						
Roads	34 999	19 551	15 531	28 433	31.24%	45.38%
Transport						
Component B: sub-total	34 999	19 551	15 531	28 433	31.24%	45.38%
Planning	6 145	6 534	6 653	5 275	-23.86%	-26.13%
Local Economic Development	1 340	1 676	1 646	1 426	-17.58%	-15.45%
Component B: sub-total	7 485	8 210	8 299	6 700	-22.53%	-23.86%
Planning (Strategic & Regulatory)						
Local Economic Development						
Component C: sub-total	-	-	-	-		
Community & Social Services	17 571	17 108	16 564	17 473	2.09%	5.20%
Environmental Protection						
Health	67	0	0	5	98.84%	98.84%
Security and Safety						
Sport and Recreation	9 462	9 522	9 666	9 192	-3.59%	-5.15%
Corporate Policy Offices and Other	106 196	110 418	109 225	104 372	-5.79%	-4.65%
Component D: sub-total	133 297	137 048	135 455	131 042	-4.58%	-3.37%
Total Expenditure	357 937	314 078	312 158	277 802	-13.06%	-12.37%
						T 5.1.2

COMMENT ON FINANCIAL PERFORMANCE:

The municipality generated a surplus of R35 546 513 as compared to 2015/16 financial year which amounted to R23 599 627 which is 33% higher. This means that the municipality improved and is performing better despite variances on different line items. The investment revenue has a variance of

about 84% due to lack of funding because of cash flow problems. There is a 14% variance on capital transfers due to delay of transfers by COGHSTA for housing projects. The variance of 39% on sanitation costs is due to delays in supply chain processes to find the CSD accredited service provider for repairs to motor vehicles. Road expenditure costs have a variance of 69% due to delays in procuring of materials for potholes.

5.2 GRANTS

Grant Performance						
R' 000						
Description	2015/2016	2016/2017			2016/2017 Variance	
	Actual	Budget	Adjustment s Budget	Actual	Original Budget (%)	Adjustment s Budget (%)
Operating Transfers and Grants						
National Government:	127 896	120 223	120 223	120 125		
Equitable share	109 444	117 413	117 413	117 413	100.00	100.00
Municipal Systems Improvement	766	–	–	–		
Department of Water Affairs	14 964	–	–	–		
Levy replacement						
Other transfers/grants [insert description]	2 722	2 810	2 810	2 712	96.51	96.51
Provincial Government:	1 402	1 978	2 208	1 801		
Health subsidy						
Housing						
Ambulance subsidy						
Sports and Recreation	1 402	1 978	2 208	1 801	91.03	81.55
Other transfers/grants [insert description]						
District Municipality:	–	–	–	–		
[insert description]						
Other grant providers:	–	–	–	–		
[insert description]						
Total Operating Transfers and Grants	129 298	122 201	122 431	121 925		

COMMENT ON OPERATING TRANSFERS AND GRANTS:

The variance for Sports and Recreation is as a result of receiving additional grant allocation during the year.

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The asset management section falls under financial management section and consists of a senior accountant and two accountants. The physical verification of assets are done twice a year and monthly reconciliations are performed. The GIS technician offers support to the unit. The asset management policy is reviewed annually to ensure that we keep track of all the changes especially with GRAP 17.

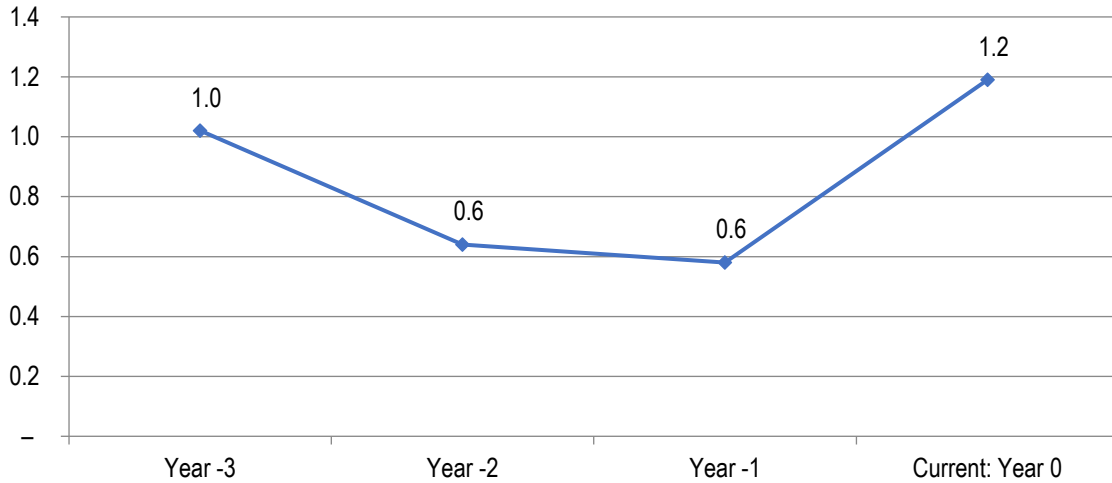
TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2016/2017				
Asset 1				
Name	Mothibistad Bulk Water			
Description	Concrete			
Asset Type	Civil Structure			
Key Staff Involved				
Staff Responsibilities				
Asset Value	2013/2014	2014/2015	2015/2016	2016/2017
	13 975 781.21	10 089 094.00	-	-
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management Policy			
Asset 2				
Name	Batlharos and Maruping Water Distribution			
Description	Concrete			
Asset Type	Civil Structure			
Key Staff Involved				
Staff Responsibilities				
Asset Value	2013/2014	2014/2015	2015/2016	2016/2017
	11347179.99	14043468	9673723	6833838
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				
Asset 3				
Name	Kuruman Reservoir			
Description	Concrete			
Asset Type	Civil Structure			
Key Staff Involved				

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2016/2017				
Staff Responsibilities				
Asset Value	2013/2014		2015/2016	2016/2017
	0	30 000 000.00	15 638 000.00	29 000 000.00
Capital Implications				
Future Purpose of Asset				
Describe Key Issues				
Policies in Place to Manage Asset				

Repair and Maintenance Expenditure: 2016/2017				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	43996248	43793164	19116285	57%

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

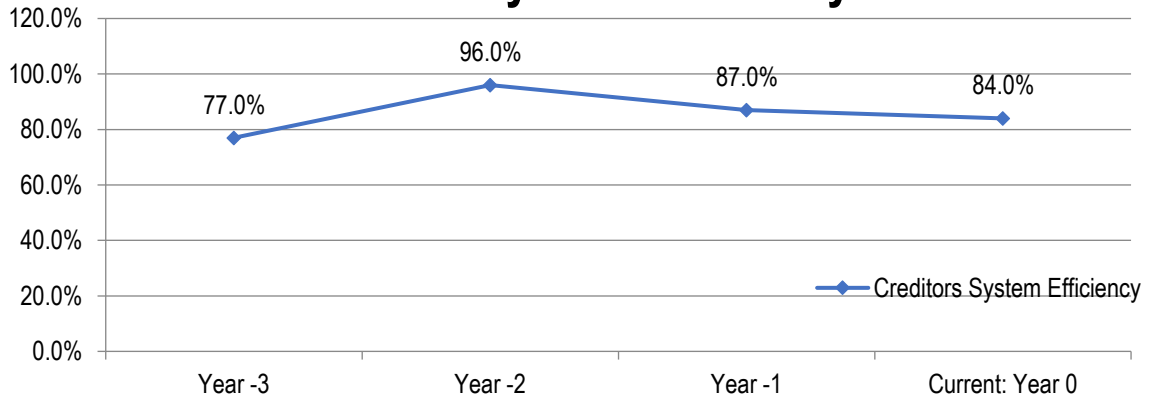
Liquidity Ratio



Liquidity Ratio – Measures the municipality’s ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality’s current liabilities. A higher ratio is better.

Data used from MBRR SA8

Creditors System Efficiency

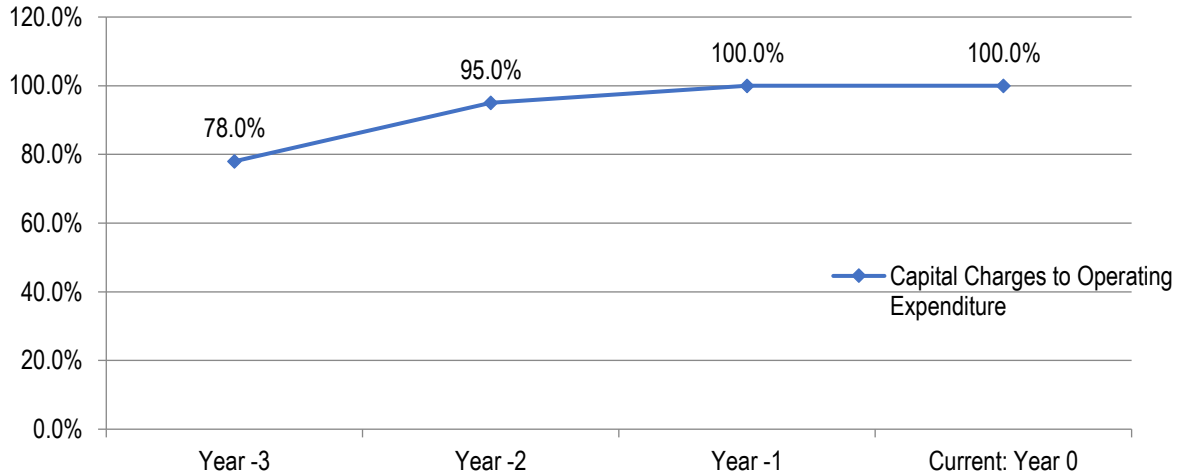


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.5

Capital Charges to Operating Expenditure

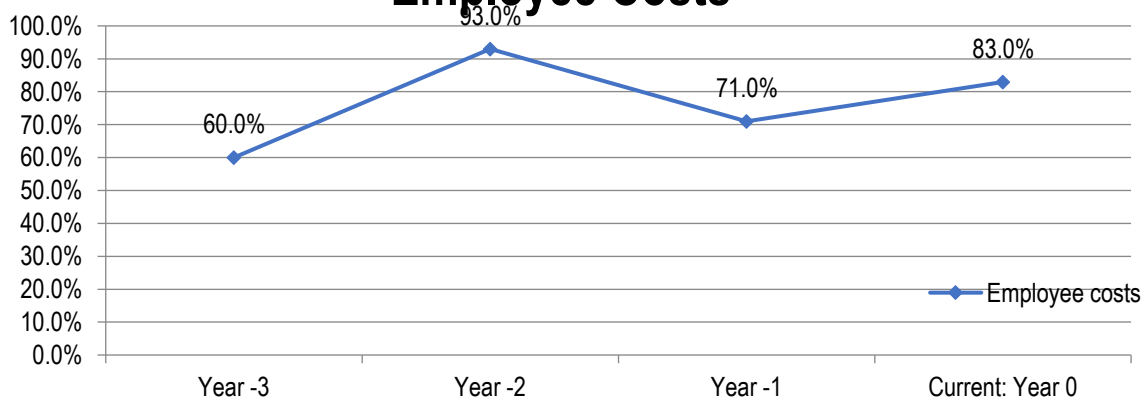


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

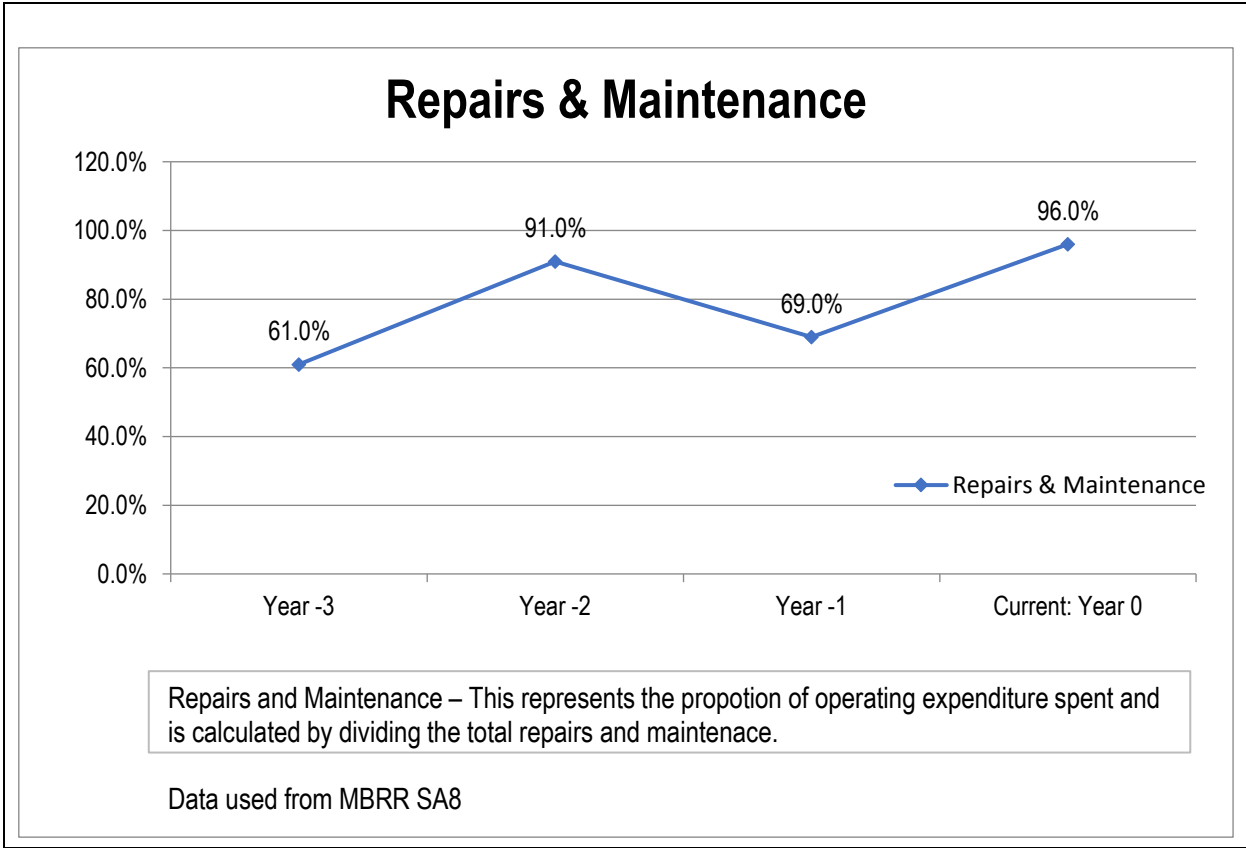
Data used from MBRR SA8

T 5.4.6

Employee Costs



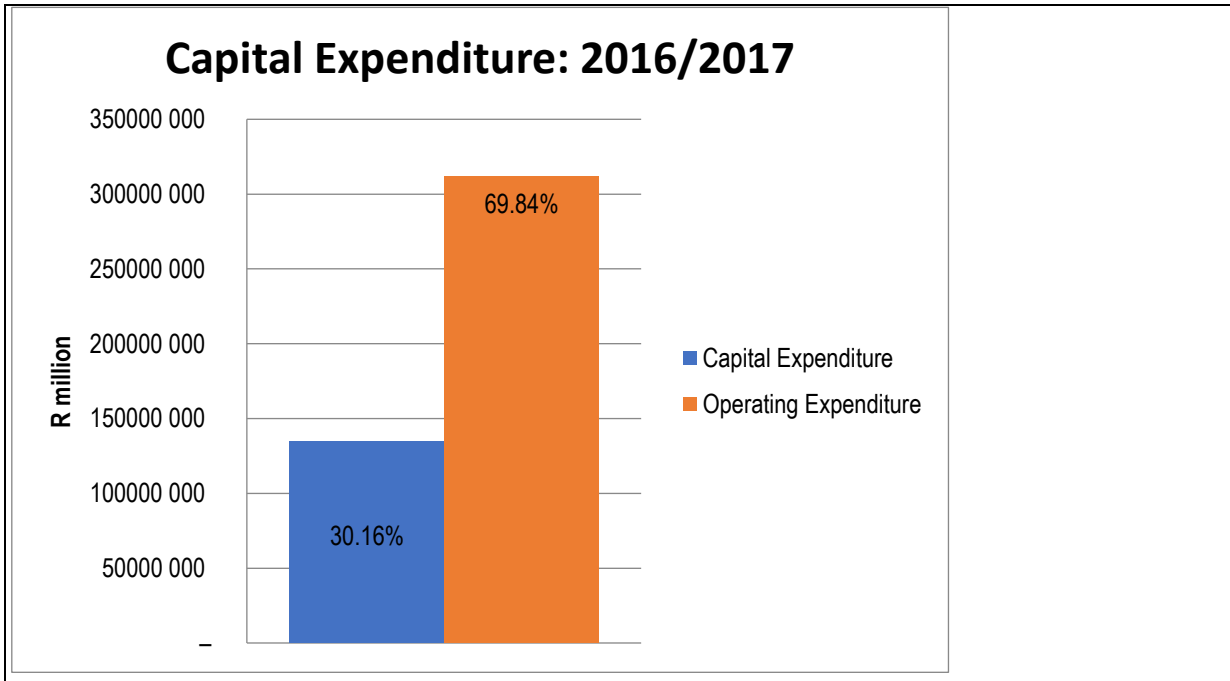
Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.



COMMENT ON FINANCIAL RATIOS:

The liquidity ratio is 0.9 which is very low as compared to acceptable norm of 2. The municipality is experiencing cash flow problems due to non-payment of services and this reflects a poor liquidity ratio. The outstanding debtors to revenue % decreased by 8% due to decrease in revenue and increase in debtors. The proportion of payments made to creditors within 30 days decreased by 19% which is an indication that the municipality was unable to pay on time due to cash flow problems. Fifty percentage of revenue funded salaries due to less income than anticipated. The municipality spent 94% of the repairs and maintenance budget due to ageing infrastructure especially the vehicles.

5.5 CAPITAL EXPENDITURE



5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2015/2016 to 2016/2017						
R' 000						
Details	2015/2016	2016/2017		Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
	Actual	Original Budget (OB)	Adjustment Budget			
Source of finance						
External loans		1600 000.00	1 600 000.00		0.00%	- 100.00%
Public contributions and donations	13 141 360.00	15 000 000.00	15 000 000.00	5 600 000.00	0.00%	-62.67%
Grants and subsidies	104 535 965.00	107 321 000.00	121 488 149.00	104 293 431.00	13.20%	-2.82%
Other	1 380 000.00	3 513 800.00	6 142 800.00		74.82%	- 100.00%
Total	119 057 325.00	127 434 800.00	144 230 949.00	109 893 431.00	88.02%	- 265.49%
Percentage of finance						
External loans	-	0.01	0.01	-	0.0%	37.7%
Public contributions and donations	0.11	0.12	0.10	0.05	0.0%	23.6%
Grants and subsidies	0.88	0.84	0.84	0.95	15.0%	1.1%
Other	0.01	0.03	0.04	-	85.0%	37.7%
Capital expenditure						
Water and sanitation	70 072 252.00	71 420 025.00	71 464 816.00	71 464 816.00	0.06%	0.06%
Electricity	1 500 000.00		2 000 000.00	2 000 000.00	0.00%	0.00%
Housing	11 031 909.00				0.00%	0.00%
Roads and storm water	36 453 164.00	26 860 341.00	31 356 184.00	31 356 184.00	16.74%	16.74%
Other				5 072 431.00	0.00%	0.00%
Total	119 057 325.00	98 280 366.00	104 821 000.00	109 893 431.00	16.80%	16.80%
Percentage of expenditure						
Water and sanitation	0.59	0.73	0.68	0.65	0.0%	0.0%
Electricity	0.01	-	0.02	0.02	0.0%	0.0%
Housing	0.09	-	-	-	0.0%	0.0%
Roads and storm water	0.31	0.27	0.30	0.29	0.0%	0.0%

Capital Expenditure - Funding Sources: 2015/2016 to 2016/2017						
R' 000						
Details	2015/2016	2016/2017				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
Other	-	-	-	0.05	0.0%	0.0%

5.7 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	2015/2016	Current: 2016/2017		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	114 758	174 239	172 274	157 713
Government - operating	137 388	122 201	122 431	121 488
Government - capital	94 754	107 321	121 488	116 069
Interest	6 050	6 858	6 858	6 028
Dividends				
Payments				
Suppliers and employees	(231 151)	(291 182)	(289 262)	(291 215)
Finance charges	(6 252)	(2 512)	(2 512)	(6 158)
Transfers and Grants				
NET CASH FROM/(USED) OPERATING ACTIVITIES	115 546	116 925	131 277	103 925
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE			355	773
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	(119 057)	(127 435)	(129 231)	(102 928)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(119 057)	(127 435)	(128 876)	(102 155)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing				1 216
Increase (decrease) in consumer deposits				
Payments				
Repayment of borrowing	(154)	(2 416)	(2 416)	(2 528)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(154)	(2 416)	(2 416)	(1 312)
NET INCREASE/ (DECREASE) IN CASH HELD	(3 665)	(12 926)	(15)	458
Cash/cash equivalents at the year begin:	631	13 547	532	532
Cash/cash equivalents at the year-end:	532	621	518	990

COMMENT ON CASH FLOW OUTCOMES:

The municipality experienced cash flow problems due to the fact that it achieved only 80% of the budgeted net cash from operating activities and net cash from investing activities. The net cash used for financing activities is 5% more than budget.

5.8 BORROWING AND INVESTMENTS**INTRODUCTION TO BORROWING AND INVESTMENTS**

There were no new borrowings during the financial year. The municipality is still servicing the DBSA loans taken more than 10 years ago.

COMMENT ON BORROWING AND INVESTMENTS:

There were no long-term investments for the past three years. The municipality is just earning interest on call account and using it on operations.

5.9 PUBLIC PRIVATE PARTNERSHIPS**PUBLIC PRIVATE PARTNERSHIPS**

There were no agreements, contracts and projects undertaken during the year through PPP's.

5.10 SUPPLY CHAIN MANAGEMENT**SUPPLY CHAIN MANAGEMENT**

Competency levels of officials involved in Supply Chain Management

The senior staff in the SCM Division has attended the prescribed CPMD training with regard to the minimum competency levels prescribed for SCM officials and have been declared competent. Provincial Treasury occasionally present training courses for SCM practitioners as well as for Bid Committee members.

The municipality has still to send delegates to attend the Infrastructure Procurement courses and/ or workshop.

Chapter 6

– AUDITOR GENERAL AUDIT FINDINGS

6.1 INTRODUCTION

The Annual Financial Statements and Annual Performance Report were submitted to the Auditor General for auditing on the 31st of August 2015.

6.2 2015/2016 AUDIT ACTION PLAN

Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
EX 74	Land recorded in the detailed listing could not be traced to deed search performed.	All ERFs which belong to the municipality should be registered under the municipality's name. This includes ERFs that were initially registered and subsequently subdivided. Management should ensure that title deeds are transferred on all ERFs that were sold. ERFs that are registered under the municipality's name and for which the municipality has control of and rates are being charged on should be included in the fixed asset register. All Properties used and beneficially owned by other organizations others than the Municipality should be transferred to these beneficiaries (eg Schools, Police Stations etc).Supplementary Valuation Rolls should be done every Quarter to specifically take care of Property Transfers during the Quarter.	Renata/Choche/Mase	30%	31/05/2016	A list of all properties registered under the municipality was obtained from the title deeds. The following exceptions were identified and are currently in the process of being resolved: - 1 244 ERFs are registered under the municipality but are not recorded in the municipality's accounting records. Management is in the process of identifying the ones for which the municipality does not have control over so that they can be deregistered. In cases where the municipality has control over the ERFs, the ERFs will be recognised in the municipality's books.
EX 75	Fixed asset register not complete.					

Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
EX 37	Facilities registers and reconciliation to the GL not submitted.	Asset management policy should be ammended and be consistent with accounting policies on depreciation.	Renata/Desiree	30%	31/05/2016	<p>- 246 ERFs are recorded under inventory but are not registered under the municipality's name. Management is in the process of appointing a surveyor to ensure these are registered at the title deeds office. ERFs that were already disposed off will be removed from the listing.</p> <p>- 17 ERFs recorded under the municipality but not registered under the municipality. These are mainly as a result of subdivision of ERF 1. Supporting documentation is still being compiled for the subdivision.</p> <p>All asset categories except for Infratructure Management is in the process of physically verifying assets with the assistance of National treasury and the process is 75% complete. Assessment of useful lives for these assets will be done once the physical verification process is done.</p> <p>Infrastructure assets</p>
EX 56	Inaccurate calculation of depreciation expense.					

Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
						<p><i>The Technical director has been engaged to assist with the review of useful lives for infrastructure assets. Physical verification has not been done to date. Assessment of useful lives will be concluded once physical verification of assets is done.</i></p> <p>Overall</p> <p>Asset management policy will be reviewed after assessment of useful lives and submitted for council approval if there are any changes identified. AFS will also be ammended to ensure useful lives are consistent with Asset Management Policy and the useful lives in the Fixed Asset Register.</p>
EX 101	Incorrect classification of investment property as building.	Rental agreement should be in place for ERF 404.	Mase/Martin	5%	15/04/2016	A list of all rented facilities has been compiled for rental agreements to be drafted and signed.

Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
EX 91	Supporting documents additions not maintained.	An audit file should be maintained for assets and should be updated on an ongoing basis as and when there are any movements in assets. Copies of all supporting documentation for assets purchased and disposed during the year should be included in this file. The asset register should be updated when the risks and rewards of ownership have been transferred to the municipality not necessarily on the payment date. Monthly reconciliations of the fixed asset register to the general ledger should also be done.	Renata	50%	15/04/2016	A file is available for all additions for the current year and the supporting documents. Reconciliation were prepared up to February 2016. However an independent review is still to be done to ensure assets are recorded in the correct period and to check whether the asset register balances are agreeing to the general ledger.
EX 38	Lack of maintenance over fixed asset register.					
EX 52	Land and Buildings disclosed as only Buildings.					
EX 102	Loss on disposal of assets not correct.	Management should ensure that the correct accounting entries are done when transferring land from PPE to inventory. This should not be treated as a disposal of asset therefore no profit or loss on disposal should arise as a result of this transfer.	Renata	50%	15/04/2016	No land has been transferred from PPE to inventory to date. Council minutes still need to be reviewed to verify whether there are any approvals for disposal of ERFs which are currently recorded as PPE.
EX 69	Sub-schedules not submitted and financials misstated.	-	Renata	0%	15/07/2016	-

Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
EX 90	Prior year invoices recorded in current year	Management should ensure invoices are recorded in the correct period.	Renata	-	15/07/2016	-
EX 127	Fixed assets not in good working condition not impaired	The condition of the assets should be assessed and management should ensure that fixed assets that are not in good working conditions are impaired.	Renata/ Smith	30%	31/05/2016	Physical verification (with the assistance of National Treasury) process is 75% done for all other assets (except for infrastructure assets). Infrastructure assets are yet to be physically verified.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Bank reconciliations	EX 183	Balance to be adjusted with long outstanding reconciling items.	Bank reconciliations to be performed on a monthly basis before the 10th of the following month with reconciling items being investigated on time.	Eunice Borake	50%	10/04/2016	Bank reconciliations are being prepared on a monthly basis but there are certain significant reconciling items that need to be cleared in the cashbook. These include direct deposits, returned cheques, debit orders, bank charges, EFT payments and call account interest recorded in the wrong cashbook.
Customer deposits	-	-	All amounts deposited in the municipality's bank account should be allocated as soon as the deposit reflects on the bank statement. Efforts should be made to ensure that the balances are allocated to their respective debtors accounts on time. This will help to ensure there are no significant reconciling items in the bank reconciliations.	Eunice Borake	50%	15/04/2016	Direct deposits are still in the process of being allocated to the respective customer accounts. Unallocated direct deposits as at 31 December are R 3.6 million.
Bank signatories	EX 161	Former CFO is still an authorised signatory for municipal bank accounts.	Former CFO should be removed as one of the bank signatories.	Eunice Borake/CFO	90%	28/02/2016	To obtain correspondence from bank to ensure this was effected.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Levies on sundry debtors	EX 145	No charges levied to sundry debtors with credit balances even though payments are received.	All sundry debtors should be charged on a monthly basis. These include MTN, PRIMEDIA etc. Lease agreements should also be in place for all rented facilities.	Martin/Katlego/Masi	5%	30/04/2016	A list has been compiled for all sundry debtors and corporate services is currently drafting lease agreements.
Long outstanding receivables	EX 94	Debtor accounts older than 90 days not disconnected.	Management should ensure that debt collection policies are adhered to in order to ensure that amounts owing are collected in time. This will also help to enhance the liquidity position of the municipality. Where practical to do so, water supply should be disconnected in order to enforce prompt settlement of bills.	Tapelo	5%	30/04/2016	The municipality has engaged ZANDILE, a debt collection company, to follow up on long outstanding debt. Adherence with debt collection policies has not been checked yet.
Suspense accounts for receivables	EX 132	No supporting documentation submitted for suspense accounts.	All suspense accounts should be investigated and cleared on a regular basis.	Eunice/ Katlego	0%	30/06/2016	These will be followed up and cleared after year under in case there are customers queries between now and 30 June 2016.
	EX 73	Suspense accounts not cleared					
Customer deposits	-		All amounts deposited in the municipality's bank account should be allocated as soon as	Eunice Borake	50%	15/04/2016	Direct deposits are still in the process of

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
			the deposit reflects on the bank statement. Efforts should be made to ensure that the balances are allocated to their respective debtors accounts on time. This will help to ensure there are no significant reconciling items in the bank reconciliations. There is a need to critically review the Sundry Debtors to ensure that those that are not recoverable are written off. All credit Balances need to be investigated.				being allocated to the respective customer accounts. Unallocated direct deposits as at 31 December are R 3.6 million.
Prior year	EX 33	PY Audit report matters not yet resolved by management.	All prior year issues raised in the management letter should be resolved.	Consultants	0%	30/06/2016	-
	EX 131	Opening balance does not agree to the Restated Opening balance.					
Government debt	EX 96	No provision made for government debtors	There is a need to follow up on Amounts due from Government Departments. The Municipality should use their political influence to deal with this matter.	Thapelo	5%	30/04/2016	The municipality has engaged ZANDILE, a debt collection company, to follow up on long outstanding debt. Adherence with debt collection policies has not been checked yet.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Property rates on transferred properties	EX 80	Rates not charged on property that were transferred.	Supplementary valuation roll should be done to ensure that property rates can be charged on all chargeable properties.	Thapelo	5%	30/05/2016	Management communicated with the valuer and is expected to commence the valuation of properties on 4 April 2016. Billing of properties transferred will be done after a supplementary valuation is available.
Traffic fines	EX 64	Difference between the fines report and the amount recognised in the GL.	Traffic fines revenue should be recognised on an ongoing basis to ensure completeness of revenue.	Eunice	40%	25/04/2016	Traffic fines are being recognised on a payment basis. A policy needs to be drafted and implemented on how revenue from traffic fines should be recognised based on past experience in accordance with GRAP 23.
Service charges	EX 26	Differences between service charges recognised and recalculated amount.	Tariffs set in the system should be tested on a regular basis to ensure that correct tariffs are being used.	Naso	20%	10/04/2016	Review of tariffs for service charges is still in progress.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Property rates	EX 29	Difference in property values used in calculating property rates	A review of the amounts used for charging property rates should be done to ensure that the amounts in Munsoft are consistent to the amounts as per valuation roll.	Thapelo	50%	25/04/2016	Munsoft vs Valuation roll <i>Management communicated with the valuer and is expected to commence the valuation of properties on 4 April 2016. Billing of properties transferred will be done after a supplementary valuation is available.</i>
	EX 80	Rates not charged on property that were transferred	A supplementary valuation roll should be done and rates should be charged on all properties transferred.	Thapelo			Property rates tariffs <i>Review of tariffs being charged to customers is still in progress. Guest houses and multi purpose buildings are being charged based on residential tariffs and this has not been corrected in Munsoft to date.</i>

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Lease contracts	EX 6	No lease contracts for Municipal Hostels.	Contracts for municipal hostels should be drafted and signed by the municipality management and the lessors.	Katlego	5%	30/05/2016	A list has been compiled for all sundry debtors and corporate services is currently drafting lease agreements.
	EX 13	Information not submitted for Rental of facilities.					
	EX 34	Facilities registers and reconciliation to the GL not submitted.					
	EX 145	No charges levied to sundry debtors with credit balances even though payments are received.					
Electricity sales	-		There are amounts due to and from Cigicell- there need to be a resolution of the amounts that are DUE FROM CIGICELL (for electricity sales) as well as amounts DUE TO Cigicell for electricity Installations. Reconciliations of electricity sales and electricity installations should be done on a monthly basis.	Eunice	0%	15/04/2016	No reconciliations have been prepared to date.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Sale of stands	EX 12	Information not submitted for the sale of stands	Amounts Due in respect of Sale of Stand needs to be reconciled to the Actual stand sales on a monthly basis	Masi/Thapelo	0%	15/04/2016	No reconciliations have been prepared to date. Recognition of revenue and accounting treatment of money received from sale of stands to be checked.
Conditional grants	EX 16	Confirmation for Housing grants received not submitted.	All conditional grants to be confirmed	Deseree/Consultants	0%	30/06/2016	-
	EX 23	Grants allocated not included in AFS	All allocated grants to be included in the AFS				
	EX 59 EX 118	no evidence of compliance to legislation submitted A shortfall was noted between the unspent national conditional grants and the bank account balances as at year-end.	Management should ensure conditional grants are spent in accordance with stipulated conditions.				

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Employee files and VIP	EX 88	Inconsistencies between VIP and employee file	VIP should be updated to ensure VIP records are consistent with employee files. Employee files should be up to date with all necessary documentation filed in the respective employee files eg salary increments, third party deductions.	HR Manager	0%	30/05/2016	VIP records have not been updated to date.
	EX 121	Annual salary increase letter not included in employee's personnel file					
	EX 124	Differences between data send to the actuaries and employee master file					
	EX 129	Differences noted between Management Experts' Schedules and the VIP Reports					
	EX 155	VIP System and Leave Forms Differ					
Payroll reconciliations	EX 85	Differences between the VIP report and the financial statements	Monthly payroll reconciliations should be done on a monthly basis before the 15th of the following month. The reconciliations should be	Joice/Bakang/Deputy CFO	20%	30/05/2016	Payroll reconciliations were prepared up to September 2015.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
			reviewed and signed for by the Deputy Chief Financial Officer.				
	EX 139	The salary run, third party payments and reconciliations from VIP to GL could not be confirmed					
PAYE	EX 184	Differences between Recalculated PAYE and PAYE as per VIP	Tax rates used for calculating PAYE in VIP should be regularly reviewed to ensure that the tax rates used are in line with SARS tax rates. There is a risk that tax rates used in VIP may not be consistent with SARS tax rates due to the differences in the municipality's financial year end and SARS year end.	Joice/Bakang/Deputy CFO/Tax consultant	40%	25/04/2016	VIP consultant was engaged to verify the tax rates used in the system. He confirmed that the tax rates are consistent with SARS tax rates. The consultant suggested we engage the AG to get clarity on how they calculated the amounts raised in the exceptions.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Invalid VAT invoices	EX 30	Invalid tax invoices	<p>All payments should be done based on valid tax invoices. The municipality's VAT registration should appear on the supplier invoices. The following features should also be taken note of before payments are done:</p> <ul style="list-style-type: none"> -The words "Tax Invoice" in a prominent place; -The name, address and VAT registration number of the supplier; -The name, address and, where the recipient is a registered vendor, the VAT registration number of the recipient; -An individual serialized number and the date upon which tax invoice is issued; - Full and proper description of the goods (indicating, where applicable, that the goods are second-hand goods) or services supplied; -The quantity or volume of the goods or services supplied; -either the value of the supply, the amount of tax charged and the consideration of the supply; or where the amount of tax charged is calculated by applying the tax fraction to the consideration, the consideration for the supply and either the amount of the tax charged, or a statement that it includes a charge in respect of the tax and the rate at which the tax was charged." 	Ditshwanelo/Confidence	5%	Ongoing basis	A sample of invoice was selected and we noted that payments are being done based on valid tax invoices. 100% sample still needs to be verified for all payments for the current financial year.
Accounting for VAT	-		Expenditure should be recorded exclusive of VAT in the respective votes. The VAT	Ditshwanelo/Confidence	5%	Ongoing basis	Based on a sample of payments tested, VAT was accounted for correctly.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
			component should be recorded separately in the VAT vote.				However, 100% of the transactions should be tested.
Tax returns	EX 120	VAT 201 returns differ from the VAT accounts	Follow up on Tax returns submitted to ensure that the Municipality does not unnecessarily lose amounts Receivable.	Deputy CFO	0%	10/07/2016	No tax returns have been submitted to date.

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Finance leases	EX 67	Finance lease information not submitted and incorrect	General ledger should always be consistent with the lease contract balances and the amortisation schedules. Municipality should confirm amounts outstanding from the service providers on a regular basis, say on a quarterly basis, and verify whether the confirmed amounts are consistent with accounting records. Amortisation tables which agree to the accounting records should be maintained lease contracts should be available for all finance lease arrangements (including VODACOM Samsung tablets).	Renata/ Ditshwanelo/ Eunice	0%	10/07/2016	-

Description	Exception number	Exception description	Procedures to be put in place	Responsible official	Estimated percentage completion	Estimated completion date	Comments
Accruals	EX 181	Cut-off issues noted	All expenses should be recorded based on the invoice date rather than the payment date to ensure that expenditure is accrued for in the correct period. All payments to be made based on valid tax invoices.	Ditshwanelo	30%	15/07/2016	100% sample to be tested for cut off purposes.
	EX 42	Cut-off issues noted					
	EX 177	Cut-off issues noted					
Retentions	EX 72	Long outstanding retentions	Proper supporting documentation for retentions should be maintained.	Ditshwanelo	-	31/05/2016	-
Expenditure	EX 27	Incorrect classification of expenditure	All expenditure should be recorded in correct category	Ditshwanelo/Consultants	0%	30/06/2016	-

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
Stock count procedures	EX 141	Stock count differences	A perpetual method of accounting for inventory should be put in place to ensure that the municipality can be able to account for any inventory held at any particular time. The stores department should ensure that a proper audit trail of inventory purchased, inventory issued out from stores and closing inventory is maintained. The stores records should in turn agree to Munsoft records.	31/05/2016	Tumi Sechogela/stores
	EX 142	Final inventory listing not complete		31/05/2016	
	EX 143	No monthly stock reconciliation performed	Stock reconciliations should be done on a monthly basis with any variances being investigated. Physical stock counts should be done on an interim basis. Stock count procedures should be adhered to when stock counts are done. Obsolete stock identified should be appropriately be classified as obsolete stock in the municipality's books. Stocks counted should be verified by a second person to ensure accuracy of the count. Management should ensure correct stock count sheets are used for the count.	31/05/2016	Tumi Sechogela/stores
Disposal of properties	EX 187	No council resolution for the disposal of property	All properties should be disposed off after seeking council approval (council resolution).	15/05/2016	Mase

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
Irregular expenditure	EX 60 EX 160	There is no policy on when, what and how irregular expenditure should be investigated.	A policy should be put in place on the instances when irregular and fruitless expenditure should be investigated. Formal action should be taken to recover the monies that were fruitless and wasteful, unauthorised and irregular process from the responsible personnel.	30/04/2016	Tumi/Nontlantla
SCM controls	EX 105 EX 1 EX 2 EX 3 EX 66	Bids and winning bidders not disclosed on municipal website Incorrect calculation of bidding points No proof of review of irregular expenditure register Payment made later than 30 days SCM controls not implemented during the year	Bids and winning bidders should be disclosed on the municipality's website.	30/04/2016	Tumi/Nontlantla
SCM policy	EX 65	SCM policy not up to date	SCM policy should be updated. Refer to exception 65.	30/04/2016	Tumi/Nontlantla
SCM controls	EX 79 EX 109 EX 108 EX 110 EX 170	Non-compliance with SCM processes was identified No declaration of interests by management total payment under contract exceed total contract amount Deviation from competitive bidding process	Management should ensure that SCM controls are adhered to.	30/04/2016	Nontlantla/Tumi

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
SCM	EX 107	No bid specifications committee	Bid specification committee should be appointed.	30/04/2016	Nontlantla/Tumi

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
Risk identification process	EX 15	Risk identification process does not include all risks	<p>Management should ensure that all risks are included in the risk assessment process. These include:</p> <ul style="list-style-type: none"> (a) Risks relating to predetermined objectives. (b) Risks relating to non-compliance with the Preferential procurement policy framework act, DoRA, municipal systems act, municipal structures act and all other relevant acts. (c) Risks posed by new legislation or regulations identified. (d) Risks resulting from its interactions with various other government entities and parties outside the government. (e) Risks resulting from the lack of qualifications of personnel hired or the extent to which they have been trained or not trained. (f) Risks that might be associated with major changes in managerial responsibilities. (g) Risks related to the availability of future funding for new programmes or the continuation of current programmes assessed. (h) Risks related to past failures to meet entity missions, goals, or objectives or failures to meet budget limitations. 	30/04/2016	Internal audit

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
			<p>(i) Risks indicated by a history of unauthorised, fruitless and wasteful expenditure, or other statutory non-compliance.</p> <p>(j) Risks inherent to the nature of its mission or to the significance and complexity of any specific programmes or activities it undertakes.</p> <p>(k) Risks both entities wide and for each significant activity-level of the entity.</p>		
Performance measurement system	EX 7	No Performance Measurement system in place	Management should ensure that there is a performance measurement system in place on which salary increments and bonuses awarded to employees will be based on. Performance appraisal should be done on employees on a regular basis.	30/04/2016	Line managers/ HR manager
Policies and procedures manual	EX 8	There are no controls over policies of the local municipality in the form of formal policy register	Management should ensure that a policies and procedures manual is implemented for all departments. The manual should be effectively communicated to all employees. This can also be used as a tool for measuring performance of the employees as it stipulates the duties that the employees are expected to fulfill.	30/04/2016	CFO/Deputy CFO
Internal audit findings	EX 4	Internal audit findings not responded to by management	Management should ensure that all audit findings raised by the internal audit are responded to and resolved on an ongoing basis. This will help to improve the control environment of the municipality.	30/04/2016	CFO/Internal audit
Compliance officer	EX 149	Management did not ensure that a compliance officer is in place to monitor compliance with all legislation	A compliance officer should be appointed by the municipality.	30/04/2016	HR manager/ Municipality manager
Compliance issues	EX 151	Non-compliance with MFMA section 122(1)(a) &(b)	Management should ensure it complies with MFMA	30/04/2016	CFO

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
	EX 158	The municipality incurred long-term debt without a resolution of the council (signed by the mayor)/ board for approval of the debt agreement.			
	EX 168	Policies and procedures not in place for the procurement of consulting services leading to control deficiency over contract management			
Performance	EX 45	Annual performance evaluation not done	Management should ensure that they comply with MFMA Municipal performance regulations section 57A	31/05/2016	Martin Tsatsimpe
AFS	EX 5	Difference between Caseware TB and Munsoft TB	Caseware TB should agree to Munsoft TB.		CFO/Consultants
Journals	EX 70, EX 71	Review, Authorisation and supporting documentation of journals	Journal entries should be reviewed, checked and authorised by appropriate personnel	30/06/2016	CFO
	EX 97	Journal voucher and supporting documentation not submitted			
Distribution losses	EX 162	Distribution losses exceeded the norm	Internal controls should be put in place to ensure that electricity and distribution losses do not exceeded the norm. Controls should be in place to reduce the risk of electricity bypassers and water leakages from reservoirs.	30/04/2016	Maletsatsi

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
Audit committee	EX 152	The audit committee did not submit, at least twice during a financial year, an audit report on the review of the performance management system to the council as required by Municipal Planning and Performance Management Regulations (GNR 796 of 24 August 2001) Reg 14(4)(a)(iii).	The audit committee should submit, at least twice during a financial year, an audit report on the review of the performance management system to the council as required by Municipal Planning and Performance Management Regulations (GNR 796 of 24 August 2001) Reg 14(4)(a)(ii).	31/05/2016	Audit committee

Description	Exception number	Exception description	Procedures to be put in place	Estimated completion date	Responsible official
Performance targets	EX 7	No Performance Measurement system in place	Management should ensure that performance targets set are SMART i.e Specific, Measurable, Attainable, Realistic and Time-bound	30/04/2016	Martin Tsatsimpe
	EX 137	Performance targets not measurable			
	EX 138	Performance targets not specific			
	EX 28	IDP Priorities are repetitive and budgeting per objective unclear			
	EX 136	No corroborating evidence for achievement of Indicators			
Standard operating procedures	EX 134	The municipality does not have standard operating procedures	Standard operating procedures should be put in place which take into account of the following: Integration of performance information structures and systems within existing management processes and systems, Definitions and technical standards of all the information collected by the institution, Processes for identifying, collecting, collating, verifying and storing information and Use of information in managing for results.	30/04/2016	Martin Tsatsimpe
	EX 140	No Road infrastructure policy and water maintenance plan in place			

6.3. 2016/2017 AUDIT ACTION PLAN

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
1. Compensation of Employees: No vetting process in place (ISS.10)	During the understanding of the municipality and its internal control, it was discovered that no vetting processes is done on shortlisted candidates for the position of the CFO.	Human resource management division is under-resourced to be able to perform it's legislated mandate. The municipal's budgetary constraints further contributed to the non-compliance.	Management should ensure that they perform vetting processes on shortlisted candidates	Management does not agree with the finding. Reference checks and Competency Assessments were conducted for all shortlisted candidates for the CFO position
2. Compensation of Employees: Performance Evaluations not performed (ISS.20)	<p>Section 7.1 of the performance agreements states that: The performance of each employee in relation to his/her performance agreement shall be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:</p> <p>First quarter: July - September 2016 Second quarter: October - December 2016 Third quarter: January - March 2017 Fourth quarter: April - June 2017</p> <p>There are no performance evaluations which are being performed to monitor performance of senior management.</p>	There are no adequate controls in place to ensure compliance with laws and regulations.	Management should ensure that performance evaluations are carried out as per the performance agreements and that the performance evaluations are monitored.	<p>Only one 2nd quarter /mid-year performance review was held on the 16th of February 2017.</p> <p>- Performance review session will be by 31 January 2017 (Mid-Year review) and at by 31 July 2018(Annual Performance Review)</p> <p>Performance Evaluation of Senior Managers to be conducted by March 2018</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
3. Internal control: Deficiency identified (ISS.11)	<p>The following overall control deficiencies were identified during the planning of the audit;</p> <ol style="list-style-type: none"> 1. The municipality does not have a disaster recovery plan to facilitate the data restoration process in the event of a disaster. 2. Numerous prior year findings were raised relating to financial and performance reporting and compliance which remains unresolved. 3. Employees' performance was not monitored. 4. No controls in place to ensure physical access restriction in IT room. 5. User access to systems is not segregated. 6. No process in place to reward and retain employees who are performing well. 7. The organogram for 2016/2017 is not signed and approved by council. 	Management did not ensure that there are adequate internal controls in place to mitigate the deficiencies in the internal control identified.	Management should design and implement effective internal controls to ensure integrity of the financial information.	Internal controls will be put in place to address all shortcomings identified.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
4. Internal Controls deficiencies: Assets and Inventory (ISS.18)	<p>Contrary to the above mentioned prescripts the following was noted during the planning phase of the Audit:1. The Fixed Asset register is not consistent with the MFMA - Local Government Capital Asset Management Guideline as the following were not included: • Acquisition - Supplier Contractor• Accounting - Funding Source• Management & Risk - Maintenance History • Operational History and Risk Assessment2. The mayoral chain is incorrectly classified in the AFS as it is classified as Stamp collections, military, insignia, medals coin in the financial statements and classified as office equipment in the asset register Furthermore noted that there has been no indication of the assessment of impairment took place, as the asset register did not include an estimate of recoverable orservice amount.3. Provision for Landfill certification by the engineer differs with the disclosed AFS amount.Description Amount As Per AFS Amount as per Landfill certification DifferenceProvision for landfill site R8 752 162 R8 758 394.76 R6 232Adjustment will be made in the AFS.4.The Accounting Policy does not cater for the subsequent measurement relating to Intangible Assets.5. An evident lack of segregation of duties in stores as the stock controllers, receive and distribute stock.6. Requisitions are not always signed by the Head of Department. Furthermore noted that a backlog of capturing for 3 months relating to the stores module on Munsoft. 7. Security Personnel do not always check the vehicle when leaving municipal properties</p>	Insufficient time-lines afforded to the service providers appointed to deliver a GRAP compliant Asset Register.	<p>Management should ensure that:1. A fixed asset register is maintained on a quarterly basis and reviewed against local government capital management guideline.2. A thorough review process is conducted against experts/service provider's reports.3. Interim AFS are reviewed by the internal audit and audit committee.4. An intern should be deployed to stores unit to eliminate the lack of segregation.5. A checklist should be formulated to aid in the review of against pertinent internal policies and procedures.</p>	None- Guideline is not a legal or standard requirement in terms of MFMA or GRAP
5. Internal Control Deficiency: Revenue-Monthly property rates reconciliations not performed (ISS.22)	<p>Contrary to the above mentioned during the risk assessment process of the audit it was noted thatProperty Rates reconciliations were not prepared monthly.</p>	Supplementary Valuation rolls performed on an annual basis and therefore the reconciliation was performed annually.	The accounting officer should ensure that reconciliations are prepared, reviewed and authorised on monthly basis.	Management agrees with this finding.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
1. AOPO - Indicator 118 not relevant (ISS 1)	Indicator 118 "Number of reports on activities of the division sent to Department of Transport before 7th day of every month" is not well-defined and doesn't relate logically and directly to the unit's strategic goals and objectives, but rather to an internal control measure. Furthermore, the activities not specific and well defined as it doesn't state which activities are to be measured.	The indicator was not properly developed to be relevant and measure the output, but measure the input.	The indicator should be well-defined to be relevant to ensure it measures the output (activities) and not the inputs. Furthermore should the activities be clear and specific and link to the goals of the division.	Agree with the findings AGs recommendation is noted, the key performance indicator was not well defined and does not meet SMART principles. The KPI was removed in the Top Layer SDBIP for 2017/2018 Financial Year.
2. AOPO - Indicator 130 not well defined (ISS 2)	Indicator 130 "Number of advertising structure database updated per annum" do not have a clear, unambiguous definition and is therefore not easy to understand and use.	The indicator was not well-defined according to the framework during the development of the indicators.	The indicator should be re-defined and have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.	Agree with the findings AGs recommendation is noted. During the development of the 2017/2018 Top Layer SDBIP, internal audit assisted PMS unit in ensuring that developed KPIs are well defined, easily understood and meet the SMART Principles before it was approved by the Mayor.
3. AOPA - Indicator 136 not appropriate and relevant (ISS 3) Requirement	Indicator 136 "Number of fleet management policies reviewed and approved by the Council per annum" is not appropriate as it measure an internal process and not service delivery improvements, and is therefore also irrelevant.	Indicator was not developed according to the requirements of the framework referred to.	The indicator should be re-developed in order to measure the activities that leads to service delivery at the unit.	Agree with the findings The KPI was improperly placed under basic service delivery however it has been corrected in the current financial year (2017/2018). It is the responsibility of Corporate Services department to ensure and assist with the process of reviewing all municipal policies and they are all sent to council by the manager responsible from Corporate Services under Municipal Transformation and Institutional Development Key Performance Area.
4. AOPO - Indicator 137 not relevant (ISS 4)	Indicator 137 "Percentage of MIG money spent" is not relevant to the objectives and goals of the section "Maintenance of municipal buildings" as it relates to an input ratio and not output. Furthermore should this resort under "Financial viability and management" and not Basic service delivery.	The indicator was not well-developed according to the requirements of the framework referred to.	Indicator should be re-developed to measure outcomes with regards to maintenance of buildings e.g. percentage of tasks/projects performed as per maintenance schedule.	Agree with the findings. Project Management unit is required to report MIG spending on a monthly and quarterly basis, however, we agree with the findings that the KPI was not relevant to the objectives and goals of the section "maintenance of municipal buildings. Recommendations will be taken into account during the review of the 2017/2018 Service Delivery Budget and Implementation Plan.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
5. AOPO - Indicator 138 not relevant(ISS 5)	Indicator 138 - "Percentage capital budget (excluding MIG) actually spent on capital projects identified in financial year regarding the IDP" does not relate to the outcome of the unit but measure a financial ratio (input).	Indicator was not appropriately designed to measure outcomes at the unit (capital projects) but measure an internal financial ratio.	Indicators should be re-developed to measure output of capital projects e.g. percentage projects completed as planned.	Agree with the findings, recommendations will be considered during the review of the 2017/2018 SDBIP in January 2018.
6. AOPO - Policies and SOPs for PDO not developed(ISS 6)	The municipality did not compile the necessary documentation as required by par. 5.2 of the Framework for the programme management of performance information	Policies and procedures in this regard are not finalised yet.	The required documentation should be finalised and the subsequent processes and structures implemented.	Agree with the findings. Recommendation will be implemented in the 2017/2018 financial year.
7. AOPO - Performance management system not in place(ISS 7)	The required performance management system has not been established yet although one is currently being developed for 2017/18.	Inadequate management controls to ensure the establishment of a performance management system.	Performance management System which is currently being developed should be finalised and implemented.	Agree with the findings The municipality is in the process of implementing legislative requirements as recommended for 2017/2018 financial year.
8. AOPO - Roles and responsibilities for quality assurance not communicated(ISS 8)	Roles and responsibilities for ensuring data integrity and quality assurance were not documented and communicated to all relevant staff as required by the framework.	Lack of management controls to ensure compliance with the framework.	Roles and responsibilities for ensuring data integrity and quality assurance should be clearly documented and communicated to all relevant staff.	Agree with the findings, standard operating procedures per Key Performance Indicators will be developed during the 2017/2018 financial to ensure data and quality assurance is clearly documented and communicated to all relevant staff. We also request AG to assist and advise and show us examples of such documents that the municipality must develop to ensure that data and quality assurance is clearly documented and communicated to all relevant staff.
9. AOPO - Risk management procedures not effective (ISS 13)	Risk management procedures were not implemented as required	Ineffective management controls to comply with the framework.	Risk management procedures should be implemented to identify, prevent and correct misstatements regarding performance information reporting, including data quality risks.	Disagree with the finding.Risk Management procedures were implemented to identify risks regarding performance management system and controls were implemented. However, the unit can confirm that not all risks identified were attend to.
10. AOPO - No data assurance procedures in place (ISS 15)	Data assurance procedures were not in place to monitor data collection, processing and monitoring procedures.	Inadequate management controls in place to comply with the framework.	Data assurance procedures should be put in place to monitor data collection, processing and monitoring procedures.	Agree with the findings. Recommendations made will be taken into account.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
11. AOPO - Performance not adequately monitored (ISS 16)	Systems and processes for the monitoring, measurement and review of performance were not designed in a manner that enables the municipality to detect early indications of under-performance. Only quarterly reports were in place.	Inadequate management controls in place to adhere to the act.	The system and process for the monitoring, measurement and review of performance should be designed in a manner that enables the municipality to detect early indications of under-performance.	Agree with the findings, the unit will put in place a system and process for the monitoring, measurement and review of performance to detect early indications of under-performance address under-performance throughout the year on quarterly basis by developing and monitoring a progress to date report on measures taken to improve performance.
12. AOPO – Annual Reportis not taken into account in mid-year report (ISS 17)	The Mid-year performance report did not take into account the municipality's annual report for the past year and progress on resolving problems identified in the annual report.	Inadequate management controls to comply with the act.	The Mid-Year Performance report should take into account the municipality's annual report for the past year and progress on resolving problems identified in the annual report.	Agree with the findings, recommendations will be implemented in the 2017/2018 financial year.
ISS.14: Incorrect classification of the assets in the Assets Register	During the assessment of the above mentioned infrastructure assets it was identified that this transformer is a 400 kva however it was included in the asset register as 500 kva.	The infrastructure Asset Register is not reviewed and updated on a regular basis.	Management should review the assets register to ensure that the correct descriptions are applied to the assets to ensure that they are correct	Management agrees with this finding, but it has an immaterial effect on the fair value FAR_2017_11976 Asset was verified in 2017 but a mistake was made on the descriptor. However, this asset was linked to an addition, therefore it does not have an impact on the fair value of the asset register.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response																																				
ISS.24 PPE The assets do not exist	<p>During the physical verification of the assets with the municipality's consulting engineer the following assets could not be physically found:Table 2: Assets do not exist</p> <table border="1"> <tr> <td>FAR_ID_2017</td> <td>Asset</td> <td>SubCategory</td> <td>Component</td> <td>Type</td> <td>Size</td> <td>SizeMeasure</td> <td>CRC</td> <td>2016</td> </tr> <tr> <td>INCL FAR_2017_6097</td> <td>Roads and Stormwater</td> <td>Concrete</td> <td>400.00</td> <td>mm</td> <td>83</td> <td>947.92</td> <td></td> <td></td> </tr> </table> <p>During the physical verification of the assets with the municipality's consulting engineer the following assets could not be physically found:Table 2: Assets do not exist</p> <table border="1"> <tr> <td>FAR_ID_2017</td> <td>Asset</td> <td>SubCategory</td> <td>Component</td> <td>Type</td> <td>Size</td> <td>SizeMeasure</td> <td>CRC</td> <td>2016</td> </tr> <tr> <td>INCL FAR_2017_6097</td> <td>Roads and Stormwater</td> <td>Concrete</td> <td>400.00</td> <td>mm</td> <td>83</td> <td>947.92</td> <td></td> <td></td> </tr> </table>	FAR_ID_2017	Asset	SubCategory	Component	Type	Size	SizeMeasure	CRC	2016	INCL FAR_2017_6097	Roads and Stormwater	Concrete	400.00	mm	83	947.92			FAR_ID_2017	Asset	SubCategory	Component	Type	Size	SizeMeasure	CRC	2016	INCL FAR_2017_6097	Roads and Stormwater	Concrete	400.00	mm	83	947.92			Asset register reviews are not performed regularly.	Management should ensure that only those assets that exist, In good working condition and belong to the municipality are included in the assets register	Management does not agree with this findingThis asset does exist, it is an underground storm water pipe obtained from engineering as built drawings and not visible above the groundSee images below:
FAR_ID_2017	Asset	SubCategory	Component	Type	Size	SizeMeasure	CRC	2016																																
INCL FAR_2017_6097	Roads and Stormwater	Concrete	400.00	mm	83	947.92																																		
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Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
ISS.25: PPE The assets could not be verified (Scope limitation)	<p>During the physical verification process, the audit team could not get access to 13 assets selected for verification and therefore the condition and existence of the assets could not be verified. Table 3 below indicates assets that could not be verified</p> <p>Table 3: The assets that could not be verified (Scope limitation)</p> <p>No FAR_ID_2017 Asset SubCategory Component Type</p> <p>CRC 2016 INCL CRC 2008 INCL Additions Amount CURRENT CONDITION 2017 DESCRIPTION</p> <p>1 FAR_2017_12580 Electricity Switchgear - Big 1 643 986.98 1 277 290.60 2 518 301.74 GOOD2 FAR_2017_14170 Sewer Chamber 44 163.73 34 312.87 75 895.69 FAIR3 FAR_2017_16877 Sewer Telemetry - Pump Station 118 032.94 91 705.33 POOR4 FAR_2017_9733 Sewer Distribution Kiosks 4 860.30 3 776.19 GOOD5 FAR_2017_15957 Sewer Oxidation Ponds & Dams 1 488 332.82 1 156 355.57 FAIR6 FAR_2017_11358 Sewer Transformers 55 105.60 42 814.12 GOOD7 FAR_2017_11940 Water Telemetry - Reservoir 134 271.33 104 321.70 44 216.36 GOOD8 FAR_2017_11598 Water Transformers 80 234.95 62 338.29 26 421.85 GOOD9 FAR_2017_12039 Water Pump Mechanical - Pump 168 060.15 130 573.81 122 735.13 GOOD10 FAR_2017_10442 Water Distribution Boards 11 450.39 8 896.34 8 362.27 GOOD11 FAR_2017_14762 Water Bulk Water Meter 81 820.20 63 569.95 FAIR12 FAR_2017_8912 Water Face Brick & Bobcrete (Concrete) Roofing Slab 115 623.63 89 833.42 VERY GOOD13 FAR_2017_9671 Water Distribution Kiosks 4 860.30 3 776.19 GOOD</p>	Sedibeng Water Board had locked premises of the Municipality during the verification processes.	The municipality should therefore ensure that access to the site/asset selected for verification is granted to enable verification of such site/asset	The facilities where these assets are housed were locked at the time of audit as these facilities are managed by Sedibeng Water for the municipality. We are in the process of making copies of keys for these facilities and the Auditors will be free to access the facilities to verify the assets. Furthermore this was communicated to the audit manager that further arrangements will be made to avail access to the auditors to verify these assets. Photo links are available for all these assets within the asset register, field: Photo RefClick on the hyperlink to access via a web browser. Login: photo@gmail.com Password: photo1234

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
ISS.25: PPE The assets could not be verified (Scope limitation)	<p>During the physical verification process, the audit team could not get access to 13 assets selected for verification and therefore the condition and existence of the assets could not be verified. Table 3 below indicates assets that could not be verified</p> <p>Table 3: The assets that could not be verified (Scope limitation)</p> <p>No FAR_ID_2017 Asset SubCategory Component Type</p> <p>CRC 2016 INCL CRC 2008 INCL Additions Amount CURRENT CONDITION 2017 DESCRIPTION</p> <p>1 FAR_2017_12580 Electricity Switchgear - Big 1 643 986.98 1 277 290.60 2 518 301.74 GOOD2 FAR_2017_14170 Sewer Chamber 44 163.73 34 312.87 75 895.69 FAIR3 FAR_2017_16877 Sewer Telemetry - Pump Station 118 032.94 91 705.33 POOR4 FAR_2017_9733 Sewer Distribution Kiosks 4 860.30 3 776.19 GOOD5 FAR_2017_15957 Sewer Oxidation Ponds & Dams 1 488 332.82 1 156 355.57 FAIR6 FAR_2017_11358 Sewer Transformers 55 105.60 42 814.12 GOOD7 FAR_2017_11940 Water Telemetry - Reservoir 134 271.33 104 321.70 44 216.36 GOOD8 FAR_2017_11598 Water Transformers 80 234.95 62 338.29 26 421.85 GOOD9 FAR_2017_12039 Water Water Pump Mechanical - Pump 168 060.15 130 573.81 122 735.13 GOOD10 FAR_2017_10442 Water Distribution Boards 11 450.39 8 896.34 8 362.27 GOOD11 FAR_2017_14762 Water Bulk Water Meter 81 820.20 63 569.95 FAIR12 FAR_2017_8912 Water Face Brick & Bobcrete (Concrete) Roofing Slab 115 623.63 89 833.42 VERY GOOD13 FAR_2017_9671 Water Distribution Kiosks 4 860.30 3 776.19 GOOD</p>	Sedibeng Water Board had locked premises of the Municipality during the verification processes.	The municipality should therefore ensure that access to the site/asset selected for verification is granted to enable verification of such site/asset	The facilities where these assets are housed were locked at the time of audit as these facilities are managed by Sedibeng Water for the municipality. We are in the process of making copies of keys for these facilities and the Auditors will be free to access the facilities to verify the assets. Furthermore this was communicated to the audit manager that further arrangements will be made to avail access to the auditors to verify these assets. Photo links are available for all these assets within the asset register, field: Photo RefClick on the hyperlink to access via a web browser. Login: photo@gmail.com Password: photo1234

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
ISS.26: PPE Additions not added to the amount of the existing assets	During the assessment of the assets register it was identified that there were some additions made to the existing assets and the value of this additions were then used as the cost of the whole asset. If you look at the CRC (Capital Replacement Cost) of 2016 and 2008 you can see that the value of the additions is far less then CRC. This indicate that this was just an addition and repair of that item not replacement. Below examples are shown. This therefore resulted in the understatement of the assets in the financial statement. Refer to table 4 below	Asset register reviews are not performed regularly.	Management should review the assets register to ensure that addition are added to the existing assets to ensure that the cost price of the assets is accurately stated in the assets register and that the cost price of the assets in the financial statement is accurately stated.	<p>Management do not agree with this finding. These assets were acquired after 30 June 2008 and are valued using Actual cost method and not CRC. It is important to keep in mind the process of allocating addition amounts to components:</p> <ol style="list-style-type: none"> 1. Project costs are obtained and matched to the GL. 2. For all project additions, additional information is sourced in order to link the addition costs to components e.g. asbuilts drawings and bill of quantities. 3. Based on the information obtained from the bill of quantities and asbuilts components captured in the field are linked to the project.
ISS.27: PPE The Valuation reports were not submitted for audit (Limitation of scope)	The valuation reports for land and building were not submitted for the assets as included in table 5, the audit team were therefore not in a position to verify how the selling prices were determined	Auditors request are not followed with individual audit team members	Management should ensure that requested information is made available to the auditors to enable them to perform their assessment of the assets and express their opinion on the fair presentation of the assets in the financial statement.	Management does not agree with the audit finding as the valuation roll was submitted and acknowledged by the assistant audit manager on the assignment. This was however not forwarded to the auditor who requested this information in the audit team. This finding is therefore invalid and should not make it to the draft nor the final management letter.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>ISS.28: PPE Components that the audit team were unable to verify their RUL. Requirement/Legislation</p>	<ul style="list-style-type: none"> • The methodology and supporting documents that were submitted for audit purpose does not clearly indicates how the conditions of complex components where verified. • Thus the audit team were unable to determine the true value of the RUL and the DRC of the below listed components. • The audit team are also of the opinion that the descriptor is also confusing on this components, because according to COLTO (4200) the road base with the asphalt surfacing is constructed with G1-G6 material not asphalt and on the block paved road the bricks are used for surfacing not base of the road. • The below table outlines these components. Table 2 	<p>Consulting engineers were provided a short space of time to compile the Asset Register.</p>	<p>Management should ensure that all the assets are correctly described to ensure that calculation of the DRC is not confusing for all the asset items.</p>	<p>Management do not agree with this finding</p> <ol style="list-style-type: none"> 1. The supporting documentation provided as part of the audit file, clearly indicates the adopted EUL and Unit Rates for these components. The EUL of 50 years for road base structures are in line with the guidelines found in government publications – National Treasury’s Local Government Capital Asset Management Guideline. 2. As part of the supporting documentation, clear indications of the calculations and layerworks assumptions for various road surface types were included. These were provided by independent professional engineers – refer to DECA supporting documentation – and are in line with best practice guidelines. 3. Similar to it being impractical and excessively expensive to dig up network assets (such as pipelines and cables) to assess conditions and material types (when the data is not available), it is also not feasible to conduct a geotechnical investigation on the layer works for every municipal road to assess the composition, depth and condition of the layer works. This will be a vastly expensive and time-consuming exercise. In this regard stating that the FAR descriptor for road layer works should be classified according the classification of the granular material (G1 – G9), is an oversimplification and impractical suggestion as it would require detailed geotechnical knowledge of each municipal road. Limiting the criteria to the classification of the granular material is also not accurate, as the layer works for asphalt roads (the example used) could include for instance cement stabilized materials (denoted as C1, C2, etc.) or bitumen treated base course materials (BTB layers, etc.).

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
				<p>Again, the only way of accurately defining the composition of the road layer works, will be to conduct geotechnical tests on the roads, which would be too expensive and time consuming.</p> <p>4. As such, to deal with the challenges presented by C, the following methodology is applied:</p> <p>a. The road surface type can be classified based on a visual inspection and this data can be considered to be of a high degree of accuracy.</p> <p>b. Based on the road surface type, the costs for road base structure (or layerworks) can be generally defined using best practice guidelines for designs of roads of the relevant surface type. This is done by independent professional engineers (refer to DECA supporting documentation). As such, using the surface type as the descriptor for the road base structure is line with the methodology followed.</p> <p>c. EUL model for road base structures should be in line with NT guidelines.</p> <p>d. The condition of the road base structure is calculated in line with the condition of the road surface, as without any more detailed information, this is the most reliable indicator.</p> <p>e. The DRC can be calculated using the condition, EUL and Unit Rate model for the specific road base structure type.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
ISS.29: PPE Components added as one component.	<p>FAR_2017_16361 – Concrete Stormwater Channel• Component has been classified as concrete stormwater channel that has the following parameters (0.50m²x34.00m Length).• 34m. length that is on the asset register included the grid inlets as shown on figure 11 That indicates that the stormwater and the grid inlet are added as one component. • Thus the audit team are of the opinion that the CRC does not reflect a true value of this asset, as these two components have a different CRC.</p> <p>FAR_2017_16353 Concrete Stormwater Channel• Stormwater channels that are on the same street have been added as one component, this was confirmed by the municipal consultant during the physical verification, thus give the component to have the following parameters (0.50m² x 33.00m Length)• The audit team had measured the following parameters (0.9 m x27.00m Length) on the stormwater channel shown on figure 12, this was the location of this component. The other section of the stormwater on the other side is 10m in length. • Audit team are of the view that these assets were not componentized accordingly. • Thus the audit team is of the opinion that the CRC does not reflect a true value of this asset.</p>	Inadequate review of the asset register and the validation thereof.	Management should ensure that all the assets are correctly broken down and included as separate items in the asset register	<p>FAR_2017_16361 – Concrete Stormwater ChannelManagement do not agree with this findingStormwater channels and grid inlets are recorded separately in the asset register.Stormwater channels are captured using three dimensions in the field:• Width in meter• Average Depth in meter• Length in meterIn the asset register we record the width x depth as m² in the Size column and the length in the extent column.The unit rate is measured in cubic m (m³), therefore we multiply the dimensions to get to a CRC value.FAR_2017_16353 Concrete Stormwater ChannelManagement agrees with this finding; however the difference between 33 in Length and (27+10) has no material impact on the fair value</p>
ISS.30: PPE Building incorrectly classified as a clinic in the asset register	<ul style="list-style-type: none"> • Facility has been wrongly classified on the asset register, because the municipality building facilities that are on the erven is only the ablution facilities as show on figure 13. • During physical verification the audit team discovered that the municipality facilities on the specified erven is not a clinic as indicated in the asset register • We could also not determine how the values were derived at. 	Validation of the asset register not performed.	Management should ensure that all the assets are correctly classified in the asset register and that all valuation methodology and supporting document is provided for audit purposes.	Agreed, this will be corrected on the asset register

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
ISS.31: PPE The following asset was damaged and it was not impaired in the asset register	<ul style="list-style-type: none"> • During the physical verification the audit team have discovered that component 16391 – Batlharos Community Hall has been badly damaged on the inside. The below figures illustrate the condition of the asset. • The physical building it is still in good conditions, there are no visible defects on the infrastructure. • The audit team are of the opinion that this asset should have been impaired. • Below are the pictures of the damages done to the building 	Infrastructure asset management is outsourced, no regular updates of the Fixed Asset Register	Managements should ensure that damaged assets are impaired in the asset register so that the values are not overstated.	This asset was not as badly damaged at the time of physical verification. The structure was sound and only warranted repairs to be done on the areas vandalised. The asset will be impaired in order to reflect the damage that was caused by the vandalism.
5. ISS.36 AOPO: Indicators not measurable	<p>Contrary to the above mentioned prescripts the following was noted:</p> <p>a) Indicators not verifiable No. Indicator name Target Reasons</p> <p>1 115 - Implementation of schedule at cemeteries 100% No registers are kept for the current year of audit.</p> <p>2 117 - Percentage of outstanding fines and warrant of arrests 100% Target numerator and denominator not clearly defined</p> <p>3 114 - Implementation of maintenance schedule at sport grounds 100% Target numerator and denominator not clearly defined</p> <p>4 149 - Percentages of water breakdown (pipe burst, blockages) attended to and resolved within 24 working hours of reporting 100% Target numerator and denominator not clearly defined</p> <p>5 126 - Percentage of building contravention submitted for legal action within 6 weeks from detection 100% Target numerator and denominator not clearly defined</p> <p>6 127 - Percentage of building plans applications assessed within 30 working days 100% Target numerator and denominator not clearly defined</p> <p>7 128 - Percentage of building inspections conducted within 32 working hours from time of booking of appointment 100% Target</p>	The Municipality does not have proper, clear and specific guidelines "Standard Operating Procedures" (SOP) on how to prepare the performance objectives and they did not have a manager for PMU till year end.	The Municipality should prepare an SOP addressing each indicator and following the "SMART" criteria. In the SOP they should have measurable targets and well defined indicators. The targets achieved should be re-performable and have numerator and denominator and it should address how the information will be collected.	

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	<p>numerator and denominator not clearly defined</p> <p>b) Indicator not well defined: No. Indicator name Target Reasons 1 136 - Number of fleet management policies reviewed and approved by Council per annum 1 Practice not consistent with indicator name; indicator not reviewed annually.</p>			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
1. (ISS.33)Employee costs: Planning issues	<p>Through inspection of an employee pay-slip (employee code: S313754) for pay period ending 30 November 2016, it is noted that the employee received an amount of R2 557.95 for overtime at 1.5 and 2 days paid for working on Sunday amounting to R682.15. Other allowances verified include night shift (31 hours amounting to R264.32) and standby (105 hours amounting to R447.64).A calculation of overtime hours by the payroll department was noted as inscribed on the approved forms as 1.5 - 40hrs; Sunday -2 days; (Night Shift) N/s - 31The attached timesheet on which the payments were based is summarised as follows:Verified and approved work done Activity hours verified/ payableDate Period O/t Hrs Rate Night shift04/11/2016 16:30 to 23:30 7.0 1.5 5.505/11/2016 10:00 to 00:30 12.5 1.5 6.506/11/2016 01:00 to 23:30 10.5 2.0 3.007/11/2016 16:30 to 21:00 4.0 1.5 2.508/11/2016 16:30 to 22:30 6.0 1.5 4.509/11/2016 16:30 to 21:30 5.0 1.5 3.510/11/2016 16:30 to 22:30 6.0 1.5 4.512/11/2016 07:00 to 14:00 7.0 1.5 0.013/11/2016 07:00 to 14:00 7.0 2.0 0.0The above timesheet details are further evaluated against payroll calculations as follows: Total Hours Rate Quantified/ payable DifferenceOvertime payable Audit verified Municipality Audit Municipality Hours @ 1.5 40 40 63.945 2,557.80 2,557.95 0.15 Hours @ 2 17.5 16 85.26 1,492.05 682.15 (809.90)Stand-by allowance per policy 1 week 31 (85 265/250/8*8.5) 362.38 447.64 85.26 Overtime leave days 7.5 25 8 0.94 3.13 2.19 Night shift 30.00 31 (85 265/250/8) 1,545.44 264.32 (1,281.12)It is from the above that the following matters are established:1. Employees at the municipality work overtime following which any hours in excess of 40 hours in any pay period (average of 10 hours per</p>	<p>1. The municipality does not apply adequate reviews on payroll calculations on the computation of the actual hours due for payment as evidenced by timesheets.2. Application of policy provisions in accordance with system set-up is not accurately reviewed to ensure accurate application of all transactions affecting an employee's gross earnings.3. Payroll officials lack complete knowledge of all policies that affect employees' remuneration as followed by incapacity to apply related policies accurately.</p>	<p>We recommend that payroll officials should be familiarized with all policies and provisions that affect the municipal operations in general. Guidance should be extended to the application of related policies to employee remuneration/ payroll calculations.Where possible we recommend capture of employee working hours electronically (basic excel can be considered for a start), to enable accurate computation of hours worked.We also recommend establishment of the VIP payroll system with reviewed transactions that are aligned to the municipality's policies and provisions, as clearly in line with legislation and regulative prescript.</p>	

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	<p>week) are not processed for payment however converted to overtime-leave days accrued.2. A review of overtime hours per time-sheet against actual hours paid/ calculated per payroll indicated a variation which could not be clarified from the payroll office resulting in inaccurate payment of overtime/ conversion of overtime hours to leave days due.3. The calculated overtime leave days could not be traced to the leave register for employee leave balances. We could not establish further when the employee took time-off for the accrued leave days.4. Stand-by allowance is paid-out in relation to the number of hours worked however policy provisions require remuneration for stand-by allowance to be in accordance with the number of weeks an employee is available for stand-by.5. Remuneration for night-shift work is not applied at the correct rate/ tariff.</p>			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
2. ISS.34: Employee cost: Appointment not aligned to organogram	<p>The municipality appointed an official as: Manager -Performance Management Systems following which recruitment was initiated in November of 2016 however, the organogram did not make provisions for the respective position. It is further noted that council approved an organogram in June of 2017 and notification of related appointments was done five months after the official has resumed their duties. It is further noted that employees receive Housing Help as an allowance to their salaries however we could not establish full entitlement of related allowances in the form of proof of registration at prescribed institutions in the employee's name. For the matter referred on Housing Help, the municipality advanced R750 for the 2016/17 financial period in excess of SALGA determination of R742. Contrary to the requirement of the Recruitment Policy (section 2.1.4) of the Municipality, we could not obtain adequate evidence to indicate that the position was internally advertised. We did not obtain adequate audit evidence to indicate that the employee's medical aid and pension/ retirement fund was activated prior to payroll cut-off (on the 15th of February) for processing of salary run; however deductions and contributions were undertaken resulting in adequate controls on the validation of payroll transactions. The overall impact of the control deficiencies will be evaluated further with detailed testing to follow.</p>	<p>Oversight and override of budget/ organogram provisions in the appointment of officials Possible Unauthorised Expenditure</p>	<p>We recommend that all appointments should be in accordance with an approved organogram as budgeted in accordance with the municipality's Recruitment Policy</p>	<p>Council resolution had been taken in May 2016 for the financial period of 2016/17</p>
3. ISS.37: Repairs and maintenance: Incomplete disclosure	<p>It was identified that repairs and maintenance was only disclosed on the face of the financial statement under expenditure and no separately disclosure of information about the specific costs included in the amount of repairs and maintenance disclosed in the note.</p>	<p>Management did not properly review the finance statement.</p>	<p>Management should ensure that finance statement are reviewed.</p>	<p>Agreed, the disclosure is now reflected in the financial statements</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response															
4. ISS.39: PPE: Work In Progress not disclosed in line with GRAP 17 requirement	<p>1. The work in progress is not disclosed as per requirements of the above mentioned GRAP 17 requirements as no disclosure was made for the following:i) Cumulative expenditure recognised in the carrying value of property, plant and equipment.ii) Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delaysiii) Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s) including reasons Below is the list of projects that were not completed on time:</p> <table border="1"> <thead> <tr> <th>Project Name</th> <th>Project Description</th> <th>Start Date</th> <th>Planned End Date</th> <th>Actual completion Date</th> </tr> </thead> <tbody> <tr> <td>MIG 1317: Vergenoeg-Maruping: Upgrading link road to bituminous standard (Phase 2)</td> <td>Construction of 4.6km gravel road to surfacing</td> <td>2016/04/05</td> <td>2016/10/07</td> <td>2017/07/20</td> </tr> <tr> <td>MIG 1318: Vergenoeg-Batharos: Upgrading link road to Bituminous standard (Phase 2)</td> <td>Construction of 4.1km gravel road to surfacing</td> <td>2015/09/03</td> <td>2016/03/17</td> <td>2016/05/30</td> </tr> </tbody> </table> <p>Construction of Mapoteng water network extensions Source verification of existing boreholes to confirm the yield, drilling and equipping of additional 2 borehole, construction of 3.5km dedicated pump main, installation of 37 prepaid standpipes and construction of 9.4km reticulation pipeline 2016/07/20 2017/03/31 2017/06/23</p> <p>Construction of Mokalamosesane bulk water supply augmentation phase 2 source development for additional 1 borehole, drilling and equipping of 1 borehole, construction of 2500m dedicated pump main, construction of 150kl pressed steel tank on a 15m stand installation of 26km prepaid standpipes and construction of 11.6km reticulation pipeline 2016/07/20 2017/04/06 2017/05/12</p> <p>Construction of lined double pit sanitation toilets</p>	Project Name	Project Description	Start Date	Planned End Date	Actual completion Date	MIG 1317: Vergenoeg-Maruping: Upgrading link road to bituminous standard (Phase 2)	Construction of 4.6km gravel road to surfacing	2016/04/05	2016/10/07	2017/07/20	MIG 1318: Vergenoeg-Batharos: Upgrading link road to Bituminous standard (Phase 2)	Construction of 4.1km gravel road to surfacing	2015/09/03	2016/03/17	2016/05/30	Management did not take adequate steps to ensure that they are up to date with the changes of the GRAP standards	Management should ensure that the work in progress is disclosed in line with the GRAP requirements as indicated in the finding above.	Agreed, work in progress will be disclosed as per GRAP 17
Project Name	Project Description	Start Date	Planned End Date	Actual completion Date															
MIG 1317: Vergenoeg-Maruping: Upgrading link road to bituminous standard (Phase 2)	Construction of 4.6km gravel road to surfacing	2016/04/05	2016/10/07	2017/07/20															
MIG 1318: Vergenoeg-Batharos: Upgrading link road to Bituminous standard (Phase 2)	Construction of 4.1km gravel road to surfacing	2015/09/03	2016/03/17	2016/05/30															

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	Construction of 496 lined double pit toilet in Bankhara Bodulong 2016/07/07 2016/11/07 2017/07/11			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
5. ISS.36 AOPQ: Indicators not measurable	<p>Contrary to the above mentioned prescripts the following was noted:</p> <p>a) Indicators not verifiable</p> <p>No. Indicator name Target</p> <p>Reasons</p> <p>1 115 - Implementation of schedule at cemeteries 100% No registers are kept for the current year of audit.</p> <p>2 117 - Percentage of outstanding fines and warrant of arrests 100% Target numerator and denominator not clearly defined</p> <p>3 114 - Implementation of maintenance schedule at sport grounds 100% Target numerator and denominator not clearly defined</p> <p>4 149 - Percentages of water breakdown (pipe burst, blockages) attended to and resolved within 24 working hours of reporting 100% Target numerator and denominator not clearly defined</p> <p>5 126 - Percentage of building contravention submitted for legal action within 6 weeks from detection 100% Target numerator and denominator not clearly defined</p> <p>6 127 - Percentage of building plans applications assessed within 30 working days 100% Target numerator and denominator not clearly defined</p> <p>7 128 - Percentage of building inspections conducted within 32 working hours from time of booking of appointment 100% Target numerator and denominator not clearly defined</p> <p>b) Indicator not well defined.</p> <p>No. Indicator name Target</p> <p>Reasons</p> <p>1 136 - Number of fleet management policies reviewed and approved by Council per annum 1 Practice not consistent with indicator name; indicator not reviewed annually.</p>	<p>The Municipality does not have proper, clear and specific guidelines "Standard Operating Procedures" (SOP) on how to prepare the performance objectives and they did not have a manager for PMU till year end.</p>	<p>The Municipality should prepare an SOP addressing each indicator and following the "SMART" criteria. In the SOP they should have measurable targets and well defined indicators. The targets achieved should be re-performable and have numerator and denominator and it should address how the information will be collected.</p>	<p>Management Response</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
6. ISS.38: Provisions - Misstatement in Post-Employment Benefit provision	<p>Contrary to the provisions of GRAP 19, the following has been identified:</p> <p>1) Information submitted to the actuaries included invalid data following which an employee whose service terminated as at 30 June 2017 was included in the consideration for evaluations and related assumptions. Reference to the above finding is employee code S401153 with a salary in June as included in the actuarial evaluation of R9 903.</p> <p>2) Provision made as at 30 June 2016 for liabilities due within the 2016/17 period for Long Service Bonuses amounted to R332 577 as compared to actual bonuses paid in the period amounting to R142 443. This indicates an excess provision by 57% resulting in a need to review the reliability of the basis of evaluation for the provision as disclosed in the Annual Financial Statements.</p>	<p>1) Information submitted to the actuaries is not reviewed for validity and accuracy</p> <p>2) Estimates and provisions made are not reviewed for relevance and adequacy</p> <p>Estimates are based on invalid data resulting in excessive provisions leading to inflated employee costs per Statement of Financial Performance and inflated liabilities per Statement of Financial Position by an unknown amount. It is for this matter that we are not able to quantify the overall misstatement in the actuarial estimates made as a result we cannot place reliance on the actuarial evaluations to which the provisions was made.</p>	<p>We recommend that management should review all information and data prior to submission to external parties. Further all results upon submission from agents should be reviews for adequacy, accuracy and relevance to the organisation. Management should also consider evaluation and assessment of the work done by agents and further engage with respective parties were trending variations are identified.</p>	<p>Agreed, management will review the information to be re-submitted to Actuaries</p>
1. ISS.54: Provisions: Leave accrual incomplete	<p>The municipality only reported on one category and group of employees (Company 001), overlooking the obligation on leave balances for temporary employees and other management personnel. This resulted in 1 192 employees' leave balances not considered in the provision for leave pay as reported upon in the Annual Financial Statements.</p>	<p>The municipality did not recognise the liability as stipulated per the Basic Conditions of Employment Act (75 of 1997) as this would meet the recognition criteria in accordance with GRAP 19.</p>	<p>We recommend that management should prepare financial statement which show a true reflection of obligations (legal or constructive). In addition, the provisions of the BCEA should be monitored and controls implemented which include among others, monitoring of leave due to temporary employees in accordance with section 20 (2) of the Act. Monitoring should enable an assessment of hours/ days worked by the employee following which for every 17 hours worked, the employee is entitled to at least 1 hour annual leave. Should monitoring be undertaken in days, for every 17 days worked, the employee is entitled to 1 day annual leave (pro-rata).</p>	<p>Management does not agree with the audit finding. The contract workers do accumulate leave days in terms of the BCEA, however it should be noted that these contract workers are in a form of job creation mechanisms funded from grants such as EPWP. Unused leave days are not remunerated when the contract expires even in the event that the worker gets absorbed from being a contract worker to a permanent employee, no leave days is carried forward, therefore the provision for leave in the AFS has been correctly calculated.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
2. ISS.50 PPE- Land & Buildings- Loss on scrapping of building not disclosed	<p>The loss on scrapped Community building, ERF 1515 , was not recorded in the financial statements.</p> <p>Calculation of the profit or loss of the disposal Cost of the Asset 3 208 044.57 Total Useful life 36 500.00 Days Time lapsed from acquisition to date of disposal 2 984.00 Days Accumulated depreciation 262 268.63 Carrying value at the date of disposal 2 945 775.94 Amount received from the insurance 2 745 628.20 Loss on disposal (200 147.74) Amount recorded as per AFS - Misstatement (200 147.74)</p>	<p>Management did not adequately review the annual financial statements to ensure that they are compliant with GRAP requirements Annual financial statements will not be fairly presented as required by GRAP and the MFMA.</p>	<p>Management should disclose the profit/ loss on the scrapping of the destroyedCommunity building</p>	<p>Management agrees with the audit finding and will make adjustments to the financial statements.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
3. ISS.58: Infrastructure Assets- Infrastructure Assets acquired Post 2008 were incorrectly Valued	<p>The cost of infrastructure assets that were acquired post 2008 were apportioned incorrectly between each asset from the total cost of the project as the municipality did not use the bill of quantity and variance report to apportion the costs incurred on the total cost of project. Furthermore, we could not obtain the bill of quantities to perform a recalculation to quantify the magnitude of the misstatement. The below listed infrastructure was a sample selected to verify the correctness of the costs allocated.</p> <p>FAR_ID_2017 Asset Sub-Category Component Type Descriptor Type Invoice Date Invoice Amount (R)</p> <p>FAR_2017_11940 Water Telemetry - Reservoir 2012/07/10 44 216.36</p> <p>FAR_2017_11598 Water Transformers 200 kva 2012/07/10 26 421.85</p> <p>FAR_2017_12472 Electricity Mini - Substation 630 kva 2011/11/30 305 104.49</p> <p>FAR_2017_14170 Sewer Chamber Concrete/Brick and Steel Cover 2009/02/04 75 895.69</p> <p>FAR_2017_9780 Sewer Distribution Kiosks 2009/02/04 8 352.45</p> <p>FAR_2017_15917 Roads and Stormwater Kerbing Single Unit 2008/12/10 200 191.32</p> <p>FAR_2017_13953 Sewer Chamber Concrete/Brick and Steel Cover 2009/06/30 22 963.44</p> <p>FAR_2017_14499 Sewer Chamber Open Concrete Chamber 2009/06/30 51 447.87</p> <p>FAR_2017_8973 Roads and Stormwater Roads Base Structure Brick 2014/03/04 840 286.53</p> <p>FAR_2017_8931 Roads and Stormwater Kerbing Single Unit 2014/03/04 211 255.58</p> <p>FAR_2017_8986 Roads and Stormwater Road Surface Asphalt 2015/02/27 166 937.63</p> <p>FAR_2017_8990 Roads and Stormwater Roads Base Structure Asphalt 2015/02/27 252 910.60</p> <p>FAR_2017_15846 Electricity Face Brick & Tile Roof Single Storey 2015/06/30 722 623.84</p> <p>FAR_2017_12580 Electricity Switchgear - Big 2015/06/30 2 518 301.74</p> <p>FAR_2017_13192</p>	Management did not ensure that information relating to the the valuation of infrastructure is filled appropriately and immediately available.Impact	Management should ensure that there is appropriate and adequate record keeping of information to ensure that it is readily available.	Management does not agree with this finding. We followed the National Treasury guideline in valuing the components of assets, Directive 7 of 2008.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	Roads and Stormwater Kerbing Single Unit 2015/05/29 6 967.20 FAR_2017_12039 Water Pump Mechanical - Pump 2016/05/19 122 735.13 FAR_2017_10442 Water Distribution Boards 2016/05/19 8 362.27 FAR_2017_15078 Roads and Stormwater Kerbing Single Unit 2015/12/02 152 697.10 FAR_2017_12588 Roads and Stormwater Roads Base Structure Asphalt 2016/09/08 6 184 969.72			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
4. ISS.35: Expenditure Overstatement of expenditure	<p>The below transaction rerecorded on the general ledger could not be supported.</p> <p>No Depart Description Account Description Tran Date Doc No Remarks Debit</p> <p>1 210 Financial Services 260141 Insurance 12/07/2016 Ef006866- 0001 Lateral Unison Insurance 14 537.06</p> <p>2 210 Financial Services 260141 Insurance 11/08/2016 Ef006889- 0004 Lateral Unison Insurance 14 537.06</p> <p>3 210 Financial Services 260141 Insurance 02/09/2016 Ef006905- 0017 Lateral Unison Insurance 14 537.06</p> <p>4 210 Financial Services 260141 Insurance 14/11/2016 Ef006966- 0001 Lateral Unison Insurance 14 537.06</p> <p>Overstatement 58148.24</p>	This is due to lack of proper recording keeping; the submitted documents to the auditors did not correspond to the sampled documents.	The accounting officer should ensure that all information is readily available and is submitted within the required timeframe.	Management agrees with the audit finding, will be investigated and corrected accordingly.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
5. ISS.44: COMPL - Payments not made within 30 days	<p>It was noted that the following expenses were not paid within 30 days from receipt of invoice as required by the MFMA: General ledger</p> <p>No Depart Description Account Description Tran Date Doc No Debit Invoice number Invoice date/ Date of receipt of invoice Payment date Number of days before payment was made</p> <p>1 210 Financial Services 260001 Audit Costs 06/02/2017 EF007028-0001 225 104.80 289783 30-Nov-16 06-Feb-17 682 210 Financial Services 260001 Audit Costs 24/02/2017 EF007045-0007 121 976.20 292195/290935 31-Dec-16 24-Feb-17 553 210 Financial Services 260001 Audit Costs 31/03/2017 EF007082-0002 2 017 905.00 290936 31-Dec-16 31-Mar-17 904 210 Financial Services 260001 Audit Costs 05/04/2017 EF007090-0001 1 717 511.00 643 05-Jul-16 06-Apr-17 2755 380 Water 235012 Sedibeng 02/12/2016 EF006986-0013 7 227 892.84 5261/5277/5295/5313 05-Oct-16 02-Dec-16 586 380 Water 235012 Sedibeng 30/03/2017 EF007079-0019 3 613 946.42 5341/5329 13-Jan-17 30-Mar-17 767 380 Water 235012 Sedibeng 27/06/2017 IN000005413 1 806 973.21 5 413.00 13-Mar-17 27-Jun-17 1068 380 Water 235012 Sedibeng 27/06/2017 IN000005367 1 806 973.21 5 367.00 13-Mar-17 27-Jun-17 1069 380 Water 235012 Sedibeng 27/06/2017 IN000005355 1 806 973.21 5 355.00 13-Mar-17 28-Sep-17 19910 380 Water 235012 Sedibeng 30/06/2017 5459 1 806 973.21 5459 30-Jun-17 31-Jul-17 3111 380 Water 235012 Sedibeng 30/06/2017 5436 1 806 973.21 5436 31-May-17 31-Jul-17 6112 210 Financial Services 260024 Professional Fees 26/01/2017 EF007020-0002 314 292.54 ZMS/DEBT/0011 28-Nov-16 26-Jan-17 5913 210 Financial Services 260024 Professional Fees 24/03/2017 EF007072-0032 962 560.24 ZMS/DEBT/0013 21-Feb-17 24-Mar-17 3114 210 Financial Services 260024 Professional Fees 22/06/2017 ZMS/DEBT/0015 209</p>	This is due to cash flow concerns.	The accounting officer should ensure that all reasonable steps are taken to ensure that payments are made within 30 days from invoice date or receiving date.	Management agrees with finding

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	156.01 ZMS/DEBT/0015 24-Apr-17 22-Jun-17 5915 210 Financial Services 260141 Insurance 06/06/2017 EF007144-0008 8 689.00 21-Nov-16 07-Jun-17 19816 120 Library 260022 Library Development 10/08/2016 EF006887-0008 825 INA95540 01-Jul-16 10-Aug-16 40			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
6. ISS.45: Repairs and maintenance	<p>The below repairs and maintenance was incorrect classified. It was supposed to be capitalised as PPE. No Depart</p> <p>Description Account Description Tran Date Doc No Remarks Debit</p> <p>410 Electricity 235014 Meters: Replace & Test 08/09/2016 87910 Iss 087910 5 2542 410 Electricity 235014 Meters: Replace & Test 19/01/2017 88064 Iss 088064; ; ; 5 6343 410 Electricity 235014 Meters: Replace & Test 05/04/2017 88201 Iss 088201; ; ; 16 3274 410 Electricity 235017 Network: Distribution 30/06/2017 OGT0109 Oitsegodira General Tradi 6078.035 410 Electricity 235017 Network: Distribution 28/02/2017 88129 Iss 088129; ; ; 15554.136 410 Electricity 235017 Network: Distribution 06/12/2016 88046 Iss 088046 12602.687 410 Electricity 235017 Network: Distribution 06/09/2016 87878 Iss 087878 8 500.008 410 Electricity 235017 Network: Distribution 21/09/2016 87950 Iss 087950 8 500.0013 420 Sewerage 235016 Machinery & Equipment 17/03/2017 EF007070- 0001 C-Pac Pumps C-Pac Pumps 111992.9814 420 Sewerage 235016 Machinery & Equipment 12/05/2017 EF007122-0001 C-Pac Pumps C-Pac 38992.9815 420 Sewerage 235016 Machinery & Equipment 12/05/2017 EF007122- 0001 C-Pac Pumps C-Pac 210423.9916 420 Sewerage 235016 Machinery & Equipment 20/06/2017 IN725969 C-Pac Pumps & Valves C-Pa 344463.9919 420 Sewerage 235016 Machinery & Equipment 23/01/2017 EF007017-0004 C-Pac Pumps &Valves Emerg 534 436.9720 420 Sewerage 235016 Machinery & Equipment 10/03/2017 EF007059-0002 C-Pac Pumps C-Pac Pumps 362 399.9621 420 Sewerage 235016 Machinery & Equipment 25/01/2017 EF007019-0018 C-Pac Pumps & Valves C-Pa 290 670.96Total Overstatement 1 971 832.00</p>	Management did not correctly classify expenditure relating to repairs and maintenance.	Management should revisit the entire population of repairs and maintenance and identified repairs and maintenance that should have been capitalised as PPE and remove such cost and capitalised them under PPE. Furthermore management should also ensure that the disclosure requirements for repairs and maintenance as per GRAP 17.88 & 17.89 for Preparation and disclosure are adhered to.	Management agrees with the finding

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
7. ISS.46: Expenditure Presentation and disclosure	It was identified that contracted service note 34 (other contractors R 5 608 462) and General expenditure note 35 (Sundry expense 7 016 638) was disclosed on the notes financial statements but do not provide a break down for such amount as they are material	This was due to insufficient review of financial statement before they are submitted for audit.	Management should provide a break down in the disclosure notes of all material amounts.	Management agrees with the finding
8. ISS.62 Provision: Rehabilitation of Landfill site disclosure	It was noted that a reconciliation of the prior year provision for landfill sites were not disclosed in Note 19 Provisions as required above.	Management did not develop and implement controls to ensure that all disclosures in the AFS are complete and reconciles before submitting.	The accounting officer should review and ensure that all disclosures are complete when compiling the financial Statements.	Management does not agree with this finding as adequate disclosure was made in the Financial statements
1. Iss.47: Procurement and Contract Management: PPPF points incorrectly applied therefore resulting in an incorrect award (on or before 31 March 2017)	The point's calculation was incorrectly performed by the municipality resulting in the incorrect bidder being awarded the contract GASQ21/2016-17 - Supply and delivery of diaries and calendars amounting to R 94 900 Supplier Points calculated by auditee Points recalculated by auditors Comments Greenhouse Communication 100 80.00 No BEE points were awarded when recalculating the points as the BEE Certificate provided by the supplier was not an original document or certified copy. As a result the points for BEE were not included in the recalculation of points. GingerGold Promotions 82.50 82.50 GingerGold Promotions has the highest recalculated points but was not awarded the bid.	This is possibly due to an oversight resulting from the BEE certificates that are regarded as originals or certified copies and the cumulative effect it has on the points calculation. Impact This finding will result in irregular expenditure amounting to R94 900 (incl VAT). Management should revisit the entire population to determine the full extent of the irregular expenditure in determining the completeness of the irregular expenditure disclosed in the financial statements.	Management should ensure when calculating the preferential procurement points that they only allocated BEE points to suppliers that provided a valid BEE certificate (Original or certified copy).	The B-BBEE status points were awarded based not only on the certificate provided. The CSD report of the bidder shows that the bidder is status level one contributor hence the bidder was given the 20 points for the bidder. The auditor that issued the certificate in question is a duly registered auditor. Find the proof to these.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>2. ISS.48: Procurement and Contract Management: Supplier did not provide a declaration of interest (MBD 4)</p>	<p>1. The municipality awarded the following quotations without obtaining the decalration of interest (MBD 4)</p> <p># Supplier Name Order No Amount 1 LEUNGO ELECTRICAL (PTY) LTD 35241 19 199 2 CONWAY JOHNSON & DIV OF INMINS 35963 13 201</p> <p>2. The following section 32 contract was entered into by the municipality without obtaining the required declaration of interest</p> <p>Camelsa Consulting Group (Pty) Ltd - LETSAFS/05/2016 - R 3 362 125.36</p>	<p>This could be due to an oversight as the MBD 4s are not required to be attached to each batch as the auditee is required to obtain one MBD 4 in the financial year.</p> <p>Impact This will result in irregular expenditure amounting to R 3 394 525.36 (Incl VAT). Management should revisit the entire population to determine the full extent of the irregular expenditure in determining the completeness of the irregular expenditure disclosed in the financial statements.</p>	<p>Management should keep adequate records of documents to ensure that they receive one MBD4 within the reporting cycle for each supplier.</p>	<p>The municipality has a database filling system where suppliers' application forms are kept. Not every expenditure batch will have a tax clearance certificate or a declaration of interest form (MBD 4 form), however on the supplier's files there is one. Please find copies of the MBD 4 forms for the above suppliers.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>3. Iss.51: Procurement and Contract Management: Composition of the BAC not in line with Municipal SCM Regulations/SCM Policy</p>	<p>The composition of the bid adjudication committee for the below indicated bids was not constituted as required by the SCM policy of the municipality. Bid Nr Description Expenditure BAC adjudication members Bid No:06/2016-17 Supply and delivery of protective clothing R511 221.95 Mrs T Jarvis (Chairperson) (Acting CFO) Mr W Bosman (Member - Secretariat) (Store Clerk) Mr A Keetile (Member) (Manager Waste Management) Mrs P Sampson (Member) (Director Community Services) Bid No:03/2016-17 Provision of travel agency services R6 573.00 Mrs T Jarvis (Chairperson) (Acting CFO) Mr W Bosman (Member - Secretariat) (Store Clerk) Mr A Keetile (Member) (Manager Waste Management) Mrs P Sampson (Member) (Director Community Services) Bid No:11/2016-17 Media Services for Advertisement R0.00 Mrs T Jarvis (Chairperson) (Acting CFO) Mr H Smith (Member - Acting chairperson) (Infrastructure Service) Mr W Bosman (Member - Secretariat) (Finance) Mr B Choche (Member) (Technical) Mr A Keetile (Member) (Community Service) Bid No:02/2016-17 Provision of Fuel and management R1 870 292.65 Mrs T Jarvis (Chairperson) (Acting CFO) Mr W Bosman (Member - Secretariat) (Store Clerk) Mr A Keetile (Member) (Manager Waste Management) Mrs P Sampson (Member) (Director Community Services) Bid No: 10/2016-17 Mechanical Suppliers (Strip & Quote, For Vehicles and Electrical Appliances .i.e. Air Cons, Washing Machines R285 541.56 Mrs T Jarvis (Chairperson) (Finance) Mr H Smith (Member - Acting chairperson) (Infrastructure Service) Mr W Bosman (Member - Secretariat) (Finance) Mr B Choche (Member) (Technical) Mr A Keetile (Member) (Community Service) Bid no: 09/2016-17 Supply and Delivery of Mayor's and Speaker's Cars R1 658 958.24 Mrs T Jarvis (Chairperson) (Finance) Mr H Smith</p>	<p>This is due to management due to an interpretation issue relating to which personnel in the municipality are regarded as senior managers. Impact The following will result in irregular expenditure amounting to R6 301 644 (Incl VAT) . Management should revisit the entire population to determine the full extent of the irregular expenditure in determining the completeness of the irregular expenditure disclosed in the financial statements.</p>	<p>Management should ensure that the composition of the BAC is in line with the requirements of the Municipal SCM regulations and the SCM policy of the municipality.</p>	<p>Even though the SCM regulations prescribes that at least four of senior managers must be in the Bid Adjudication Committee it will not always be practical depending on circumstances of different municipalities if the senior manager title is deposed only to Directors. In the event that there are only three directorates in a municipality where a senior manager is defined to be a director or the MSA Sec 56 manager then the regulation will not be practical to apply. With Ga-Segonyana Local Municipality the Bid Adjudication Committee is comprised of three Section 56 managers (Directors) and other unit managers, e.g. PMU Manager, Manager Parks etc. The municipality has a total of four Directors (Sec 56) one of the Directors is the Chairperson of the Bid Evaluation Committee in an effort to exercising more controls on the BEC Committee and the whole SCM processes. This Director is a manager directly reporting to the Accounting Officer and as such has been delegated that function by the AO. This has been seen to be best practice across municipalities in the republic.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	(Member - Acting chairperson) (Infrastructure Service)Mr W Bosman (Member - Secretariat) (Finance)Mr B Choice (Member) (Technical)Bid No 04/2016-17 Provision of Legal Services R1 969 056.60 Mrs T Jarvis (Chairperson) (Finance) Mr H Smith (Member - Acting chairperson) (Infrastructure Service)Mr W Bosman (Member - Secretariat) (Finance)Mr B Choche (Member) (Technical)Mr A Keetile (Member) (Community Service)			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>4. Iss.55: Procurement and Contract Management: Winning bidder differs to that recommended by BEC</p>	<p>The following tender were awarded to the below indicated bidders were awarded to a different supplier than that recommended by the Bid Adjudication Committee (BAC). 1. Bid no: 09/2016-17: Supply and Delivery of Mayor's and Speaker's Cars The BAC recommended that the bid be awarded to William Hunt Pretoria for amount of R1 560 310.12 and the Bid Evaluation Committee (BEC) recommended that the bid be awarded to Moipone Group of Companies R1 658 958.24. The accounting officer signed on the report of the BAC as approved on 30/05/2017. The final bid was awarded to Moipone Group of companies which was against the decision of the bid adjudication committee. There was no indication of the process followed to ratify the decision of the BAC by the accounting officer as a result of the award being different to the bidder recommended by the BAC. The decision to award the bid to Moipone Group of Companies was to rectify an irregularity identified as the preferential points system was incorrectly applied by the BAC in reaching the decision to award the bid to William Hunt Pretoria. 2. The evaluation and adjudication criteria used in evaluating the bid differed to the criteria initially advertised. The bid was advertised on a 90/10 basis however when evaluating the bid 80/20 points system was applied. The municipality further did not re-advertise this bid as a result on the change in the evaluation criteria which was due to the preferential procurement regulations which came into effect on 1 April 2017.</p>	<p>This resulted from the incorrect application of the PPPF requirements by the BAC as the BAC only considered the price without assessing the B-BBEE points which accounted for 20 points. Impact</p>	<p>Management should ensure that in case where the recommendations of the BEC and BAC differ that an assessment is performed to confirm why there are differences in recommendations and the final approval be submitted to the accounting officer for approval.</p>	<p>The action taken by AO was in line with the normal cause of implementing the supply chain management policy of the municipality. The implementation of the SCM policy was NOT FULLY considered by the BAC and implementing the normal cause of the SCM the AO awarded the bid in accordance with PPPFA. Because the AO was not deviating from the normal cause of the SCM implementation processes there was no need to inform Auditor General and relevant Treasuries.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
5. Iss.56: Procurement and Contract Management: Tax clearance certificate not provided	<p>The municipality did not provide evidence to confirm whether they assessed the tax matters of the following suppliers to be tax compliant before awarding the bid or quotation.</p> <p>1. Bids awarded Bid No Description Winning Bidder/Approved service provider to be included on accredited supplier list Expenditure (current year) Comment Bid No: 10/2016-17 Mechanical Suppliers (Strip & Quote, For Vehicles and Electrical Appliances .i.e. Air Cons, Washing Machines) LP Refrigeration and Projects BK R 2 451 There was no CSD report attached for LP Refrigeration and Projects BK however a copy of the Tax Clearance Certificate was provided. The municipality is required in the absence of the CSD report to obtain an original tax clearance certificate (or certified copy of the tax clearance certificate). Bid No 04/2016-17 Provision Legal Services: Listing on accredited service provider list Koikanyang Inc R0.00 In terms of the CSD report attached to the bid document the service provider is Non Tax compliant as validated on 22/11/2016</p> <p>2. The tax clearance certificate for the following section 32 contract was not obtained prior obtaining the service Bid No Description Winning Bidder/Approved service provider to be included on accredited supplier list Expenditure (current year) Comment Section 32: LETSAFS/05/2016 Financial performance and implementation to improve audit outcomes to achieve clean administration Camelsa Consulting Group (Pty) Ltd 3 362 125.36 The overall tax status of the supplier was verified through CSD to confirm that the winning supplier is tax compliant on the 23/05/2017 and the municipality printed the Tax clearance certificate which indicated the following Approved Date: 2017/05/14 Expiry Date: 2018/05/14 The procurement for this contract was initiated on 13 March 2017 and Municipality</p>	<p>This could be due to an oversight when assessing the expiry date and validating whether the tax clearance certificate obtained is an original tax clearance.</p>	<p>Management should ensure that in the absence of confirming the tax status of the service provider through the CSD they should obtain an original tax clearance certificate or certified copy of the tax clearance certificate. Strict measures should be implemented to ensure that the tax clearance certificates obtained are valid at the time of the procurement of goods and services.</p>	<p>Bid No: 10/2016-17 The tax matters of the bidder was assessed at the time of the award. The implementation guide: preferential procurement regulations 2011 and 2017 section 18 and 21 respectively states that " no tender may be awarded to any bidder/tenderer whose tax matters have not been declared by SARS to be in order". The submission of the tax clearance by the bidder cannot be considered valid only on the basis of its originality, previously it was only SARS that issued the certificates, currently bidders/ suppliers can print their certificates directly via e-filing system. It cannot be considered not to be original on the basis that the copy is printed on a black ink only. Bid No 04/2016-17 No expenditure has been incurred through the use the service provider since appointment. Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made. No payment is made to the service provider whose CSD Report is Tax Non Complaint. Section 32: LETSAFS/05/2016 Here to find the TCC at the time of the award. The BEC minutes of Letsemeng stipulates that the bidders had been evaluated through the verification of the statutory documents. EFF006931-0008 "Recon Engineering" The amount is captured erroneously it should be R22 823.48. The implementation guide: preferential procurement regulations 2011 and 2017 section 18 and 21 respectively states that " no tender may be awarded to any bidder/tenderer whose tax matters have not been declared by SARS to be in order". The submission of the tax clearance by the bidder cannot be considered valid only on the</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	<p>informed the supplier of it's intention to procure their services on 28 March 2017 of which the supplier accepted the request on the 29th March 2017. The tax clearance provided is not for the period for which the procurement of services was performed 3. The tax clearance certificates (original or certified copies)/CSD report indicating the tax compliance of the following supplier were not provided for audit purposes #</p> <p>Supplier Name Reference Amount1 Recon Engineering EFF006931-0008 58 540.50</p>			<p>basis of its originality, previously it was only SARS that issued the certificates, currently bidders/ suppliers can print their certificates directly via e-filing system. It cannot be considered not to be original on the basis that the copy is printed on a black ink only.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>6. Iss.59: Procurement and Contract Management: Local Content requirements not adequately applied</p>	<p>The following goods and services were not procured from designated sectors as prescribed by the Department of Trade and Industry (DTI) which should be in line with national development and industrial policies for local production. 1. The following issues were identified when procuring local content from the below indicated suppliers• The bid specification did not specify the minimum threshold for local production and content which is not less than the threshold prescribed in the relevant NT Instruction Notes. • The winning provider did not furnish the auditee with the declaration on local production and content. • The winning service did not met the minimum threshold for local production and content. # Description Expenditure1 Gas:Q08/2016-17-Actom Electrical Products 99 180.00 2 Gas:Q09/2016-17-Actom Electrical Products 88 412.70 3 Gas:Q10/2016-17-Actom Electrical Products 191 178.00 4 Gas:Q11/2016-17-Actom Electrical Products 95 069.16 5 Gas:Q12/2016-17-Actom Electrical Products 128 841.66 6 Gas:Q13/2016-17-Actom Electrical Products 41 296.50 7 GAS:Q22/2016-17-Thabic Engineering 149 000.00 8 GAS:Q24/2016-17-Provison of Public IP internet Service -Afrbits Technology Consulting cc Amount unconfirmed - Municipality to provide total current year expenditure9 GAS:Q23/2016-17-Livity ICT 29 385.00 822 363.02 2. The following issues were identified when procuring local content from the below indicated suppliers• The bid specification did not specify the minimum threshold for local production and content which is not less than the threshold prescribed in the relevant NT Instruction Notes. # Description Expenditure1 Bid No :06/2016-17-Protective clothing 511 221.95</p>	<p>This was due to an oversight by management when performing the specification as the local contents threshold are required to be included as part of the specification in order for the request for goods and services to be advertised as such. ImpactThis will lead to irregular expenditure amounting to R1 333 584.97(Incl VAT). Management should revisit the entire population to determine the full extent of the irregular expenditure in determining the completeness of the irregular expenditure disclosed in the financial statements.</p>	<p>Management should ensure adequate review of the specifications to ensure that all requirements of local content are taken into account when purchasing goods from designated sectors as prescribed by DTI.</p>	<p>GAS:Q22/2016-17-Thabic EngineeringThe bid does not fall under the designated sector and it must be noted that the purchase order was cancelled due to the non-delivery by the bidder. No amount was paid to the bidder and therefore no transaction that triggered the irregular expenditure.GAS: Q23/2016-17-Livity ICTThe bid does not fall under the designated sector.GAS:Q24/2016-17-Provison of Public IP internet Service -Afrbits Technology Consulting ccThe bid does not fall under the designated sector.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>7. Iss.42: Procurement and Contract: Insufficient number of quotations obtained (Non- Compliance)</p>	<p>The following bids were awarded without obtaining the required number of quotations</p> <p>1. Awards between R2 000 and R10 000</p> <p># Supplier Name Reference Expenditure 1 Gloria Onderdele BK EF006922-0010 2480</p> <p>2. Municipal SCM policy is not aligned to the requirements of the Municipal SCM regulations as the policy indicates that the threshold for petty cash is R1 to R3 000, while the Municipal SCM Regulations indicates the threshold as R1 to R2 000.</p>	<p>This deficiency resulting from an initial quotation obtained from the supplier indicating that the amount will be below the R2 000 threshold and when obtaining the actual good and services there was a change in the quality of items which resulted in the actual invoice being above the R2 000 threshold.</p>	<p>Management should ensure that when goods are purchased it meets the specification as set out and any changes thereto should be assessed whether the goods being acquired still meet the intended purpose and the impact of the changes in quantity and price of each item on the overall total price to be paid.</p> <p>Management should ensure that they align the Municipal SCM policy to the Municipal SCM Regulations and if the policy is not aligned they should ensure that the SCM policy is more stringent.</p>	<p>The above is reported incorrectly. The file was visited and three quotations were found in the file. Attached hereto please find the copies to the above purchase order.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>8. Iss.60: Procurement and Contract Management: PPPF requirements not correctly applied (on or before 31 March 2017)</p>	<p>The following bids were not assessed in terms of the requirements of the preferential procurement regulations 1. There was no indication in the below bids as to how the preferential points system was assessed when evaluating the bids. The municipality applied the functionality criteria however there was no indication as to how the preferential points in terms of 80/20 or 90/10 was applied after the functionality assessment is performed. Bid No Description Supplier Estimated Expenditure (current year)11/2016-17 Media Service for advertisement -Ayanda communications and Human communications Human communications To be confirmed by the municipality by providing expenditure list Ayanda communications To be confirmed by the municipality by providing expenditure list 04/2016-17 Matthews and Partners - Mogaswa Incorporated Attorneys 999 158.30 Hannes Peyper Inc 654 898.30 Sulliman Attorneys 315 000.00 02/2016-17 Provision of fuel and management of fuels pumps Thuto and Tsaone Trading projects 1 870 292.65 03/2016-17 Provision for travel services Safari Travel centre (pty) Ltd To be confirmed by the municipality by providing expenditure list Astra Travel(pty) Ltd 6 573 Zuri Concepts & projects To be confirmed by the municipality by providing expenditure list 3 845 922.16 2. In accepting the bid in terms of the functionality criteria applied there was no indication of the minimum qualifying score for functionality in order for the municipality to determine acceptable and non-acceptable bids. When assessing the invitation for bids issued by the municipality it was not indicated what the minimum qualifying score would be. Bid No Description Supplier11/2016-17 Media Service for advertisement -Ayanda</p>	<p>This is due to the municipality finding it difficult to determine what the rate for the service to be charged would be and how to utilise these rates when applying the PPPF requirements. This finding will result in irregular expenditure amounting to R3 845 922.16 (Incl VAT). Management should revisit the entire population to determine the full extent of the irregular expenditure in determining the completeness of the irregular expenditure disclosed in the financial statements.</p>	<p>Management should ensure that when assessing the bids to be awarded that they strictly apply the requirements of the regulations. If management is to use functionality criteria that the criteria applied is clear from the on set as to what the minimum requirements are and what they will be assessing in terms of the preferential points system to be applied after assessment of functionality. Functionality cannot be used as the sole criteria for the assessment of bids as management is still required to apply preferential points system.</p>	<p>With regards to the above bids as these were requests for proposals AND not requests to quote, it is highly impractical to evaluate such a bid using point systems but more practical to evaluate on functionality looking at various factors ranging from compulsory compliance, experience of the bidder/proposer and BEE scorecard. These proposals did not indicate pricing and therefore the preferential points system of using the BEE points and the price proofed to be impractical. In the BID document, it was stated clearly that experience of the bidder concerned will be used as evaluation criteria.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	<p>communications and Human communications Human communications Ayanda communications 04/2016-17 Provision of legal services Matthews and Partners Mogaswa Incorporated Attorneys Hannes Peyper Inc Sulliman Attorneys 02/2016-17 Provision of fuel and management of fuels pumps Thuto and Tsaone Trading projects Botheo Tankers 03/2016-17 Provision for travel services Safari Travel centre (pty) Ltd</p>			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
9. Iss.40: Procurement and Contract Management- B-BBEE certificate not certified (Non- Compliance)	<p>The following instances were identified where the B-BBEE certificates were taken into accounting when calculating the Preferential Points however the supplier did not provide an original or certified copy of the B-BBEE certificate. The municipality used the copy of the B-BBEE certificate to determine the incorrect point's allocation however this did not lead to an incorrect supplier being awarded the bid.</p> <p>Tender description Suppliers Points calculated by auditee</p> <ul style="list-style-type: none"> Gas Q18/2016-2017 Omogolo consulting 20 points Matupa Holdings and resources 20 points Modiles Logistics 20 points - GASQ17/2016-17 Fencing of Kagung Library Tsibogo Trading cc Omogolo consulting 20 points Modiles Logistics 20 points LeanoLentle 20 points Tsbogo Trading CC 20 points Positive mind-GAS Q14/2016-17 Supply and delivery of contractors Omogolo Consulting cc 20 points Greenhouse communications (pty) Ltd Tebonngwe Enterprise(pty) Ltd 20 points Greenhouse Communication 20 points Gingergold Promotions 20 points Sean Blake Building Supplies and roof trusses-GAS Q15/2016-17 Supply and delivery of concrete mixer Omogolo Consulting CC 20 points Sean Blake Building Supplies and roof trusses 20 points Supply and delivery of protective clothing IB Roof Trusses 12 points Provision for travel services Astra Travel(pty) Ltd 18 points Zuri Concepts & projects 20 points Provision of fuel and management of fuels pumps Thuto and Tsaone Trading projects Provision for Legal Services Koikantang Inc 10 points Matthews and Partners 9 points Hannes Peyper Inc 5 points Bid no:09/2016-17 Supply and delivery of Mayors and cars speaker BB and NR Mine supply 10 points 	<p>This could be due to an oversight in the assessment of the SANAS accredited BEE agencies and establishing whether the BEE certificate provided is an original or copy thereof.</p>	<p>Management should ensure they obtain an original B-BBEE certificate or certified copies thereof in order to limit the chances that a supplier may manipulate a document.</p>	<p>It must be noted that since the introduction of the Central Supplier Database, all the information pertaining to the bidders/ suppliers can be obtained from their report, information such as:</p> <ul style="list-style-type: none"> • Tax Status of the Bidder/ Supplier • B-BBEE Status Level Contribution of the Supplier/ Bidder • Declaration to organ of state employment • Banking details of the supplier • Directors and their shareholding <p>It is through the use of this services that reliance is placed on the report generated from it. The above bidder's preference points was a result of their CSD report.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
1. ISS.69: Use of Consultants	The SCM Policy does not include measures to address over-reliance on consultants.	The Municipality management has not tailored the treasury guidelines to its own operational needs in order to best identify ways in which it can address over-reliance on consultants.	Management should ensure that the SCM policy details measures to address over-reliance on consultants,	Management will look into this and consider if it needs a policy input during the budget related policy reviews.
2. ISS.64 :Irregular expenditure -Vat incorrectly added	During the audit of irregular expenditure it was discovered that irregular expenditure in the financial statements is overstated as the amount includes vat.	Lack of review of irregular expenditure register by a senior official to ensure that validation of irregular expenditure incurred.	Management should ensure that they revisit the irregular expenditure register and that figures that qualify as irregular expenditure excludes VAT. Management can include a narration on the Annual Financial Statements in relation to VAT on irregular expenditure.	Revisit the irregular register to exclude VAT
3. ISS.41: WIP- Journal not appropriately supported	1. The Journal number 6813 was not adequately supported as there were no payment certificates and approved reports attached to support the invoice. Refer to the below table	Management did not ensure that there is a payment certificate for each invoice billed against the project	Management should take reasonable steps to ensure that every invoice is accompanied by authorised progress report and payment certificate.	Management does not agree with the finding.
4. ISS.58: Infrastructure Assets- No adequate supporting documentation submitted	We could not obtain the Bill of materials, Asbuilt drawings and the Completion certificates for completed projects for the infrastructure assets that are capitalised in the asset register to verify the correctness of the capitalised amount.	Management did not ensure that information relating to the valuation of infrastructure is filled appropriately and immediately available.	Management should ensure that appropriate and adequate record keeping of information is in place to ensure that it is readily available.	Management does not agree with the finding.
5. ISS.65: Infrastructure - Incorrect depreciation of water meters	The water meters were recorded as a bulkasset to the value of R4 493 937. It could not be confirmed that all the water meters were available for use on the same day. This would result in the incorrect depreciation of all water meters as the water meters were depreciated from the same date.	Management did not ensure that the assets are depreciated in line with the requirements of GRAP 17 as assets ready for use over different time spans started to be depreciated on the same date.	Management should separate the assets, so that the assets will be depreciated only when it became available for use.	This matter will be discussed at the next audit steering committee meeting to clarify further on how to treat this and benchmark with other municipalities for consistency

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
1. ISS.61 employee cost: Overtime payments not aligned to policy	Refer to communication 9	Application of overtime policy is not accurately applied. VIP payroll system is not adequately set-up to accommodate policy requirements.	We recommend a review of the overtime monitoring systems with specific emphasis upon aligning policy requirements with system calculation. Wherever possible, systems should be considered that could minimise human error and judgement in application of policy. This would include: -preapproval of overtime hours -electronic capture of hours worked which will further calculate hours payable in accordance with policy provisions. To reduce overwhelming work load at payroll cut-off, approved overtime claims and should be submitted timeously where possible on a weekly basis to enable review and calculation by the payroll office.	We are of the view that overtime was correctly calculated with the labour laws applicable in the country however management will review the overtime policy
2. ISS.66: HR compliance: Acting positions	Position of CFO was held by officials for a period in excess of 3 months per acting appointment as follows: - T Jarvis held the position for a consecutive 5 months - D Sehloho held the position for a consecutive 6 months - T Jarvis was reappointed to act for a consecutive 4 months	The requirements and prescripts of the Municipal Systems Act were not monitored and adhered to. Appointment and filling of vacant positions was not undertaken timeously.	We recommend that funded posts should be filled timeously. The recruitment process should be initiated instantly (following council approval) as and when the municipality becomes aware that the position will become vacant to facilitate constant service delivery.	Whilst several interviews were conducted, it was difficult to identify a suitably qualified experienced candidate. Additionally, it was difficult to reach an understanding of the remuneration with the potential candidates. The above issues resulted in the recruitment process being repeated several times before identifying and agreeing the engagement terms and conditions with the successful candidate.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
3. ISS.67: IT system	<p>Contrary to the above, the following deficiencies were identified: No approved IT Strategic plan in place No ICT Committee in place No Patch Management Procedures and Processes in place No Access request documents in place No review of users' access and privileges on all financial systems in place No approved disaster recovery plan in place and no offsite back up location No back up register in place The municipality does not have their own domain.</p>	<p>Management did not take reasonable step to ensure that there are policies and implementation of ICT policies in place governing IT Management did not take reasonable step to ensure that there is ICT committee</p>	<p>Management should ensure that the implementation of controls over IT system is in place and is monitored.</p>	<p>No approved IT Strategic plan in place IT Strategic plan to be developed during 2017/2018 budget adjustment, and in accordance with new 2018/2019 IDP, also with help of ICT Committee No ICT Committee in place ICT COmmittee to be started during 2017/2018 fin year No Patch Management Procedures and Processes in place Patch management procedures are in place, processes will be developed No Access request documents in place Access request forms to be used across all applications the municipality uses No review of users' access and privileges on all financial systems in place Plan on review of user access to all financial systems to be developed in 2017/2018 fin year No approved disaster recovery plan in place and no offsite back up location Disaster recovery plan to be implemented after budget adjustment for 2017/2018 fin year. Off site to be planned during financial year 2017/2018. No back up register in place. All backups to have a register during fin year 2017/2018 The municipality does not have their own domain. The municipality has its own domain- www.ga-segonyana.gov.za</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
4. ISS.71: Use of Consultants: No consultancy reduction plan	The SCM Policy does not emphasise the need and importance of a consultancy reduction plan to be drafted before the appointment of consultants	This was due to lack of establishment of an adequate policy that requires a consultancy reduction plan to be put in place.	Management should ensure that there is a consultancy reduction plan in place, that the municipality can follow when appointing consultants and ensure that the key points of the plan filter through to the Service Level Agreements with the successfully appointed consultants.	Management is acutely aware of the need to continuously review and evaluate the use internal staff resources wherever possible as use of consultants is generally expensive. Currently, such reviews are not addressed in a formal and frequent manner. Additionally, we agree that the documentation of such consultancy reduction plan requires some improvements. However, given the current shortage of appropriately skilled and experienced staff, the Municipality is of the strong view that certain aspects of its operations and objectives are better achieved in the short term through the use of consultants. Thus short term use of consultants will assist the Municipality in meeting its service delivery and other objectives whilst internal skills are trained, up-skilled or externally recruited. FINANCIAL SUPPORT There is currently a need to seek consultancy services with respect to preparation of financial statements. This is to ensure: <ul style="list-style-type: none"> • Need to implement an accounting controls; • The need to support the Municipality in the production of AFS; and • The need to assist in preparing a Fixed Assets Register. Whilst not fully documented, the Municipality's strategy on the use of consultants with respect to Financial Consultancy is to ensure that there is ample training of internal staff (both on the job training as well as formal training). Additionally, as would have been observed by the AG during the audit process, the internal staff are heavily involved in the preparation of the AFS as well as dealing with the audit requests and queries. Additionally, at a practical level, the usual key issues that forms part of this strategy are: <ul style="list-style-type: none"> • Agreeing on deliverables, which is adequately covered in the SLA –

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
				<p>in fact the SA makes reference to the training of staff;• Evaluation of performance of the consultants;• Management of cost,are already being effectively monitored and managed.The engagement of Consultants is driven by the following needs:PROJECT MANAGEMENTSUPPORTThere is currently a need to seek consultancy services in connection with Project management. This is essentially to:• effectively manage and monitor the implementation of Infrastructure projects Whilst it is ideal to reduce all important aspects of the Consultancy Reduction Plan into written documents, it is sometimes an implied management strategy and policy although not documented.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
5. ISS.72 Use of Consultants: Gap Analysis	<p>There was no GAP analysis report provided by the Accounting officer to indicate that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required which was performed before Consultants were appointed.</p> <p>Transfer of skills</p> <ul style="list-style-type: none"> • Requirements for transfer of skills were not included in the terms of reference. • Conditions or clauses for transfer of skills were not included in the contract. • Measures to monitor transfer of skills according to the contract were not implemented. • There was no evidence that skills were transferred or training programmes took place. • Employees were not identified for training or were not available to attend training. • Transfer of skills was not evaluated at the end of the consultancy project. 	Lack of planning and establishment of processes to identify the skills and needs of current staff before appointing consultants	Management to follow a process of identifying skills requirements of permanent staff and compile a gap analysis report for how they plan to use consultants to close the Gap in skill as well as how to monitor the skills transfer process.	Management disagrees with the finding of the AG as tabulated below

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
6. ISS.73: PPE: Asset management Policy not consistent with GRAP requirements	1. The asset management policy states that land and buildings are measured at revalued amounts after 4 years and the accounting policy only makes reference to the land. Therefore the asset management policy is inconsistent to the accounting policy. 2. The asset management policy makes reference to the International Accounting Standards (IAS37) and therefore we could not confirm if the municipality is applying GRAP 26 for impairments as there following issues were identified.i) The asset management policy does not make reference to the fact that annually the accounting officer shall assess indicators of impairment of assetsii) Testing of impairment for intangible assets. 3. There is no adequate maintenance policy for the maintenance of assets and therefore impairments and depreciation could be based on incorrect values.4. Management does not have documented steps of identifying assets whose carrying values exceeds recoverable value.	Management did not adequately review the asset management policy to ensure that it is in line with the GRAP requirements.	Management should review the asset management policy and insure that it is inline the GRAP requirements.	Management's views are tabulated below:v
7. ISS.63: AFS Presentation: GL and TB Differences	Refer to communication 9		We recommend constant review and reconciliation of transactions through to the impact transactions would have on the overall reporting of the state of affairs (Financial Performance and Financial Position) of an organisation.	Management has noted the observation and appropriate corrective action was taken to ensure that the Trial Balance agrees to the General Ledger
1. ISS.84 Long term Liability - current and non-current liabilities	Refer to communication 10	This is as a result of errors made in computation of the short-term portion that needs to be disclosed in the AFS.	The accounting officer should ensure that the short-term portion of long term liabilities is accurately stated.	Observation agreed and the Annual Financial Statements have been appropriately amended. Observation agreed and the Annual Financial Statements have been appropriately amended.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
2. ISS.81 PPE: Differences of depreciation	. The depreciation disclosed in the asset register does not agree to the depreciation disclosed in the note for PPE, note 9.	Management did not adequately review the annual financial statements to ensure accuracy of the annual financial statements.	Management should review the annual financial statements and correct the depreciation recorded in the statement of financial statements and align it to the depreciation and amortisation disclosed in the in asset register	Observation agreed and the Annual Financial Statements have been appropriately amended.
3. ISS.77 Receivables: Debtors with credit balances	Contrary to the above, debtors with credit balances to the amount of R206 579.52 were identified that were included on the age analysis as at 30 June 2017. They should have been included as part of payables (Refer to Communication 10)	The annual financial statements and supporting schedules were not properly reviewed before it was submitted for audit purposes.	The above-mentioned correction should be made to the financial statements.	The Observation of the Auditor general is noted and the Annual Financial Statements have been amended accordingly.
4. ISS.78 Receivables: Indigent debtors CAAT's testing	Contrary to the above the following exceptions was identified during CAAT's testing: (a) 159 indigents listed as a deceased person on the NPR database was identified. The following serves as an example: (Refer o communication 10)	The cause of the above is that management does not review indigent register on a regular basis.	Management should follow up these cases identified and remove them from the indigent register and ensure that these consumers are not treated as indigents.	While the observation is correct it is unlikely of have the significant impact on the true and fair view of the annual financial statements
5. ISS.75 Revenue: Pre-paid electricity	<p>Contrary to the above, the following errors have been noted:</p> <p>(a) Management did not do an estimate of unused pre-paid electricity at year end. The sale of electricity constitutes a sale of goods. In the case of prepaid electricity, the significant risks and rewards of ownership only transfer to the consumer at the time of consumption of the electricity. Therefore an estimate of unused pre-paid electricity should be completed at year end and the revenue recognised should be on the consumption basis.</p> <p>Total Pre-Paid electricity at year end as per GL: 36 219 230.74 Divided by 366 days 98 959.65 Unused pre-paid electricity sales at year end based on 5 days 494 798.23</p>	The requirements of the accounting standards were not adhered to.	Management should ensure that an estimate of unused pre-paid electricity at year end is completed to ensure the revenue for pre-paid electricity is recognised on a consumption basis.	The Observation of the Auditor general is noted and the Annual Financial Statements have been amended accordingly.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
6. ISS.76 Revenue: Service charges differences	Refer to communication 10	Management did not review the monthly charges to identify variances and possible incorrect rate applications.	The municipality should investigate the reported differences and the necessary corrections should be made to the financial statements. Management should also ensure that weekly or monthly reconciliations are performed on all the revenue sources of the municipality.	<p>Electricity</p> <p>With respect to the miscalculation of electricity billed to the clients, the impact to the annual financial statements has been calculated to be R445 317. For this reason, management believes that no significant amount of work should be devoted to this exercise. However, the situation will be reviewed in the coming financial year and appropriate corrective action will be taken.</p> <p>Sewage</p> <p>The observation has been noted and management are of the view that this matter cannot be adequately addressed in the current year. Management are of the view that in the future financial year they are going to revisit the basis on which sewage and refused will be built in such a way it will relate to the volume of waste water discharged in the municipal system as opposed to being based on the number of toilet in a household.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
7. ISS.82 Revenue: Service charges - Discrepancies identified	Contrary to the above the following errors was identified:(a) No service contract is in place between the municipality and the following account holders: Refer to communication 10	This was due to a lack of review of documents and updating the system with relevant information	(a) Management should ensure that there are service contracts in place between the municipality and the consumers. (b) and (c) Management should ensure that the toilets billed for on the system agrees to updated approved building plans for each erf. Alternatively, management should verify the number of toilets on each erf and compile a register which is updated on a regular basis when changes occur.	A – Contracts with consumersThe municipality has the sole responsibility to provide services to the consumers within its designated area on the basis of publications after duly consulting with the community. Therefore, whilst having contract is ideal, the publications of tariffs applicable for services rendered, gives the municipality unfettered right to bill for such services when rendered. Therefore, in this regard a contract is 'a nice to have' but does not in any way diminish the right of the municipality of demand amounts due for services rendered or property taxes. B – Billing for SewageThe observation has been noted and management are of the view that this matter cannot be adequately addressed in the current year.Management are of the view that in the future financial year they are going to revisit the basis on which sewage and refused will be built in such a way it will relate to the volume of waste water discharged in the municipal system as opposed to being based on the number of toilet in a household.
1. ISS.87 mSCOA deficiencies identified	Contrary to the above, there were no criteria or process used to ensure that necessary sign-offs/approvals takes place at each project stage or milestone as the project plan was not updated and tracked.	Management did not design and implement controls to monitor the progress of implementing the MSCOA.	Management should ensure that the implementation of controls over mSCOA project is in place and is monitored.	Management does not agree with the audit finding as the process were put in place to monitor the implementation of mSCOA

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
2. ISS.86 PPE: Depreciation for Community Buildings not consistent with accounting policy	<p>The following discrepancies were identified:</p> <p>1. It was noted that the community buildings are being depreciated over 60years in the asset register; however the accounting policy requires the community buildings to be depreciated over 100years.</p> <p>2. The below list is part of the list of zero rand value assets which were identified in the asset register, upon asset verification, it was confirmed that the assets were still in use which indicates incorrect assessment useful life of assets.</p>	Management did not adequately review the annual financial statements and ensure that the accounting policy is correctly applied.	Management should review the depreciation calculation and ensure that it aligns to the accounting policy.	The observation made by the auditors is noted
3. ISS.52 AOPO - 135 Target not measurable	KPI 135 Number of new community halls" target is not specific or measurable i.e. "1 to start in the next financial year (next quarter)" and relates to next financial year	Inadequate formulation of targets	Target should be specific and not relate to following year.	The Observation made by the auditor general is noted
4. ISS.53 AOPO Indicator 145 - Target not specific	Indicator 145 Number of households provided with full waterborne services not specific and relevant "Target cannot be set as it depends on applications received" cannot be measured.	Targets not set according to SMART criteria	Target can be changed to e.g. "Percentage of applications received for waterborne service supplied with water service"	The Observation made by the auditor general is noted.
1. ISS.97: Employee cost: Disagreements in stand-by allowance	Refer to Communication 13 number 3.	Standby work is not monitored and pre-planned. In addition calculation of standby hours worked in undertaken in error (inaccurately)	Standby work is not monitored and pre-planned. In addition calculation of standby hours worked in undertaken in error (inaccurately)	Internal controls will be implemented to deal with the weakness identified going forward

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
2. ISS.115 Employee cost: Termination benefits understatement	Contrary to the provisions and requirements of the BCEA in accordance with leave accrual, the following employees did not receive an adequate pay-out for their leave days accrued upon termination of service:	The auditee did not apply the provisions of the applicable legislation and policy in recognition of leave and bonus accrual. This was further affected by a lack of adequate review on the accuracy of remuneration upon termination of employment.	We recommend that management should monitor the provisions and requirements of legislation and policy as would affect employment contracts and Employer/ Employee relations. It is highly recommended that special attention should be applied on termination of service thus ensuring that all remuneration and deductions where applicable, are applied during the final salary calculation for the employee. This can be facilitated by reconciliations and reviews which can further be evidenced by signatures of the reviewers (including the HR and Payroll managers through to the accounting officer). As evidence of reviews and validation of related pay-outs, the final payslip should be filled with the employee records together with any tax certificates issued.	Internal controls will be implemented to deal with the weakness identified going forward
2. ISS.89: Use of consultants: Implementation of action Plan	It was noted that there were weaknesses on the action plan as findings identified in the previous year were not actually carried out as the same exception/finding relating to the management occurred in the current year	Policies and procedures is not in place for the procurement of consulting services leading to over contract management.	It was noted that there were weaknesses on the action plan as findings identified in the previous year were not actually carried out as the same exception/finding relating to the management occurred in the current year	<p>Management does not agree with this finding.</p> <p>There has been significant improvement from year to year given the reduction of issues raised by the auditors in their audit report.</p> <p>There were also a number of challenges experienced during the year which included the following:</p> <ul style="list-style-type: none"> • There being No substantive CFO; and • Several different acting CFOs having overseen the Accounting and Finance function; and

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
3. ISS.124: No schedule for related parties	Through testing of related parties disclosure, it is noted that the municipality does not have a formal related parties register.	The municipality did not maintain adequate records to facilitate the disclosure of related parties.	Management should maintain adequate records to facilitate the disclosure of related parties.	Management agrees with this finding. It is necessary to have a register for every activity, operation or transaction of the Municipality.
4. ISS.108: Financial Instrument not disclosed	Contrary to the above, financial instrument disclosure and the measurement thereof noted that aforementioned was not disclosed in accordance with GRAP 104.	Management did not adequately apply GRAP requirement Management did not review the financial statement	Management should ensure that the financial statements are adequately reviewed and that the disclosure as required above is made to the AFS.	Financial instruments have now been disclosed per GRAP
5. ISS.117: No investigation performed	Unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure.	Management did not take reasonable steps to ensure that the municipality adheres to laws and regulations	Management should ensure that they adhere to laws and regulations affecting the municipality.	Investigation will be done in the current year
6. ISS.119 Difference between prior year closing and current year opening	Differences were noted on the prior year closing balance of fruitless and wasteful expenditure and the current year opening balances:	This is due to lack of review of financial statements to ensure accurate reporting.	Management should review financial statement ensuring all restated amount agrees with the closing balance of prior year	An opening balance test will be performed in the current year to correct the possible misstatement
7. ISS.105: Water and sanitation service delivery	<p>A summary of the significant findings from the audit are as follows:</p> <p>Management processes for water and sanitation infrastructure projects</p> <ul style="list-style-type: none"> • Water projects in progress (2016-17) did not address the cause of the water backlog. • Sanitation projects in progress (2016-17) did not address the cause of the sanitation backlog. <p>Maintenance of water infrastructure</p> <ul style="list-style-type: none"> • The municipality does not have an approved policy in place that addresses routine maintenance of water infrastructure. • The municipality did not plan for the maintenance of water infrastructure by setting specific time frames and targets in this regard. • Conditional assessments were not done on water infrastructure to inform the routine water infrastructure maintenance plan and budget. <p>Water losses</p> <ul style="list-style-type: none"> • The municipality disclosed water 	The planning pertaining to water and sanitation services were not adequate as to ensure proper service delivery	Management should develop and implement water and sanitation infrastructure policy and plan that details and addresses the strategic goals and mandate of the municipality	Proper planning will be followed through in the current year



Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	losses to the extent of 3 310 611 kilolitres.			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>8. ISS.106: Roads Infrastructure: Road Maintenance plan</p>	<p>a) Management did not submit approved policy for the planning, management and reporting of road infrastructure. This policy should consist of the following items: - Funding;- Planning (strategic & maintenance);- Backlogs; and - Management information systems (MIS). (b) The municipality does not have an approved road maintenance plan which clearly indicates the strategy to be followed for the financial year. The plan should be a long-term plan indicating when planned maintenance is going to occur on each of the road infrastructure. Planned maintenance is maintenance that has been scheduled and occurs every 3-5 years. The plan should consist of the following items: - Allowance for the rectification of existing defects;- Description of the work to be carried out;- Forecast of the necessary maintenance (planned, routine and repairs); and- Maintenance expenditure for the planning period (c) The municipality does not have a plan to address the backlogs relating to roads infrastructure. Plans should include details of at least the extent of the backlogs, timeline/s for completion, costing to clear backlogs, and processes for monitoring and reporting (corrective actions addressing backlogs can be included in maintenance plan). Backlogs include new roads / upgrading / rehabilitation and maintenance backlogs. (d) Management did not submit a road asset management system. The following items are items that normally will be included in a road management system: - Description of the road infrastructure;- Condition of the road infrastructure;- Life cycle of the roads;- Maintenance planning;- Maintenance history;- Maintenance history; and- Backlogs (e) A condition assessments for all roads infrastructure under control of the municipality was not perform to inform the maintenance of roads. (f) The priority list did not contain</p>		<p>Management should develop and implement a road infrastructure policy and plan that details and addresses the strategic goals and mandate of the municipality.</p>	<p>Road Planning, management of Road infrastructure is a key element of the Municipality's activities. All such efforts are spearheaded by the Technical Department.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	<p>the necessary information such as the name of the projects, description of what is to be upgraded/maintained as well as the value of the project. (g) A complete list of refurbishment projects was not included in the priority list. This was due to the approved priority list not containing adequate information (project name, description or amounts). (h) The municipality had not implemented corrective actions to address all findings raised in the prior year. This was due to lack of monitoring by management and adequate management processes were not in place. Cause: Policies are not in place to ensure that road infrastructure is maintained. Impact: Roads within the municipal area might deteriorate to the point where it needs to be re-constructed and areas are not timely identified that is in need of road connections.</p>			
9. ISS.121: Inadequate explanation on budget	<p>Contrary to the above, the reasons given by management to comply with GRAP 24.12 were found to be either contradictory or the reasons were too vague for users of the financial statements to understand:</p>	<p>The financial statements were not adequately reviewed to ensure that all explanations were appropriate</p>	<p>Management should review all explanations for its reasonability and should ensure that the reasons are adequate.</p>	<p>Proper disclosure and substantive reasoning will be provided in the current year for any deviations on the budget</p>
10. ISS.68: Land incorrectly classified as inventory held for sale	<p>During the testing of inventory held for sale, it was discovered that the following EFR's are classified as inventory instead of Property plant and equipment.</p> <p>No EFR Location Amount Comment 1 1336 BANKHARA BODULONG 20 000 Reservoir 2 7557 MOTHIBISTAT-3 12 400</p>	<p>The above is due to a the fact that assets or changes to assets owned by the municipality are not updated on the asset register, investment property register or inventory listing as appropriate.</p>	<p>The accounting officer should ensure that the asset register, investment property register and inventory listing are updated to reflect the all assets owned by the municipality, and that updates or changes are timeously effected.</p>	<p>The property was transferred from inventory to PPE, a journal was processed and the inventory listing updated</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	Park Total 32 400			
11. ISS.116: Understatement of Inventory	During verification process, it was discovered that the following land is included in the inventory listing of the municipality but as per deed search performed this property is not registered in the municipality	This is due to the fact that changes to assets owned by the municipality were not updated on the asset register, investment property register or inventory listing as appropriate.	The accounting officer should ensure that the asset register, investment property register and inventory listing are updated to reflect the all assets owned by the municipality, and that updates or changes are timeously effected.	A journal was processed and the inventory listing updated
12. ISS.104: Finance leases: Incomplete disclosure	With reference to note no 13. Finance lease obligation on the financial statements a general description of the lessee's material leasing arrangements was not disclosed as required by GRAP 13.	This is due to lack of review of financial statement to ensure accurate and complete disclosure.	Management should review financial statement ensuring compliance with applicable GRAP standards.	The AFS note was adjusted including the descriptions and information as requested by the auditors or as per the exception detail above
13. ISS.110 PPE: Amount as per AFS does not agree to Asset register	The amount as per asset register for other assets do not agree to the amount as per asset register. Refer to the below table Description Amounts per financial statements submitted for audit on 31-Aug 2017 (R) Amount as per Asset register (R) Difference (R) Other Assets 11 114 028 10 892 043 -221 984	Management did not adequately review the annual financial statements to ensure that they are adequately supported by the supporting schedules. Impact Property Plant and equipment may be overstated by an amount of R221 984	Management should review the financial statements and ensure they are adequately supported by the supporting schedules	The above finding was adjusted and the AFS now agree to the asset register
14. ISS.113. PPE: Assessment of impairment not performed for other assets	During physical verification of assets, it was noted that the below listed assets whose conditions are marked as fair in the asset register was assessed as poor and therefore no assessed for impairment was performed	Management did not assess all the assets for impairment during the year.	Management should identify and assess the indicators of impairment for assets and impair the assets to reflect the best estimate of the fair value of assets.	Impairment assessment was re-performed on the whole population and adjustments were made accordingly
15. ISS.123 PPE: Incorrect calculation of depreciation	Refer to Communication 13 number 18.	Management did not test the arithmetic accuracy of the asset register and not adequately review the annual financial statements to ensure that they are fairly presented	In addition to the review of the annual financial statements, management should review the asset register and ensure that the depreciation is correctly calculated and confirm the arithmetic accuracy.	Depreciation was recalculated and adjustments were made to correct any incorrect depreciation calculation

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
16. ISS.102: Unauthorized expenditure	The amount of unauthorised note no: 42 in the financial statement does not agree to Statement of Comparison of Budget and Actual Amounts for expenditure. Furthermore, we were unable to verify the accuracy of the disclosed amount.	Lack of review of financial statements	Management should review properly the financial statements before are submitted for audit	The amount disclosed in the AFS was adjusted and now matches the statement of budget and comparison
17. ISS.122 Creditors with debit balances	Creditors with debit balances of R124 946 are included as part of payables.	The annual financial statements and supporting schedules were not properly reviewed before it was submitted for audit purposes	The accounting officer should ensure the correct disclosure of accounts payable	Adjustments to correct the debit balances were made
18. ISS.49 AOPO: Indicators not properly presented and disclosed	The following discrepancies were noted relating to the requirement above:a. The overall presentation of the performance information in the APR is not relevant, comparable and understandable.129 - Number of audits conducted on outdoor advertising per annum130 - Number of advertising structure database updated per annum145 - Number of households provided with full water borne sewer services118 - Number of reports on activities of the division sent to Dept. of Transport before the 7th of every month121 - Number of integrated Waste Management Plans reviewed and approved by Council136 - Number of fleet management policies reviewed and approved by Council per annum b. No comparison between planned and actual or current and prior year performance for all indicators. c. No disclosure of measures taken to improve performance.	The Municipality does not have proper, clear and specific guidelines "Standard Operating Procedures" (SOP) on how to prepare the performance objectives and they did not have a manager for PMU till year end	Management should revisit the presentation and disclosure requirements as to ensure that all the requirements mentioned above is adhered to.	This will be corrected in the current year going forward
19. ISS.90 AOPO - Differences between schedules and APR	Refer to Communication 13 number 22.	This was due to lack of proper monitoring and review of performance management system.	The Municipality should implement the Municipal System Act of 2000 section 40, Reviewing and Monitoring of performance management system. Management should ensure that sufficient controls and systems are developed to ensure that for each indicator the supporting documentation	These weaknesses are already being addressed in the current year to 100% of the population

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
			is obtained, processed and reported on.	
20. ISS.99 Disclosure: Provision for landfill	The disclosure does not adequately address: - the expected timing of the resulting cash flows - The assumptions that were used to determine the estimate that was used.	GRAP 19.99 was not fully applied in the disclosure of the provision.	Management should adequately review the financial statements to ensure that they prepared and presented within the requirements of accounting standards and legislations	The disclosure has now been addressed in the revised financial statements
21. Iss:32: Procurement and Contract Management: Awards made to employees in service of the state	The following payments were made to suppliers in service of other state organisations. A similar finding was raised in the prior year indicating that the person is employed by another state organisation. The municipality awarded additional contracts to the supplier in the current year and was aware that the person is employed by the state. # Name of person State institution where employed Position/ job title Section/ component Supplier name Date from when person had interest Expenditure - current year1 EF006931-0012 KAGISO BRADLY MOSALA NAT: CORRECTIONAL SERVICES CB1 2 SECURITY OFFICER GRADE 2 SMART GUYS TRADING (PTY) LTD 09/16/2011 29 280.002 EF006931-0002 KAGISO BRADLY MOSALA NAT: CORRECTIONAL SERVICES CB1 2 SECURITY OFFICER GRADE 2 SMART GUYS TRADING (PTY) LTD 09/16/2011 28 800.00		We further recommend a review of all employees who are in receipt of an allowance to validate satisfaction of all conditions aligned to the allowance. A proposal should also be placed before council for evaluation on all allowance invalidly paid with considerations of recoverability where possible.	
22. Iss:43: Banking services tender not approved by council (Compliance)	In terms of the banking services contract entered into between the municipality and First National Bank for a period of 5 years as indicated in the signed SLA between the municipality and the bank, the contract was required to have been submitted to council for approval as required by the MFMA.	Impact		Repairs and maintenance of existing roads,

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
1. ISS.97: Employee cost: Disagreements in stand-by allowance	Refer to Communication 13 number 3.	Standby work is not monitored and pre-planned. In addition calculation of standby hours worked in undertaken in error (inaccurately)	Standby work is not monitored and pre-planned. In addition calculation of standby hours worked in undertaken in error (inaccurately)	Internal controls will be implemented to deal with the weakness identified going forward
2. ISS.115 Employee cost: Termination benefits understatement	Contrary to the provisions and requirements of the BCEA in accordance with leave accrual, the following employees did not receive an adequate pay-out for their leave days accrued upon termination of service:	The auditee did not apply the provisions of the applicable legislation and policy in recognition of leave and bonus accrual. This was further affected by a lack of adequate review on the accuracy of remuneration upon termination of employment.	We recommend that management should monitor the provisions and requirements of legislation and policy as would affect employment contracts and Employer/ Employee relations. It is highly recommended that special attention should be applied on termination of service thus ensuring that all remuneration and deductions where applicable, are applied during the final salary calculation for the employee. This can be facilitated by reconciliations and reviews which can further be evidenced by signatures of the reviewers (including the HR and Payroll managers through to the accounting officer). As evidence of reviews and validation of related pay-outs, the final payslip should be filled with the employee records together with any tax certificates issued.	Internal controls will be implemented to deal with the weakness identified going forward
2. ISS.89: Use of consultants: Implementation of action Plan	It was noted that there were weaknesses on the action plan as findings identified in the previous year were not actually carried out as the same exception/finding relating to the management occurred in the current year	Policies and procedures is not in place for the procurement of consulting services leading to over contract management.	It was noted that there were weaknesses on the action plan as findings identified in the previous year were not actually carried out as the same exception/finding relating to the management occurred in the current year	<p>Management does not agree with this finding.</p> <p>There has been significant improvement from year to year given the reduction of issues raised by the auditors in their audit report. There were also a number of challenges experienced during the year which included the following:</p> <ul style="list-style-type: none"> • There being No substantive CFO; and • Several different acting CFOs having overseen the Accounting and Finance function; and

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
3. ISS.124: No schedule for related parties	Through testing of related parties disclosure, it is noted that the municipality does not have a formal related parties register.	The municipality did not maintain adequate records to facilitate the disclosure of related parties.	Management should maintain adequate records to facilitate the disclosure of related parties.	Management agrees with this finding. It is necessary to have a register for every activity, operation or transaction of the Municipality.
4. ISS.108: Financial Instrument not disclosed	Contrary to the above, financial instrument disclosure and the measurement thereof noted that aforementioned was not disclosed in accordance with GRAP 104.	Management did not adequately apply GRAP requirement Management did not review the financial statement	Management should ensure that the financial statements are adequately reviewed and that the disclosure as required above is made to the AFS.	Financial instruments have now been disclosed per GRAP
5. ISS.117: No investigation performed	Unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure.	Management did not take reasonable steps to ensure that the municipality adheres to laws and regulations	Management should ensure that they adhere to laws and regulations affecting the municipality.	Investigation will be done in the current year
6. ISS.119 Difference between prior year closing and current year opening	Differences were noted on the prior year closing balance of fruitless and wasteful expenditure and the current year opening balances:	This is due to lack of review of financial statements to ensure accurate reporting.	Management should review financial statement ensuring all restated amount agrees with the closing balance of prior year	An opening balance test will be performed in the current year to correct the possible misstatement
7. ISS.105: Water and sanitation service delivery	A summary of the significant findings from the audit are as follows: Management processes for water and sanitation infrastructure projects • Water projects in progress (2016-17) did not address the cause of the water backlog. • Sanitation projects in progress (2016-17) did not address the cause of the sanitation backlog. Maintenance of water infrastructure • The municipality does not have an approved policy in place that addresses routine maintenance of water infrastructure. • The municipality did not plan for the maintenance of water infrastructure by setting specific time frames and targets in this regard. • Conditional assessments were not done on water infrastructure to inform the routine water infrastructure maintenance plan and budget. Water losses • The municipality disclosed water losses to the extent of 3 310 611 kilolitres.	The planning pertaining to water and sanitation services were not adequate as to ensure proper service delivery	Management should develop and implement water and sanitation infrastructure policy and plan that details and addresses the strategic goals and mandate of the municipality	Proper planning will be followed through in the current year

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
8. ISS.106: Roads Infrastructure: Road Maintenance plan	<p>a) Management did not submit approved policy for the planning, management and reporting of road infrastructure. This policy should consist of the following items: - Funding;- Planning (strategic & maintenance);- Backlogs; and - Management information systems (MIS). (b) The municipality does not have an approved road maintenance plan which clearly indicates the strategy to be followed for the financial year. The plan should be a long-term plan indicating when planned maintenance is going to occur on each of the road infrastructure. Planned maintenance is maintenance that has been scheduled and occurs every 3-5 years. The plan should consist of the following items: - Allowance for the rectification of existing defects;- Description of the work to be carried out;- Forecast of the necessary maintenance (planned, routine and repairs); and- Maintenance expenditure for the planning period (c) The municipality does not have a plan to address the backlogs relating to roads infrastructure. Plans should include details of at least the extent of the backlogs, timeline/s for completion, costing to clear backlogs, and processes for monitoring and reporting (corrective actions addressing backlogs can be included in maintenance plan). Backlogs include new roads / upgrading / rehabilitation and maintenance backlogs. (d) Management did not submit a road asset management system. The following items are items that normally will be included in a road management system: - Description of the road infrastructure;- Condition of the road infrastructure;- Life cycle of the roads;- Maintenance planning;- Maintenance history;- Maintenance history; and- Backlogs (e) A condition assessments for all roads infrastructure under control of the municipality was not perform to inform the maintenance of roads. (f) The priority list did not contain</p>		Management should develop and implement a road infrastructure policy and plan that details and addresses the strategic goals and mandate of the municipality.	Road Planning, management of Road infrastructure is a key element of the Municipality's activities. All such efforts are spearheaded by the Technical Department.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	<p>the necessary information such as the name of the projects, description of what is to be upgraded/maintained as well as the value of the project. (g) A complete list of refurbishment projects was not included in the priority list. This was due to the approved priority list not containing adequate information (project name, description or amounts). (h) The municipality had not implemented corrective actions to address all findings raised in the prior year. This was due to lack of monitoring by management and adequate management processes were not in place. Cause: Policies are not in place to ensure that road infrastructure is maintained. Impact: Roads within the municipal area might deteriorate to the point where it needs to be re-constructed and areas are not timely identified that is in need of road connections.</p>			
<p>9. ISS.121: Inadequate explanation on budget</p>	<p>Contrary to the above, the reasons given by management to comply with GRAP 24.12 were found to be either contradictory or the reasons were too vague for users of the financial statements to understand:</p>	<p>The financial statements were not adequately reviewed to ensure that all explanations were appropriate</p>	<p>Management should review all explanations for its reasonability and should ensure that the reasons are adequate.</p>	<p>Proper disclosure and substantive reasoning will be provided in the current year for any deviations on the budget</p>
<p>10. ISS.68: Land incorrectly classified as inventory held for sale</p>	<p>During the testing of inventory held for sale, it was discovered that the following EFR's are classified as inventory instead of Property plant and equipment.</p> <p>No EFR Location Amount Comment 1 1336 BANKHARA BODULONG 20 000 Reservoir 2 7557 MOTHIBISTAT-3 12 400</p>	<p>The above is due to a the fact that assets or changes to assets owned by the municipality are not updated on the asset register, investment property register or inventory listing as appropriate.</p>	<p>The accounting officer should ensure that the asset register, investment property register and inventory listing are updated to reflect the all assets owned by the municipality, and that updates or changes are timeously effected.</p>	<p>The property was transferred from inventory to PPE, a journal was processed and the inventory listing updated</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	Park Total 32 400			
11. ISS.116: Understatement of Inventory	During verification process, it was discovered that the following land is included in the inventory listing of the municipality but as per deed search performed this property is not registered in the municipality	This is due to the fact that changes to assets owned by the municipality were not updated on the asset register, investment property register or inventory listing as appropriate.	The accounting officer should ensure that the asset register, investment property register and inventory listing are updated to reflect the all assets owned by the municipality, and that updates or changes are timeously effected.	A journal was processed and the inventory listing updated
12. ISS.104: Finance leases: Incomplete disclosure	With reference to note no 13. Finance lease obligation on the financial statements a general description of the lessee's material leasing arrangements was not disclosed as required by GRAP 13.	This is due to lack of review of financial statement to ensure accurate and complete disclosure.	Management should review financial statement ensuring compliance with applicable GRAP standards.	The AFS note was adjusted including the descriptions and information as requested by the auditors or as per the exception detail above
13. ISS.110 PPE: Amount as per AFS does not agree to Asset register	The amount as per asset register for other assets do not agree to the amount as per asset register. Refer to the below table Description Amounts per financial statements submitted for audit on 31-Aug 2017 (R) Amount as per Asset register (R) Difference (R) Other Assets 11 114 028 10 892 043 -221 984	Management did not adequately review the annual financial statements to ensure that they are adequately supported by the supporting schedules. Impact Property Plant and equipment may be overstated by an amount of R221 984	Management should review the financial statements and ensure they are adequately supported by the supporting schedules	The above finding was adjusted and the AFS now agree to the asset register
14. ISS.113. PPE: Assessment of impairment not performed for other assets	During physical verification of assets, it was noted that the below listed assets whose conditions are marked as fair in the asset register was assessed as poor and therefore no assessed for impairment was performed	Management did not assess all the assets for impairment during the year.	Management should identify and assess the indicators of impairment for assets and impair the assets to reflect the best estimate of the fair value of assets.	Impairment assessment was re-performed on the whole population and adjustments were made accordingly
15. ISS.123 PPE: Incorrect calculation of depreciation	Refer to Communication 13 number 18.	Management did not test the arithmetic accuracy of the asset register and not adequately review the annual financial statements to ensure that they are fairly presented	In addition to the review of the annual financial statements, management should review the asset register and ensure that the depreciation is correctly calculated and confirm the arithmetic accuracy.	Depreciation was recalculated and adjustments were made to correct any incorrect depreciation calculation

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
16. ISS.102: Unauthorized expenditure	The amount of unauthorised note no: 42 in the financial statement does not agree to Statement of Comparison of Budget and Actual Amounts for expenditure. Furthermore, we were unable to verify the accuracy of the disclosed amount.	Lack of review of financial statements	Management should review properly the financial statements before are submitted for audit	The amount disclosed in the AFS was adjusted and now matches the statement of budget and comparison
17. ISS.122 Creditors with debit balances	Creditors with debit balances of R124 946 are included as part of payables.	The annual financial statements and supporting schedules were not properly reviewed before it was submitted for audit purposes	The accounting officer should ensure the correct disclosure of accounts payable	Adjustments to correct the debit balances were made
18. ISS.49 AOPO: Indicators not properly presented and disclosed	The following discrepancies were noted relating to the requirement above:a. The overall presentation of the performance information in the APR is not relevant, comparable and understandable.129 - Number of audits conducted on outdoor advertising per annum130 - Number of advertising structure database updated per annum145 - Number of households provided with full water borne sewer services118 - Number of reports on activities of the division sent to Dept. of Transport before the 7th of every month121 - Number of integrated Waste Management Plans reviewed and approved by Council136 - Number of fleet management policies reviewed and approved by Council per annum b. No comparison between planned and actual or current and prior year performance for all indicators. c. No disclosure of measures taken to improve performance.	The Municipality does not have proper, clear and specific guidelines "Standard Operating Procedures" (SOP) on how to prepare the performance objectives and they did not have a manager for PMU till year end	Management should revisit the presentation and disclosure requirements as to ensure that all the requirements mentioned above is adhered to.	This will be corrected in the current year going forward
19. ISS.90 AOPO - Differences between schedules and APR	Refer to Communication 13 number 22.	This was due to lack of proper monitoring and review of performance management system.	The Municipality should implement the Municipal System Act of 2000 section 40, Reviewing and Monitoring of performance management system. Management should ensure that sufficient controls and systems are developed to ensure that for each indicator the supporting documentation	These weaknesses are already being addressed in the current year to 100% of the population

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
			is obtained, processed and reported on.	
20. ISS.99 Disclosure: Provision for landfill	The disclosure does not adequately address: - the expected timing of the resulting cash flows - The assumptions that were used to determine the estimate that was used.	GRAP 19.99 was not fully applied in the disclosure of the provision.	Management should adequately review the financial statements to ensure that they prepared and presented within the requirements of accounting standards and legislations	The disclosure has now been addressed in the revised financial statements
21. Iss:32: Procurement and Contract Management: Awards made to employees in service of the state	The following payments were made to suppliers in service of other state organisations. A similar finding was raised in the prior year indicating that the person is employed by another state organisation. The municipality awarded additional contracts to the supplier in the current year and was aware that the person is employed by the state. # Name of person State institution where employed Position/ job title Section/ component Supplier name Date from when person had interest Expenditure - current year1 EF006931-0012 KAGISO BRADLY MOSALA NAT: CORRECTIONAL SERVICES CB1 2 SECURITY OFFICER GRADE 2 SMART GUYS TRADING (PTY) LTD 09/16/2011 29 280.002 EF006931-0002 KAGISO BRADLY MOSALA NAT: CORRECTIONAL SERVICES CB1 2 SECURITY OFFICER GRADE 2 SMART GUYS TRADING (PTY) LTD 09/16/2011 28 800.00		We further recommend a review of all employees who are in receipt of an allowance to validate satisfaction of all conditions aligned to the allowance. A proposal should also be placed before council for evaluation on all allowance invalidly paid with considerations of recoverability where possible.	
22. Iss:43: Banking services tender not approved by council (Compliance)	In terms of the banking services contract entered into between the municipality and First National Bank for a period of 5 years as indicated in the signed SLA between the municipality and the bank, the contract was required to have been submitted to council for approval as required by the MFMA.	Impact		Repairs and maintenance of existing roads,

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
1. Iss 56: Procurement and Contract Management: Tax clearance certificate not provided	Refer to communication 14 issue 4.	This will result in irregular expenditure amounting to R 58 080.00.	To ensure that the municipality does not face cash-flow and financial challenges, we recommend aligning all remuneration in accordance with SALGA determinations unless and except where budget (from retained reserves) permits otherwise	
2. Iss:57: (Value add) Procurement and Contract Management: CIDB requirements not adequately applied	The following deficiencies were identified when procuring a contractor for quotation number Gas:Q22/2016. 1. The tender invitation for a construction works contract did not stipulated the minimum category which the bidders must be registered at with the CIDB in order to qualify evaluation. 2. The contractor Thabic Engineering (pty) Ltd is not registered in the class of construction works that the projects relates to as indicated in schedule 3 of the CIDB regulations. The contractor Thabic Engineering (pty) Ltd (CRS nr: 23081) is registered on the CIDB in grading 1 CE and the works to be performed required at a minimum a contractor registered on a grading of 1 GB. A contractor was required to build two RDP houses and based on the definition of works to be performed as indicated in schedule 3 of the CIDB regulations. this required a grading of 1GB.		Management should include this requirement as part of the checklist for procurement tenders taking into consideration that it could impact other long term projects procured in future example long term infrastructure projects.	
3. Iss:119: Procurement and Contract Management: Official failed to disclose interest	Refer to communication 14 issue 6.	Management should revisit all payments made to the indicated supplier for all new awards made in the current year to determine the full extent of the irregular expenditure.	The municipality should develop an internal database to limit such awards and constantly update this register where relationships are identified.	Therefore, it is not correct to state that “there is no policy or plans for the management of Road Infrastructure”.

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>4. Iss.120: (AFS) Procurement and Contract Management: Completeness of deviations disclosed in note 45 and reported to council</p>	<p>The following deviation was not disclosed in note 45 of the AFS</p> <p>1. ACDC MECHATRONICS ENGINEERING (EF006931-0014) R31 290</p> <p>2. There is no evidence that the reasons for this deviation were recorded and presented at the next council meeting. This is an oversight in the recording of deviations from management as there is no process to confirm the completeness of the register. This will lead to an understatement of R 31 290 in the balance of the deviations disclosed in the AFS.</p> <p>Management should revisit the population to confirm the completeness of deviations disclosed in the AFS</p>			<p>Updating the deviation register</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>5. Iss.121: Procurement and Contract Management: Contract management process not adequately performed</p>	<p>The following issues were identified pertaining to contract management processes within the municipality on the below indicated bids 1. The accounting officer did not sign the contract entered into with the below indicated supplier. (a) BID NO 19/2014-15: Form of offer and acceptance: Signed only by the supplier on 15/05/2015 2. The terms and conditions for the following bids does not include the provision for the termination of the contract in the case of non- or underperformance and dispute resolution mechanisms to settle disputes between the parties (a) BID NO 11/2014-15: Maruping/ Batlharos: External & Internal Water Distribution Phase 2 (Budget M) : Contractor- Jorian Construction(b) BID NO 19/2014-15: Vergenoeg -Maruping Upgrading link road to Bituminous standard phase 2: Contractor : Tshenolo Resources(c) Turnkey: Upgrading of Moffat Intake Substation- Phase 1 - Dihalse Consulting(d) Construction of 24 Ml reservoir - Department of water and Sanitation 3. The following contracts were extended without following the process indicated below (a) BID NO 11/2014-15: Maruping/ Batlharos: External & Internal Water Distribution Phase 2 (Budget M) : Contractor- Jorian Construction - Extended by R 647 756.86(b) Construction of 24 Ml reservoir - Department of water and Sanitation - Extended by R3 326 313.83 When extending these contracts the following was not performed (i) This was not performed in accordance with the SCM policy of the municipality as the policy requires that extensions be approved by the bid adjudication committee (ii) The reasons for the proposed amendment were not tabled in the council of the municipality (iii) Extensions to the contracts were not approved by a delegated official of the municipality</p>	<p>This is a value add finding as no expenditure was incurred by the municipality and the contract was cancelled. Based on the finding this would have lead to possible non compliance and irregular expenditure had management continued with the contract after the award.</p>	<p>The municipality should request that the CAAT's CIPRO search be performed for all employees to identify such relationships and where employees are partners in other business with suppliers of the municipality</p>	<p>Population will be revised and all irregular expenditure will be investigated</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
6. ISS.132 Employee costs: Terminations not confirmed by the accounting officer	<p>We did not obtain adequate evidence to validate that the accounting officer acknowledged the termination or knowledge of end of service by the out-going employee. The following employee details refer:</p> <p># Employee Date terminated Reason for termination Notice issued by</p> <p>1 S308056 2017/01/31 Resignation Not acknowledged</p> <p>2 S308514 2017/01/31 Resignation Not acknowledged</p> <p>3 S309210 2017/01/31 Retirement Not acknowledged</p> <p>4 S200637 2017/02/28 Resignation Not acknowledged</p> <p>5 S453532 2017/02/28 Resignation Sampson</p> <p>6 100620 2016/09/30 Contract ended Not acknowledged</p> <p>7 101101 2016/09/30 Contract ended Not acknowledged</p>			Management does not agree with the audit finding, all terminations of municipal employees are approved by the accounting office and the employees are also terminated on the VIP payroll.
1. ISS.133: Employee costs: Salary scale and notch cannot be validated	<p>The following employees were appointed by the municipality on a salary scale and notch to which we could not adequately validate except as indicated on the appointment letter: # Employee Confirmation date Scale Notch1</p> <p>S001081 15-Dec-16 T14 I2</p> <p>S100567 01-Feb-17 T10 A3</p> <p>S100655 30-Jun-16 T10 A4</p> <p>S100945 01-Feb-17 T3 A5</p> <p>S101288 30-Jun-16 T14 A6</p> <p>S101289 02-Dec-16 T8 A7</p> <p>S102370 01-Feb-17 T10 A8</p> <p>S102388 01-Feb-17 T10 A9</p> <p>S205072 01-Feb-17 T7 A10</p> <p>S205080 01-Feb-17 T7 A11</p> <p>S308810 01-Feb-17 T3 A12</p> <p>S452874 01-Feb-17 T3 A13</p> <p>S452882 01-Feb-17 T3 A14</p> <p>S500076 01-Feb-17 T3 A15</p> <p>1000241 05-Dec-16 T10 A16</p> <p>1000243 05-Dec-16 T14 D</p>		Management should ensure that the required financial delegations are signed to authorise Senior Managers to approve contract extensions limited to a R 2 million (or lower)	Management does not agree with the above audit findings as all the Notches are stated on the appointment letter and corresponds with the notch advertised for the position in question

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>2. ISS.134 Employee cost: Remuneration paid to senior managers not validated</p>	<p>The following discrepancies were noted during senior management testing:</p> <p>1. The following amounts paid to employees as remuneration in the capacity as senior managers were not disclosed as such in the annual Financial Statements: # Employee Remuneration Amount 1 Remuneration of the Manager: Corporate Support Services (MM Gaselebelwe) Acting Allowance 10,339.19 2 Remuneration of Chief Finance Officer: Kagiso Noke Other company contributions (SDL, SALGA) 872.97 Total 11,212.16</p> <p>2. It has not been possible to validate Acting allowances paid as follows, owing to a lack of verifiable appointment letters and/ or the basis on which the allowance was calculated. Calculation could not be agreed to the guidelines for remuneration for senior managers or any other basis as applicable: # Employee Allowance paid Allowance verified Difference 1 Remuneration of Chief Finance Officer: Tshegofatso Jarvis 266,582.00 50,256.91 216,325.09 2 Remuneration of Chief Finance Officer: Tafita Sehloho 319,898.00 131,648.63 188,249.37 3 Remuneration of the Manager: Community Services (PJ Sampson) 6,398.00 - 6,398.00 4 Remuneration of the Manager: Corporate Support Services (M. Tsatsimpe) 111,969.00 43,584.56 68,384.44 5 Remuneration of the Manager: Technical Services (HJ Smit) 54,385.00 - 54,385.00 Total misstatement 533,741.90</p> <p>3. We could not establish remuneration as paid to Municipal Manager (G E NTEFANG) for alignment to guidelines for the remuneration of senior managers</p>	<p>2. The will result in irregular expenditure R 3 974 070.69</p>		<p>Management does not agree with the above audit finding. Remuneration paid to senior managers was validated.</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
3. ISS.135: Employee cost: Presentation and disclosure	<p>Disclosure for employee benefits per note 27 lacks cross reference to note 16 of the Financial statements. Further review of the disclosure note indicate reporting on two separate elements including details of "Other Allowances" for R865 313.00 and R2 807 046.00 which lacks sufficient detail and clarity. Disclosure note for the following positions lacks transparency as it does not include the individual name: Remuneration of Municipal Manager Remuneration of the Manager: Community Services Remuneration of the Manager: Corporate Support Services Remuneration of the Manager: Technical Services Note 27 contains typing and spelling errors</p>	2. The will result in irregular expenditure R 3 974 070.69	Management should ensure that processes are put in place to notify council of such contract extensions	The annual financial statements have been updated to reflect the disclosure on employee costs
4. ISS.126 DORA No cash backed reserves on grant underspending	<p>When conditions are attached to a transferred asset, the entity incurs a liability. The entity has a present obligation to comply with the conditions of the asset or to return the economic benefits or service potential of the asset to the transferor when the conditions are not met. Therefore, when a recipient initially recognises an asset that is subject to a condition, the recipient also incurs a liability.</p> <p>All grant receipts have to be kept in a separate bank account and transferred into the primary bank account of the municipality when a payment needs to be made. This serves as a mitigating control to ensure that money received for a certain grant is spent according its conditions and that the liability remains cash backed until it has been appropriately applied according to the conditions. In other words the municipality should have sufficient funds at any stage to be able to meet its obligation of the unspent conditional grant.</p> <p>However, a shortfall was noted between the unspent conditional grants as per the financial</p>	Impact:		Internal controls will be put in place to ensure that unspent grants are cash backed

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	statements and current funds (eg. cash and cash equivalents and current investments) at year-end.			
5. ISS.127: Estimate revenue from exchange	<p>During scrutiny of revenue accounts it was noted that no estimate for unbilled consumption since the last meter readings before year-end, made up of the following: - Metered electricity- Metered waterSale of water and electricity (excluding prepaid electricity) for 2016: R61 597 753 + R15 641 680 - R33 721 368 = R43 518 065Sale of water and electricity (excluding prepaid electricity) for 2017: R81 376 100 + R17 472 793 - R36 219 230 = R 62 629 663Consumer accounts are prepared up to the 15th for each month. Therefore the last 15 days of the year should be accounted for.2017: R62 629 663 x 15 / 365 = R2 573 8212016: R43 518 065 x 15 / 365 = R1 788 413</p>	Financial statements lacks transparency as would facilitate fair presentation and understand ability of financial performance.		The financials have been adjusted to reflect the above issue identified

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
6. ISS.128: Fines differences	<p>Contrary to the above mentioned prescripts the following was noted:</p> <p>1. The following differences were noted on handwritten fines: Handwritten fines as per the municipality's estimate Information obtained as per reports 2017 2017 Difference Issued 1 295 780.00 Fines issued as per summary report 1 470 200.00 (174 420.00) Received 134 150.00 Payments received as per payment report 161 250.00 (27 100.00) Camera fines CAMERA FINES as per the municipality's estimate Information obtained as per reports 2017 2017 Difference Issued 8 814 700.00 Fines issued as per system audit report exc fines withdrawn 8 983 300.00 (168 600.00)</p> <p>2. No reconciliations are performed throughout the year relating to fines - money collected and fines issued.</p> <p>3. The following could not be confirmed on the system: Reduction (112 700.00) Increased 46 100.00</p> <p>4. A total of 57 written fines was not removed from the fines book and no explanation could be provided to auditors, the following 10 fines number serves as an example -</p> <p>51/13250/846 51/12737/846 51/12169/846 51/10057/846 51/12938/846 51/11501/846 51/11701/846 51/11851/846 51/10928/846 51/11884/846</p> <p>5. Fines receipt books for fine money relating to 65301 - 65400 was missing.</p>	Reconciliation of revenue from non-exchange is not kept on a monthly basis.	Management should ensure that: Reconciliations performed on a monthly basis and reviewed by an official independent of fines.	Monthly reconciliations will be performed to ensure that the reports received for fines, issued, withdrawn, paid, reduced and increased agrees with the reconciliation and thereby agrees with the balances disclosed

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
7. ISS.129: Non-compliance on disposal of land held for sale	<p>Contrary to the above mentioned prescripts no evidence could be obtained that public participation took place and whether council approved and complied with section 5 of Municipal Asset Transfer Regulations relating to the following sampled disposals:</p> <p>No. Description Description Fiscal Tran Date Doc No Remarks Amount</p> <p>1 Town Planning & Building Surv Sale Of Stands 2016/07/01 11/07/2016 637446 Thota Tau Group (Pty (877 192.99)</p> <p>2 Town Planning & Building Surv Sale Of Stands 2016/07/01 28/07/2016 640003 Absa Bank Erf 6255 (438 596.50)</p> <p>3 Town Planning & Building Surv Sale Of Stands 2016/09/01 08/09/2016 647162 Erf6169 And Portion (877 192.99)</p> <p>4 Town Planning & Building Surv Sale Of Stands 2017/02/01 20/02/2017 673281 Erf6169 And Portion (1 315 789.48)</p> <p>5 Town Planning & Building Surv Sale Of Stands 2017/03/01 08/03/2017 675402 Erf 7695 (8 771.93)</p>	Oversight from management on issues relating to compliance.	<p>Management should:-</p> <p>Ensure that compliance with legislation is adhered to.- Copies of documents are kept in triplicate, one sitting in legal, the other in supply chain management unit and the other with the town planning unit.- A checklist is drawn-up to ensure compliance with applicable legislation.</p>	Proper procedure and compliance will be followed in the future when land is being disposed off

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
<p>8. ISS.130 Journals Revenue and receivables inadequate support</p>	<p>1. Contrary to the above mentioned prescript, the following journals did not have sufficient audit evidence: Revenue journalsNo: Dep Description Account Document no. Date Remarks Debit Credit 1 220 LEVIES:PROPERTY RATES 1 7068 30/06/2017 WRONG TARIFF 102 528.40 220 LEVIES:PROPERTY RATES 1 7068 30/06/2017 WRONG TARIFF 120.99 901 SUSPENCE: T BOSIAME 500107 7068 30/06/2017 WRONG TARIFF - 102 649.29 Receivables journalsNo. Depart Description Account Doc No Tran Date Remarks Debit Credit2 814 RECEIVABLES FROM NON- EXCHANGE 130100 1501 14/09/2016 RAYN N 3 291.30 905 ANNUITY LOANS 504061 1501 14/09/2016 RAYN N -3291.3 2. Differences were noted between the supporting document and the journal amount: No. Depart Description Account Doc No Tran Date Remarks Debit Credit3 340 ESTATES 20013 7129 30/06/2016 REVERSAL -27359.9 345 MUNICIPAL BUILDINGS 20006 7129 30/06/2016 REVERSAL 613500 345 MUNICIPAL BUILDINGS 20007 7129 30/06/2016 REVERSAL 107073.07 345 MUNICIPAL BUILDINGS 20007 7129 30/06/2016 REVERSAL -14400 345 MUNICIPAL BUILDINGS 20007 7129 30/06/2016 REVERSAL 188435.18 345 MUNICIPAL BUILDINGS 20018 7129 30/06/2016 REVERSAL 176544.64 345 MUNICIPAL BUILDINGS 20018 7129 30/06/2016 REVERSAL 148306.26 814 RECEIVABLES FROM NON- EXCHANGE 30100 7129 30/06/2016 REVERSAL - 846051.37 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL - 207282.35 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL - 107073.07 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL -</p>	<p>Minimal time allocated for the preparation of Annual Financial Statements</p>	<p>Management should ensure that journals are supported by adequate and relevant supporting document.</p>	<p>Management does not agree with the finding. The journals are supported by recalculations and reviews of the Valuation roll that warrant changes made</p>

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
	148306.26 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL - 176544.64 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL - 613500 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL 27359.9 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL 14400 814 RECEIVABLES FROM NON-EXCHANGE 200300 7129 30/06/2016 REVERSAL - 188435.18 853 ACCUMULATED SURPLUS/DEFICIT 60008 7129 30/06/2016 REVERSAL 207282.35 995 UNALLOC OVERFLW/SHORTAGE 890005 7129 30/06/2016 REVERSAL 846051.37 2 328 952.77 - 2 328 952.77			

Finding Category	Audit Finding Description	Root Cause	Recommendation by AG	Management Response
9. ISS.131: Indigent register does not agree to system	<p>Contrary to the above mentioned prescripts differences were noted between the indigent register and the accounting system:</p> <p>Information from indigent register No SURNAME INITIALS ID NUMBER Erf no. Account no. 17 BENADE M.A 2409150041086 1210 140281 19 DE RU V.R.H.W 5303130134086 1525253 22 LESERWANE M.J 4403055369088 744 511575 23 PENTZ J.M 4303010054082 1142 228152 24 SIMA G.A 6403270900087 1209 142697 25 ABBOTT L.I 7709260063085 3858 6324005 27 ABRAHAMS J.S 7404300124085 6404051 28 ABRAHAMS E.F 6904200192083 3813 6401370 29 ANDREAS F.H 5011100007089 6503462 30 ANDRWES A 4202135111084 1387 6326851</p>		<p>Management should ensure: Reconciliations are performed on a monthly basis and differences should be followed up. Reconciliations are reviewed by a person independent of revenue and receivables section.</p>	<p>Monthly reconciliation of Indigent register and the register in the system will be reviewed by an independent person.</p>

**Report of the auditor-general to the Northern Cape Provincial Legislature and the council on
Ga-Segonyana Local Municipality**

Report on the audit of the financial statements

Qualified opinion

I have audited the financial statements of the Ga-Segonyana Local Municipality set out on pages 258 to 331, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Ga-Segonyana Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (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, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Irregular expenditure

The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements resulting in irregular expenditure being understated in the current and previous year. I was unable to determine the full extent of the understatement as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding irregular expenditure due to the lack of evidence that management had properly identified, investigated and recorded all irregular expenditure transactions during the prior years and the lack of a proper system of internal control to support and account for and identify irregular expenditure. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment to irregular

expenditure, disclosed as R275 392 310 (2016: R247 387 887) in note 44 to the financial statements, was necessary.

VAT receivable

I was unable to obtain sufficient appropriate audit evidence for the VAT receivable due to an inadequate management accounting and information system to account for VAT. I was unable to confirm the balance disclosed by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT receivable, stated at R22 025 161 (2016: R15 998 051) in note 5 to the financial statements.

Receivables from non-exchange transactions

During 2016, I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions and to confirm the receivables by alternative means. In addition, fines revenue and property rates were incorrectly calculated resulting in receivables from non-exchange transactions being understated by R1 215 881. Consequently, I was unable to determine whether any adjustment was necessary to receivables from non-exchange transactions stated at R12 463 893. My audit opinion on the financial statements for the period ended 2016 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of receivables from non-exchange transactions for the current period.

Context for the opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Material uncertainty related to going concern

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

I draw attention to note 41 in the financial statements, which indicates that the municipality's current liabilities exceeded its current assets by R35 738 240 as at 30 June. As stated in

note 41, these events or conditions, along with other matters as set forth in note 41, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 47 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error discovered during 30 June 2017 in the financial statements of the municipality at, and for the year ended, 30 June 2016.

Material losses - water

As disclosed in note 46 to the financial statements, material electricity losses to the amount of R17 257 740 (2016: R4 565 139) was incurred which represents 23% (2016: 6.5%) of total electricity purchased.

Material losses - electricity

As disclosed in note 46 to the financial statements, material water losses to the amount of R16 553 055 (2016: R10 390 376) was incurred which represents 65% (2016: 52%) of total water input.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the audit of the financial statements

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting officer is responsible for assessing the Ga-Segonyana Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

Development priorities	Pages in the annual performance report
KPA 5: Basic Service Delivery	247-257

I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

KPA 5 – Basic Service Delivery

Various indicators

The source information and evidence for the achievement of the planned indicators listed below were not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI).

Performance indicator
114 - Implementation of maintenance schedule at sport grounds (Number of activities on maintenance schedule implemented/ Number of activities on maintenance schedule)
115 - Implementation of schedule at cemeteries - Kuruman, Wrenchville, Mothibistad (Number of activities on maintenance schedule implemented YTD / Number of activities on maintenance schedule)
116 - Number of roadblocks conducted
117 - Percentage of outstanding fines and warrant of arrest issued (number of outstanding fines and warrant of arrest issued/number of outstanding fines and warrant of arrest/number of outstanding summons)
120 - Number of households in wards 1, 3 and 13 with access to minimum standard of refuse removal
129 - Number of audits conducted on outdoor advertising per annum
130 - Number of advertising structure database updated per annum
135 - Number of new community halls constructed
140 - Kilometres of tarred road resealed
142 - Kilometres gravel road graded
144 - Number of new households provided with access to basic level of sanitation
147 - Number of new households provided with basic level of water (communal taps within 200m of household)
150 - Blue drop rating (only tested bi-annually)

Various indicators

The reported achievements of the indicators listed below were misstated, as the evidence provided did not agree with the reported achievements as follows:

Performance indicator	Reported achievement	Audited value
116 - Number of roadblocks conducted	8 road blocks conducted	7 road blocks conducted
123 - Number of clean-up campaigns held YTD	5 campaigns conducted	3 campaigns conducted
125 - Number of criminal cases and security incident reports submitted to council	1 security case reported	6 security cases reported
138 - Percentage capital budget (excluding MIG) actually spent on capital projects identified in financial year in terms of the IDP	84.80%	74.50%
141 - Square meters of roads patched on tarred roads	19200m ²	36430m
143 - Km of access road surfaced/Paving	4.1 batharos, 4.6 km –maruping, 2.05 km Mandela drive	8.4km
148 - Percentage of water losses	52% loss	65% loss
151 - Number of general sampling of affluent conducted at waste water treatment plants	10	11
152 - Number of water quality samples at reticulation side taken	10	8

Various indicators

I was unable to obtain sufficient appropriate evidence for the indicators listed in the table below.

This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of the following indicators:

Performance indicator	Reported achievement
114 - Implementation of maintenance schedule at sport grounds(Number of activities on maintenance schedule implemented/ Number of activities on maintenance schedule)	100%
115 - Implementation of schedule at cemeteries - Kuruman, Wrenchville, Mothibistad (Number of activities on maintenance schedule implemented YTD / Number of activities on maintenance schedule.	100%
117 - Percentage of outstanding fines and warrant of arrest issued (number of outstanding fines and warrant of arrest issued/number of outstanding fines and warrant of arrest/number of outstanding summons)	100%
119 - Number of kilolitres of septic tanks emptied YTD	15392.2KL
120 - Number of households in wards 1, 3 and 13 with access to minimum standard of refuse removal	13443
122 - Number of waste awareness campaigns held YTD	1 campaign conducted
126 - Percentage of building contravention submitted for legal action within 6 weeks from detection	100% (56 buildings contraventions attended to within 6 weeks from detection)
127 - Percentage of building plans applications assessed within 30 working days	100% (building plans assessed within 30 days from receipt of application and payment to finalisation of assessment)

Performance indicator	Reported achievement
128 - Percentage of building inspections conducted within 32 working hours from time of booking of appointment	100% (18 building inspections conducted within 32 working hours from time of booking of appointment)
129 - Number of audits conducted on outdoor advertising per annum	1 audit conducted in outdoor advertising
132 - Percentage of minor electrical faults attended to within 24 working hours from time of reporting	100% (all minor electricity faults attended to within 24 working hours from time of reporting)
133 - Percentage households (household within licensed area, excluding informal settlement) with access to basic level of electricity	100% (household within licensed area, excluding informal settlement)
134 - Number of in-situ houses constructed	31
135 - Number of new community halls constructed	1 To start in the next financial year. (1st quarter)
139 - Number residential sites developed	60
140 - Kilometres of tarred road resealed	1 km
144 – Number of new households provided with access to provided with access to basic level sanitation	886
146 - Percentage of minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting	100% (all minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting)
147 - Number of new households provided with basic level of water (communal taps within 200m from households)	1282 HH Mapoteng 591, Mokalamosesane 440, Ditshoswaneng 251 (22874/26816=85%)

Indicator 145: Number of households provided with full water borne sewer services

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicator. This was due to a lack of technical indicator descriptions and proper performance management systems and processes and formal standard operating procedures or documented systems descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the FMPPI. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 10 applications received.

Other matter

I draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on 229-257 for information on the achievement of 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 in paragraphs 0–0 of this report.

Report on audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Budgets

Reasonable steps were not taken to prevent unauthorised expenditure amounting to R85 754 314, as disclosed in note 42 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by an inadequate budget process and expenditure management.

Annual financial statements and performance reports

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, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(b) and (c) of the Municipal Systems Act.

Expenditure management

Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.

Effective steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by contravention of the supply chain management (SCM) requirements.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R2 646 932, as disclosed in note 43 to the annual financial statements, in contravention of section 62(1) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by overdue accounts resulting in interest and penalties.

Revenue management

An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

A performance management system was not established as required by section 38(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 8.

Procurement and contract management

Some of the contracts were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43. Similar non-compliance was also reported in the prior year.

Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM Regulation 29(2). Similar non-compliance was also reported in the prior year.

The preference point system was not applied for some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1). Similar non-compliance was also reported in the prior year.

Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.

Human resource management

Job descriptions were not established for all posts in which appointments were made, as required by section 66(1)(b) of the Municipal Systems Act.

Asset management

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

Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Allegations of financial misconduct against senior managers were not always tabled before council, as required by Disciplinary Regulations for senior managers 5(2).

Allegations were not always investigated, as required by Disciplinary Regulations for senior managers 5(3) and section 171(4) of MFMA.

Allegations of fraud and uttering a forged document which exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act.

Other information

The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in the auditor's report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

The leadership did not exercise oversight responsibility regarding financial, performance reporting and compliance and related internal controls. The leadership did not ensure that there were processes to ensure reviews were implemented before submission of information as material errors were detected in the financial statements, performance reporting and non-compliance with laws and regulations and internal control deficiencies were noted throughout the audit process.

The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evident by the failure of the leadership to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root causes.

The leadership did not ensure that the municipality complied with applicable legislation. Material findings on compliance legislation were raised in the year under review. The municipality's internal processes and systems did not prevent material non-compliance, irregular, unauthorised as well as fruitless and wasteful expenditure from occurring.

The leadership compiled an action plan based on the audit report findings, however they did not adequately monitor the existing action plan to ensure that corrective actions are taken when required and within the required timeframes. This has resulted in similar prior year material findings reoccurring in the current financial year.

The leadership did not prepare regular, accurate and complete financial statements that were supported and evidenced by reliable information. In addition, the collation of different information from various units for incorporation to the financial statements and annual performance report was not done timeously to allow for sufficient and adequate reviews, this resulted in the material amendments to the financial statements.

The underlying systems and controls were inadequate to provide reliable and accurate evidence to support the reporting on predetermined objectives. Senior management did not perform an adequate review on the actual performance against predetermined objectives reported. Therefore, a lack in sufficient appropriate evidence not obtained for indicators disclosed.

The leadership did not ensure that a financial and risk unit is established. The municipality did not identify risks relating to the achievement of financial and performance reporting objectives. Consequently, controls were not developed to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.

The municipality used the shared internal audit service and audit committee provided. Management did not implement recommendations made by internal audit identified in the prior year resulted in repeat audit findings.

Kimberley
30 November 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

6.5 COMMENTS BY THE CFO

NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
<p>1. Budgets Reasonable steps were not taken to prevent unauthorized expenditure amounting to R85 754 314 in contravention of MFMA Section 62(d) (1)</p>	<p>All matters relating to unauthorized, Irregular, Fruitless and wasteful expenditure have been referred to a Council Committee (MPAC) for investigation and for the Committee to recommend appropriate action to Council in line with Section 32 of the MFMA.</p>
<p>2. Expenditure Management</p> <p>(I) Money owed by the municipality was not always paid within 30 days as required by Section 65(2) (e) of the MFMA</p> <p>(ii) Effective steps were not taken to prevent irregular, fruitless and wasteful expenditure as required by Section 62(1)(d) of the MFMA.</p>	<p>Management is endeavoring on a debt collection plan to recover monies owed by service consumers and rate payers as this is the primary reason why suppliers are not always paid on time. This has resulted in accounts owing in excess of 90 days being handed over to a legal firm for collection.</p> <p>All matters relating to unauthorized, Irregular, Fruitless and wasteful expenditure have been referred to a Council Committee (MPAC) for investigation and for the Committee to recommend appropriate action to Council in line with Section 32 of the MFMA.</p>
<p>3. REVENUE MANAGEMENT</p> <p>An effective system of internal controls for debtors management was not in place as required by section 64 (2) (f) of the MFMA</p>	<p>Management is looking into overhauling the complete revenue value chain that will encompass standard operating procedures across all areas of debtors and revenue management.</p>
<p>4. PROCUREMENT CONTRACT MANAGEMENT</p> <p>(I) Some of the contracts were accepted from bidders whose tax matters has not been declared by the South African Revenue Services to be in order in contravention of SCM regulation 8.</p> <p>(II) Some of the bids were adjudicated by a Bid Adjudication Committee that was not composed in accordance with SCM regulation 29 (2).</p> <p>(III) The preference points system was not applied to goods and services above R30 000 as required by Section 2(a) of the of the Preferential Procurement Policy Framework Act.</p>	<p>Management has since implemented the utilization of a Centralize Supplier Database that is linked to SARS website. No order or payment is being made to a supplier whose CSD reflects as Non-tax compliant unless in cases were a valid tax clearance validate through a pin is produced.</p> <p>The Council SCM policy is being reviewed to define the composition of all Bid Committees including Bid Adjudication Committee. Given the size of the municipality it is not practical to have all senior managers sitting in the Bid Adjudication Committee, hence the SCM policy in under review to align that.</p> <p>Where such procurement was detected, these have been listed as irregular expenditure and subject to a Council Committee for investigation and some were listed as deviations with valid reasons for such deviations.</p>

NON-COMPLIANCE ISSUES	REMEDIAL ACTION TAKEN
(IV) Bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the PPPF Act regulation 9(1).	These have been listed as irregular expenditure and subjected to a Council Committee for investigation. Subsequent bid documents have been amended to include local content and production requires.

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.

Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a

	specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

APPENDICES

APPENDIX A – WARD REPORTING

Functionality of Ward Committees					
Ward Name	Name of Ward Councillor and elected Ward committee members	Committee established(Yes/No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during the year
1	ClIr WAS Aucamp	No	NONE	NONE	NONE
2	ClIr BE Modise	Yes	5	5	3
3	ClIr LF Moagi	Yes			
4	ClIr GN Mntuyedwa	4	3	3	
5	ClIr NG Disipi	4	3	3	
6	ClIr DT Mpata	2	2	1	
7	ClIr KR Makwati	2	2	1	1
8	ClIr KB Madikiza	Yes	5	5	4

Functionality of Ward Committees					
Ward Name	Name of Ward Councillor and elected Ward committee members	Committee established(Yes/No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during the year
9	Cllr BE Leserwane	Yes	4	3	1
10	Cllr T Tshetshemeserogwe	Yes	3	3	2
11	Cllr KF Kanjeruba	Yes	2	2	2
12	Cllr NG Ngesi	Yes	1	1	0
13	Cllr BA Eiman	Yes	4	4	3
14	Cllr LN Makoke	Yes	3	2	2

Appendix B 1				
Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in 2016/2017 (Full List at Appendix O)				
R' 000				
No.	Project Name and detail	Start Date	End Date	Total Value
12	Construction of Seven Miles Bulk water supply phase 2	2017/06/08	2018/04/30	12400936
6	Mokalamosesane bulk water supply	2016/07/20	2017/05/12	19257272
1	Kuruman Bulk Water Reservoir Complex	2013/09/04	2017/10/30	130000000
8&9	Maruping/Batlharos: External and Water distribution: Phase Two	2015/05/14	2016/11/11	49406360
7&2	Rural sanitation programme: Bankhara Bodulong and Ward 7	2016/07/07	2017/07/13	87333876
8 &10	Vergenoeg-Batlharos: Upgrading of link road to bituminous standardphase 2	2015/09/03	2016/09/08	18972296
8,9 &10	Vergenoeg-Maruping: Upgrading of link road to bituminous standardphase 2	2016/04/05	2017/07/20	21185576

Appendix B 2					
Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	26816	4568	26816	0	X
Households without minimum service delivery	2300	2000	2300	2300	
Total Households*					
Houses completed in year	X				
Shortfall in Housing units	X				
<i>*Including informal settlements</i>					

APPENDIX C – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Municipal Entity/Service Provider Performance Schedule			
Name of Entity & Purpose	(a) Service Indicators	2016/2017	
		Target	Actual
(i)	(b) Service Targets (ii)	*Previous Year (iii)	(iv)
Zandile Management Services	Debt collection	120000000	23033367

Ilitha Lelizwe Consulting Pty Ltd	VAT recovery	11194795	11194795
Municipal Software (Munsoft)	Financial system	-121956	-121956
VIP	Payroll system	-1394695	-1394976

APPENDIX D: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

Revenue Collection Performance by Vote							R' 000
Vote Description	2015/2016	Current: 2016/2017			2016/2017 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget	
Vote 1 - EXECUTIVE & COUNCIL	15 483 826	14 753 210	14 753 210	14 752 379	831.00	831.00	
Vote 2 - BUDGET & TREASURY	41 356 313	48 009 393	48 367 833	48 367 140	-357	693.00	
Vote 3 - CORPORATE SERVICES	398 800	1 405 222	1 205 222	1 154 188	251	51	
Vote 4 - PLANNING & DEVELOPMENT	22 995 658	27 951 114	22 805 540	18 026 261	034.00	034.00	
Vote 5 - HEALTH	35 071	70 000	70 000	58 193	9 924	4 779	
Vote 6 - COMMUNITY & SOCIAL SERVICES	1 577 802	2 745 480	2 989 480	2 889 185	853.00	279.00	
Vote 7 - PUBLIC SAFETY	7 428 982	6 703 494	6 859 994	6 618 022	11	11	
Vote 8 - WASTE WATER MANAGEMENT	33 264 061	38 987 163	30 553 287	26 555 573	807.00	807.00	
Vote 9 - ROAD TRANSPORT	17 121 842	27 121 341	31 617 184	31 501 076	-143	100	
Vote 10 - WATER	113 021 027	96 187 362	115 696 778	115 180 198	705.00	295.00	
Vote 11 - Electricity	108 987 660	128 880 388	131 930 388	129 075 767	85	241	
Vote 12 - WASTE MANAGEMENT	27 645 458	32 764 000	32 713 000	30 919 025	472.00	972.00	
Vote 13 - SPORTS & RECREATION	762 973	1 030 924	1 073 924	986 954	12 431	3 997	
Total Revenue by Vote	390 079	426 609	440 636	426 084	525	14 552	

T K.1

APPENDIX D: REVENUE COLLECTION PERFORMANCE BY SOURCE

R '000						
Description	2015/2016	2016/2017			2016/2017 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	31 172	36 980	36 880	36 250	-2%	-2%
Property rates - penalties & collection charges			-			
Service Charges - electricity revenue	65 351	84 119	87 169	81 376	-3%	-7%
Service Charges - water revenue	15 654	17 957	18 021	17 473	-3%	-3%
Service Charges - sanitation revenue	11 444	11 833	12 133	15 057	21%	19%
Service Charges - refuse revenue	7 394	9 010	9 010	7 921	-14%	-14%
Service Charges - other			-	218	100%	100%
Rentals of facilities and equipment	1 974	1 239	1 517	734	-69%	-107%
Interest earned - external investments	1 033	1 590	1 090	176	-803%	-519%
Interest earned - outstanding debtors	5 016	5 268	5 768	5 902	11%	2%
Dividends received	-		-			
Fines	2 168	1 304	1 304	8 417	85%	85%
Licences and permits	4 511	3 056	3 210	5 051	39%	36%
Agency services		1 984	1 984			
Transfers recognised - operational	129 298	122 201	122 431	121 925	0%	0%
Other revenue	23 900	22 747	18 632	21 280	-7%	12%
Gains on disposal of PPE						
Environmental Protection						
Total Revenue (excluding capital transfers and contributions)	298 914	319 288	319 148	321 781	0.77%	0.82%
						T K.2

APPENDIX E: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

Capital Expenditure - New Assets Programme*							
Description	R '000						
	2015/2016	2016/2017			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Infrastructure – Total	115 677	115 780	136 988	-	-	-	-
Infrastructure: Road transport – Total	36 453	26 860	31 356	-	-	-	-
<i>Roads, Pavements & Bridges</i>	36 453 164	26 860 341	31 356 184				
<i>Storm water</i>							
Infrastructure: Electricity – Total	1 500	-	2 000	-	-	-	-
<i>Generation</i>							
<i>Transmission & Reticulation</i>	1 500 000		2 000 000				
<i>Street Lighting</i>							
Infrastructure: Water - Total	66 692	68 900	84 769	-	-	-	-
<i>Dams & Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>	66 692 252	68 899 962	84 768 629				
Infrastructure: Sanitation – Total	11 032	17 520	17 520	-	-	-	-
<i>Reticulation</i>		17 520 063					
<i>Sewerage purification</i>	11 031 909		17 520 063				
Infrastructure: Other - Total	-	2 500	1 343	-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>		2 500 000	1 343 272				
<i>Other</i>							
Community – Total	-	6 541	2 500	-	-	-	-
<i>Parks & gardens</i>							
<i>Sportsfields & stadia</i>							
<i>Swimming pools</i>							

Capital Expenditure - New Assets Programme*							
R '000							
Description	2015/2016	2016/2017			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Community halls		6 540 634	2 500 000				
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							
<u>Capital expenditure by Asset Class</u>							
<u>Heritage assets - Total</u>	-	-		-	-	-	-
Buildings							
Other							
<u>Investment properties - Total</u>	-	-		-	-	-	-
Housing development							
Other							
-							
<u>Other assets</u>	3	5	4				
	380	114	743	-	-	-	-
General vehicles		1 600 000	1 600 000				
Specialised vehicles							
Plant & equipment		400 000	400 000				
Computers - hardware/equipment	131 102	80 000	80 000				
Furniture and other office equipment	3 248 899	3 033 800	2 662 800				
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							

Capital Expenditure - New Assets Programme*							
							R '000
Description	2015/2016	2016/2017			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Other							
<u>Agricultural assets</u>	-	-		-	-	-	-
<i>List sub-class</i>							
<u>Biological assets</u>	-	-		-	-	-	-
<i>List sub-class</i>							
<u>Intangibles</u>	-	-		-	-	-	-
Computers - software & programming Other (<i>list sub-class</i>)							
Total Capital Expenditure on new assets	119 057	127 435	144 231	-	-	-	-
<u>Specialised vehicles</u>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							

* Note: Information for this table may be sourced from MBRR (2009: Table SA34a) T M.1

APPENDIX F – CAPITAL PROGRAMME BY PROJECT 2016/2017

Capital Programme by Project: 2016/2017					
					R' 000
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
Water					

Maruping/Batharos: External and Water distribution: Phase Two	6 833 838.00	6 568 717.00	5 206 723.00	-26%	-31%
Water Services Infrastructure	55 800 000.00	55 800 000.00	51 849 719.54	-8%	-8%
Sanitation/Sewerage					
Rural Sanitation programme	13 594 299.00	16 869 149.00	12 779 173.00	-32%	-6%
Electricity					
Moffat Substation		2 000 000.00	1 181 060.17	-69%	100%
Economic development					
PMU	2 500 000.00	2 000 000.00	1 080 967.00	-85%	-131%
Sports, Arts & Culture					
Library	1 978 000.00	2 121 000.00	1 800 518.88	-18%	-10%
					<i>T N</i>

APPENDIX G – 2016/2017 ANNUAL PERFORMANCE REPORT

ANNUAL PERFORMANCE REPORT 2016/2017 Financial Year									
Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Anti-Corruption	KPI 1. Number of anti-corruption and fraud awareness sessions held internally YTD	1	2	nothing was done for the reporting period	R 0.00	R 0.00	The anti-corruption policy was reviewed late, measures were not put in place to implement systems to combat corruption e.g. whistle-blowers, anti-fraud hot lines.	A workshop was conducted for new employees. In the 1 st quarter of 2017/2018 internal memos will be drafted to alert employees to anonymously report corruption and avail suggestion box.	none
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Audit Committee	KPI 2. Number of Audit committee reports submitted to Council YTD	4	4	4 reports	R 0.00	R 0.00	None	none	Audit committee reports
	KPI 3. Number of Audit committee meetings held successfully YTD	4	4	8 meetings held	R 0.00	R 0.00	None	none	attendance registers
	KPI 4. Number of Meetings held regarding follow up on AG report	6	6	8 meetings held	R 0.00	R 0.00	None	none	attendance registers
Auditor General	KPI 5. Number of Unqualified Audit Opinion received from AG	Disclaimer	1	the municipality receive a disclaimer in 2015/2016 FY	R 0.00	R 0.00	Lack of implementation of AGs action plan	In order to improve the municipal audit outcome, there has been weekly meetings every Friday to address queries raised by AG	Attendance registers

**ANNUAL PERFORMANCE REPORT
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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Integrated Development Planning	KPI 6. Number of Final IDP approved by Council by end May	1	1	IDP approved by council	R 0.00	R 0.00	None	none	Council resolution
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Integrated Development Planning	KPI 7. Number of draft IDP tabled to Council by end March	1	1	1 draft IDP tabled to council by end of march 2017	R 0.00	R 0.00	Sector departments did not submit their programmes in time as requested	To request the mayor to emphasize the importance of submitting the programmes/projects by sector departments and the matter will also be deviated to HODs of different sector departments	Council resolution
	KPI 8. Number of wards in which IDP / Budget road shows conducted YTD	13	13	13 wards in which IDP / Budget road shows conducted	R 0.00	R 0.00	None	none	Attendance registers & issues raised by community members
	KPI 9. Number of IDP / Budget Representative Forum Meetings held YTD	3	4	2 meetings held	R 0.00	R 0.00	Unavailability of sector departments and relevant stakeholders.	To conduct the 4th Qtr. Rep Forum in the 1st Qtr. of new FY	Agenda, Attendance registers & Minutes
	KPI 10. Number of IDP documents submitted to the MEC within 14 days of tabling and of adoption by Council	1	1	IDP submitted to the MEC	R 0.00	R 0.00	None	none	Proof of submission
	KPI 11. Number of IDP steering committee meetings successfully held YTD	1	4	2 meetings held	R 0.00	R 0.00	The Management and Mayor was committed to other duties	To conduct the 4th Qtr. Steering committee meeting in the first 1st Qtr. of the new FY	Agenda, Attendance registers & Minutes

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Internal Audit	KPI 12. Number of annual Internal Audit plans developed and submitted to Audit Committee for approval YTD	1	1	1 internal audit plan developed	R 0.00	R 0.00	None	none	copy of the approved audit plan
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Internal Audit	KPI 13. The number of annual Audit Committee and Internal Audit charters developed and submitted to Audit Committee for approval by end of September	1	1	1 annual audit committee and internal audit charter developed	R 0.00	R 0.00	None	none	copy of the approved audit charter
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Performance Management System	KPI 14. Number of Final Annual Reports approved by Council by end March	1	1	2015/2016 Annual Report approved	R 0.00	R 0.00	None	none	Council resolution
	KPI 15. Number of Draft Annual Reports tabled to Council	1	1	1 annual reportable to council	R 0.00	R 0.00	None	none	Council resolution
	KPI 16. Number of final SDBIP approved by the Mayor within 28 days after the approval of budget and the IDP	1	1	Final SDBIP was approved within 28 days after the approval of the budget	R 0.00	R 0.00	None	none	Copy of the approved SDBIP
	KPI 17. Number of Annual Performance Reports submitted to auditor general by end August YTD	1	1	2015/2016 Annual performance report submitted to AG by end of August 2016	R 0.00	R 0.00	The annual performance report was incomplete. It did not include MFMA s46 (a) and (c)	to submit a complete 2016/2017 section 46 report to AG	Copy of the annual performance report

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Performance Management System	KPI 18. Number of individual performance assessments with Senior Managers performed	4	4	4 quarterly performance assessments conducted	R 0.00	R 0.00	1st quarter assessment report was not conducted	all quarterly performance reports to be conducted in the next financial year	copy of quarterly performance assessment reports
	KPI 19. Number of Performance Agreements signed by senior managers YTD	5	5	5 performance agreements received	R 0.00	R 0.00	None	none	copies of performance agreements
	KPI 20. Number of Quarterly Performance Reports submitted to Council YTD	4	4	4 quarterly performance reports submitted	R 0.00	R 0.00	None	none	council resolutions
	KPI 21. Number of Section 72 (mid-year performance) reports submitted to MM by 25th of January and to Council by 31st January	1	1	mid-year performance report submitted to council	R 0.00	R 0.00	None	none	council resolution
	KPI 22. Number of Annual Evaluation conducted successfully with senior managers for previous FY by end June	1	1	nothing was done for the reporting period	R 0.00	kR 0.00	The municipality did not have a functional PMS unit	performance evaluation of directors to be evaluated in October 2017	none
	KPI 23. Number of quarterly performance reports audited by Internal Audit YTD	New	4	3 quarterly performance reports submitted to Internal Audit	R 0.00	R 0.00	None	none	Internal Audit Management Letter
	KPI 24. Number of quarterly performance reports submitted to Audit Committee YTD	New	4	3 quarterly performance reports submitted to the Audit Committee	R 0.00	R 0.00	None	none	Internal Audit Management Letter

**ANNUAL PERFORMANCE REPORT
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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Good Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Risk Management	KPI 25. Number of times risk assessments are conducted YTD	Cannot determine target	Cannot determine target-to be reported only	4 risk assessments conducted	R 0.00	R 0.00	None	none	risk assessment reports
Financial Viability and Management/ Asset Management	KPI 26. Number of assets verifications conducted	1	2	2 assets verification conducted	Operational	R 0.00	none	none	Assets Verification Report
	KPI 27. Liquidity ratio (R- Value assets / R - Value liabilities as %)	200%	200%	nothing was done for the reporting period	Operational	R 0.00	challenges not indicated	corrective measures not indicated	none
	KPI 28. Number of assets reconciliation performed	12	12	12 assets reconciliations performed	Operational	R 0.00	none	none	Asset Reconciliation s Report
	KPI 29. Number of progress reports on the approved action plan related to issues raised in the previous audit report submitted to council	2	2	2 reports of the approved action plan related to issues raised in previous financial year	Operational	R 0.00	none	none	reports of the approved action plan related to issues raised in previous financial year
	KPI 30. Number of Cash and investment policy reviewed and approved by Council by the end of May	1	1	1 cash and investment policy approved by council	Operational	R 0.00	None	none	Council Resolution
	KPI 31. Number of monthly (S71) reports submitted to the Mayor and Provincial Treasury	12	12	12 section 71 reports	Operational	R 0.00	None	none	Copies of section 71 reports

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Financial Viability and Management/ Budget and financial reporting	KPI 32. Number of Annual Financial Statements submitted to the Auditor General on time (by end August)	1	1	Annual Financial Statements submitted to Auditor General	Operational	R 0.00	none	none	a copy of the annual financial Statement
	KPI 33. Number of final budget submitted to Council for approval by end of May	1	1	1 final budget submitted to council	Operational	R 0.00	None	none	council resolution
	KPI 34 Number of adjustment budget submitted to Council for approval by end February	1	1	1 adjustment budget submitted to council	Operational	R 0.00	None	none	council resolution
	KPI 35. Number of draft budget tabled to Council by end March	1	1	1 draft budget submitted to council	Operational	R 0.00	None	none	council resolution
	KPI 36. Number of quarterly performance and the budget reports (S52) submitted to Council	4	4	3 section 52 submitted	Operational	R 0.00	S52 for fourth quarter will be submitted to August council	none	council resolutions
	KPI 37. Number of quarterly financial statements prepared and submitted to Audit Committee	4	4	3 monthly financial statement submitted	Operational	R 0.00	The annual financial statements which include 4th quarter will be submitted to audit committee on 15 August 2017.	none	Copies of monthly financial statement
	KPI 38. Percentage Cost coverage (R-value all cash at a particular time plus R-value investments, divided by the R-value monthly fixed operating expenditure)	100%	150%	3841214/21 375 302 x100=18%	Operational	R 0.00	none.	none	none

**ANNUAL PERFORMANCE REPORT
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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
	KPI 39. Debt coverage (total R-value operating revenue received minus R-value Operating grants, divided by R-value debt service payments (i.e. interest + redemption financial year)	100%	150%	412378066-228055751/(19192514+1921988) - (14667776+2819011) x100=184322315/3627715x100=5081%	Operational	R 0.00	Will be calculated after the AFS are finalised.	none	none
Financial Viability and Management/ Budget and financial reporting	KPI 40. Percentage of FMG money spend	100%	100%	100%	Operational	R 0.00	None	none	FMG report M12
	KPI 41. Percentage of payments made within 30 days of receipt by expenditure of invoices (inclusive of all required supporting documentation and approval of source	90%	95%	93%	Operational	R 0.00	The Municipality experienced negative cash flow for 2016-17 financial year and was unable to honor most of the payments in time.	Debt collection is working with a team at National Treasury to assist in collecting government debt. Invested grant monies in order to gain interest to assist with expenditure. Weekly cut off lists for defaulters. Appointed attorneys in order to hand over old debt.	Payment report
	KPI 42. Number of External Loans payments (interest and redemption) due made within the year	14	14	11 external loans paid	Operational	R 0.00	Negative cash flow for 2016-17 financial year	All payments will be made on time during 2017-18 as the cash flow will improve	Vote for payments of DBSA Loans and interest payments KPI 42
	KPI 43. Number of payroll payments made in the year by the 25th every month	12	12	10 payroll payments made	Operational	R 0.00	Payroll for January and February was paid on the 26th due to change of banks and server problems	The bank assisted the municipality to implement one-day salaries to ensure everyone gets paid on the 25th and IT installed Firefox for all employees working on	Payroll reports

**ANNUAL PERFORMANCE REPORT
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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
								the bank to avoid server problems.	
Financial Viability and Management/ Expenditure Free Basic Services	KPI 44. Number of updated Indigent register in place by September	1	1	1 indigent register updated	Operational	R 0.00	None	none	Emailed Indigent register
Financial Viability and Management/ Expenditure Free Basic Services	KPI 45. Percentage (registered) households earning less than 3 900 (as per indigent policy per month with access to free basic services	85%	90%	100%	Operational	R 0.00	None	none	Free Basic Report KPI45
Financial Viability and Management/ Revenue Management	KPI 46. Number of credit control and debt collection policy to be reviewed as part of the budget process annually	1	1	1 credit and debt policy reviewed	Operational	R 0.00	None	none	POE not indicated
	KPI 47. Percentage outstanding service debtors to revenue (R-value total outstanding service debtors divided by R-Value annual revenue actually received for services.)	30%	25%	nothing was done for the reporting period	Operational	R 0.00	Still waiting for S71 for June to be finalised in order to calculate.	Calculations to be completed by the 1 st quarter 2017/2018	none
	KPI 48. Percentage debtor's collection rate (as per NT circular related to rations)	65%	70%	101%	Operational	R 0.00	None	none	Copy of the Debtors reconciliation
	KPI 49. Number of times that billings were done by end of each month and posted by 28 th	12	12	12 billings done	Operational	R 0.00	none	none	Billing report

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Financial Viability and Management/ Supply Chain Management	KPI 50. Number of SCM reports submitted to Council	4	4	3 SCM reports submitted to council	Operational	R 0.00	4th quarter report will be submitted on August council	none	council resolution
	KPI 51. Percentage of tenders adjudicated within 90 days of closing of tender	100%	100%	71%	Operational	R 0.00	Unavailability of committee members	Chairpersons of all SCM committees will ensure that meetings are held.	Adverts and Adjudication period report
Financial Viability and Management/ Supply Chain Management	KPI 52. Number of times the database of suppliers is updated (official update when advertised)	1	1	1 database of suppliers updated	Operational	R 0.00	None	none	Advert
	KPI 53. Number of stock counts conducted	1	1	1 stock count conducted	Operational	R 0.00	None	None	Copy of report
Governance and Public Participation/ Special Projects	KPI 54. Number of disability awareness campaigns held annually	0	1 disability awareness campaign held	1 disability awareness campaign held	Operational	R 0.00	None	None	Attendance register,
	KPI 55. Number of gender awareness campaigns held YTD	3	3 (Men's Month in July, Women's Month in August, 16 days of Activism in November)	2 gender awareness campaigns held	Operational	R 0.00	None	Gender awareness campaigns to be held in the next financial year	Attendance register, Program, Report
	KPI 56. Number of aged campaigns held YTD	New	1 (Elderly People Day October)	2 campaigns held	Operational	R 0.00	None	None	attendance registers
	KPI 57. Number of children campaigns held YTD	2	2 (Children's Day, Mandela International Day)	nothing was done for the reporting period	Operational	R 0.00	Budgetary constraints and vacancy of the Special Program Coordinator.	Children campaigns to be conducted in the next financial year	none
	KPI 58. Number of annual integrated special projects programmes developed and published	1	1	8 - integrated special projects programmed developed	Operational	R 0.00	none	none	Attendance register, Program and report

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
	KPI 59. Number of Youth Council Sitings	0	1	1 Youth Council Meeting held	Operational	R 0.00	None	None	Attendance register & Agenda
Governance and Public Participation/ Special Projects	KPI 60. Number of youth campaigns held YTD	New	4	3 - youth campaigns held	Operational	R 0.00	Campaigns not held as indicated due to the dysfunctional Youth Forum/Committee	2 youth council activities to be held in July and August 2017 including youth council induction.	Attendance register, report, agenda, photos
Good governance and public participation/ increase institutional capacity, efficiency, and effectiveness communications	KPI 61. Number of communication strategies reviewed and approved annually	0	1	nothing was done for the reporting period	Operational	R 0.00	It was not inclusive of terms of reference for the use of social media.	To be reviewed by September 2017	none
	KPI 62. Number of internal newsletters issued and distributed YTD	1	4	4 Internal newsletters	Operational	R 0.00	None	None	Internal Newsletters
	KPI 63. Number of external newsletters issued and distributed YTD	0	1	0	Operational	R 0.00	Budgetary constraints	External Newsletter to be issued by end of August 2017	External Newsletters
	KPI 64. Number of media releases published YTD	1	4	13 - Media releases	Operational	R 0.00	None	None	Copies of Media Releases
	KPI 65. Number of required (By MFMA, S75) documents published on the website	12	12	12 documents published on the municipal website	Operational	R 0.00	None	None	upload register
Good governance and public participation/increase institutional capacity, efficiency and effectiveness/council secretariats	KPI 66. Number of scheduled Council meetings held YTD	5	5	7 - Council Meetings	Operational	R 0.00	None	None	Council Agenda, Minutes, Attendance Register
	KPI 67. Number of times that Council Agendas are distributed within 72	5	5	9 Distribution List	Operational	R 0.00	None	None	Distribution List

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
	hours prior to ordinary Council meetings								
Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ IT and support	KPI 68. Number of ICT related policies, standards and guidelines reviewed YTD	New	4	8 -ICT Assets Management Policy, Municipal Corporate Governance of ICT, Back up Policy and Procedures, IT Data System Security Policy, Asset Protection Policy, User Account Management Policy, IT Maintenance and Support Tickets	Operational	R 0.00	only two can be sent to council during 4th quarter	2 to be sent to council in the next financial year	council resolution
	KPI 69. Number of IT risk assessments conducted YTD	New	1	4 IT risk assessment conducted	Operational	R 0.00	None	none	risk register
Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Legal services	KPI 70. Percentage of service providers with whom performance level agreements have been signed	90%	100%	10 - 100%	Operational	R 0.00	None	None	Performance Level Agreements
	KPI 71. Percentage of payments made to Contractors are accompanied with signed service level agreements	New	100%(all payments made to contractors/ Service providers should be accompanied	nothing was done for the reporting period	Operational	R 0.00	Cash flow problems as a result of non-payment of services.	Grants allocations will be reserved in the Call Accounts, for the 2017/218 financial year.	none

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
			with signed SLA)						
Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Legal services	KPI 72. Number of by-laws reviewed, approved by Council, public participation concluded and submitted for vetting and gazetting YTD	0	6	15 - By-Laws	Operational	R 0.00	None	None	Municipal By-Laws
	KPI 73. Number of training sessions conducted with people working with contracts and the enforcement of by-laws	0	2	nothing was done for the reporting period	Operational	R 0.00	HR to assist Legal section to train employees	Budget for the training in new financial year	No POE
	KPI 74. Number of stands sold	30	100	8 - Stand sold	Operational	R 0.00	None	None	Agreement of Purchase and Quotations
	KPI 75. The number of Lease agreements signed YTD/ the number of leases YTD as a %	New	100% (at all times there must a signed leased agreement with all tenants)	39 100% (at all times there must a signed leased agreement with all tenants)	Operational	R 0.00	None	None	Lease agreements
Governance and Public Participation/ Increase Institutional capacity,	KPI 76. Number of Mayoral Imbizo conducted YTD	1	1	nothing was done for the reporting period	Operational	R 0.00	Budgetary constraints	target to be achieved in the next financial year	none

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
efficiency and effectiveness/ public participation									
Governance and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/Records and achieved	KPI 77. Number of training sessions conducted with all sections within the municipality regarding Standard Operating Procedures related to Records and Archives YTD	0	4	nothing was done for the reporting period	Operational	R 0.00	We could not get the department of provincial Archive to conduct trainings.	Legal & compliance manager will organise training once per quarter, and will be conducted by provincial archives office.	none
Good and Public Participation/ Increase Institutional capacity, efficiency and effectiveness/ Ward committees	KPI 78. Number of functional ward committees (monthly meetings with reports as well as quarterly public meetings and reports)	14	14 (Wards all 14 wards having monthly meetings with reports)	13 Wards having monthly meetings with reports	Operational	R 0.00	Ward 1 has not established Ward Committee	Speaker to establish Ward Committee in Ward 1 by next quarter	Minutes and attendance registers
Institutional Transformation and organisational Development/attract and develop human capital/Human Resources	KPI 80. Number of HR Strategies reviewed and approved by Council YTD	New	1	nothing was done for the reporting period	Operational	R 0.00	No draft HR Strategy	A new draft HR Strategy to be developed	No POE
	KPI 81. Number of Employment Equity Reports submitted to Department of Labour by the end of October	1	1	Employment equity reports submitted to the Department of Labour	Operational	R 0.00	None	None	Acknowledgement letters from Department of Labour

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
	KPI 82. Number of people from employment equity groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan	Target cannot be set as it depends on appointments make- to be reported on only	Target cannot be set as it depends on appointments make- to be reported on only	1	Operational	R 0.00	None	None	Appointment letter
Institutional Transformation and organisational Development/attr act and develop human capital/Human Resources	KPI 83. Number of competency assessments conducted for Directors in line with regulations	0	1	1	Operational	non	None	none	Assessment Report for the CFO
	KPI 84. Number of organogram reviewed and aligned to institutional study and approved by Council	1	1	approved organogram	Operational	R 0.00	None	None	Organogram and Council resolution
	KPI 85. Number of HR policies reviewed and approved by Council YTD	5	8	8 HR policies	Operational	R 0.00	None	None	HR Policies and Council resolution
Institutional Transformation and organisational	KPI 86. Number of local labour forum meetings held YTD	4	4	4 LLF meetings held by June 2017	Operational	R 0.00	None	None	Agenda, Attendance registers & Minutes

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Development/attract and develop human capital/Labour Relations	KPI 87. Percentage of disciplinary cases that were finalised interallied 90 working days from date of charge issued - this excludes cases referred to Bargaining Council or Labour Court	New	100% (All disciplinary cases to be finalised internally within 90 days from date of charge issued - this excludes cases referred to Bargaining Council or Labour Court)	100% (9 written warnings and 2 charges)	Operational	R 0.00	Postponement due to unavailability of the Chairperson the prosecutor and the employee representative's due to commitments. There is only 1 official in the office and he is also responsible for bargaining cases	Parties must agree to more than 3 dates and complete the hearing within 3 days. For other investigations to be referred to the security officer.	Charge sheets. Attendance register, scansion and written warnings
Institutional Transformation and organisational Development/attract and develop human capital/Labour Relations	KPI 88. Percentage of grievance cases finalised within 30 working days from date of issuing grievances	New	100% (All grievance cases finalised within 30 working days from issuing of grievance)	100%	Operational	R 0.00	investigation still in process. Still collating information from witnesses. The investigator is still busy with 2 other cases.	to speed up the investigation process	Grievance forms
	KPI 89. Number of Training Sessions conducted with HOD's, Line managers and Supervisors regarding Disciplinary Procedures and labour relation matters YTD	1	1	nothing was done for the reporting period	Operational	R 0.00	The disciplinary procedure collective agreement was declared null and void by the labour court. The parties are presently negotiating a new agreement	Once the negotiations are complete we will resume with the training sessions.	none
	KPI 90. Number of awareness sessions held with staff members on code of conduct	1	1	3 Inductions were done	Operational	R 0.00	None	None	Attendance register, Programme, Agenda and Gazette

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Institutional Transformation and organisational Development/attr act and develop human capital/Occupatio nal health and Safety	KPI 91. Number of OHS audits (identification of hazards and risks) conducted annually	1	1	1 OHS audits conducted	Operational	R 0.00	No clear evidence due to lacking of digital camera and transport for inspections	budget for new digital camera and transport	OHS Audits
	KPI 92. Number of OHS action plans (based upon the findings of the OHS Audit) developed and approved by Council	0	1	1 OHS action plan approved	Operational	R 0.00	Audits repeating itself because of non-compliance	Maintenance	OHS Action Plan
Institutional Transformation and organisational Development/attr act and develop human capital/Occupatio nal health and Safety	KPI 93. Number of evacuation training sessions conducted with staff YTD	1	1	1 training session conducted	Operational	R 0.00	No Budget for Sirens and Reflector vests for marshals	irons and Reflector vests for marshals	Emergency Evacuation drill
Institutional Transformation and organisational Development/attr act and develop human capital/Training and development	KPI 94. Number of people (councillors and officials) attending training	37	37	4 officials attending training	Operational	R 0.00	Other officials and Councillors could not meet necessary requirements for admission in different institutions.	The trainings will be structured to suit all officials and councillors qualifications.	proof of registrations
	KPI 95. Percentage of skills development budget spend on training YTD	100%	100%	96.13%	R121,800.00	R117,090.53	Cash flow problems	To be corrected	Proof of expenditure
	KPI 96. Percentage municipality's (operating) budget actually spent on implementing its workplace skills plan	0.1%	0.1%	93.13%	R121,800.00	R117,090.53	Cash flow problems	To be corrected	Proof of expenditure

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
	KPI 97. Number of Workplace Skills Plans developed and submitted to the Department of Labour and LGSETA by end of April	1	1	Works kills plan developed and submitted to LGSETA	R121,800.00	R117,090.53	None	None	Acknowledgement letter, Council resolution and WSP
Local economic development	KPI 98. Number of visitors visiting The EYE and Caravan Park	Cannot determine target- to be reported on only	Cannot determine target- to be reported on only	5311	Operational	R 0.00	none	none	Added all 4 quarters in order to calculate the Annual Performance
Local economic development	KPI 99. Number of collaboration agreements to align mining and social labour plans entered into	1	2	5 collaboration agreements plans entered into	Operational	R 0.00	None	None	Aubrey Nyiko Business Enterprise Internship, SMME Hubristic, DRDLR & ARC
	KPI 100. Number of marketing events initiated, attended and implemented	4	6	7 marketing events held	Operational	R612,96	Lack of resource, no funds available, transportation to events/meeting	Travel/car allowance allocated to perform duties	Attendance register, Invitations, Proof of financial expenditure, reports, pamphlets, Poster of arts expo
	KPI 101. Number of feasibility study (business plan developed for tourism)	0	1	1 feasibility study conducted	Operational	R 0.00	No allocated funds to compile own feasibility study or tourism business plan	Source funding more tourism development plans	JTGDM Tourism Development Strategy presentation from Grant Thornton

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
	KPI 102.Number of LED related policies developed and approved by Council	New	2(incentive policy SMME Support policy)	1 policy approved	Operational	R 0.00	there was a need to first start with the informal trader's by-law because of the activity that ran amok in town of the regulation of the activity.	Develop an informal trading by-law. State to be developed, we have prioritised informal trading policy because of the urgency of the poly	copy of policy
	KPI 103.Number of festivals and Cultural Events participated in	New	2	3 festivals and cultural events	Operational	R 0.00	None	No available funds to contribute towards events	Report, Invitation, Newspaper, article
Local economic development	KPI 104.Number of B&B's and Lodges registered on the database YTD/ Number of Rezoning applications B&B's and Lodges on town planning register as %	New	100% (All B&B and lodges registered on database at all times)	100%	Operational	R 0.00	None	none	Accommodation database, internal memorandum , update form to be included in database
	KPI 105.Number of Events or Festivals Booked in Municipal Halls	Cannot determine target – to be reporter on only	Cannot determine target – to be reporter on only	81Events or Festivals Booked in Municipal Halls	Operational	R 0.00	none	none	copies of bookings
	KPI 106.Number of bookings of town hall	Cannot determine target – to be reporter on only	Cannot determine target – to be reporter on only	20 bookings of town hall	Operational	R 0.00	none	none	copy of bookings
	KPI 107 Number of business licenses registered in the correct categories/ number of businesses as %	New	100%	12 (100%)	Operational	R 0.00	none	none	copies of application form

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Local Economic Development	KPI 108.Total Number of small business inspections (Compliance i.e. licenses, regulations and by-laws Performed)	New	12	9	Operational	R 0.00	The target was not achieved due to unavailability of the tools of trade (car) for the activity because the area of execution is big with different villages and township.	To provide tools of trade in the next financial year	inspection reports
Basic Service Delivery/ Improve community well-being/ Fire Services	KPI 109.Number of fire preventions awareness campaigns held	6	4	4 fire preventions conducted	Operational	R 0.00	none	none	pictures & program
	KPI 110.Number of fire inspections conducted YTD	3	8	8 inspections conducted	Operational	R 0.00	none	none	fire report
Basic Service Delivery/ Improve community well-being/ Disaster Management	KPI 111.Number of Disaster inspections conducted YTD	0	40	40 inspections conducted	Operational	R 0.00	none	none	fire report
Basic Service Delivery/ Improve community well-being/ libraries	KPI 112.Number of libraries that are operating	9	9	8 libraries operating	Operational	R 0.00	Frenchville library was burned by community	new library to be built in 2017-2018	library report & pictures
	KPI 113.Number of library campaigns (including holiday programmes) held YTD	4	36 (1 programme per library per quarter)	38 library campaigns conducted	Operational	R 0.00	library campaign not held since there is no library at wrench Ville	library campaigns to be held at wrench Ville high school	pictures & attendance register
Basic Service Delivery/ Improve community well-being/ parks, sport grounds and commonage	KPI 114.Implementation of maintenance schedule at sports grounds (Number of activities on maintenance schedule implemented /Number of activities on maintenance schedule	100%	100%	100%	Operational	R 0.00	financial constraints and vandalism at sports ground		monthly work plan

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/ Improve community well-being/ law enforcement	KPI 115.Implementation of schedule at cemeteries - Kuruman, Frenchville, Mothibi tad. (Number of activities on maintenance schedule implemented YTD	New	100%	100%	Operational	R 0.00	No TLB to dig grave	procurement of TLB	burial orders
	Number of activities on maintenance schedule								
	KPI 116.No of road blocks conducted	6	8	8 road blocks conducted	Operational	R 0.00	none	none	Traffic Report
	KPI 117.Percentage of outstanding fines and warrant of arrest issued (number of outstanding fines and warrant of arrest issued/number of outstanding fines and warrant of arrest/number of outstanding summons	100%	100%	100%	Operational	R 0.00	section 56 book for warrant of arrest ordered	conducting road blocks issuing warrant of arrest	Traffic Report
	KPI 118.Number of reports on activities of the division sent to Department of Transport before 7th day of every month	12	12	12 reports compiled	Operational	R 0.00	none	none	Department of Transport Report
Basic Service Delivery/promote and enforce acceptable	KPI 119.Number of kilolitre of septic tanks emptied YTD	2400 kl	2400 kl (600 kl per quarter	15392.2 kl	Operational	R 0.00	none	none	cleansing & waste management report
	KPI 120.Number of households in wards 1, 3 and 13 with access to minimum standard of refuse removal	12480	12480	13443	Operational	R 0.00	none	none	cleansing & waste management report

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
environmental practices /waste management	KPI 121.Number of Integrated Waste Management Plans reviewed and approved by Council YTD	1	1	1IWMP approved by council	Operational	R 0.00	none	none	Council Resolution
Basic Service Delivery/promote and enforce acceptable environmental practices /waste management	KPI 122.Number of waste awareness campaigns held YTD	4	1	1campaign conducted	Operational	R 0.00	none	none	Attendance register
	KPI 123.Number of clean-up campaigns held YTD	4	1	5 campaigns conducted	Operational	R 0.00	none	none	attendance register
Basic Service Delivery/Security	KPI 124. Number of Security Risk Assessment done	4	1	1 risk assessment conducted	Operational	R 0.00	none	none	letter of security awareness
	KPI 125 Number of criminal cases and security incidents reports submitted to council	4	1	1 security case reported	Operational	R 0.00	poor illumination and blurry cameras,	installation of digital surveillance cameras	picture on security report, (casino 28/06/2017)
Basic Service Delivery/ Building Plan Administration and Inspectorate	KPI 126.Percentage of building contravention (submitted for legal action within 6 weeks from detection)	100% (all building contraventions attended to within 6 weeks from detection)	100% (all building contraventions attended to within 6 weeks from detection)	100% (56 buildings contraventions attended to within 6 weeks from detection)	N/A	N/a	Lack of transport to do routine inspections	Fix/purchase pool vehicles	Contravention notice served. Illegal logging of tuckshops and shops. illegal erected buildings. Penalties for deviating from the approved plan. Approved requests. Illegal fence. Direct contravention of the zoning

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
									of the property
Basic Service Delivery/ Building Plan Administration and Inspectorate	KPI 127.Percentage of Building plans applications assessed within 30 working days	100% (all building plans assessed within 30 days from receipt of application and payment to finalisation of assessment)	100% (all building plans assessed within 30 days from receipt of application and payment to finalisation of assessment)	100% (building plans assessed within 30 days from receipt of application and payment to finalisation of assessment)	N/A	N/a	Decline in building activities resulting from economic downturn.	N/A	Building plan register. Building plan circulation form.
	KPI 128.Percentage of building inspections conducted within 32 working hours from time of booking of appointment.	100% (all building inspections conducted within 32 working hours from time of booking of appointment)	100% (all building inspections conducted within 32 working hours from time of booking of appointment)	100% (18 building inspections conducted within 32 working hours from time of booking of appointment)	N/A	N/a	Lack of transport to do building inspection	Fix/purchase pool vehicles	Building inspection request register and Building inspection conducted.
	KPI 129.Number of audits conducted on outdoor advertising per annum	1 audit per annum	1 per annum	1 audit conducted in outdoor advertising	N/A	N/a	None	None	Illegal signage removal checklist and storage sheet
	KPI 130.Number of advertising structure database updated per annum	1 database update per annum	1 database update per annum	Advertising structure database updated	N/A	N/a	None	None	Illegal signage removal checklist and storage sheet

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/Electricity	KPI 131.Percentage of Electrical losses	3,6%	Not more than 17% electrical losses per annum	22.80% Electrical loss	N/A	N/a	Illegal connections and bypassing, unmetered premises ageing infrastructure, municipal consumption not being properly monitored and unaccounted for, street lights not metered and burning during daylight, no checks installed to confirm Eskom readings and Meters not correctly read and billed.	replacement and upgrading of electrical distribution system, Installation of check meters at all Eskom meter reading points, ensuring that all conventional meters are correctly read and billed, perform audits on prepaid and conventional metering system to minimise bypassing and tempering, installation of meters on unmetered meters including street filling, ensuring that all municipal installation are metered and billed.	Data Sheet, Levy report, CGI-Cell monthly management data report and Eskom accounts. Copy of Public Notice Prepaid Meter Audit.
	KPI 132.Percentage of minor electricity faults attended to within 24 working hours from time of reporting	100% (all minor electricity faults attended to within 24 working hours from time of reporting)	100% (all minor electricity faults attended to within 24 working hours from time of reporting)	100% (all minor electricity faults attended to within 24 working hours from time of reporting)	No split in budget indicating minor faults	N/a	Material, Plant and equipment not available immediately when required.	adequate cash flow, dependable plant, equipment and material available when required.	Incident register, audit report and installation report
	KPI 133.Percentage households (household within licensed area, excluding informal settlement) with access to basic level of electricity	100% (household within licensed area, excluding informal settlement)	100% (household within licensed area, excluding informal settlement)	100% (household within licensed area, excluding informal settlement)	100% (household within licensed area, excluding informal settlement)	N/A	N/a	people require electricity connection as when they build.	Data Sheet, Levy report

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/ Human Settlements	KPI 134.Number of in-situ houses constructed	26	161 (Bankhara/Bodulong 151, Rural 10 units - Gantatelang, 1 Ncweng, 5 Sloja, 3 Gamopedi	31	R3 Million	R3 Million	Non-payment of claims by Department of human settlement. Also Struggling with beneficiary identification, difficult to obtain letters of authority at court for the changing of beneficiaries.	Engagement with Department of Human Settlement	Housing Report and proof of payment to contractors.
Basic Service Delivery/Maintenance of Municipal Buildings	KPI 135.Number of new community halls constructed	1	1	1 To start in the next financial year. (1st quarter)	R 2 500 000.00	R 0.00	Delay with the appointment of the Contractor - procurement processes	Appointment was done, site hand over of the project was also done	Contractor's appointment letter
Basic Service Delivery/Mechanical workshop	KPI 136.Number of fleet management policies reviewed and approved by Council per annum	1	1	Fleet Management Policy approved by council	N/A	N/a	difficult to review this F/Y as most the vehicles are going to be auctioned. Proper time will be determined when new fleet is available.	none	Policy, council resolution and Fleet consolidated report.
Basic Service Delivery/Maintenance of Municipal Buildings	KPI 137.Percentage of MIG money spend	100%	100%	81%	R 51 521 000.00	R 41 744 673.27	Certificates submitted but not yet paid due to cashflow problem	Municipality must sort out cashflow so that contractors can be paid.	Expenditure report, (summary of invoice to be submitted on request)

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/Project Management	KPI 138.Percentage Capital budget (excluding MIG actually spent on capital projects identified financial year in terms of the IDP	100%	100%	84.8% of the total for the quarter	R 69 967 149.00	R 51 683 074.82	Certificates submitted but not yet paid due to cashflow problem	Municipality must sort out cashflow so that contractors can be paid.	Expenditure report, (summary of invoice to be submitted on request)
Basic Service Delivery/Project Management	KPI 139.Number of Residential sites developed	0	100	60	R 400 000	R 267 000.00	Funds were not sufficient to develop all sites	The remaining sites will be developed on the next financial year.	Annexures
Basic Service Delivery/Roads and Storm water	KPI 140.Kilometres of tarred road resealed	0	2km	1 km	SLP money from the mines were utilised to acquire the materials		Mines slow in finalising MoU's in order to release funds	MoU's to be finalised as soon as possible.	Data sheet and monthly reports and monthly schedule programme (repairs of potholes and realising of road) and annexures. Tax invoice of Plan hire service provide and log sheet of word done
	KPI 141.Square meters of roads patched on tarred roads	4364m2	2500m2	19200m2	SLP money from the mines were utilised to acquire the materials		Mines slow in finalising MoU's in order to release funds	MoU's to be finalised as soon as possible.	Data sheet

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/Roads and storm water	KPI 142.Kilometres gravel road graded	4km	20km	8 KM	No split in budget indicating the grader	R 554 800.00	Inadequate funding and cash flow to attend to all gravel roads	Provide adequate funds and cash floe	Grader Schedule and invoices.
	KPI 143.Km of access road surfaced/Paving	3km Ka gung 1.2km Magojaneng 1.8km	10.75km	4.1 batharos,4.6 km -maruping. 2.05 km Mandela drive	R 31 356 184.06	R 26 758 970.26	Project not compete - Slow progress due to non-payment of the Contractor	Revenue Collection	Certificate of Practical Completion, Access road paved/surface d report and Certificate of final completion.
Basic Service Delivery/sanitation	KPI 144.Number of new households provided with access to basic level of sanitation	1148 (Bathers 450, Maruping 300, Mokalamose sane 70 & Gantatelang 328)	805	886 (Ditdhoswaneng 200, Magojaneng 193 & BANKHARA Bodulong 493)	R 17 520 063.38	R 14 792 615.48	Project completed, non-payment of the contractor	none	Happy letters, Completion certificate
	KPI 145.Number of households provided with full water borne sewer services	9234	Target cannot be set as it depends on the applications received - to be reported on only	10 Applications received	No split in budget indicating minor faults	N/a	connection done as and when required by new houses built.		Application forms

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/sanitation	KPI 146.Percentage of minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting	100% (all minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting)	100% (all minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting)	100% (all minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting)	No split in budget indicating minor faults	N/a	Material, Plant and equipment not available immediately when required. Insufficient cashflow	adequate cash flow, dependable plant, equipment and material available when required.	Incident register and water section Programme.
Basic Service Delivery/Water supply and maintenance	KPI 147.Number of new households provided with basic level of water (communal taps within 200m from households)	1529	1282 HH Mapoteng 591, Mokalamosesane 440, Ditshoswaneng 251 (22874/26816 =85%	1282 HH Mapoteng 591, Mokalamosesane 440, Ditshoswaneng 251 (22874/26816=85%	R 24 502 002.45	R 20 034 632.62	Beneficiary list for Mokalamosesane will only be reported 17/18 FY implementation due to: The project was broken down into phases, only bulk supply was implemented 16/17FY, reticulation, standpipes and issuing of token for beneficiaries will be in 17/18FY	None	Beneficiary list for Ditshoswaneng and Mapoteng

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/Sanitation	KPI 148.Percentage of water losses	44.60%	Not more than 32% per annum	52% loss	N/A		water loss due to pipe burs, vandalism, water theft from fire hydrants or unmetered taps, illegal water connection, tempering with water meters, leaks from reservoirs and water tanks, Municipal consumption not properly monitored and accounted for, Bulk meters feeding the system not installed or functioning properly and ageing infrastructure.	water loss can be reduced by fixing all damaged pipe burst as soon as possible, metering unmetered connection and taps, audits of all premises to identify bypasses and tempered meters, reading all meters including municipal meters and billing thereof, refurbish and replace all ageing infrastructure. This can only be done provided there is sufficient funds and cash flow.	Water loss data and water balance sheet.
	KPI 149.Percentage of water breakdowns (pipe burst, blockages attended to and resolved within 24 working hours of reporting)	100% (all minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting)	100% (all minor sanitation breakdown (pipe burst and blockages) attended to and resolved within 24 working hours of reporting)	100% (all grievance cases finalised within 30 working days from issuing of grievance)	No split in budget indicating minor faults	N/a	Material, Plant and equipment not available immediately when required. Insufficient cashflow	adequate cash flow, dependable plant, equipment and material available when required.	Incident register
Basic Services Delivery/Water Supply and Maintenance	KPI 150.Blue drop rating (only tested bi-annually)		50%	Assessment not yet done	N/A	N/a	No assessment done	none	None

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Corporate Objectives	Key Performance Indicator	Baseline	Annual Target	2016/2017 Actual Performance	Annual Budget	YTD Expenditure	Challenges	Corrective Measure	POE
Basic Service Delivery/Water quality	KPI 151.Number of general sampling of effluent conducted at waste water treatment plants	12	12	10	R 80 900	R 73 997.40	Lack of transport (vehicle was not road worthy). That's why we could not take all the samples for all the months. Inadequate funding to pay the service provider	A dedicated transport to be availed for this excursive.	Lab Results
	KPI 152.Number of water quality samples at reticulation side taken	12	12	10	R 151672,35	R 120 401.10	Lack of transport (vehicle was not road worthy). That's why we could not take all the samples for all the months. Inadequate funding to pay the service provider	A dedicated transport to be availed for this excursive.	Lab Results
local Economic Development/ Local Economic Development	KPI 153.Number of jobs created through municipal projects	200	200	200	N/A	N/a	None		attendance register.



GA SEGONYANA LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998)			
Nature of business and principal activities	Providing services to the community of Ga Segonyana			
Mayoral committee				
Mayor	T.G. Anthony N.G. Masegela	1 July 2016 to 22 August 2017 Appointed 23 August 2016		
Councillors	Name	Councillor - 1 July 2016 to 22 August 2016	Name	Appointed on 23 August 2016
	T.E. Meyers (Speaker)	✓	T.E. Meyers (Speaker)	✓
	E.B. Modise	✓	G.C. Assegaai	✓
	K.A. Kekabile	✓	L.C. Moseki	✓
	F.P. Byleveld	✓	E.B. Modise	✓
	K.R. Makwati	✓	L. Moagi	✓
	N.G. Disipi	✓	G.N. Mntuyedwa	✓
	K.B. Madikiza	✓	N.G. Disipi	✓
	B.A. Mofatsi	✓	D.T. Mpata	✓
	N.G. Morogong	✓	K.R. Makwati	✓
	L.C. Rapelang	✓	K.B. Madikiza Selepe	✓
	N.S. Bloem	✓	E.B. Leserwa	✓
	P.Q. Mogalle	✓	I. Tshetshemserogwe	✓
	N.G. Thupaemang	✓	K.F. Kanjeruba	✓
	L.S. Motingwe	✓	N.G. Ngosi	✓
	S.M. Ryan	✓	B.A. Eiman	✓
	M.J. Polelo	✓	L.N. Makoke	✓
	T.H. Lekgetho	✓	N.G. Thupaemang	✓
	M. Leberengane	✓	O.D. Mathibe	✓
	R.R. Molelekwa	✓	L.R. Nelson	✓
	M.A.P. Brink	✓	W.A.S. Aucamp	✓
	M.J. Dichebe	✓	O.A. Leserwane	✓
	G.C. Assegaai	✓	M.F. Disang	✓
			M.G. Reetsang	✓
			M.P. Galeboe	✓
			K.H. Chwau	✓
			S.N. Bloem	✓
Accounting Officer	E. Ntengang			
Chief Finance Officer (CFO)	K. Khoabane (1 June 2014 to 31 January 2016 - Resigned) T. Jarvis (Acting from 1 February 2016 to 31 July 2016) D. SeHoho (Acting from 01 August 2016 to 31 January 2017) T. Jarvis (Acting from 01 February 2017 to 31 May 2017) K. Noko from (01 June 2017 to current)			
Registered office	Corner Voortrekker and School Street Kuruman			
Business address	Corner Voortrekker and School Street Kuruman			
Postal address	Private Bag X1522 Kuruman 8460			

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

General Information

Bankers	ABSA FNB
Auditors	Auditor General (South Africa)
Jurisdiction	The Ga-Segonyana Local Municipality includes the following areas: Kuruman, Bankhara, Motibistad, Magojanang, Obama Hill, Ditshoswaneng, Mapoteng, Seeding, Mokalamosesane, Gamopedi, Noweng, Galotolo, Pietbos, Sloja, Lokaleng, Geelboom, Sedibeng, Batlhare, Gasehufane, Garule, Gasebolao, Maruping, Verganong, Kagung, Lohatla, Seven Miles, Mokalamosesane, Thamoyanche, Wrenchville, Promise Land and Thuli Madonsela
Relevant Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1996) Municipal Structures Act (Act No. 32 of 2000) Water Services Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1996) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

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

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Abbreviations

ACIP	Accelerated Community Infrastructure Program
ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
DME	Department of Minerals and Energy Grant
DWAF	Department of Water Affairs
EPWP	Expanded Public Works
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MWIG	Municipal Water Infrastructure Grant
WSIG	Water Services Infrastructure Grant
PAYE	Pay As You Earn
RHIG	Rural Housing Infrastructure Grant
SARS	South African Revenue Services
SDL	Skills Development Levies
UIF	Unemployment Insurance Fund

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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 year 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 Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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.

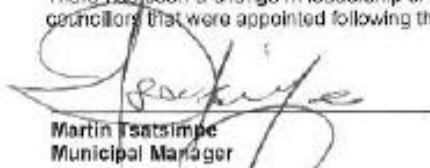
The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, the annual financial statements are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the municipality's external auditors and their report is separately presented.

The Annual Financial Statements set out on pages 7 to 74, which have been prepared on the going concern basis, were approved by the Accounting Officer on 22 August 2017.

There has been a change in leadership of the municipality during the financial year and subsequent to year end. There are new councillors that were appointed following the local government elections that were held in August 2016.



Martin Tsatsimpe
Municipal Manager

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended	Notes
Ms L. Dhlamini (Chairperson)	8 of 8	3 year term appointed as Chairperson
Mr S. Simelane	2 of 8	3 year term appointed as member
Mr A. Ngobeni	4 of 8	3 year term appointed as member
Mr F. Buys (Appointed November 2016)	2 of 8	3 year term appointed as member
Mr R. Tshimomola (Appointed November 2016)	4 of 8	3 year term appointed as member

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 156(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 committee has performed the following key responsibilities:

- Adopted the audit and risk management charter and proposed approved to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council, due to the slow implementation thereof alternative mechanisms were followed by the internal audit manager and a risk register was considered and recommended for approval to council;
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Requested management to reporting on pending litigation, possible contingent liabilities and significant risks;
- Requested management to address the perceived lack of discipline and called specific officials to account for the progress on the audit action plan;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance.

The effectiveness of internal control

The system of controls should be designed to provide cost-effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed and compliance with appropriate laws and regulations achieved.

The following issues are highlighted by the Audit and Performance Committee as points of concern:

- Insufficient preventative control measures and ineffective monitoring of controls.
- Non adherence to policies and procedures.
- Repeat internal audit findings (performance management and MFMA Compliance audit).
- Repeat external audit findings
- No consequence management and ineffective oversight structures

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 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 on the Annual Financial Statements, and is 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.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

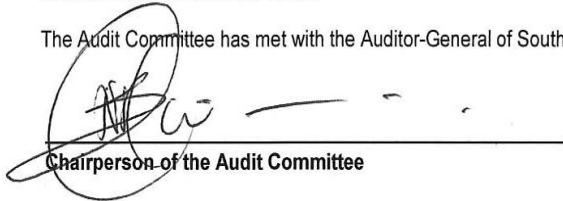
Audit Committee Report

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.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



Chairperson of the Audit Committee

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	3	63 048 213	46 229 784
Receivables from non-exchange transactions	4	24 932 391	12 463 893
VAT receivable	5	22 025 161	15 998 051
Receivables from exchange transactions	6	20 300 105	20 951 712
Cash and cash equivalents	7	990 123	532 367
		121 295 993	96 175 807
Non-Current Assets			
Investment property	8	6 961 100	6 961 100
Property, plant and equipment	9	1 179 367 256	1 149 212 050
Intangible assets	10	573 105	584 243
Heritage assets	11	1 655 642	1 655 642
		1 188 557 103	1 168 413 035
Total Assets		1 309 853 096	1 254 588 842
Liabilities			
Current Liabilities			
Other financial liabilities	12	6 666 473	4 669 354
Finance lease obligation	13	1 597 114	1 278 177
Payables from exchange transactions	14	124 675 910	107 045 688
Consumer deposits	15	4 202 439	3 827 747
Employee benefit obligations	16	1 399 725	1 155 225
Unspent conditional grants and receipts	17	18 492 566	8 911 218
		157 034 227	126 867 409
Non-Current Liabilities			
Other financial liabilities	12	14 667 776	19 192 514
Finance lease obligation	13	2 819 011	1 921 988
Employee benefit obligations	16	23 424 176	22 977 727
Provisions	18	4 870 377	9 860 959
		45 781 340	53 953 188
Total Liabilities		202 815 567	180 840 597
Net Assets		1 107 037 529	1 073 748 245
Reserves			
Revaluation reserve	19	14 835 415	15 185 299
Accumulated surplus		1 092 202 114	1 058 562 946
TOTAL NET ASSETS		1 107 037 529	1 073 748 245

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
REVENUE			
Revenue from exchange transactions			
Sale of stands		5 618 635	8 244 507
Service charges	21	122 759 546	97 645 473
Rental of facilities	22	1 928 041	733 973
Interest on outstanding receivables		5 901 682	5 016 214
Licences and permits		5 050 505	4 510 550
Other revenue		14 962 597	6 760 092
Interest on investments		176 099	1 033 338
Total revenue from exchange transactions		156 395 105	124 144 147
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	36 250 313	31 171 638
Transfer revenue			
Government grants and subsidies realised	24	226 228 557	220 463 419
Public contributions and donations	25	699 022	8 217 639
Fines, penalties and forfeits		9 739 846	2 168 435
Total revenue from non-exchange transactions		272 917 736	262 021 131
Total revenue	20	429 312 843	386 165 278
EXPENDITURE			
Employee related costs	26	(103 870 213)	(98 141 521)
Remuneration of councillors	27	(7 815 297)	(7 637 627)
Depreciation and amortisation	28	(51 787 773)	(48 479 100)
Impairment loss	29	(16 541 727)	(1 429 049)
Finance costs	30	(2 763 397)	(5 480 607)
Provisions	31	(15 370 191)	(12 682 097)
Repairs and maintenance	32	(18 697 311)	(30 610 250)
Bulk purchases	33	(96 152 230)	(88 617 322)
Contracted services	34	(6 421 950)	(8 897 819)
General expenses	35	(71 190 522)	(63 094 650)
Total expenditure		(392 510 611)	(365 070 042)
Operating surplus		36 702 232	21 095 236
Profit/loss on disposal of assets		(920 923)	(16 451)
Actuarial gains	16	1 720 891	1 908 344
		799 968	1 891 893
SURPLUS FOR THE YEAR		37 502 200	22 987 129

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		160 059 485	196 111 251
Grants		235 809 907	240 530 694
Interest on investments		178 098	1 033 338
Other receipts		15 661 619	2 279 184
		<u>411 707 110</u>	<u>439 954 467</u>
Payments			
Employee costs		(111 695 507)	(105 779 145)
Other payments		(195 094 300)	(213 860 851)
Finance costs		(2 763 397)	(5 480 607)
		<u>(310 543 204)</u>	<u>(325 120 603)</u>
Net cash flows from operating activities	36	<u>101 163 906</u>	<u>114 833 864</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(102 127 464)	(118 252 782)
Proceeds from sale of property, plant and equipment	9	2 954 467	1 377 321
Purchase of intangible assets	10	(400 000)	(131 102)
Proceeds from sale of intangible assets	10	138 526	-
Proceeds from sale of loan receivables		-	389 569
Net cash flows from investing activities		<u>(99 394 491)</u>	<u>(116 616 994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other financial liabilities		(2 527 619)	(153 576)
Increase in finance leased assets		1 215 960	1 836 122
Net cash flows from financing activities		<u>(1 311 659)</u>	<u>1 684 546</u>
Net increase/(decrease) in cash and cash equivalents		457 756	(98 584)
Cash and cash equivalents at the beginning of the year		532 367	630 951
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>990 123</u>	<u>532 367</u>

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of stands	16 000 000	(1 000 000)	15 000 000	5 618 636	(9 381 365)	1
Service charges	122 919 388	3 413 600	126 332 988	122 750 546	(3 573 442)	
Rental of facilities	1 238 524	278 000	1 516 524	1 926 041	409 517	2
Interest on outstanding receivables	5 288 000	500 000	5 768 000	5 901 682	133 682	
Licences and permits	5 040 399	153 500	5 193 899	5 050 505	(143 394)	
Other revenue	6 747 371	(3 470 499)	3 276 872	14 952 597	11 685 725	3
Interest on investments	1 590 000	(500 000)	1 090 000	176 099	(913 901)	4
Total revenue from exchange transactions	158 803 682	(625 399)	158 178 283	156 395 105	(1 783 178)	
Revenue from non-exchange transactions						
Property rates	33 979 906	(100 000)	36 879 908	36 250 313	(629 596)	
Government grants and subsidies realised	229 522 000	14 397 149	243 919 149	226 228 557	(17 690 592)	5
Public contributions and donations	-	-	-	699 022	699 022	6
Fines, Penalties and Forfeits	1 303 500	-	1 303 500	9 739 646	8 436 346	7
Total revenue from non-exchange transactions	267 805 408	14 297 149	282 102 557	272 917 738	(9 184 819)	
Total revenue	426 609 090	13 671 750	440 280 840	429 312 843	(10 967 997)	
EXPENDITURE						
Employee related costs	(110 536 217)	6 802 772	(103 733 445)	(103 870 213)	(136 768)	8
Remuneration of councillors	(7 470 831)	(345 000)	(7 815 831)	(7 815 287)	534	9
Depreciation and amortisation	(19 846 219)	-	(19 846 219)	(51 787 773)	(31 941 554)	10
Impairment loss	-	-	-	(16 541 727)	(16 541 727)	11
Finance costs	(2 512 140)	-	(2 512 140)	(2 783 397)	(251 257)	12
Debt Impairment	(536 944)	-	(536 944)	(15 370 181)	(14 833 247)	13
Repairs and maintenance	(43 986 248)	22 203 084	(21 793 164)	(18 697 311)	3 095 853	14
Bulk purchases	(74 556 747)	-	(74 556 747)	(96 152 230)	(21 596 483)	15
Contracted services	(23 421 680)	12 834 510	(10 587 170)	(8 421 950)	2 165 220	16
General expenses	(31 201 650)	(39 575 300)	(70 776 950)	(71 190 522)	(413 572)	
Total expenditure	(314 077 676)	1 920 066	(312 157 610)	(392 610 611)	(80 453 001)	
Operating surplus	112 531 414	15 591 816	128 123 230	36 702 232	593 800 224	
Gain on disposal of assets	-	355 000	355 000	(920 923)	(1 275 923)	17
Actuarial gains/losses	-	-	-	1 720 891	1 720 891	18
	-	355 000	355 000	799 968	444 968	
SURPLUS FOR THE YEAR	112 531 414	15 946 816	128 478 230	37 502 200	(90 976 030)	

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	19 182 484	-	19 182 484	53 048 213	33 865 729	19
Receivables from non-exchange transactions	11 504 390	(309 595)	11 194 795	24 932 391	13 737 596	20
VAT receivable	-	-	-	22 025 161	22 025 161	21
Receivables from exchange transactions	61 182 619	(10 000 000)	51 182 619	20 300 105	(30 882 514)	22
Cash and cash equivalents	621 063	(333 407)	287 656	990 123	702 467	23
	92 490 556	(10 643 002)	81 847 554	121 295 993	39 448 439	
Non-Current Assets						
Investment property	1 705 000	5 256 100	6 961 100	6 961 100	-	
Property, plant and equipment	1 182 204 303	-	1 182 204 303	1 179 367 266	(2 837 047)	24
Intangible assets	313 680	225 282	538 962	573 105	34 143	
Heritage assets	1 650 000	-	1 650 000	1 655 642	5 642	
Loan receivables	250 000	(200 612)	49 388	-	(49 388)	
	1 186 122 983	5 280 770	1 191 403 753	1 188 557 103	(2 846 650)	
Total Assets	1 278 613 539	(5 362 232)	1 273 251 307	1 309 853 096	36 601 789	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	6 666 473	6 666 473	
Finance lease obligation	3 076 154	-	3 076 154	1 597 114	(1 479 040)	25
Payables from exchange transactions	35 674 544	-	35 674 544	124 675 911	89 001 367	26
Consumer deposits	3 341 248	-	3 341 248	4 202 439	861 191	27
Employee benefit obligations	-	-	-	1 399 725	1 399 725	
Unspent conditional grants and receipts	-	-	-	18 492 566	18 492 566	28
Provisions	1 003 935	-	1 003 935	-	(1 003 935)	
	43 095 881	-	43 095 881	157 034 228	113 938 347	
Non-Current Liabilities						
Other financial liabilities	19 906 249	-	19 906 249	14 667 776	(5 238 473)	
Finance lease obligation	-	-	-	2 819 011	2 819 011	
Employee benefit obligations	-	-	-	23 424 176	23 424 176	
Provisions	-	32 838 686	32 838 686	4 870 377	(27 968 309)	29
	19 906 249	32 838 686	52 744 935	45 781 340	(6 963 595)	
Total Liabilities	63 002 130	32 838 686	95 840 816	202 815 568	106 974 752	
Net Assets	1 215 611 409	(38 200 918)	1 177 410 491	1 107 037 528	(70 372 963)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	14 835 415	14 835 415	30
Accumulated surplus	1 215 611 409	(38 200 918)	1 177 410 491	1 092 202 113	(85 208 378)	
Total Net Assets	1 215 611 409	(38 200 918)	1 177 410 491	1 107 037 528	(70 372 963)	

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	174 239 160	(1 965 089)	172 274 071	156 915 499	(15 358 572)
Grants - Operating	229 522 000	14 397 149	243 919 149	237 556 795	(6 362 354)
Interest income	6 858 000	-	6 858 000	176 089	(6 681 911)
	410 619 160	12 432 060	423 051 220	394 472 294	(28 578 926)

Payments

Employee costs	(291 182 373)	1 920 066	(289 262 307)	-	289 262 307
Finance costs	(2 512 140)	-	(2 512 140)	-	2 512 140
	(293 694 513)	1 920 066	(291 774 447)	-	291 774 447

Net cash flows from operating activities	116 924 647	14 352 126	131 276 773	394 472 294	263 195 521
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Cash flows from investing activities

Purchase of property, plant and equipment	(127 434 800)	-	(127 434 800)	-	127 434 800
Proceeds from sale of property, plant and equipment	-	355 000	355 000	-	(355 000)
Net cash flows from investing activities	(127 434 800)	355 000	(127 079 800)	-	127 079 800

Cash flows from financing activities

Repayment of borrowings	(2 415 736)	-	(2 415 736)	-	2 415 736
Net increase/(decrease) in cash and cash equivalents	(12 925 889)	14 707 126	1 781 237	394 472 294	392 691 057
Cash and cash equivalents at the end of the year	(12 925 889)	14 707 126	1 781 237	394 472 294	392 691 057

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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

1.3.1 Trade receivables and allowance for doubtful debts

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

1.3.2 Allowance for slow moving, damaged and obsolete stock

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

1.3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.4 Impairment testing

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

1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on public sector industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.7 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. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows.

1.3.9 Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired.

The impairment for trade receivables and loans receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts. Debtors are graded on the following basis:

Grade A

Trade receivables are not impaired for customers with accounts that are not in arrears.

Grade B

Customers with a payment history but with balances outstanding in excess of 90 days, the balance in excess of 90 days is impaired in full.

Grade C

Customers without payment history are considered to be delinquent and the outstanding balances are impaired in full.

Government debtors

Government debtors are not impaired as the government generally has a history of meeting its obligations.

1.4 Investment property

1.4.1 Initial Recognition

Investment property is property (land or buildings) 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.
-

Accounting Policies

1.4 Investment property (continued)

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

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

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

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

1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value in line with the asset management policy of the municipality on the municipal property rates Act cycle.

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.

1.4.3 Derecognition

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement 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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation.

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

Item	Average useful life
Land	Infinity
Furniture and fixtures	3-15 years
Infrastructure	
- Sewer pump station	15-60 years
- Solid waste disposal	3-9 years
- Electricity network	3-20 years
- LV network	10-50 years
- Distribution network	2- 30 years
- Bridges	30-80 years
- Bulk supply	50-100 years
- MV network	15-60 years
- Road structures	5-55 years
- Airport structures	20-60 years
- Collection and reticulation network	60 years
- Borehole	3-100 years
- Distribution reticulation network	5-80 years
- Storage	10-15 years
- Stormwater	10-60 years
- Road traffic management	10-40 years
- Waste water treatment	15-60 years
- Water network	20 years
- Water pipes	20 years
- Water pump	5-100 years
- Water storage	3-20 years
Community Assets	
- Buildings	100 years
Other property, plant and equipment	
- Furniture and equipment	5-10 years
- Motor vehicles	5-15 years
- Office equipment	3-10 years
- Plant equipment	4-15 years
- Office equipment	1-5 years
Landfill site	Straight line 17 years

The residual value, and the 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, residual value and depreciation method 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit.

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

Reassessment of useful lives

Management reassessed useful lives of all assets as at year end and is of the opinion that the useful lives applied in the fixed asset register are fair presentation of the conditions of the assets. Useful lives of assets applied are reasonably in line with their physical conditions and expected number of years to be used.

1.6 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 a 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.

If 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.

If the related asset is measured using the revaluation model:

- (a) changes in the liability after the revaluation surplus or deficit previously recognised on that asset, so that
 - 2 a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - 2 an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Item	Average useful life
Computer software	3 to 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

1.8.1 Recognition

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

1.8.2 Initial measurement

Heritage assets are measured at cost.

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

1.8.3 Subsequent measurement

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

1.8.4 Impairment

The municipality assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

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.

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

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

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

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Heritage assets (continued)

1.8.5 Derecognition

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

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

1.9 Financial Instruments

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

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

Accounting Policies

1.9 Financial instruments (continued)

1.9.1 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
Receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at fair value

1.9.2 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.

1.9.3 Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value.

1.9.4 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.

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

Accounting Policies

1.9 Financial instruments (continued)

1.9.5 Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.9.6 Reclassification

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

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification,

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

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

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

1.9.7 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.

1.9.8 Impairment and uncollectibility of financial assets

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

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.

Ga Segonyana Local Municipality

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Accounting Policies

1.9 Financial Instruments (continued)

1.9.9 Derecognition

1.9.9.1 Financial assets

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.

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.

1.9.9.2 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.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

1.9.10 Presentation

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

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

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

1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.10 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Accounting Policies

1.11 Leases (continued)

1.11.1 Finance leases - lessee

Initial recognition

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

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

Subsequent measurement

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 on the remaining balance of the liability.

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

1.12 Inventories

1.12.1 Initial recognition

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

1.12.2 Subsequent measurement

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

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

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

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

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

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

The cost of inventories 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.

1.12.3 Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

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

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.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher of 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.

1.13.1 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 test 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 was tested for impairment before the end of the current reporting period.

1.13.2 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.

1.13.3 Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the Municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.14 Impairment of non-cash-generating assets

1.14 Impairment of non-cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

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

Useful life is either:

- (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.

1.14.1 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.

Accounting Policies

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

1.14.2 Value in use

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

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

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

1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.14.6 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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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.

1.15 Employee benefits

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

Accounting Policies

1.15 Employee benefits (continued)

1.15.1 Short-term employee benefits

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

Short-term employee benefits include 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 twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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.

1.15.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a 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, a 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.

1.16 Provisions and contingencies

1.16.1 Initial Recognition

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 reflects current market assessments of the time value of money and the risks specific to the liability.

1.16.2 Subsequent measurement

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.

Ga Segonyana Local Municipality

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Accounting Policies

1.16 Provisions and contingencies (continued)

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 deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note.

1.17 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.

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

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

The municipality's main sources of revenue from exchange transactions income include service charges, rental of facilities, sale of stands, licences and permits and interest income.

1.17.1 Measurement

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

1.17.2 Sale of goods (stands and licences and permits)

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.

1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. 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.

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

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

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from exchange transactions (continued)

1.17.4 Interest

Revenue arising from the use by others of the municipality's assets yielding interest 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.

1.18 Revenue from non-exchange transactions

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

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

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

The municipality's main source of revenue from non-exchange transactions income include property rates, government grants and subsidies, public contributions, donations, fines and penalties.

1.18.1 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.

1.18.2 Measurement

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

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

1.18.3 Property Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Ga Segonyana Local Municipality

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

1.18.4 Government grants, Public contributions and donations

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. 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.

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.

1.18.5 Fines

Fines are economic benefits or service potential received or receivable by municipality, as determined by a court of other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

1.18.6 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.

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful 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.

1.23 Irregular expenditure

- (a) this Act; or
 - (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
 - (c) any provincial legislation providing for procurement procedures in that provincial government.
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Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.23 Irregular expenditure (continued)

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 Budget Information

Municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the approved budget.

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

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The Annual Financial Statements and the approved 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.

Comparative information is not required.

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budget as well as deviations between final budget and actual, are regarded as material differences.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:
-those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
-those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Annual Financial Statements as at 30 June 2017.

Ga Segonyana Local Municipality

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Accounting Policies

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrances of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the notes; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
 - Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
 - Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
 - Bulk purchases - expenditure on the procurement of bulk electricity;
 - Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
 - Transfers and grants which relate to expenditure pertaining to free basic services; and
 - General expenses which constitute several expense items which are not individually significant.
 - Employee cost - relating to cost associated with employee contracts.
 - Depreciation - Cost associated with the amortisation of property, plant and equipment..
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Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
2. New standards and interpretations		
2.1 Standards and Interpretations issued, but not yet effective		
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities • GRAP 18: Segment Reporting 	<ul style="list-style-type: none"> 01 April 2018 01 April 2017 	<ul style="list-style-type: none"> Unlikely there will be a material impact The impact of the amendment is not material.
3. Inventories		
Other inventories held for sale (land)	51 006 568	45 970 000
Consumable stores	1 992 614	360 074
Water	58 800	45 044
	<u>53 057 982</u>	<u>46 375 118</u>
Inventories (write-downs)	(9 769)	(145 334)
	<u>53 048 213</u>	<u>46 229 784</u>
4. Receivables from non-exchange transactions		
Fines	12 041 148	3 455 544
Motor vehicle and housing loans	88 337	165 621
Other receivables from non-exchange revenue	98 313	-
Consumer debtors - Rates	12 704 593	8 842 728
	<u>24 932 391</u>	<u>12 463 893</u>
Included in receivables from non-exchange transactions are balances owing from property rates as follows:		
Current (0 - 30 days)	8	-
31 - 60 days	512 725	455 844
61 - 90 days	417 405	348 099
91 - 120 days	343 428	279 888
121 - 365 days	1 905 104	1 350 756
> 365 days	28 660 773	22 564 528
	<u>31 839 443</u>	<u>25 008 915</u>
Less: Allowance for impairment	(19 134 850)	(16 166 197)
Net balance	<u>12 704 593</u>	<u>8 842 728</u>
5. VAT receivable		
VAT	22 025 161	15 998 051

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions		
Gross balances		
Electricity	10 107 953	7 803 334
Water	7 677 639	6 039 669
Sewerage	15 065 430	13 140 784
Refuse	9 541 046	8 376 712
Other	26 567 552	21 987 790
	68 959 530	57 348 289
Less: Allowance for impairment	(48 659 525)	(36 396 577)
Net balance		
Electricity	10 107 953	7 803 334
Water	7 677 639	6 039 669
Sewerage	15 065 430	13 140 784
Refuse	9 541 046	8 376 712
Impairment	(48 659 525)	(36 396 577)
Other	26 567 552	21 987 790
	20 300 106	20 951 712
Electricity		
Current (0 -30 days)	4 395 850	3 917 421
31 - 60 days	2 069 033	1 008 137
61 - 90 days	500 960	437 406
91 - 120 days	409 772	223 569
121 - 365 days	1 103 968	981 299
> 365 days	1 628 350	1 255 503
	10 107 953	7 803 334
Water		
Current (0 -30 days)	3 238 242	2 292 199
31 - 60 days	753 379	634 953
61 - 90 days	453 974	455 050
91 - 120 days	243 867	305 070
121 - 365 days	1 248 444	1 090 132
> 365 days	1 739 733	1 272 265
	7 677 639	6 039 669
Sewerage		
Current (0 -30 days)	950 271	880 656
31 - 60 days	614 689	517 062
61 - 90 days	458 791	350 153
91 - 120 days	356 031	297 800
121 - 365 days	1 838 164	1 549 419
> 365 days	10 847 484	9 545 684
	15 065 430	13 140 784

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Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	529 317	504 201
31 - 60 days	345 265	289 758
61 - 90 days	251 244	221 593
91 - 120 days	216 999	189 309
121 - 365 days	1 126 693	1 035 421
> 365 days	7 071 528	6 436 430
	9 541 046	8 376 712
Other (specify)		
Current (0 -30 days)	1 119 091	1 631 441
31 - 60 days	923 583	701 040
61 - 90 days	649 828	2 194 367
91 - 120 days	445 704	545 332
121 - 365 days	3 174 152	2 919 359
> 365 days	20 255 404	13 996 251
	26 567 562	21 987 790
Reconciliation of allowance for impairment		
Balance at beginning of the year	(34 079 022)	(33 487 883)
Contributions to allowance	(14 580 503)	(2 908 694)
	(48 659 525)	(36 396 577)

7. Cash and cash equivalents

Cash and cash equivalents consist of

Cash on hand	6 050	6 050
Bank balances	984 073	339 784
Short-term deposits	-	189 553
	990 123	532 367

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA BANK - CALL ACCOUNT - 9264746829	-	189 553	-	189 553
ABSA BANK - CHEQUE ACC - 4052183325	-	280 145	-	159 844
ABSA - CHEQUE ACC - 4060204391	-	81 841	-	81 903
ABSA BANK - CHEQUE ACC - 4080444513	-	98 217	-	98 217
Petty cash float	6 050	6 050	6 050	6 050
FNB CHEQUE ACC - 62649722683	3 719 026	-	862 486	-
FNB CHEQUE ACC - 62652542632	18 080	-	50 707	-
FNB 7 DAY CALL ACC 74690806392	51 594	-	51 604	-
FNB CALL ACCOUNT	19 276	-	19 276	-
Total	3 814 626	656 806	990 123	632 367

Notes to the Annual Financial Statements

8. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	6 961 100	6 961 100	6 961 100	6 961 100

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	6 961 100	6 961 100

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	6 961 100	6 961 100

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

Details of valuation

Investment property is reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties. Management review investment property annually to detect material changes from the last reporting date. Management assessed the value of investment property as at 30 June 2017 and believe that the reported values are a true and fair indication of investment property value as at year end.

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	22 569 700	-	22 569 700	22 569 700	-	22 569 700
Buildings	63 220 104	(19 517 895)	63 702 409	66 243 243	(11 111 066)	75 132 157
Infrastructure	1 662 422 824	(570 339 125)	1 082 083 699	1 552 779 197	(514 163 607)	1 038 615 590
Other assets	30 120 399	(19 096 951)	11 021 448	32 525 597	(19 620 894)	12 904 603
Total	1 788 323 027	(608 955 771)	1 179 367 256	1 694 107 737	(544 895 687)	1 149 212 050

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	22 559 700	-	-	-	-	-	22 559 700
Buildings	75 132 157	185 740	(2 920 154)	-	(1 642 868)	(7 052 468)	63 702 409
Infrastructure	1 038 615 590	98 613 675	-	-	(45 754 918)	(9 390 850)	1 082 083 699
Other assets	12 904 603	3 328 069	(995 206)	-	(4 117 379)	(96 609)	11 021 449
	1 149 212 050	102 127 484	(3 915 390)	-	(61 515 161)	(16 541 727)	1 179 367 256

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	32 428 300	-	-	(9 868 600)	-	-	22 559 700
Buildings	76 747 809	-	-	-	(1 615 649)	-	75 132 157
Infrastructure	970 147 205	113 256 342	-	-	(43 358 908)	(1 429 049)	1 038 615 590
Other assets	12 685 216	4 096 440	(1 363 772)	-	(3 383 281)	-	12 904 603
	1 092 008 527	118 252 782	(1 393 772)	(9 868 600)	(48 357 838)	(1 429 049)	1 149 212 050

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
9. Property, plant and equipment (continued)		
Compensation received for losses on property, plant and equipment – included in operating profit.		
Assets subject to finance lease (Net carrying amount)		
Other property, plant and equipment	3 207 462	4 374 625
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	98 953 384	44 069 793
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
MIG 1317: Vergenoeg-Maruping: Upgrading link road to bituminous standard (Phase 2) Constant damages to the road due to residents perpetual behaviour of driving in the road even before all works are completed has delayed the completion period of the project	18 075 379	-
Construction of Mapoteng water network extensions During the geophysical and geohydrological study, it was realised that the entire area of Mapoteng does not have sufficient water, two sites from Ditshoswaneng and Sweethome were recently identified with sufficient water, but the pipeline distance was not earmarked in the business plan. The decision with DWS was that an application for source development be submitted for funding, a short term solution was to refurbish and utilize the existing borehole that was stopped in 2009. Testing was done and recommendation to pump 5l/s for 12hrs in order to get enough water for the next 12 months or more hence the revised completion date was made for extension of reticulation and standpipes	11 095 707	-
Construction of Mokalamosesane bulk water supply augmentation phase 2 Intervention from the political office is required to address the nominations of the local laborers	7 729 495	-
Bankhara Bodulong: Construction of lined double pit sanitation toilets Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496.	8 733 876	-
	45 634 457	-
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
MIG 1318: Vergenoeg-Batharos: Upgrading link road to Bituminous standard (Phase 2) The project was not completed within the allocated time due to the project being put on hold for local election processes due to lots of community unrest, was later reestablished on 05 September 2016 with the revised completion of 17 May 2017. There were also delays due to late payment of contractor hence the project was completed July 2017	20 415 122	-
	20 415 122	-

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	141 026 281	-	141 026 281
Additions/capital expenditure	87 754 559	392 088	98 146 655
Transferred to completed items	(98 953 384)	-	(98 953 384)
	139 827 466	392 088	140 219 552

Reconciliation of Work-In-Progress 2016

	Included within Infrastructure	Included within Community	Total
Opening balance	72 506 312	-	72 506 312
Additions/capital expenditure	112 589 762	-	112 589 762
Transferred to completed items	(44 069 793)	-	(44 069 793)
	141 026 281	-	141 026 281

Expenditure incurred to repair and maintain property, plant and equipment

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.

Deemed cost

10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 059 582	(1 486 477)	573 105	1 599 885	(1 015 842)	584 243

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	584 243	400 000	(138 526)	(272 612)	573 105

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	574 405	131 102	-	(121 264)	584 243

Ga Segonyana Local Municipality
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Notes to the Annual Financial Statements

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	5 642	-	5 642	5 642	-	5 642
The Eye	1 650 000	-	1 650 000	1 650 000	-	1 650 000
Total	1 655 642	-	1 655 642	1 655 642	-	1 655 642

Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

Reconciliation of heritage assets 2016

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

Details of valuation

Heritage assets are reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards. Management review Heritage assets annually to detect material changes from the last reporting date. Management assessed the value of Heritage assets as at 30 June 2017 and believe that the reported values are a true and fair indication of Heritage assets value as at year end.

2017	2016
R	R

12. Other financial liabilities

At amortised cost		
Bank loan	21 334 249	23 831 868
Non-current liabilities		
At amortised cost	14 667 776	19 192 514
Current liabilities		
At amortised cost	6 666 473	4 889 354

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Notes to the Annual Financial Statements

	2017 R	2016 R
13. Finance lease obligation		
Minimum lease payments due		
- within one year	2 496 537	1 741 392
- in second to fifth year inclusive	3 584 255	2 131 531
	<u>6 080 802</u>	<u>3 872 923</u>
less: future finance charges	(1 664 677)	(672 758)
Present value of minimum lease payments	<u>4 416 125</u>	<u>3 200 165</u>
 Present value of minimum lease payments due		
- within one year	1 597 114	1 278 177
- in second to fifth year inclusive	2 819 011	1 921 988
	<u>4 416 125</u>	<u>3 200 165</u>
 Non-current liabilities	2 819 011	1 921 988
Current liabilities	1 597 114	1 278 177
	<u>4 416 125</u>	<u>3 200 165</u>

The municipality has finance lease agreements for motor vehicles and equipment.

The average lease term was 2-5 years and the average effective borrowing rate was 28% (2017).

Interest rates are linked to prime at the contract date. All leases have fixed repayments.

Finance leases were adjusted by R17 700 in the prior year for photocopy machine not accounted for in the traffic department.

Finance leases were adjusted by R17 700 in the prior year for photocopy machine not accounted for in the traffic department.

Lease agreements for motor vehicles are:

- not subject to renewals and purchase options;
- based on a fixed instalment amount and interest rate for the full duration of the agreement; and
- The lessee is not entitled to any returns of surplus, capital contributions or similar type payments.

Lease agreements for office equipment encompasses of office equipment, switchboard, etc are subject to the following key terms and conditions:

- not subject to renewals, however after the initial period these leases can be automatically extended indefinitely until either party gives 30 days' notice to terminate the agreement
- all these leases are based on fixed instalment amount and interest rate for the full duration of the agreements except for the following agreements.
- The lessee is not entitled to any returns of surplus, capital contributions or similar type payments.

14. Payables from exchange transactions

Trade payables	5 062 302	5 199 863
Accruals	95 247 988	82 410 437
Retention monies	14 423 003	9 276 332
Other payables	2 136 667	2 659 582
Employee costs accrual	5 438 944	5 012 181
Insurance	2 367 006	2 487 293
	<u>124 675 910</u>	<u>107 045 688</u>

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
15. Consumer deposits		
Service accounts	3 683 443	3 366 689
Other	518 996	461 058
	4 202 439	3 827 747

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services.

16. Employee benefit obligations

Defined benefit plan

The plan is a final salary pension and post employment medical benefit plan.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(24 823 901)	(24 132 952)
Non-current liabilities	(23 424 176)	(22 877 727)
Current liabilities	(1 399 725)	(1 156 225)
	(24 823 901)	(24 132 952)

Net expense recognised in the statement of financial performance

Current service cost	1 748 584	1 554 887
Interest cost	2 175 341	2 040 072
Actuarial (gains) losses	(2 077 751)	(1 908 344)
Expected employer benefit vesting	(1 155 225)	(1 122 650)
	690 949	563 965

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.52 %	8.60 %
General salary inflation rate	6.34 %	7.25 %
Net effective discount rate	2.05 %	1.26 %

Ga Segonyana Local Municipality
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Notes to the Annual Financial Statements

	2017 R	2016 R
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7 893 313	-
Municipal Systems Infrastructure Grant	-	173 815
Library Grant	948 593	541 112
Department of Water Affairs Grant	-	2 536 262
Finance Management Grant	98 000	-
EPWP Grant	116	2 685
DME Grant	818 940	-
MWIG Grant	-	3 723 961
Housing Grant	-	1 672 243
RBIG Grant	4 522 184	-
ACIP Grant	261 070	261 070
Rural Housing Infrastructure Grant	70	70
Water Services Infrastructure Grant	3 950 280	-
	18 492 566	8 911 218

18. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Change in discount factor	Reduction due to re- measurement	Total
Provision for rehabilitation of landfill sites	9 860 959	441 151	(5 431 733)	4 870 377

Reconciliation of provisions - 2016

	Opening Balance	Change in discount factor	Reduction due to re- measurement	Total
Environmental rehabilitation	10 767 922	(906 963)	-	9 860 959

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Daniel Benjamin Grobler, a member of the South African Council for the Property Valuers Profession, with extensive experience and expertise relevant for this type of work.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 9.96%.

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
18. Provisions (continued)		
Key assumptions		
Total Landfill Area	80,000 m ²	
Remaining Site Life as at 30 June 2017	approximately 17 years	
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2017	9.96% (based on Government Bond yield rate of 9.41% and an Adjustment for risk of .55%)	
Costs in respect of:	Based on master rates published by the Government of Department of Mineral & Energy	
•Demolition steel buildings & structures		
•Opencast rehab & final voids		
•Rehabilitation of overburden & spoils		
•Rehabilitation, processing waste deposits & evaporation ponds		
•Opencast rehabilitation & final voids		
19. Revaluation reserve		
Opening balance	15 185 299	20 837 415
Change during the year	(349 884)	(5 652 116)
	14 835 415	15 185 299

Revaluation reserve balance is as a result of the gains in the fair value of land held by the municipality.

20. Revenue

Sale of stands	5 618 635	8 244 507
Service charges	122 759 546	97 845 473
Rental of facilities	1 926 041	733 973
Interest received on outstanding receivables	5 901 682	5 016 214
Licences and permits	5 050 506	4 510 550
Other revenue	14 962 597	6 760 092
Interest investment	176 099	1 033 338
Property rates	36 250 313	31 171 636
Government grants & subsidies	226 228 657	220 463 419
Public contributions and donations	699 022	8 217 639
Fines, penalties and forfeits	9 739 846	2 168 435
	429 312 843	386 165 278

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of stands	5 618 635	8 244 507
Service charges	122 759 546	97 845 473
Rental of facilities	1 926 041	733 973
Interest on outstanding receivables	5 901 682	5 016 214
Licences and permits	5 060 606	4 510 550
Other revenue	14 962 597	6 760 092
Interest on investments	176 099	1 033 338
	156 396 105	124 144 147

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Notes to the Annual Financial Statements

	2017 R	2016 R
20. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	36 250 313	31 171 638
Transfer revenue		
Government grants & subsidies	226 228 557	220 463 419
Public contributions and donations	699 022	8 217 639
Fines, Penalties and Forfeits	9 739 846	2 168 435
	272 917 738	262 021 131
21. Service charges		
Sewer levied	15 133 952	13 745 986
Sale of electricity	82 013 418	60 718 637
Sale of water	17 472 753	15 641 426
Refuse removal	7 921 120	7 393 588
New connections and administration fees	218 353	345 856
	122 759 546	97 845 473
22. Rental of facilities		
Premises		
Premises	1 926 041	733 973
23. Property rates		
Rates levied		
Property rates levied	37 656 861	32 977 202
Less: Income forgone	(1 406 548)	(1 805 624)
	36 250 313	31 171 638
Valuations		
Residential	2 770 047 300	2 411 736 500
Commercial	854 588 700	1 044 679 700
State	78 234 000	53 386 000
Municipal	133 227 800	121 584 400
Agriculture	1 811 083 000	1 817 103 000
Industrial	186 418 500	219 260 500
Other	-	352 600
	5 833 599 300	5 868 106 700

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to the impact of alterations, subdivisions and consolidations.

Ga Segonyana Local Municipality
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Notes to the Annual Financial Statements

	2017 R	2016 R
24. Government grants and subsidies realised		
Operating grants		
Equitable share	117 412 722	109 444 000
Library Grant	1 800 519	1 401 888
Dept of Water Affairs Grant (DWAF)	-	14 963 738
Finance Management Grant (FMG)	1 712 000	1 675 000
Expanded Public Works Program Grant (EPWP)	999 884	1 047 315
Department of Minerals and Energy Grant (DME)	1 181 050	1 500 000
	123 106 185	130 031 941
Capital grants		
Municipal Infrastructure Grant (MIG)	43 627 687	52 195 000
Municipal Water Infrastructure Grant (MWIG)	-	23 989 039
Municipal Systems Infrastructure Grant (MSIG)	-	766 185
Rural Bulk Infrastructure Grant (RBIG)	7 644 966	13 481 254
Water Services Infrastructure Grant (WSIG)	51 848 720	-
	103 122 372	90 431 478
	226 226 557	220 463 419

Conditional and Unconditional

Included in above are the following grants and subsidies received and or spent:

Conditional grants received	126 506 149	122 698 408
Unconditional grants received	117 412 722	109 444 000
	243 918 871	232 142 408

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

National Treasury has used the 2016 pre-audited Annual Financial Statements to update the unspent conditional grants dataset for the 2015/16 financial year. National Treasury used the Section 71 report for the fourth quarter of 2015/16 to determine the amount to be surrendered to the National Reserve Fund.

National Treasury concluded that an amount of R5.4 million remains unspent and should be repaid to the National Revenue Fund.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	5 824 845
Current-year receipts	51 521 000	52 195 000
Conditions met - transferred to revenue	(43 627 687)	(52 195 000)
Other	-	(5 824 845)
	7 893 313	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2017	2016
	R	R
24. Government grants and subsidies realised (continued)		
Municipal Systems Infrastructure Grant		
Balance unspent at beginning of year	173 815	538 518
Current-year receipts	-	940 000
Conditions met - transferred to revenue	(173 815)	(766 185)
Amounts withheld	-	(538 518)
	-	173 815

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Library Grant

Balance unspent at beginning of year	541 112	-
Current-year receipts	2 208 000	1 943 000
Conditions met - transferred to revenue	(1 800 519)	(1 401 888)
	948 593	541 112

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose is to fund capital projects and maintenance of library facilities the community.

Department of Water Affairs (DWAF)

Balance unspent at beginning of year	2 536 262	-
Current-year receipts	-	17 500 000
Conditions met - transferred to revenue	-	(14 963 738)
Amounts withheld	(2 536 262)	-
	-	2 536 262

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Finance Management Grant (FMG)

Current-year receipts	1 610 000	1 675 000
Conditions met - transferred to revenue	(1 712 000)	(1 675 000)
	96 000	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

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

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	2 685	-
Current-year receipts	1 000 000	1 050 000
Conditions met - transferred to revenue	(998 884)	(1 047 316)
Amounts withheld	(2 685)	-
	116	2 685

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

Ga Segonyana Local Municipality
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Notes to the Annual Financial Statements

	2017 R	2016 R
24. Government grants and subsidies realised (continued)		
The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.		
Department of Minerals and Energy (DME)		
Current-year receipts	2 000 000	1 500 000
Conditions met - transferred to revenue	(1 181 090)	(1 500 000)
	818 940	-
Conditions still to be met - remains a liability and included under Unspent Conditional Grants.		
Municipal Water Infrastructure Grant (MWIG)		
Balance unspent at beginning of year	3 723 961	-
Current-year receipts	-	27 713 000
Conditions met - transferred to revenue	(3 723 961)	(23 989 039)
	-	3 723 961
The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.		
Rural Housing Grant		
Balance unspent at beginning of year	1 672 243	1 184 428
Current-year receipts	-	4 836 396
Conditions met - transferred to revenue	(1 672 243)	(4 348 581)
	-	1 672 243
Regional Bulk Infrastructure Grant (RBIG)		
Balance unspent at beginning of year	-	135 243
Current-year receipts	12 167 149	13 346 011
Conditions met - transferred to revenue	(7 644 965)	(13 481 254)
	4 522 184	-
Conditions still to be met - remains a liability and included under Unspent Conditional Grants.		
The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.		
ACIP Water Grant		
Balance unspent at beginning of year	261 070	261 070
Conditions still to be met - remains a liability and included under Unspent Conditional Grants.		
The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.		

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
24. Government grants and subsidies realised (continued)		
Allocations in kind		
Rural Household Infrastructure Grant	-	5 000 000
Integrated National Electrification Programme (Eskom)	74 408 000	68 611 000
Municipal System Infrastructure Grant	787 000	-
	74 408 000	73 611 000

The following amounts were allocations in kind as per DORA Bill 5 of 2014. An allocation in kind is money allocated for spending by a national department on behalf of a province, local government or a municipality. National Treasury allocated funds to Gasegonyana area to build infrastructure. The municipality does not have control over the infrastructure. The donated income and/or assets thereof are not included in the municipality's Statement of Financial Position and Statement of Financial Performance.

Rural Housing Infrastructure Development

Balance unspent at beginning of year	70	70
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Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of this grant is to provide houses for the rural communities.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	55 800 000	-
Conditions met - transferred to revenue	(51 849 720)	-
	3 950 280	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

25. Public contributions and donations

Public donations	699 022	8 217 636
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Employee related costs		
Basic	63 475 459	58 600 128
Commissions	-	1 700 494
Bonus	4 456 876	3 677 768
Medical aid - company contributions	4 812 601	4 388 562
UIF	521 086	488 123
Leave/Bonus Provision	791 909	1 843 983
Employee benefit obligations	1 748 584	1 554 667
SETA	864 065	769 449
Defined contribution plans	9 877 690	8 932 144
Travel, motor car, accommodation, subsistence and other allowances	2 807 046	2 553 020
Overtime payments	5 269 621	5 329 989
Long-service awards	98 921	762 593
Acting allowances	1 133 323	594 428
Housing benefits and allowances	2 793 108	2 709 479
Industrial Council Contributions	27 848	26 452
Standby Allowance	570 619	596 448
Telephone Allowance	733 118	293 622
Group Insurance	1 689 539	1 485 401
Other Allowances	865 313	757 594
Termination benefits	1 333 489	1 078 957
	103 870 213	98 141 521
Remuneration of Municipal Manager		
Annual Remuneration	1 192 680	1 013 109
Car Allowance	162 000	182 608
Contributions to UIF	1 785	1 872
	1 356 465	1 197 589
Remuneration of Chief Finance Officer		
Annual Remuneration	-	387 413
Car Allowance	-	113 137
Contributions to UIF	-	1 872
	-	502 422
Remuneration of Chief Finance Officer : Kagiso Noke		
Annual Remuneration	74 529	-
Car Allowance	15 000	-
Contribution to UIF	149	-
Other contributions	873	-
	90 551	-
Remuneration of Chief Finance Officer : Tshegofatso Jarvis		
Acting Allowance	256 582	-
Remuneration of Chief Finance Officer : Tafita Sehloho		
Acting Allowance	319 886	-

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
26. Employee related costs (continued)		
Remuneration of the Manager: Community Services		
Annual Remuneration	809 097	680 843
Car Allowance	90 000	106 487
Acting allowance (Municipal Manager)	6 998	-
Contributions to UIF, Medical and Pension Funds	186 399	171 100
	1 091 894	958 430
Remuneration of the Manager: Corporate Support Services		
Annual Remuneration	976 324	772 888
Car Allowance	167 184	183 671
Acting allowance (Municipal Manager)	122 306	-
Contributions to UIF	1 785	1 872
	1 267 601	958 431
Remuneration of the Manager: Technical Services		
Annual Remuneration	1 035 027	377 539
Car Allowance	48 000	21 425
Acting allowance (Municipal Manager)	54 365	-
Contributions to UIF	1 785	744
	1 139 197	399 708
27. Remuneration of councillors		
Mayor	538 210	701 585
Councillors	6 649 363	6 207 575
Speaker	627 724	638 467
	7 815 297	7 637 627
In-kind benefits		
The Mayor and Speaker are both full-time councillors of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.		
28. Depreciation and amortisation		
Property, plant and equipment	51 515 161	48 357 836
Intangible assets	272 612	121 284
	51 787 773	48 479 100
29. Impairment of assets		
Impairments		
Property, plant and equipment	16 541 727	1 429 049

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
30. Finance costs		
Fair value adjustments: Notional interest	486 808	179 955
Other interest paid	2 276 589	5 300 652
	2 763 397	5 480 607
31. Provisions		
Other provisions	15 370 191	12 682 097
32. Repairs and maintenance		
Service providers	18 626 465	30 532 762
Materials	70 846	77 488
	18 697 311	30 610 250
33. Bulk purchases		
Electricity	74 468 551	68 307 378
Water	21 683 679	20 309 944
	96 152 230	88 617 322
<p>The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in general expenses due to the nature of the municipality's contract with Sedibeng.</p>		
34. Contracted services		
Cleaning services	-	212 834
Specialist Services	2 813 488	3 198 175
Security services	5 608 462	5 466 810
	8 421 950	8 897 819

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
35. General expenses		
Advertising	79 249	96 658
Auditors remuneration	6 475 593	3 699 535
Bank charges	1 146 254	451 230
Cleaning	82 456	125 250
Computer expenses	225 419	198 935
Consulting and professional fees	13 640 928	9 335 377
VIP toilets	14 700 784	12 384 298
Entertainment	232 461	218 894
Flowers	400	1 900
Animal Costs	-	6 113
Hire	2 066 610	1 083 640
Insurance	6 440 375	6 119 394
Community development and training	2 520 964	3 277 894
Magazines, books and periodicals	58 589	15 298
Postage and courier	515 545	454 666
Printing and stationery	235 926	408 482
Royalties and license fees	51 423	48 108
Subscriptions and membership fees	1 512 159	1 093 572
Telephone and fax	418 030	1 063 193
Training	117 091	385 731
Travel - local	1 564 996	2 215 060
Electricity	1 425 781	1 511 286
Valuation costs	187 006	1 560 353
Refreshments	2 232	1 721
Cost of land sold	2 792 332	2 685 722
Town planning and rezoning	701 923	1 989 043
Traffic Services	2 008 580	2 014 156
Project management costs	1 074 750	1 535 204
Grants & subsidies paid	337 725	1 900 062
RDP Houses	4 018 346	-
Water quality management expenses	236 351	53 794
Chemicals	32 629	19 684
Convention bureau	96 009	41 456
Hostel charges	61 601	36 620
Sundry expenses	4 129 395	6 182 311
	71 190 522	63 094 650

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
36. Cash generated from operations		
Surplus	37 502 200	22 987 129
Adjustments for:		
Depreciation and amortisation	51 787 773	48 479 100
Gain on sale of assets and liabilities	920 923	16 451
Impairment deficit	16 541 727	1 429 049
Debt impairment	11 507 154	12 682 097
Movements in retirement benefit assets and liabilities	690 949	563 965
Movements in provisions	(4 990 582)	(906 963)
Other non-cash items	(349 883)	4 210 846
Changes in working capital:		
Inventories	(5 818 429)	6 649 431
Consumer debtors	(14 718 584)	(8 156 793)
Other receivables from non-exchange transactions	(12 468 496)	41 895 160
Payables from exchange transactions	17 630 226	(50 050 008)
VAT	(8 027 110)	14 215 531
Unspent conditional grants and receipts	9 581 348	20 067 274
Consumer deposits	374 692	751 593
	101 163 906	114 633 864
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	21 858 107	70 391 227
Total capital commitments		
Already contracted for but not provided for	21 858 107	70 391 227
Total commitments		
Total commitments		
Authorised capital expenditure	21 858 107	70 391 227

This committed expenditure relates to plant and equipment and will be financed by unspent grants rolled over as per conditions of Division Revenue Act as well as accumulated surplus.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017	2016
	R	R
38. Contingent Liabilities		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Suliman Attorneys	150 000	150 000
Van Rooyen	250 000	250 000
Edward Ntefang	65 000	65 000
Legal opinion (Monyela M L)	28 044	28 044
Review: IMATU obo ML Monyela	150 000	150 000
OJM Engineers	250 000	250 000
Public Liability claim: BNH829NC/CDX376NC	20 357	20 357
Public Liability: J Keailoni - Bodulong	3 750	3 750
Public Liability: JJ Erasmus	37 068	37 068
Public Liability: APC Botes	12 651	12 651
Public Liability: PB Van der Merwe	14 750	14 750
Public Liability: BVJ098NC	12 281	12 281
Public Liability: BYN212NC	10 064	10 064
Public Liability: GS Kies	36 541	36 541
Public Liability: Damage tyre at Testing Station	3 570	-
Wrenchville illegal occupants portion ERF 1 (ERF 5702)	800 000	-
Public liability claim : W Markram	17 853	-
Public liability: BYG807NC	40 224	-
Public Liability: Damage to wall- Kerk Street	10 755	-
Public Liability: Injury V Maruping	1 075	-
Public liability: CMJ895NC	3 418	-
Public Liability: CMN691NC	6 800	-
	1 924 201	1 040 506

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

39. Related parties

Relationships

Councillor N.G Thupaemang	Bsfumahadi khumo Enterprise and Projects - Director Mmeotshwara Thipa Ka Ha Bogaleng Primary Co-operative Limited - Director Ditswammung Mineral Resources Consortium - Director
Councillor N.S Bloem	Bomme-sejo Services and Supply Co-operative Limited
Councillor E.B Modise	Bomme-sejo Services and Supply Co-operative Limited
Councillor G.C Assogai	Bomme-sejo Services and Supply Co-operative Limited - Director Gadikgadi - Director Self-Propelled Trading and Projects - Director
Corporate Admin Manager - M.R. Tsatsimpe Manager Community Services - P.J Sampson Chief Financial Officer: Kagiso Noko Councillor: W.A.S Aucamp	Kurara FM Radio Station - Director Mimoisa Business Solutions - Director KAYN Projects - Director Tau Aggregate - Director Spectra Mining Solutions - Director
Councillor: G.N Mntuyedwa	Masakeng A Dipodi Primary Co-operative Limited - Director
Councillor: K.B Selepe	Batharos Sound Hire - Director Tlotlanang Catering - Director Bomme-Sejo Services and Supply Co-operative Limited - Director
Councillor: N.G Ngesi	Mighty Metals - Director Gamotinye Investment Holdings - Directors Ditukus Project - Director Batharo Le Bathping Mining Solutions - Director
Councillor: G.N Masogela Councillor: O.D Mathibe Councillor: M.G Reetsang Councillor: M.P Galeboe	Boka Resources - Director Nomisa Enterprise - Director Letlofelo Lame Trading and Projects - Director PKS Trading - Director

There were no transactions with related parties except where indicated under related party transactions below.

2017	2016
R	R

Related party transactions

Compensation of related parties

R.M. Meyers (Wife to Councillor T.E. Meyers)	241 277	219 475
B. Thankane (Cousin to Councillor P.Q Mogalle)	132 068	76 337
N. Rayn (Husband to Councillor S.M. Rayn)	132 068	120 822
G. Sibi (Daughter to Councillor N.G Thupaemang)	236 450	226 285
D. Eilerd (Cousin to Councillor M.A Brink)	-	348 118
D. Baepi (Brother to Councillor L.C. Rapelang)	331 175	320 527

Related party transactions during the year

Kurara FM (advertisement)	3 700	2 980
Mimoisa Business Connection	265 000	-

Notes to the Annual Financial Statements

39. Related parties (continued)

Related party transactions

Related party transactions - Management

	2017 Transactions for the year	2017 Balance as at year end	2016 Transactions for the year	2016 Balance as at year end
Jarvis TB - Deputy CFO	6 297	616	10 346	(40)
Pulo RC - Legal and Compliance Manager	3 527	(6 001)	683	683
Sampson K - Community Services Director	-	-	6 890	887
Smith H.J - Technical Services Director	5 733	462	2 541	676
Tsatsimpe M - Corporate Services Director	11 020	1 346	4 396	(699)
Mabejane I - Deputy Community Services - Director	42 701	9 382	23 483	4 372
	69 278	5 825	48 319	5 879

40. Risk management

Financial risk management

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors.

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

Financial Instrument	30 June 2017	30 June 2016
Receivables from exchange transactions	20 300 105	20 951 712
Receivables from non exchange	24 932 391	12 463 893
Cash and cash equivalents and bank overdraft	990 123	532 367
VAT receivable	22 025 161	15 998 051

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

41. Going concern

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

- Current liabilities exceed current assets by R (35 738 234)

Notes to the Annual Financial Statements

41. Going concern (continued)

- Creditors days in 2017 are 219 and in 2016 are 190
- Debtors days in 2017 are 182 and in 2016 are 175

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution

Under the DORA Act (Division of Revenue Bill - Bill Published In Government Gazette No. 40610 of 10 February 2017) the municipality has been allocated the following funds for the years 2017/18 to 2019/20.

	2017/18	2018/19	2019/20	Total
Equitable Share	129 580	141 621	152 362	423 563
Other	196 505	196 505	196 505	589 515
	326 085	338 126	348 867	1 013 078

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2017.

In addition, the municipality collects revenue for services rendered and this will augment their cash flows in subsequent years

	2017	2016
	R	R

42. Unauthorised expenditure

Unauthorised expenditure	203 758 772	168 669 334
Current year	85 754 314	37 089 438
	289 513 086	203 758 772

Prior period error

Heading	Previously reported	Correction of error	Column heading	Column heading	Restated
Irregular expenditure	63 616 351	180 676 057	-	-	244 292 408

43. Fruitless and wasteful expenditure

Opening balance(2017, 2016-as Previously reported)	1 306 643	774 418
Adjustment	-	(29 780)
Restated opening balance	1 306 643	744 638
Fruitless and wasteful expenditure	2 846 932	562 006
	3 953 575	1 306 643

The expenditure is caused by overdue account of Eskom, Telkom as well as penalties from SARS for late payment of taxes.

Notes to the Annual Financial Statements

44. Irregular expenditure

Opening balance	247 387 887	190 048 817
Add: Irregular Expenditure - current year	28 004 423	57 339 070
	275 392 310	247 387 887

Prior year error

Heading	Previously reported	Correction of error	Restated
Irregular expenditure	63 616 351	180 676 057	244 292 408

An amount of R180 676 057 was previously disclosed as condoned by Council. This has now been reversed as Council does not have permission to condone irregular expenditure. The amounts will be investigated in the next financial year and then submitted to National Treasury to make a decision on condonement.

The amount disclosed for irregular expenditure for the reported financial years is mainly as a result of the following reasons:

- Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c). Some expenditures were paid using pro-forma invoices.
- Bid specifications not drafted by bid specification committee prior to 2015/2016, however Bid specification committee was appointed during 2015/16.
- The amounts are however under investigation by Municipal Public Accounts Committee as a result at the reporting date it was not clear about the write-off or recovery.

Notes to the Annual Financial Statements

45. Deviations

Description	Month	Successful Bidder/ Supplier	One Quotation
In all instances only one quotation could be obtained, where in two occasions the Speaker's car had to undergo the mileage services and mechanical repairs hence only the car manufacturer can do this services. In the other instance the cherry picker had to be stripped to find fault and thereafter be quoted.	30 September 2016	Various suppliers	54 082
The bulk of the amount was due to fixing the power line that got damaged as a result of natural forces. Furthermore, other costs were as a result of strip and quote, which dictates that the supplier diagnose faults first and thereafter fix the problem identified.	31 October 2016	Various suppliers	139 479
The bulk of the amount was due to fixing the power line that got damaged as a result of natural forces. Furthermore, other costs were as a result of strip and quote, which dictates that the supplier diagnose faults first and thereafter fix the problem identified.	30 November 2016	Various suppliers	78 852
A substantial amount of the deviation was as result of the emergency response, where the power station had burnt and left half the town without electricity. Others were as a result of strip and quote	31 December 2016	Various suppliers	375 356
Only two deviations for the month, where strip and quote had a major contribution, and the other was the car services (mileage) and only one supplier could provide this service.	31 January 2017	Various suppliers	152 235
The bulk of the deviations was a result of strip and quote, where the suppliers first diagnose the fault and thereafter fix the identified problem.	28 February 2017	Various suppliers	120 751
The bulk of the deviated amount was due to using one supplier, where the fault on the HT reticulation system had to be found and fixed. Others were due to strip and quote, where only one quotation could be sourced.	31 March 2017	Various suppliers	325 399
The deviation from the normal processes was as a result of only obtaining one quotation. In one instance was a payment of the license and service fee of the system used at traffic department. The other one was the maintenance of the testing machine at the traffic department.	28 April 2017	Various suppliers	83 687
Extension of the existing works, transferring of the properties (ERF 66 Mothibistad Unit 1 and ERF 433 Mothibistad).	31 May 2017	KBVS Attorneys	14 727
			1 344 568
			2017 R
			2016 R

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	28 401	52 192
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Notes to the Annual Financial Statements

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

Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA

	Lost units	Tariff	Value
30 June 2017			
Unaccounted electricity losses	18 188 042	0,95	17 257 739,9
30 June 2016			
Unaccounted electricity losses	5 072 377	0,90	4 565 139,3
Volume in KWH/year		30 June 2017	30 June 2016
System Input Volume		78 600 284	78 496 868
Billed Consumption		60 484 242	73 424 491
Distribution Loss		18 116 042	5 072 377
Percentage Distribution Loss (%)		23,05%	6,5%
30 June 2017	Lost units	Tariff	Value
Unaccounted for water losses	3 310 611	5,00	16 553 055
30 June 2016			
Unaccounted for water losses	2 399 625	4,33	10 390 376,25
Volume in KI/year		30 June 2017	30 June 2016
System Input Volume		5 075 302	4 667 422
Billed Consumption		1 764 691	2 287 797
Distribution Loss		3 310 611	2 399 625
Percentage Distribution Loss (%)		65,23%	51,9%

Included in both water and electricity losses is the municipal own consumption at various municipal facilities.

	2017	2016
	R	R

SDL

Current year subscription / fee	820 551	860 012
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PAYE and UIF

Current year subscription / fee	13 956 446	12 552 586
Amount paid - current year	(13 956 446)	(12 552 586)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	23 620 993	22 221 019
Amount paid - current year	(23 620 993)	(22 221 019)
	-	-

VAT

VAT receivable	22 025 161	15 998 051
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VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
B.A Eiman	1 101	-	1 101
D.T Mpata	92	5 099	5 191
E.B Modise	17	1 106	1 123
G.C Assegaai	37	2 241	2 278
L.R Nelson	154	214	368
	1 401	8 660	10 061

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
E.B Modise	39	1 416	1 455
F.P Byleveld	724	-	724
N.G Mrogong	1	19	20
S.M Ryan	702	160	862
G.C Assegaai	36	1 343	1 379
M.J Polelo	2	61	63
M.A.P Brink	4 095	25 828	30 823
T.G Anthony	5	108	113
T.E Meyer	21	503	524
C Kekabile	269	7 136	7 405
	6 794	36 594	43 388

Supply chain management regulations

In terms of section 35 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

47. Prior-year errors

Statement of Financial Position

2016

	Note	As previously reported	Correction of error	Reclassification on	Restated
Inventories	1	21 039 723	15 289 061	9 901 000	46 229 784
Receivables from non-exchange transactions	2	19 767 409	(2 283 433)	(5 040 083)	12 463 893
VAT receivable	3	29 469 373	(13 481 322)	-	15 988 051
Receivables from exchange transactions	4	21 778 066	(5 866 437)	5 040 083	20 951 712
Cash and cash equivalents		532 367	-	-	532 367
		92 576 938	(6 302 131)	9 901 000	96 175 807
Investment property		6 961 100	-	-	6 961 100
Property, plant and equipment	5	1 046 994 939	112 118 111	(9 901 000)	1 149 212 050
Intangible assets	6	538 962	45 261	-	584 243
Heritage assets	7	1 650 000	5 642	-	1 655 642
Loan receivables	8	49 368	(49 368)	-	-
		1 056 194 389	112 119 646	(9 901 000)	1 158 413 035
		1 148 771 327	105 817 516	-	1 254 588 842
Other financial liabilities		4 669 354	-	-	4 669 354
Finance lease obligation		1 278 177	-	-	1 278 177
Payables from exchange transactions	9	101 166 766	5 888 932	-	107 045 688
Consumer deposits		3 781 051	48 896	-	3 827 747
Employee benefit obligations		1 165 225	-	-	1 165 225
Unspent conditional grants and receipts		8 911 218	-	-	8 911 218
		120 951 781	5 935 628	-	126 887 409
Other financial liabilities		19 192 514	-	-	19 192 514
Finance lease obligation		1 921 988	-	-	1 921 988
Employee benefit obligations		22 977 727	-	-	22 977 727
Provisions		9 860 959	-	-	9 860 959
		53 953 188	-	-	53 953 188
		174 904 969	5 935 628	-	180 840 597
Net assets		973 866 368	99 881 887	-	1 073 748 245
Revaluation reserve	10	20 837 415	349 884	(6 002 000)	15 185 299
Accumulated surplus	11	953 028 943	105 534 003	-	1 058 562 946
		973 866 368	105 883 887	(6 002 000)	1 073 748 245

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Statement of financial performance

2016

	Note	As previously reported	Correction of error	Reclassification	Restated
Sale of stands	12	7 413 893	830 614	-	8 244 507
Service charges	13	99 641 926	(1 954 818)	(41 635)	97 645 473
Rental of facilities	14	1 974 231	(1 192 100)	(48 158)	733 973
Interest on outstanding receivables		5 016 214	-	-	5 016 214
Licences and permits		4 510 550	-	-	4 510 550
Other revenue	15	6 376 299	294 000	89 793	6 760 092
Interest on investments		1 033 338	-	-	1 033 338
Total revenue from exchange transactions		126 166 451	(2 022 304)	-	124 144 147
Property rates		31 171 638	-	-	31 171 638
Government grants & subsidies		220 463 419	-	-	220 463 419
Public contributions and donations		8 217 639	-	-	8 217 639
Fines, Penalties and Forfeits		2 168 435	-	-	2 168 435
Total revenue from non-exchange transactions		262 021 131	-	-	262 021 131
Total revenue		388 187 582	(2 022 304)	-	386 165 278
Employee related costs	16	(97 473 147)	(688 374)	-	(98 141 521)
Remuneration of councillors		(7 637 627)	-	-	(7 637 627)
Depreciation and amortisation		(48 760 891)	281 791	-	(48 479 100)
Impairment loss/ Reversal of impairments		(1 429 049)	-	-	(1 429 049)
Finance costs	17	(6 252 468)	(62 171)	834 032	(5 480 607)
Provisions	18	(10 364 543)	(2 317 554)	-	(12 682 097)
Repairs and maintenance	19	(28 703 283)	(1 906 967)	-	(30 610 250)
Bulk purchases	20	(68 614 609)	(19 169)	(19 783 544)	(88 617 322)
Contracted services		(8 897 819)	-	-	(8 897 819)
General Expenses	21	(79 603 619)	(2 440 543)	18 949 512	(63 094 650)
		(357 937 055)	(7 132 867)	-	(365 070 042)
Deficit for the year		30 250 527	(9 155 291)	-	21 095 236
Profit/loss on disposal of assets		(16 451)	-	-	(16 451)
Actuarial gains		1 908 344	-	-	1 908 344
		1 891 893	-	-	1 891 893
Deficit for the year		32 142 420	(9 155 291)	-	22 987 129

Notes to the Annual Financial Statements

Errors

During the year under review, the following errors were identified for prior Annual Financial Statements:

Current Assets

- 1 Inventory was understated by R15 289 061 because of land that was registered under the municipality and not recorded in the municipalities books. Land held for sale valued at R9 901 000 was reclassified from property, plant and equipment to inventory due to land being held for sale.
- 2 Receivables from non-exchange transaction; Sundry debtors were reclassified to Receivables from exchange transactions. In addition, an amount of R2 263 433 was written-off due to the balances not being substantiated. There was a further reclassification of R5 040 083 between Receivable from non-exchange to Receivables from exchange transactions.
- 3 VAT receivables was overstated in the prior year as it was not based on reasonableness of accrued basis versus cash basis. The municipality operates an accrual basis of accounting and is registered with SARS on a payment basis for VAT purposes. The R13 461 322 adjustment was to correct the error.
- 4 Receivables from exchange transactions; sundry debtors have been reclassified from receivable from non-exchange transactions, these debtors were overstated with regards to monthly billing. Furthermore, sundry debtors that could not be substantiated have been written-off. The accrual receivable amounting to R5 856 437 has been corrected due to previous year error.

Non-current Assets

- 5 Property, plant and equipment; the difference of R112 118 111 were due to incorrect calculation of depreciation. The accumulated depreciation was understated; therefore, restatement was performed to correct the error. The amount of R9 901 000 was reclassified to inventory due to land being held for sale.
- 6 Intangible assets were restated due to the correction of accumulated depreciation as it was incorrectly calculated.
- 7 Heritage asset amounting to R5 642 was reclassified from property, plant and equipment.
- 8 Loan receivables not substantiated because of legacy issues, has been written-off by council on the special council meeting of 25/05/2017.

Current Liabilities

- 9 Payables from exchange transactions; Sales of stands, retentions and accruals were misstated by R5 888 933. This misstatement was adjusted for accordingly.

Equity

- 10 Revaluation reserves; land was understated by R349 884, this adjustment has been passed to correct the error. A further R6 002 000 relating to transfer of land from Property, plant and equipment to Inventory resulting the derecognition of revaluation surplus.
- 11 Accumulated surplus was understated by R105 534 003 as a result of all the prior year error adjusted.

Revenue

- 12 Sales of stands were understated by R830 614 due to stands that were not transferred out of sales of stands payables after the property has been transferred to the seller as per the title deed obtained from the deeds office.
- 13 Service charges were overstated with an amount of R1 954 818, this error was adjusted accordingly. Furthermore, other revenue amounting to R41 635 was reclassified out of service charges.
- 14 Rental facilities were overstated with an amount of R1 192 100, this error was adjusted accordingly. Furthermore, other revenue amounting to R48 158 was reclassified out of service charges.

Notes to the Annual Financial Statements

15 Other revenue was understated with an amount of R294 000 of properties that were sub-divided. In addition, amounts of R41 635 and R48 158 were reclassified out of service charges and rental facilities respectfully.

Expenditures

16 Employee cost was understated by R668 37. This was due to accruals not correctly recognised. The error has been adjusted for.

17 Finance cost was adjusted by R62 171 due to interest not considered. Furthermore, an amount of R834 032 was reclassified to general expenses as it did not form part of finance cost. The accounts that were reclassified were rental of modems and telephones.

18 Provisions were understated with an amount of R2 317 554, this was because of not billing the Bankhara residence for sewerage facilities.

19 Repairs and maintenance was understated by R1 905 967 due to accruals not considered. The balance has been restated to correct this error.

20 Bulk purchases was understated by R19 169 due to accruals not considered. The balance has been restated to correct this error. Furthermore, R19 783 544 was reclassified from General expenses to Bulk purchases with respect to cost of inventory sold. T

21 General expenses were understated by R2 440 543, this understatement was due to audit fees not accrued for and cost of land sold was not considered. Furthermore, an amount of R18 949 512 was reclassified to bulk purchases with the significant portion being allocated to bulk purchases.

Notes to the Annual Financial Statements

48. Budget differences

Financial statement line item	Reference*	% Variance Final budget vs Actual amounts	Explanation of material differences between Final Budget vs Actual amounts	% Variance Approved vs Final budget	Explanation of material differences between Approved Budget and Final Budget amounts
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Revenue from exchange transactions					
Sale of stands	1	-62,54%	The difference is due to less sales of stands sold than budgeted.	6,25%	-
Rental of facilities	2	27%	The increase is as a result of an increased demand for rental of facilities than expected.	-22,45%	The adjustment was made in order to adjust for the anticipation of increase in demand of rentals. This resulted in the budget being overstated.
Other revenue	3	356,6%	The increase is due to insurance claim received for the burned down library.	9,49%	
Interest on investments	4	-83,84%	The decrease is due to less money being invested in the call account as a result of the municipality having cashflow issues.	3,05%	
Revenue from non-exchange transactions					
Government grants and subsidies realised	5	-7,2%	The difference is due to capital project rolled over.	-6,27%	
Public contributions and donations	6	100%	There were no donations budgeted for on the original budget.	0%	-
Fines, Penalties and Forfeits	7	545,75%	The difference is as a result of an increase in traffic fines billed compared to the projected amounts.	0%	-
EXPENDITURE					
Employee related costs	8	0,13%	The difference was due to overtime and acting allowance that were not budgeted adequately	0,12%	

Notes to the Annual Financial Statements

48. Budget differences (continued)					
Remuneration of councillors	9		The budget is consistent to the actual cost		
Depreciation and amortisation	10	160.98%	The difference was due to changes in the useful life of assets that could not be adequately determined during the budgeting process.	0%	-
Impairment loss	11	100%	The difference is due to the change in the recoverable amounts of the assets and conclusion of the assets assessed during the physical verification. This could not be determined during the budgeting process.	0%	-
Finance costs	12	-10%	The difference in finance cost is due to understatement of the budgeted finance cost derived from the municipality's financial liabilities. Eskom interest was not budgeted for, which resulted from long outstanding debts.	0%	
Debt impairment	13	-2828.31%	The budget did not take into account the provision on outstanding debtors. This process was performed after the budget was finalised.	0%	-
Repairs and maintenance	14	14.21%	Repairs and maintenance was over budgeted with the anticipation that more repairs will be performed.	50,47%	The adjustment was due to moving Sedibeng water out of repairs and into general expenses.
Bulk purchases	15	-28.97%	The budget did not take into account the bulk purchases of water reclassified from general expenses	0%	The adjustment was due to moving of Sedibeng water from repairs and maintenance.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

43. Budget differences (continued)					
Contracted services	16	-20.45%	This is a result of less actual expenditure on contracted services than anticipated. New consultants for landfill site were appointed and their costs were less than the predecessor.	0%	
Gain/loss on disposal of assets	17	-359.415	The budget did not take into account the burned down building which occurred after the budget was finalised.	0%	
Actuarial gains/losses	18	100%	Differences are due to actuarial gains/losses not being budgeted for.	0%	
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Current Assets					
Inventories	19	181.43%	The budget did not take into account the transfer of land from property, plant and equipment, this land is classified as held for sale.	0%	
Receivables from non-exchange transactions	20	110.90%	Sundry debtors has been reclassified to receivable from exchange. The budget does not account for the move in this regard.	2.69%	-
VAT receivable	21	100%	VAT receivable was not budgeted for.		
Receivables from exchange transactions	22	66.05%	The budget was overstated. The impairment on consumer debtors was not taken into account during the budget as it is a non-monetary item.	16.34%	The adjustment was to try to take into account impairment.
Cash and cash equivalents	23	244.29%	Cash was under budgeted for, due to cashflow issues.	53.68%	Cash was under budgeted for, due to cashflow issues.
Non-Current Assets					
Intangible assets	24	5.86%	The difference is due to amortisation not taken into account during the budget as it is a non-cash item.	-71.82%	The budget was adjusted in order to take into account a further subscription for MSCOA.

Notes to the Annual Financial Statements

48. Budget differences (continued)
LIABILITIES

Current Liabilities

Finance lease obligation	25	48.08%	The budget for finance lease was above the actual due to anticipation of new leases.	0%	-
Payables from exchange transactions	26	249.48%	The budget did not take into account the accruals.	0%	-
Consumer deposits	27	25.77%	The increase is as a result of more consumer deposits that were not claimed for as at year end than anticipated.	0%	-
Unspent conditional grants	28	100%	The increase is a result of an increase in grants that were not spent as at year end than anticipated.	0%	-
Provisions	29	-101%	The budget did not take into account the provision on outstanding debtors. This process was performed after the budget was finalised.	100%	
Revaluation reserves	30	-100%	The budget did not take into account the transfer of land from property, plant and equipment, this land is classified as held for sale. The revaluation reserve for land transferred was reversed out of revaluation reserves.	100%	

Notes to the Annual Financial Statements

49. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	17 726 284	17 726 284
Other receivables from non-exchange transactions	-	24 932 391	24 932 391
Cash and cash equivalents	990 123	-	990 123
	990 123	42 658 675	43 648 798

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	21 334 249	21 334 249
Trade and other payables from exchange transactions	-	124 675 917	124 675 917
Finance lease obligation	-	4 416 125	4 416 125
Consumer deposits	-	4 202 439	4 202 439
Employee benefit obligation	1 399 725	-	1 399 725
	1 399 725	154 628 730	156 028 455

2016

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	19 183 300	19 183 300
Other receivables from non-exchange transactions	-	12 463 893	12 463 893
Cash and cash equivalents	532 367	-	532 367
	532 367	31 627 193	32 159 560

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	23 861 868	23 861 868
Trade and other payables from exchange transactions	-	107 045 689	107 045 689
Finance lease obligation	-	3 200 166	3 200 166
Consumer deposits	-	3 827 747	3 827 747
Employee benefit obligation	1 155 225	-	1 155 225
	1 155 225	137 935 469	139 090 694