Metsimaholo
Municipality

Draft Annual Report 2016/17

Contents

CHAPTER 1: EXECUTIVE MAYOR'S FOREWORD & EXECUTIVE SUMMARY

1. Foreword by the Executive Mayor

It is a pleasure and a privilege as the Executive Mayor to present this Annual Report of Metsimaholo Local Municipality for the 2016/17 financial year to the Council, the broader community as well as our many stakeholders and partners. This document is a continuation of the work started by the democratic government under the leadership of the African National Congress (ANC) to ensure that our people are involved in the governance of their municipalities.

This report outlines our achievements for the past financial year, reflecting concrete steps taken to realise our vision and plans for our community's future. The intention of this reports, which covers the past financial year, is to provide an easily readable and summarised statement of the municipality's progress towards the targets set in its Integrated Development Plan.

As Metsimaholo Local Municipality, we will be focusing our energy and delivering on sustainability through a range of initiatives such as water and sewer networks, houses, eradication of the bucket system, health, education, roads and electricity. We will further with the established partnership agreements with the business community and private sector, such as Sasol and Anglo Coal, continue to deliver services to our people.
The municipality has done a lot, but we still acknowledge that much more needs to be done. If we continue to work together, and learn from our past experiences we can move even faster to realise the goal of a better life for all.

At this time in the history of Metsimaholo Local Municipality, I am confident that we are capable of addressing the existing challenges by creating a strong, supportive, planned and sustainable future for the people of our municipal area. This report shows our commitment in action and we look forward to continuing to work with our strong and diverse communities to ensure that the residents of our area have every opportunity to grow and develop to their highest potential.

The President of the Republic of South Africa, his Excellency, Jacob Zuma, has declared the year 2017, the Year of Oliver Reginald Tambo. It is the year of unity on action by all South Africans as we move South Africa forward together. Oliver Reginald Tambo would have turned 100 years old this year, had he lived. He left a lasting legacy for all South Africans, and not only for his organisation, the ANC.

I would like to thank all the members of the Council, officials and members of the public for their support during this financial year and I am really looking forward to working with you all to achieve a better life for all.

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Councillor: Sello Hlasa
Executive Mayor

2. Municipal Manager's Foreword

3. Municipal Overview

Metsimaholo Municipality was established in 2000 through the amalgamation of the then Sasolburg, Deneysville and the Oranjeville Transitional Local Councils. In simple translation, the name Metsimaholo means “Vast Waters” due to the abundance of water resource available in this area.

Metsimaholo is a category B municipality as envisaged in section 155(1) (h) of the Constitution, and thus has specific legislative powers and performs such duties and functions which are attributable to a local municipality by the constitution. The municipality is located within Fezile Dabi District Municipality and covers an estimated area of 1 739 square kilometers. The major towns within the Metsimaholo areas of jurisdiction include Sasolburg, Zamdela, Deneysville, Oranjeville Viljoensdrif and Coalbrook.

The dominance of Sasolburg because of its population density and its proximity to the economically active Johannesburg city provided the area with the opportunity of being declared the “head-offices” of the entire Metsimaholo Municipality. According to Statistics South Africa’s 2007 Community Survey, it is estimated that the total population of the municipality is 154 658 with 37 320 estimated households.

Like many other developing municipalities in the country, Metsimaholo Local Municipality faces a number of developmental challenges, dominated by limited employment opportunities and consequently high unemployment and poverty among the community. According to the 2007 Statistic South Africa Community Surveys, the unemployment rate in Metsimaholo is estimated at 18.9% and the total of persons who are not economically active is estimated at 22.7%. It is the undoubtedly that this socio-economic plight of our people, has a negative effect on the overall financial sustainability of the municipality as more and more people are unable to meet their obligations to pay for municipal services. The financial sustainability issue of the municipality is further exacerbated by the difficulties experienced by the municipality in recovering all debts due to it, exposing the municipality at a risk of serious financial problems.

The municipality’s total population is estimated at 149 108 with an estimated number of 45 755 households. The estimated average population growth of the municipality is at 3% per annum and the unemployment rate stands at 43% of which 41.6% is youth age between 15 and 34. The municipality’s population distribution is presented on the tables below in terms of gender, first languages and racial group.

CHAPTER 2: GOVERNANCE

Component A: Governance Structures

1. Political Governance Structure

The political structure of the municipality is made up of the entire municipal Council, the Executive Mayor, the Speaker and the Mayoral Committee. In line with chapter 7 of the Constitution of the Republic of South Africa, the executive and legislative authority of the municipality is the responsibility to the Council. The Executive Mayor is the link between the Council and Administration and is accountable for ongoing monitoring and for tabling of reports to the Council.

1.1 Municipal Council

For the reporting period under review, the Council comprised of 42 councillors from different political parties. The Executive Mayor and the speaker also form part of this council and are both full time political office bearers. The structure of Council was as laid out below with members from various political parties:

Table 1 - Political governance structure

Composition of the Municipal Council	
Name of Political Party	**Number of Councillors**
African National Congress (ANC)	19
Democratic Alliance (DA)	12
Economic Freedom Fighters (EFF)	08
Metsimaholo Community Association (MCA)	02
Freedom Front Plus (FF+)	01
Total	**42**

1.2 Political Office Bearers and Mayoral Committee

For the reporting period under review, the Political Officer Bearers and the Mayoral Committee were as follows below:

Table 2 - Structure of Political Officer Bearers and Mayoral Committee

Composition of the Municipal Council	
Name of Political Party	**Number of Councillors**
African National Congress (ANC)	19
Democratic Alliance (DA)	12
Economic Freedom Fighters (EFF)	08
Metsimaholo Community Association (MCA)	02
Freedom Front Plus (FF+)	01
Total	**42**
Political Office Bearers	
Executive Mayor	Councillor Hlasa RS
Speaker	Councillor Du Plooy A (Ms)
Chief Whip	Councillor Radebe L W
Mayoral Committee from 22 August 2016	
Name	**Portfolio Responsible for**
Councillor Grobbelaar J J	Public Safety
Councillor Mthembu S M	Technical Services
Councillor Gaigher L	IDP, Audit, ICT & Risk
Councillor Mofokeng T	Housing, Local Economic Development & Town Planning
Councillor Burger G	Special Programmes
Councillor Mothlale S	Corporate Services
Councillor Mohapi P	Social Services
Councillor Mothibe B	Finance

Mayoral Committee from 23 February 2017	
Name	**Portfolio Responsible for**
Councillor Radebe T L	Public Safety
Councillor Mthembu S M	Technical Services
Councillor Fisher L	IDP, Audit, ICT & Risk
Councillor Mabasa K T	Housing, Local Economic Development & Town Planning
Councillor Mtshali N M (Ms)	Special Programmes
Councillor Mokoena N P (Ms)	Corporate Services
Councillor Mosokweni F	Social Services
Councillor Mosia T E	Finance

2. Administrative Governance Structure

MFMA section 60(b) states that the Municipal Manager of a Municipality is the Accounting Officer of the Municipality for the purposes of this Act and must provide guidance on compliance with this Act to Political Structures; Political Office Bearers, and Officials of the Municipality and any entity under the sole or shared control of the Municipality.

During the period under review, the municipality's Municipal Manager was Mr SZ Molala and duly performed his statutory accountabilities as defined above. As the head of administration, the Municipal Manager reports directly to the Executive Mayor and Council. Directors (section 56 Managers) report directly to the Municipal Manager and their performance is monitored by the Municipal Manager in terms of the annually signed performance contracts and plans.

Directors are responsible for the management of their respective functions/departments, which include the administration of service delivery programmes and objectives, personnel and budgets.

The Municipal Manager confirmed performance of the departments through weekly and monthly management meetings and quarterly performance evaluations of Directors.

The table below shows the details of the structure of macro-administrative assembly of the municipality.

Table 3 - Administrative Governance Structure

Position	Incumbent	Roles & Responsibilities
Municipal Manager	Mr S Molala	Head of the municipality's administration and provide guidance regarding compliance & other statutory matters to Political Structures; Political Office Bearers, and other officials of the municipality.
Chief Financial Officer	Mr A Lambat	Revenue, Expenditure, Assets and Liability Management, Budget and Treasury Office and Supply Chain Management.
Director: Technical Services	Mr S Mokgatle	Water, Sanitation, Electricity, Roads, Storm Water and Project Management Unit.
Director: Corporate Service	Ms MJM Maseola	Human Resources, Auxiliary and Legal Services, Council Support and Organisational development
Director: Social Services	Mr SL Lempe	Waste Management, Sport & Recreation Arts & Culture, Public Safety and Parks
Director: Economic Development and Planning	Mrs SJ Monyaki	Housing Assets & Rental Stock Management, Urban Planning, Local Economic Development & Marketing, Tourism, Heritage Sites and Resorts.

Component B: Intergovernmental Relations (IGR)

Intergovernmental relations in the municipality were mostly facilitated by the three interrelated structures during the period under review, *viz* – The District Coordinating Forum, The Speakers Forum, and Technical Intergovernmental Relations Forum.

The responsibilities and activities of these forums were as follows during the reporting period under review:

Table 4 - IGR Structures

Name of the IGR Structure	Conveners	Core Responsibilities
The District Coordinating Forum	Executive Mayors within the district	Promotion and facilitation of intergovernmental relations within the district
The Speakers Forum	Speakers within the district	Sharing ideas and integration of municipal programs
The Technical Intergovernmental Relations Forum	Municipal Managers within the district	Promotion of Intergovernmental Relations between the district municipality, local municipalities within the district and other sector departments at the higher spheres of government

The table below shows a summary of information for intergovernmental meetings that were attended during the reporting period under review through the above IGR structures.

Table 5 - Details of IGR Structures meetings held

The District Coordinating Forum			
Meeting	**Date**	**Venue**	**Attended? (Yes / No)**

The Speakers Forum			
Meeting	**Date**	**Venue**	**Attended? (Yes / No)**
1st Meeting			
2nd Meeting			
3rd Meeting			
4th Meeting			

Technical Intergovernmental Relations Forum			
Meeting	**Date**	**Venue**	**Attended? (Yes / No)**
1st Meeting			
2nd Meeting			
3rd Meeting			

Component C: Public Accountability & Participation

1. Public Meetings

Public meetings were steered through Ward Committees in different wards. Except for ward 12 where scheduled meetings were not conducted because there was no Ward Councillor elected during the meetings schedule, all other ward meetings were successfully conducted.

2. IDP Alignment and Participation

During the reporting period under review, the municipality held public participation in all key planning and reporting procedures. The municipality relied on public contributions through conferences to inform critical decisions involving the Integrated Development Plans, Budgets, Service Delivery and Budget Implementation Plan (SDBIP).

The Public Participation Meetings were planned and held as follows:

Table 6 - IDP Public Participation Meeting held

Area	Ward	Number of Attendees	Date	Time	Venue	Councillor
Zamdela	1	77	29/05/2017	17h00	Kopanelang Thuto Primary School	Cllr PM Mokoena
Refengkgotso	3	87	18/04/2017	17h00	Refengkgotso Community Hall	Cllr MM Telane
	4					Cllr GB NNune
Zamdela	1	162	08/05/2017		Amelia-Pastor Morota's Church	Cllr PM Mokoena
	19				Amelia-Ark of Church	Cllr KA Mare
Zamdela	1 Phase 5	N/A	N/A	N/A	N/A	
Zamdela	7	38	02/05/2017	17h00	Sakubusha Secondary School	Cllr TE Mosia
	13					Cllr F Mosokweni
Zamdela	6	127	24/04/2017	17h00	Credo Primary School	Cllr TT Radebe
	13				Construction / Kontrakeng	Cllr F Mosokweni
	21				Sports Ground next to Roman Catholic Church	Cllr NP Mokoena
Zamdela	8	119	19/04/2017	17h00	Zamdela Arts & Culture Centre	Cllr SJ Nteso
	9				Lerato Hall	Cllr NN Dywili
	10				Iketsetseng Secondary School	Cllr NM Mtshali
Zamdela	11	111	24/04/2017	17h00	Zamdela Hall	Cllr TK Mabasa
	12				Malakabeng Primary School	Cllr L Makhefu
Sasolburg	14	14	10/04/2017	18h00	Vaalpark Primary School	Cllr ID Viljoen
	18					Cllr L Gaigher
Sasolburg	15	30	09/05/2017	18h00	Council Foyer 2nd Floor Finance Building	Cllr JS Grobbelaar
	16					Cllr E Gouws
	17					Cllr G Burger
Themba Kubheka	20	32	12/04/2017	17h00	Sports Ground/Open Space	Cllr L Fisher
Zamdela	1 (Phase 3)	121	30/05/2017	17h00	Open Space between Zakwe's house & new Clinic	Cllr PM Mokoena

Component D: Corporate Governance

1. Risk Management

According to section 62 Municipal Finance Management Act (MFMA), the municipality must maintain effective, efficient and transparent system of financial and risk management. This therefore means that risk management is an integral part of the internal processes of a municipality.

From the municipality's point of view, risk management is a logical and systematic process of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables an the municipality to minimise losses and maximise opportunities. Having a clear understanding of all risks, allows the municipality to measure and position its strengths, prioritize opportunities and take the appropriate actions to reduce losses.

Over the period under review, risk management trends and components within the municipality were indicating an overlap with those of internal auditing, performance management, project management, financial management, organisational development & change management, customer care, communication, and therefore require incremental inclusion in current and future plans of the entire organisation.

The following were the identified top risks that the municipality faced during 2016/17.

Table 7 - Top risks in 2016/17

Top risks in 2016/17 financial year	
No	**Risk Description**
1	Cable theft
2	Failure to recruit and retain adequate skill
3	Occurrence of fruitless, wasteful and irregular expenditure
4	Absence of adequate landfill sites and licenses
5	Payments of creditors not done within 30 days
6	Ageing of electricity, water, storm water and sewer networks
7	Lack of effective Fleet Management Structure
8	Encroachment of roads, reserves, servitudes and building lines
9	Lack of effective Business Continuity Management Plan
10	Absence of a Disaster Management Plan
11	Failure to comply with the approval of the IDP and Budget
12	Deterioration of Roads infrastructure

2. Anti-Corruption and Fraud

Metsimaholo Municipality subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent manner. Therefore, Metsimaholo Municipality is dedicated to combat fraudulent activities at all ranks of the organisation.

section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the likelihood of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identify supply chain measures to be put in place to fight against fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimise the likelihood of corruption and fraud.

The strategy listed in the table below has been adopted and is implemented by Council.

Table 8 - Fraud Prevention Plan

Name of strategy	Date Adopted
Fraud Prevention Plan (including anti-fraud policy and response plan as well as the whistle blowing policy)	28 January 2015

Council have approved the use of the National Anti-Corruption Hotline number **0800 701 701** to report all cases of fraud and corruption which relates to the Metsimaholo Municipality.

The cases which are reported through the channel are investigated by the Municipality and resolved.

3. Supply Chain Management

The Supply Chain Management function is a supportive strategy and the objective is to manage procurement and provisioning processes in order to eliminate non-value added cost, infrastructure, time and activities to improve service delivery.

The Supply Chain Management (SCM) unit is accountable for the supply and purchasing of goods and services on behalf of the municipality. During the period under review, the unit had the following human resources:

Table 9 - Supply Chain Management Staff Compliment

Designation	Number of available positions	Number of positions filled
Manager	1	1
Secretary	1	1
Supply Chain Practitioner		1
Supply Chain Clerk (Buyer)		1
Supply Chain Administration Clerk		1
Stock Clerk		1
Interns *(not-permanent)*		2
Total Staff Compliment of the Unit		**8**

As at the end of the period under review, the municipality was in the process of organizational structure review and redesign, which will also focus of fully capacitating the Supply Chain Management Unit so as to allow for sufficient segregation of duties and increasing its level of capacity to efficiently and effectively execute the municipality's procurement needs.

Table 10 - Tenders / Bids Awarded (Excluding as and when required tenders) in 2016/17

Procurement Range: >R 200 000 & long-term contracts		
Period	**Number of Tenders Awarded**	**Total Awarded Amount**
First Quarter	0	N/A
Second Quarter	0	N/A
Third Quarter	4	R 623 235.40
Fourth Quarter	4	No amount
Sub-Total		**R 623 235.40**
Procurement Range: R 30 001 - R 200 000		
Period	**Number of Tenders Awarded**	**Total Awarded Amount**
First Quarter	0	N/A
Second Quarter	17	R 1 206 437.96
Third Quarter	7	R 483 452.52
Fourth Quarter	6	R 541 588.75
Sub-Total		**R 2 231 479.23**
Procurement Range: R 1 - R 30 000		
Period	**Number of Tenders Awarded**	**Total Awarded Amount**
First Quarter	3 quotations were requested – lowest quotation accepted	R 1 911 186.67
Second Quarter	3 quotations were requested – lowest quotation accepted	R 1 742 116.95
Third Quarter	3 quotations were requested – lowest quotation accepted	R 3 244 845.79
Fourth Quarter	3 quotations were requested – lowest quotation accepted	R 1 647 541.23
Sub-Total		**R 8 545 690.64**
Other Procurement		
Period	**Number of Tenders Awarded**	**Total Awarded Amount**
First Quarter	115	R 8 465 890.96
Second Quarter	56	R 4 566 234.76
Third Quarter	17	R 1 691 715.90
Fourth Quarter	73	R 2 503 826.92
Sub-Total		**R 17 227 668.54**
Procurement value for the year (done through SCM processes)		**R 28 628 073.81**

The municipality has also entered in contracts for the supply of goods and / or services on an "as-and-when required" basis during the period under review. This means that these contracts have no precise price and because a service requirement for such goods and / or service is determined as and when a need arises from the municipality and subsequently procurement occurs based on the scale of the evaluated requirement.

The details of such contracts as follows:

Table 11 - Contracts procured on an "As-and-When Required" basis

Details of Goods and / or Services	Appointed Supplier / Provider / Contractor
Supply and Delivery of Fuel for three years.	Wasaa Gasses (Pty) Ltd
Rendering of meter reading and credit control services for three years.	Electro Cuts (Pty) Ltd
Providing tracking devices for the municipal fleet.	Afrirent Fleet Management Services
Appointment for a service provider - wireless network links repairs maintenance for a period of three years	KKCG - investment (Pty) Ltd /(Layer 3 Telecoms)
Appointment of a service provider for leasing of compactor trucks, front end loader and tipper trucks for waste collection in Metsimaholo for a period of three years	Inkhokheli Business Enterprise
	Rantoa Service Providers CC
	Aqua Transport and Plant Hire (Pty) Ltd
	Mmazwi Civil & Construction Services
Request for proposal – Procurement of legal entities to provide supportive legal related services for a period of three years	Werksmans Incorporated
	Rasegoete and Associates INC
	Moroka Attorneys
	Boitumelo Maubane Attorneys
	Raphela Attorneys
	Majavu INC
	Leepile and Mbewe Incorporated
	Ndobela and Malebogo Maeyane Attorneys J/V
	Lebea Associates Attorneys
	Ponoane Attorneys (Pty) Ltd
	Nkaiseng Incorporated
	Ntsoane Attorneys
	Molenaar Griffiths Melato INC
Appointment of a service provider for supply and delivery of oil for a period of three years	Vumba Trading CC
	Kiyose NM Supplies (Pty)
Appointment of a service provider for grass cutting and tree pruning for a period of three years	Tabane Projects CC
	Shembu services CC
	Lekoa construction and transport services CC
	Inokheli Business Enterprise CC
	Green Eden Nursery CC
	Tembiscape (Pty) Ltd
	Mothepu General Services CC
Supply and Delivery of Mild steels section for road signs, welding rods, bolt and nuts for a period of three years	Chamadah (Pty) Ltd

Details of Goods and / or Services	Appointed Supplier / Provider / Contractor
Supply and delivery of road signs for a period of three years	Mosadiotiileng (Pty) Ltd JV Vikela Road Demarcation & Safety cc
	Mothepu General Services CC
	Tembiscape (Pty) Ltd
	Bonny Management (Pty) Ltd
Supply and delivery of plumbing materials for a period of three years	Modern Steel Design CC
	Mag and Age Trading Enterprise CC
	Tibi Transport and Projects CC
Supply and delivery of luminaires and lamps for a three year period	Hapcal trading CC
	Faithrich Trading and Projects CC
	Tabane Projects CC
	Verbitrax (Pty) Ltd
Supply and delivery of electrical cables for a three years period	PH Marketing (Pty) Ltd
	Tumishi Electrical and Building Construction
	CBI Electric African Cables
	Lekoa projects (Pty) Ltd
Supply and delivery of 88kv electrical cables for a three year period on	Hapcal Trading CC
	Reliance Industries (Pty) Ltd \
	CBI Electric African cables (Pty) Ltd
	Tumishi Electrical and Building construction
Supply and delivery of road marking paints and consumables for a period of three years	Motlatsi Holdings and investments (Pty) Ltd
	Noval Idea Trading 182 cc t/a Naledi Industrial Hardware
	Rera Projects (Pty) Ltd
	Mosadi otiileng and Vikela Road Demarcation & safety
	Inkokheli Business Enterprise
	Mphepheto & Mfiso Construction & plant hire (Pty) Ltd
	Mag and Age Trading Enterprise
	Mothepu General Services
Appointment of a service provider for supply and delivery of materials for roads, storm water, manhole covers and building materials for roads , storm water, manhole covers and building materials for a period of three years	1. Lekoa Projects (Pty) Ltd
	2. Palipa Trading Enterprise CC
Supply and Delivery of firearms for Metsimaholo Local Municipality for a period of three years	Ensemble Trading 2053 CC
Supply and delivery of desktops, laptops and projectors for a period of three years	Imfuyo Distributors Pty Ltd
	Macbolann Computer Stores CC

Details of Goods and / or Services	Appointed Supplier / Provider / Contractor
	Sage Computer Technologies Pty Ltd
	Lerula Construction and Projects CC
	BK 's IT Solutions CC
	Zimema Trading Pty Ltd
	Mobile Comp Tech CC
Appointment of a service provider for outright purchase of high speed copiers or specialized printing equipment for a period of three years	Itec Tiyende (Pty) ltd
	Nashua Vaal
	Konica Minolta Vaal
	Alenti 220 (Pty) Ltd
Appointment of a service provider to Supply and Delivery an 8 Ton Truck Chassis and Cab	Vaal Triangle Motors (Vereeniging)
Resurfacing and sealing of roads in the area of Metsimaholo for a period of three years	Tzoneva Asphalt (Pty) Ltd
Leasing of construction heavy duty machinery in the area of Metsimaholo Municipality for a period of three years	Inkokheli Business Enterprise
Supply and delivery of cold asphalt for a period of three years	Mafatseng Trading and Projects

4. By-Laws

Now new by-laws were passed during the reporting period under review.

5. Web-sites

The municipality's website was functional and accessible throughout the period under review. The table below provides details of important information that was publicised on the municipality's website:

Table 12 - Publication of information on municipal website

Documents to be published on the municipality's website	Published / Not published
Budget	
Draft Budget 2015/2016	Published
Approved Annual Budget 2015/2016 and quality certificate	Published
Adjustment budget 2015/2016 and quality certificate	Published
Annual Reports	
Annual Report 2014/2015	Published
Over sight report 2014/2015	Published
IDP & SDBIP	
SDBIP 2016/2017	Published
IDP 2016/2017	Published
Quarterly Reports	
SCM Quarterly reports 2015/2016	Published
Financial Reports 2015/2016	Published
Supply Chain Management Reports	Published
Budget Related Policies	
Asset Management Policy	Published
Bad Debts Write Off Policy	Published
Borrowings Policy	Published
Budget Policy	Published
Cash Management Policy	Published
Credit Control Debt Collection an Customer Care Policy	Published
Indigent Policy	Published
Property Rates Policy	Published
Rates Policy	Published
Unauthorized, Irregular, Fruitless and Wasteful Expenditure	Published
Virement Policy	Published
Revised SCM Policy	Published
Performance Agreements 2016/17	
Municipal Manager	Published
Chief Financial Officer	Published
Director: Technical Services	Published
Director: Corporate Service	Published
Director: Social Services	Published
Director: Economic Development and Planning	Published
Financial Statements	

Documents to be published on the municipality's website	Published / Not published
AFS 2015/16	Published
Mid-Year budget and performance assessment Reports	
Mid-Year Budget & Performance Assessment Report 2016/2017	Published
Bid Register	
Bid Register 2015/16	Published

6. Public Satisfaction on Municipal Services

Public satisfaction survey on municipal services was not carried out in the period under review.

7. All municipal oversight committees

Municipal Public Accounts Committee (MPAC) and the Audit and Performance Committee and the two committees which are accountable for monitoring and review over the executive officials of council, ensure good governance in the municipality and to counsel the council, the political office-bearers, the accounting officer and the management staff of the municipality on numerous issues respectively.

During the period under review, the individual committees have performed their responsibilities as follows in accordance with their terms of reference:

Table 13 - Activities performed by the MPAC

Municipal Public Accounts Committee (MPAC)	
Matters considered in 2016/17	**Date**
Introduction of newly appointed MPAC Committee Members	07 December 2016
2015/16 Annual Report	03 March 2017
2015/16 Annual Report	22 March 2017
2015/16 Oversight Report on the annual report	22 March 2017
Deviations as reported to Council on 31 March 2017	26 April 2017
Terms of Reference of MPAC	03 May 2017
Fruitless and Wasteful Expenditure for the period 1 October 2016 – 31 December 2016	03 May 2017

Table 14 - Activities performed by the Audit & Performance Committee

Audit & Performance Committee	
Matters considered in 2016/17	**Date**
Draft Annual Report and Annual Financial Statements – 2015/16	23 August 2016
Internal Audit reports, Schedule C Reports, Draft Annual Report – 2015/16, Risk Management Reports and Auditor General Reports	08 September 2016
Draft Audit Report - 2015/16	28 November 2016
Internal Audit reports, Mid-Year Budget and Performance Assessment Report & Schedule C report	01 March 2017
Draft Annual Report	29 March 2017
IA Annual Plan, IA & AC Charters, IA reports, Action Plan & Schedule report	13 June 2017

CHAPTER 3: SERVICE DELIVERY PERFORMANCE *(PERFORMANCE REPORT PART I)*

The purpose of this chapter is to account on delivery of services to the community on a service-by-service basis, in relation to the goals and tactics which were laid out in the municipality's IDP and SDBIP as well as the assets that were used as per the approved budget for the reporting period under review.

The service delivery performance of the municipality for the period under review is presented below on a service by service basis:

1. Water Services

Table 15 – 1.1 Water Service Delivery Levels per Household

Description	2015/16	2016/17	%
	Actual No.	Actual No.	Variance
Water: (above min level)			
Piped water inside dwelling	34 189	34 189	0%
Piped water inside yard (but not in dwelling)	5 710	8345	46%
Using public tap (within 200m from dwelling)	2 635	-	-100%
Other water supply (within 200m)	40	40	0%
Minimum Service Level and Above sub-total	42 574	42 574	0%
Minimum Service Level and Above Percentage	80.30%	80.30%	0%
Water: (below min level)			
Using public tap (more than 200m from dwelling)	-	-	0%
Other water supply (more than 200m from dwelling)	4 900	4 900	0%
No water supply	-	-	0%
Below Minimum Service Level sub-total	4 900	4 900	0%
Below Minimum Service Level Percentage	0%	0%	0%
Total number of households	**47 474**	**47 474**	0%

Analysis:

The table above shows constant results on the number of households receiving above and below minimum level of potable water service delivery for 2016/17 and 2015/16.

Table 16 – 1.1 Total Use by Sector

Total Use of Water by Sector (Kiloliters)	2015/16	2016/2017	% Variance
Agriculture	-	-	0%
Forestry	-	-	0%
Industrial	7 297 134	5 765 077	-21%
Domestic	9 268 790	7 559 254	-18%
Unaccounted Water	16.19%	22.41%	38%

Analysis:

The table above shows that water usage for industrial consumers decreased by 21% between 2015/16 and 2016/17, and for domestic consumers there is a decrease of 18% for the same period. This decrease is significantly caused by inability to monitor distribution losses as well to fix reported water leaks. Unaccounted water losses increased by 38% in 2016/17 from 16.19% in 2015/16.

Table 17 – Water Services Capital Expenditure

Capital Expenditure 2016/17: Water Services R' 000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Water Network	1 765	1 765	-	-100%
Water Network (DWS Grant)	-	-	8 114	0%
Vehicles (Donations)	-	-	395	0%
Plant and equipment	738	738	-	-100%
Total All	2 503	2 503	8 509	-240%
Others	-	-	-	0%

Analysis:

No expenditure was incurred for both the water network and plant and equipment for water services as initially budgeted for from internally generated funds. However, R8 114k was spent on the water network which was funded by a grant from DWS. Vehicles to the value of R395k were received as donations. Overall R 8.5m was spent on the water services compared to a budget of R2.5m.

Table 18 – Water Services Financial Performance

Financial Performance – Water Services Financial Performance 2016/17: Water Services R'000			
Details	**2015/16 Actual**	**2016/17 Actual**	**% Variance**
Total Operational Revenue	**293 373**	**287 935**	-2%
Expenditure:			
Employees	(12 239)	(13 161)	8%
Repairs and Maintenance	(2 733)	(265)	-90%
Other	(243 024)	(249 967)	3%
Total Operational Expenditure	**(257 996)**	**(263 393)**	2%
Net Operational Expenditure	**44 681**	**24 542**	-45%

Analysis:

Water services operational revenue was 2% lower for the 2016/17 financial year from 2015/16. On the other hand, employees related costs for this service increased by 8% for the same period. Repairs and Maintenance expenses declined by 90% mainly due to rehabilitation of the water treatment plant that was performed in 2015/16, and not required to be performed again in 2016/17.

Other expenses, which include bulk water purchases, water purification chemicals, etcetera increased by 3% between 2015/16 and 2016/17.

2. Sanitation Services

Table 19 – Sanitation Service Delivery Levels per Household

Description	**2015/16**	**2016/17**	**%**
	Actual No.	**Actual No.**	**Variance**
Sanitation/sewerage: (above minimum level)			
Flush toilet (connected to sewerage)	30 091	30 091	0%
Flush toilet (with septic tank)	3 617	3 617	0%
Chemical toilet			
Pit toilet (ventilated)	3 249	3 249	0%
Other toilet provisions (above minimum service level)			
Minimum Service Level and Above sub-total	36 957	36 957	0%
Minimum Service Level and Above Percentage	81%	81%	0%
Sanitation/sewerage: (below minimum level)			

Description	2015/16	2016/17	%
	Actual No.	Actual No.	Variance
Bucket toilet	2 610	2610	0%
Other toilet provisions (below minimum service level)			
No toilet provisions	7 907	7 907	0%
Below Minimum Service Level sub-total	10 517	10 517	0%
Below Minimum Service Level Percentage	22%	22%	0%
Total households	**47 474**	**47 474**	**0%**

Analysis:

The table above shows that on a comparison, there are constant results on the number of households in receipt of above and below minimum level of sanitation services for both 2015/16 and 2016/17.

Table 20 - Sanitation Services Financial Performance

Financial Performance 2016/17: Sanitation Services R'000			
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	**54 354**	**40 746**	**-25%**
Expenditure:			
Employees	(9 122)	(9 586)	5%
Repairs and Maintenance	(3 222)	(4 631)	43%
Other	(30 797)	(33 596)	9%
Total Operational Expenditure	**(43 141)**	**(47 813)**	**11%**
Net Operational Expenditure	**11 213**	**-7 067**	**-163%**

Analysis:

Sanitation services operational income decreased by 25% between 2015/16 and 2016/17. Employees related costs increased by 5% between 2015/16 and 2016/17 financial years. On the other hand, Repairs and Maintenance expenses are rather 43% higher in 2016/17 as compared to 2015/16.

Table 21 - Sanitation Services Capital Expenditure

Capital Expenditure 2016/17: Sanitation Services R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Sewer network (MIG)	-	6 434	-	-100%
Vehicles (Donation)	-	-	1 019	1 019%
Plant and equipment	681	681	-	-100%
Vehicles (Internal funding)	15	15	621	4 040%
Sewer Network (own funding)	1 500	1 510	-	-100%
Waste Water Treatment	-	10 000	7 581	-24%
Total All	**2 196**	**18 640**	**9 221**	**-50%**

Analysis:

Capital expenditure of sewer network funded from own internal sources was not performed as budgeted for. This was mainly because sewer pump stations that were to be constructed in Gortin were not carried out as planned; accordingly the R6.4m received from MIG was not spent.

Expenditure on the waste water treatment works was budgeted at R10m and only R7.5m was spent on the project.

3. Electricity Services

Table 22 - Electricity Service Delivery Levels per Household

Description	2015/16	2016/17	%
	Actual No.	Actual No.	Variance
Energy: **(above minimum level)**	34 730	37 986	9%
Electricity (at least minimum service level)	34 730	37 986	9%
Electricity - prepaid (minimum service level)			
Minimum Service Level and Above sub-total			
Minimum Service Level and Above Percentage			
Energy: **(below minimum level)**	3 333	2 620	-27%
Electricity (<minimum service level)	3 333	2 620	-27%
Total number of households	**38 063**	**40 606**	**7%**

Analysis:

The table above indicates that the number of households above minimum level of receiving electricity service increased by 9% from 2015/16 and those below minimum levels receiving electricity service declined by 27% for 2016/17 from 2015/16. The total number of households receiving electricity services increased by 7% between 2015/16 and 2016/17.

Table 23 - Electricity Services Financial Performance

Financial Performance 2016/17: Electricity Services	R'000		
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	**286 616**	**301 325**	**5%**
Expenditure:			
Employees	(15 962)	(18 218)	14%
Repairs and Maintenance	(3 180)	(6 086)	91%
Other	(260 839)	(279 385)	7%
Total Operational Expenditure	**(279 981)**	**(303 689)**	**8%**
Net Operational Expenditure	**6 635**	**(2 364)**	**-136%**

Analysis:

Electricity operational revenue increased by 5% year on year between 2015/16 and 2016/17 mainly due to an increase in consumption from increased households that were receiving electricity services. Employees related costs increased by 14% primarily due to the increase in the number of staff appointed during 2016/17.

Repairs and Maintenance expense is comparatively 91% higher in 2016/17 because of major repairs and maintenance expenditure in relation to this service for the supply of services above the minimum level. Other expenses, which include bulk purchases increased by 7% mainly due to an increase in consumption from increased households that were receiving electricity services.

Table 24 - Electricity Service Capital Expenditure

Capital Expenditure 2016/17: Electricity Services R'000				
Capital Projects	2016/17			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Electrical Network (DoE)	18 000	18 000	14 874	-17%
Electrical infrastructure	11 130	5 130	2 505	-51%
Plant + equipment	1 133	1 133	397	-65%
Total All	**30 263**	**24 263**	**17 776**	**-27%**

Analysis:

Actual capital expenditure on electricity network financed by Department of Energy (DoE) through Integrated National Electrification Program has realized a saving of approximately 17% as at the end of the period under review. The savings will be utilized in the identified hot spots (in fills) in Gortin and Somerspot.

Budgeted capital expenditure on electrical infrastructure and plant & equipment could not be entirely maximised on due financial constraints.

4. Roads

Table 25 - Gravel Road Infrastructure in Kilometers

Gravel Road Infrastructure in Kilometers	2015/16	2016/17	% Variance
Total gravel roads	322	322	0%
New gravel roads constructed	-	-	0%
Gravel roads upgraded to tar	-	7.7	7.7%
Gravel roads graded/maintained	135	95	-30%

Analysis:

From the table above, it can be concluded that for both 2016/17 and 2015/16, the extent of internal gravel roads remained at 322 kilometers. The total distance of gravel roads maintained for the 2016/17 was 95 kilometers while gravel road that was upgraded to tar road was 7.7 kilometers.

Table 26 - Tarred Road Infrastructure in Kilometers

Tarred Road Infrastructure in Kilometers	2015/16	2016/17	% Variance
Total tarred roads	371	378.7	2%
New tar roads	-	7.7	7.7%
Existing tar roads re-tarred	-	8.21	8.21%
Existing tar roads re-sheeted	-	-	0%
Tar roads maintained	23.7	43	81%

Analysis:

Comparatively, the extent of tarred municipal roads for 2016/17 increased by 7.7 kilometers of upgraded gravel road to tar road, to a total of 387.7 kilometers, while 2015/16 was at 371 kilometers. New tarred roads were realized in the form of an upgrade of 7.7 kilometers of gravel road and 8.21 kilometers of existing roads were re-tarred or re-sheeted between in 2016/17 from zero kilometers in 2015/16.

In 2016/17, an 81% increase in maintenance of tarred roads was completed from 23.7 kilometers in 2015/16 to 43 kilometers.

Table 27 - Roads Infrastructure Capital Expenditure

Capital Expenditure 2016/17: : Roads Services R'000				
Capital Projects	2016/17			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Roads (Ward 10,11,12) - MIG	32 818	30 060	37 527	25%
Vehicles	1 000	1 562	1 562	0%
Plant and equipment	395	395	139	-65%
Resealing of roads	12 000	10 000	7 603	-24%
Gravel Road (Refengkgotso)	7 500	7 500	-	-100%
Total All	**53 713**	**49 517**	**46 831**	**-5%**

Analysis:

Capital expenditure on road networks financed by MIG was 25% above the budgeted amount. R 37.5m was spent on roads in three wards, and a further R 7.6m was spent on resealing of roads. Vehicles were procured at 100% of the final budget.

Table 28 - Cost of Road Construction/Maintenance

Cost of Construction/Maintenance	2015/16	2016/17	% Variance
Gravel (R' 000)			
New	-	-	0%
Gravel – Tar	-	-	0%
Maintained	-	2 705	2 705%
Tar (R' 000)			
New	-	-	0%
Re-worked	-	6 750	6 750%
Maintained	14 900	3 355	-77%

Analysis:

Cost for maintenance of tarred municipal roads in 2016/17 is 77% lower than 2015/16.

5. Storm-water Infrastructure

Table 29 - Storm Water Infrastructure in Kilometers

Storm water Infrastructure in Kilometres	2015/16	2016/17	% Variance
Total Storm water measures	219	219	0%
New storm water measures	-	-	0%
Storm water measures upgraded	-	-	0%
Storm water measures maintained	4	3	-25%

Analysis:

The table above indicates that there was a constant measure of the amount of storm water infrastructure within the municipality between 2015/16 and 2016/17. Of the 219 kilometer of storm water infrastructure, 3 kilometers was maintained in 2016/17, as compared to 4 kilometers in 2015/16.

Table 30 - Cost of Storm-water Infrastructure Construction/Maintenance

Storm water measures	2015/16	2016/17	% Variance
New (R'000)	-	-	0%
Upgraded (R'000)	-	-	0%
Maintained (R'000)	14 900	2 705	-82%

Analysis:

The table above shows that the cost of maintenance of storm water infrastructure for 2016/17 is 82% less than the cost incurred in 2015/16. This results due to the fact that three kilometers of storm water infrastructure was maintained in 2016/17 from four in 2015/16.

6. Waste Management

Table 31 - Waste Management Services Financial Performance

Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	**38 488**	**42 151**	**10%**
Expenditure:			
Employees	(23 085)	(24 048)	4%
Repairs and Maintenance	(1 111)	(2 419)	117%
Other	(24 413)	(21 410)	-12%
Total Operational Expenditure	**(48 609)**	**(47 877)**	**-2%**
Net Operational Expenditure	**(10 651)**	**(5 726)**	**-46%**

Analysis:

Waste management services operational revenue increased by 10% in 2016/17 compared to 2015/16. Employee related costs increased by 4%. Repairs and Maintenance expenses increased by 117% in 2016/17, due to major repairs and maintenance expenditure with regard to this service having been performed.

Table 32 - Waste Management Services Capital Expenditure

Capital Expenditure 2016/17: : Waste Management Services R'000				
Capital Projects	2016/17			
	Budget	Adjustment budget	Actual Expenditure	% Variance from adjustment budget
Purchasing of landfill site	1 500	1 500	-	-100%
Compactor Truck (Lease)	-	2 113	2 113	0%
Vehicles	50	40	-	-100%
Buildings	20	10	-	-100%
Plant & Equipment	5	-	-	0%
Total All	**1 575**	**3 663**	**2 113**	**-42%**

Analysis:

The main budgeted capital expenditure with regards to Waste Management Service was in relation to procurement of land for the new landfill site. This item was later moved to be carried out in the 2017/18 financial year. This is because the entire acquisition process could not be finalized in one financial year and there is an anticipation that bulk of the expenditure will happen in the forthcoming financial year.

Additional fleet required for improved service delivery for this service was not acquired as originally budgeted, but the compactor truck lease payments were paid as budgeted for. A new compactor truck was acquired for R 2.1m to improve service delivery.

7. Libraries & Theatre

Table 33 - Libraries & Theatre Financial Performance

	Actual 2015/16 R 000	Actual 2016/17 R 000	% Variance
Total Operational Revenue	**2 132**	**1 771**	-17%
Expenditure			
Employees	(6 582)	(6 783)	3%
Repairs and Maintenance	(25)	(43)	72%
Other	(320)	(792)	148%
Total Operational Expenditure	**(6 927)**	**(7 618)**	10%
Net Operational Expenditure	**(4 795)**	**(5 652)**	18%

Analysis:

Libraries and Theater operational revenue declined by 17% year on year between 2015/16 and 2016/17. The library function was taken back by the Province with effect from 1 April 2017.

Employee related costs increased moderately by 3%. Repairs and Maintenance expense is R 18 000 more for 2016/17 in comparison with 2015/16. Other expenses which include daily operational expenses increased by 148% mainly due to rising costs and increase in daily consumptions such as electricity, printing costs, and the like.

Table 34 - 7.2 Libraries & Theatre Capital Expenditure

Capital Expenditure 2016/17: : Libraries and Theatre R'000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	% Variance from adjustment budget
Equipment	42	42	-	-	0%
Total All	**42**	**42**	**-**	**-**	**0%**

Analysis:

The only item for capital expenditure for libraries and theatre that was budgeted during the period under review was equipment. No procurement was realised for the expenditure during the period under review for the budgeted amount of R 42 000 and the function reverted to the Province.

8. Cemeteries

Table 35 - Number of People Buried

Details					
Area	Sasolburg	Zamdela	Refengkgotso	Oranjeville	**Total**
Number of People buried	90	556	141	45	**832**

Analysis:

The table above shows a summary of the number of people buried per graveyard during 2016/17. More people were buried in Zamdela, making 67% of the total number of people buried on the municipality's cemeteries in 2016/17, then Refengkgotso with 17%. Sasolburg had an 11% of burials from the total of 832 people buried.

Table 36 - Cemeteries Financial Performance

Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	502	485	-3%
Expenditure:			
Employees	(418)	(496)	19%
Repairs and Maintenance	-	(3)	3%
Other	(208)	(139)	-33%
Total Operational Expenditure	(626)	(638)	2%
Net Operational Expenditure	(124)	(153)	23%

Analysis:

Operational revenue from cemeteries declined by 3% in 2016/17 compared to 2015/16 and is due to the number of burials in the year.

Employees related costs increased by 19% year on year. Repairs and Maintenance expense is relatively 3% higher in 2016/17. Other operating expenditure decreased by 33% from 2015/16 because of maintenance which included fencing of cemeteries in Zamdela and Orangeville which was performed in 2015/16.

Table 37 - Cemeteries Capital Expenditure

Capital Expenditure 2016/17 : Cemeteries R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Plant and equipment	632	332	-	-100%
Total All	**632**	**332**	**-**	**-100%**

Analysis:

Capital expenditure for cemeteries comprised of only plant and equipment, and no expenditure was incurred during the year.

9. Traffic Police Services

Table 38 - Traffic Police Service Performance Data

Details	2015/16	2016/17	%
	Actual No	Actual No	Variance
Number of road traffic accidents during the year	1 022	1 081	6%
Number of by-law infringements attended	421	45	-89%
Average number of police officers in the field on a day	16	17	6%
Average number of police officers on duty on a day	18	17	-6%

Analysis:

From the table above, a number of recorded road traffic accidents on the municipal roads within the boundaries of the municipality increased by 6% between 2015/16 and 2016/17 whereas infringements of traffic-by-laws declined by 89% for the same period.

Traffic officers' visibility on municipal roads also increased by 6% while the average number of officers on duty on a day decreased from 18 to 17 between 2015/16 and 2016/17.

Table 39 - Traffic Police Service Financial Performance

Financial Performance 2016/17 : Traffic Police R'000			
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	23 108	17 492	-24%
Expenditure:			
Employees	(7 670)	(10 970)	43%
Repairs and Maintenance	(72)	(33)	-54%
Other	(1 656)	(2 646)	60%
Total Operational Expenditure	**(9 398)**	**(13 649)**	**45%**
Net Operational Expenditure	**13 710**	**3 565**	**-74%**

Analysis:

Operational income for Traffic Police Service decreased by 24% in 2016/17 compared to 2015/16. Employees related costs increased by 43% for the period. Repairs and Maintenance expenses decreased by 54% in 2016/17 due to most of repairs and maintenance work in relation to this service having been undertaken in 2015/16.

Table 40 - Traffic Police Service Capital Expenditure

Capital Expenditure 2016/17 : Traffic Police R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Plant and equipment	250	250	-	-100%
Traffic measures	200	200	200	0%
Total All	**450**	**450**	**200**	**-56%**

Analysis:

Capital expenditure for traffic police services entailed plant and equipment and other measures which are vital for the operations in respect of this service. Capital expenditure for other traffic measures like fencing was fully utilized as planned.

10. Fire Services

Table 41 - Fire Services Financial Performance

Financial Performance 2016/17: : Fire Services R'000			
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	421	449	7%
Expenditure:			
Employees	(8 633)	(12 252)	42%
Repairs and Maintenance	(151)	(143)	-5%
Other	(682)	(812)	19%
Total Operational Expenditure	(9 466)	(13 207)	40%
Net Operational Expenditure	(9 045)	(12 758)	41%

Analysis:

Operational revenue for Fire Service increased by 7% on accrual basis between 2016/17 and 2015/16. Fires service is one of the emergency services that is only rendered only when an emergency calling for this service occur.

Employees related costs increased by 42% between 2015/16 and 2016/17. This was due to the payment levels of employees that was adjusted previously and only paid in the period under review, as well as the standby and overtime worked.

Repairs and Maintenance expenses decreased by 5% in 2016/17, and other operational costs increased by 19%

Table 42 - Fire Services Capital Expenditure

Capital Expenditure 2016/17: : Fire Services R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Vehicles specialized	-	5 567	-	-100%
Plant and equipment	345	345	-	-100%
Total All	**345**	**5 912**	**-**	**-100%**

Analysis:

The actual capital expenditure for Fire Services mainly relates to acquisition of specialized vehicles and plant and equipment. No capital expenditure was procured in 2016/17 in relation to the budgeted items. The specialized vehicles were built by the manufacturer and were not ready for delivery in the financial year under review.

11. Disaster Management

Table 43 - Disaster Management Financial Performance

Financial Performance 2016/17: Disaster Management R'000			
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	-	-	0%
Expenditure:			
Employees	(502)	(675)	34%
Repairs and Maintenance	(1)	-	-100%
Other	(33)	(180)	445%
Total Operational Expenditure	**(536)**	**(855)**	**60%**
Net Operational Expenditure	**(536)**	**(855)**	**60%**

Analysis:

The table above shows that employee cost for Disaster Management increased by 34% between 2015/16 and 2016/17. No repairs and maintenance were carried out in 2016/17.

Other expenses shows a significate increase of 445% from 2015/16 , due to the annual events that took place in the financial year 2016/2017 as well as the disaster incidents that were attended to in the financial year.

Table 44 - Disaster Management Capital Expenditure

Capital Expenditure 2016/17: : Disaster Management R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Plant and equipment	80	80	-	-100%
Total All	**80**	**80**	**-**	**-100%**

Analysis:

Plant and equipment was the only line item that was budgeted for Disaster Management in the period under review. A total of R 80 000 was budgeted from but this amount was not utilized.

12. Sports & Recreation

Table 45 - Sports & Recreation Financial Performance

Financial Performance 2016/17: Sports & Recreation R'000			
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	**2 404**	**126**	**-1 808%**
Expenditure:			
Employees	(2 045)	(46)	-98%
Repairs and Maintenance	(589)	-	-100%
Other	(5 528)	(1 140)	-21%
Total Operational Expenditure	**(8 162)**	**(1 186)**	**-15%**
Net Operational Expenditure	**(5 758)**	**(1 060)**	**-82%**

Analysis:

The financial performance for Sports and Recreation shows a net operating deficit of R 1.06m in 2016/17 from a much larger deficit of R 5.7m. Other operating expenditure was significantly lower in 2016/17 by 21% compared to 2015/16.

Table 46 - Sports & Recreation Capital Expenditure

Capital Expenditure 2016/17: Sports & Recreation R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Buildings	7 674	3 997	877	-78%
Total All	**7 674**	**3 997**	**877**	**-78%**

Analysis:

Capital expenditure item for Sports & Recreation related to buildings in the amount of R 877 000, which is however 78% less that the final budget. The capital expenditure was in respect of a new sports complex, which was delayed.

13. Planning & Development

Table 47 - Applications for Land Use Development

Details						
Area	Sasolburg	Zamdela	Refengkgotso	Oranjeville	Vaalpark	**Total**
Number of applications	19	06	01	0	10	**36**

Analysis:

The table above indicates that most of land-use applications (60%) were received from Sasolburg, followed by 40% from Vaalpark, with Refengkgotso having only one application each for the period under review. This indicates that land use activities mostly take place in Sasolburg, as in 2015/16 Sasolburg constituted 50% of land use activities.

Table 48 - Planning Services Financial Performance

Financial Performance 2016/17: Planning Services R'000			
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	727	762	5%
Expenditure:			
Employees	(4 005)	(4 107)	3%
Repairs and Maintenance	-	-	0%
Other	(444)	(815)	-84%
Total Operational Expenditure	**(4 449)**	**(4 922)**	**-11%**
Net Operational Expenditure	**(3 722)**	**(4 160)**	**-12%**

Analysis:

Planning Services operational income increased by 5% year on year between 2015/16 and 2016/17 due to increased volume of services. Employees related costs increased by 3% between 2015/16 and 2016/17.

No expenditure was incurred for Repairs and Maintenance in both 2015/16 and 2016/17. Other expenses; which include printing, stationery, etcetera increased by 84% year on year.

Table 49 - Planning Services Capital Expenditure

Capital Expenditure 2016/17: : Planning Services R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Buildings	-	-	-	-
Vehicles	-	-	-	-
Plant and equipment	-	-	-	-
Total All	-	-	-	-

Analysis:

No capital expenditure was budgeted for Planning Services during 2016/17 financial year.

14. Local Economic Development

Table 50 - Local Economic Development Services Financial Performance

Financial Performance 2016/17: Local Economic Development R'000			
Details	2015/16	2016/17	%
	Actual	Actual	Variance
Total Operational Revenue	-	-	0%
Expenditure			
Employees	(481)	-	0%
Repairs and Maintenance	-	-	0%
Other	(3)	-	0%
Total Operational Expenditure	**(479)**	**-**	**0%**
Net Operational Expenditure	**(479)**	**-**	**0%**

Analysis:

There were no transactions that took place in this department due to the fact that the department had no employees and activities for the 2016/17 financial year.

Table 51 - Local Economic Development Services Capital Expenditure

Capital Expenditure 2016/17: : Local Economic Development R'000				
Capital Projects	2016/17			
	Budget	Adjustment Budget	Actual Expenditure	% Variance from adjustment budget
Buildings	-	-	-	-
Vehicles	-	-	-	-
Plant and equipment	-	-	-	-
Total All	**-**	**-**	**-**	**-**

Analysis:

No capital expenditure was budgeted for Planning Services during 2016/17 financial year.

15. Free Basic Services & Indigent Support

Free basic services are provided to indigent households according to the municipality's indigent policy. This includes 6kl of water, 50kWh electricity, R50 subsidy on assessment rates, free sanitation and refuse removal per household per month.

A total of 9 374 households were recorded in the indigent register at the end of the 2016/2017 financial year.

Table 52 - Free Basic Services Structure

Description	2015/16	2016/17	% Variance
Property Rates (per month per household)indigent	R50	R50	-
Sanitation/sewerage additional (per month per household)Indigent	Free	Free	-
Sanitation/sewerage (per month per household	Free	Free	-
Water (per month per household)	6kl	6kl	-
Water (per month per household) Indigent	10kl	6kl	-4kl
Electricity (per month per household)	25KWh	0	-25 kWh
Electricity (per month per household) indigent	50kWh	50kWh	-
Refuse Removal (per month per household)	free	free	-

Table 53 - Income Foregone - Free Basic Services Delivered

Description	2015/16 R'000	2016/17 R'000	% Variance
Property Rates	15 886	16 847	6%
Sanitation/sewerage	7 418	7 984	8%
Water	22 915	25 350	11%
Electricity	3 030	6 374	110%
Refuse Removal	7 479	9 638	29%
Total	56 728	66 193	17%

The cost of income forgone will increase year on year with the increase in the cost of water and electricity and also the tariff increases on the other services. The income forgone is catered for in the Equitable Share transfers from National Treasury.

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Water (P1)			Strategic Priority: Broaden access to and improve the quality of municipal services			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure access to potable water	1.1	No of HHs with access to potable water in formalised areas (yard metered connection)	50 292	51 893	Target achieved (51893 households have access portable water)	n/a	n/a
	1.2	No. of HHs provided with new metered yard connections	1 500	1 601	Target achieved (1601 house connections completed)	n/a	n/a
To ensure sufficient bulk supply	1.7	Maintenance Plan developed and approved by Council	100%	100%	Target not achieved (Item only served at Management but never served in Council)	Delay in sitting of Portfolio. Committee	All Items to be traced through committees.
To ensure effective and efficient management of water resources	1.8	% minimisation of water distribution loss	14%	14%	Target not achieved (23%)	No billing in Amelia, Gortin, Themba Khubeka and informal areas, and faulty meters.	Billing to be done across all areas, budget for faulty meters
	1.9	% of reported water leaks repaired.	100%	100%	Target not achieved (88%)	Lack of material due to cash flow problems	Service Providers must be paid within reasonable time
	1.10	% compliance with the blue drop water quality accreditation system	99%	99%	Target achieved (99.9%)	n/a	n/a
	1.11	WSDP developed and approved	90%	90%	Target not achieved (0%)	Budgeted for, but never implemented due to cash flow problems.	To be budgeted for and implemented in 2017/18.
	1.12	Number of/ % of zonal meters installed	100%	100%	Target achieved (5 meters installed=100%)	n/a	n/a

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Sanitation (P2)			Strategic Priority: Broaden access to and improve the quality of municipal services			
	PERFORMANCE OBJECTIVES AND INDICATORS			2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To provide decent sanitation to all households	2.1	No HHs with access to decent sanitation	48 592	51 893	Target achieved (51893 households have access to decent sanitation in Themba Khubeka)	n/a	n/a
	2.2	No. of households provided with sewer house connections	2 537	3 301	Target not achieved (1601 households provided with access to decent sanitation in Themba Khubeka)	Limited funding received from FSHS, only for Themba Khubeka	Amelia house connections to be completed during 2017/18.
To ensure sufficient bulk infrastructure	2.3	% Planned sewer pump stations constructed in Gortin	80%	100%	Target not achieved (88%)	Delays in construction schedule.	Contractor to be put on terms.
	2.5	Maintenance Plan developed and approved by Council	100%	100%	Target not achieved (Item only served at Management but never served in Council)	Delay in sitting of Portfolio. Committee	All Items to be traced through committees.
To ensure the effective and efficient management of the sanitation system and network	2.6	% of reported sewer blockages attended to in time (within 48hrs)	90%	100%	Target achieved (8100 complaints attended to within 48 hrs)	n/a	n/a
	2.7	% compliance with the green drop quality accreditation system[1]	80%	85%	Target not achieved (46/44% Deneysville and 8/58 % Oranjeville)	Both WWTW"s overloaded.	Deneysville WWTW to be expanded 2017/18 -19. Orangeville WWTW to be applied through MIG 2017/18.

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT							
EID Cluster	Programme: Electricity (P3)			Strategic Priority: Broaden access to and improve the quality of municipal services			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure access to electricity by all communities	3.1	No of HHs with access to basic electricity in formal areas	47 875	51 893	Target not achieved (only 3213 HHs completed, making a total of 51088)	Infills budgeted for internally but never implemented due to cash flow problems.	To be budgeted for again during 2017/18
	3.2	No. of HHs provided with new metered stand connections in formal areas	1 200	4 018	Target not achieved ((3213 households completed in Amelia, infills around Zamdela still outstanding)	Infills budgeted for internally but never implemented due to cash flow problems.	To be budgeted for again during 2017/18
	3.4	No. of new main/mini sub-stations erected (Amelia & Themba Khubeka)	1	1	Target achieved (substation erected in Amelia)	n/a	n/a
	3.5	Maintenance Plan developed and approved by Council	100%	100%	Target not achieved (Item only served at Management but never served in Council)	Delay in sitting of Portfolio. Committee	All Items to be traced through committees.
To ensure the Effective and Efficient management of the electricity Network	3.6	Electricity master plan developed and approved	100%	100%	Target not Achieved (0%)	Was not budgeted for, had to be taken out during budget cut.	Funds to be sourced for the Master Plan
	3.7	% electricity distribution loses minimized	11%	10%	Target achieved	n/a	n/a
	3.8	Number of hours/ % of reported outages responded to in time	2hrs = 100%	2hrs = 100%	Target achieved within 2hrs=100%, 1998 complaints attended	n/a	n/a
	3.9	Number of hours / % of reported industrial outages responded to in time	24hrs = 100%	24hrs = 100%	Target achieved (6 complaints attended to in time)	n/a	n/a
	3.10	Number of months/ % of reported faulty street and high mast lights responded to in time	2 months = 100%	2 months = 100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Roads and Storm Water (P4)			Strategic Priority: Broaden access to and improve the quality of municipal services			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2017	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure sufficient roads and storm water networks to all communities	4.1	Total kms of un-engineered roads (dirt roads) graded	12km	12km	Target achieved (64.46km)	Private Contractor assisted with machines	n/a
	4.2	Percentage development and approval of the storm water infrastructure maintenance plan	100%	100%	Target not achieved (Item only served at Management but never served in Council)	Delay in sitting of Portfolio. Committee	All Items to be traced through committees.
	4.3	Roads and storm water master plan developed and approved	100%	100%	Target not achieved (0%)	Was not budgeted for, had to be taken out during budget cut.	Funds to be sourced for the Master Plan
	4.4	% of pavement management system developed and approved	0 km	100%	Target not achieved	Was not budgeted for, had to be taken out during budget cut.	All Items to be traced through committees.
	4.5	Actual capital expenditure (CAPEX) spent as a percentage of the approved/adjusted budget	100%	100%	Target not achieved (80.5%)	Municipality got extra funding towards the end of the financial year.	Effective Implementation of projects and ensure timeous availability of Internal funds.
	4.6	Actual capital expenditure (OPEX) spent as a percentage of the approved / adjusted budget	100%	100%	Target not achieved (96.15%)		
	4.7	% of Auditor General queries resolved by end of April	100%	100%	Target not achieved (5/9=56%)		
	4.8	% Report submitted on performance assessment of the service providers	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Human Settlements (P5)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	**Ref. Nr / ID**	**Key Performance Indicator (KPI)**	**Baseline 30 June 2016**	**Annual Target 2016/17**	**Annual Actual Performance (Quantify actual performance whether achieved/not achieved)**	**Reason/s for non-achievement /over achievement**	**Corrective Measures Taken / To Be Taken To Improve Performance**
To provide sustainable human settlements and improved quality of household through accelerated delivery of housing opportunities and access to basic services	5.1	Number of / % of stands transferred	24 = 100%	24 = 100%	Target achieved (40)	n/a	n/a
	5.2	Integrated Human Settlement Plan reviewed and approved by Council	100%	100%	Target not achieved (50%)	Delays in SCM processes in appointing the service provider	The Service provider to be appointed as all procurement processes were followed, pending appointment.
	5.3	Business Plan for Housing Accreditation (Level 1 & 2) developed	100%	100%	Target achieved (100%)	n/a	n/a
	5.4	Housing register updated	100%	100%	Target achieved (100%)	n/a	n/a

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Spatial Planning (P6)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	**Ref. Nr / ID**	**Key Performance Indicator (KPI)**	**Baseline 30 June 2016**	**Annual Target 2016/17**	**Annual Actual Performance (Quantify actual performance whether achieved/not achieved)**	**Reason/s for non-achievement /over achievement**	**Corrective Measures Taken / To Be Taken To Improve Performance**
To stimulate development through effective and efficient spatial planning and building control	6.1	% review and approval of the SDF	100%	100%	Target achieved (100%)	n/a	n/a
	6.2	% formalisation of identified informal settlements	100%	100%	Target not achieved (90%)	Mooidrai township register opened. Themba-Khubeka township application finalized awaiting Surveyor General approval	To make a follow up with the office of the Surveyor General to seek approval
	6.3	% establishment of a functional Tribunal	100%	100%	Target achieved (100%)	n/a	n/a
	6.4	No / % of re-zonings, sub-divisions and consolidations applications processed	100%	100%	Target achieved (100%)	n/a	n/a

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Spatial Planning (P6)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To stimulate development through effective and efficient spatial planning and building control	6.5	No / % of building inspections conducted and action taken in the event of transgressions of building regulations	100%	100%	Target achieved (100%)	n/a	n/a

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Waste Management (P11)			Strategic Priority: Broaden access to and improve the quality of municipal services			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To provide affordable, effective, efficient, economical and accessible waste management services to all communities.	11.1	No. of/ % of households with access to basic refuse removal services (removal at least once a week)	49 000	50 000 (100%)	Target achieved (50 000 = 100%)	n/a	n/a
	11.2	% of formal businesses receiving a daily refuse removal service	100%	100%	Target achieved (100%)	n/a	n/a
	11.3	IWMP reviewed and approved by council	100%	100%	Target achieved (100%)	n/a	n/a
	11.4	% of integrated waste management plan information system developed and implemented	100%	100%	Target achieved (100%)	n/a	n/a
	11.5	% Closure of existing landfill site	100%	100%	Target not achieved (50%)	Waiting for the approval of the application to establish new landfill site	Engagement with the department of environmental affairs to approve the application
	11.6	New landfill site established	100%	75%	KPI rolled over to 2017/18 financial year (20%)	Waiting for the approval of the application to establish new	Engagement with the department of environmental affairs to approve the

KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT							
EID Cluster	Programme: Waste Management (P11)			Strategic Priority: Broaden access to and improve the quality of municipal services			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
						landfill	application

KEY PERFORMANCE AREA 2: LOCAL ECONOMIC DEVELOPMENT

KEY PERFORMANCE AREA 2: LOCAL ECONOMIC DEVELOPMENT							
EID Cluster	Programme: Local Economic Development (P8)			Strategic Priority: Build our local economy to create more employment, decent work and sustainable livelihoods			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	**Ref. Nr / ID**	**Key Performance Indicator (KPI)**	**Baseline 30 June 2016**	**Annual Target 2016/17**	**Annual Actual Performance (Quantify actual performance whether achieved/not achieved)**	**Reason/s for non-achievement /over achievement**	**Corrective Measures Taken / To Be Taken To Improve Performance**
To ensure support (non-financial and financial) for small enterprises, co-operatives and the informal sector	8.1	% review and approval of the LED strategy	100%	100%	Target not achieved (90%)	LED Strategy reviewed, no changes were made, still to serve to all committees of Council	Submission will be made in the new financial year 2017/18
	8.2	No/ % identified LED sub plans developed and implemented	2	2 = 100%	Target achieved (100%)	n/a	n/a
	8.3	No of training programmes offered to SMMEs and cooperatives	4	4	Target achieved (4)	n/a	n/a
	8.4	% development and approval of Metsimaholo LM incentive policy	100%	100%	Target achieved (100%)	n/a	n/a
	8.5	% development and distribution of the tourism brochure	100%	100%	Target not achieved (60%)	Service providers appointed late due to supply chain processes	Service provider submitted draft and will finalize brochure during the new financial year
	8.6	Number of heritage sites identified and registered	1	1 x identified & registered heritage site = 100%	Target achieved (100%)	n/a	n/a
To ensure support (non-financial and financial) for small enterprises, co-operatives and the informal sector	8.7	No. of tourism events hosted	2	2	Target not achieved	Budget Constraints	To ensure that all events are budgeted for and materialize
	8.8	No. of business summit organized	1	1	Target achieved (1)	n/a	n/a
	8.9	No. of SLP projects completed	1	1	Target achieved (1)	n/a	n/a
	8.11	No. of local jobs summit organised and convened	1	1	Target achieved (1)	n/a	n/a

KEY PERFORMANCE AREA 2: LOCAL ECONOMIC DEVELOPMENT							
EID Cluster	Programme: Job Creation (P9)			Strategic Priority: Build our local economy to create more employment, decent work and sustainable livelihoods			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To make a meaningful and visible contribution to employment creation	9.1	Number of statistical reports compiled on employment opportunities created as part of LED (NKPI: 7)	4	4	Target achieved (4)	n/a	n/a
	9.2	Number of statistical reports compiled on employment opportunities created through EPWP initiatives (NKPI: 7)	4	4	Target achieved (4)	n/a	n/a
	9.3	Number of quarterly statistical reports compiled on employment opportunities created through CWP by 2014(NKPI: 7)	4	4	Target achieved (4)	n/a	n/a
	9.4	% Actual capital expenditure (CAPEX) spent as a percentage of the approved / adjusted budget	100%	100%	Target not achieved (50%)	Delays in SCM procurement processes	Fast track SCM processes and implement in the new financial year 2017/18
	9.5	% Actual capital expenditure (OPEX) spent as a percentage of the approved / adjusted budget	100%	100%	Target achieved (100%)	n/a	n/a
	9.6	% Resolution of Auditor General queries by end of April	100%	100%	Target not achieved (25%)	One query was resolved of the four that were raised due to lack of capacity	Interviews to be conducted and officials to be appointed in the new financial year 2017/18
	9.7	% submission of reports on performance assessment of the service providers	100%	100%	Target not achieved (50%)	Service providers assessed only once in the year	To ensure that service providers are assessed quarterly

KEY PERFORMANCE AREA 2: LOCAL ECONOMIC DEVELOPMENT							
EID Cluster	Programme: Sustainable livelihoods (P10)			Strategic Priority: Build our local economy to create more employment, decent work and sustainable livelihoods			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure that poor households have access to free basic services (NKPI 5)	10.1	Update of the Indigent register updated as per the requirements	100%	100%	Target achieved	n/a	n/a
	10.2	Placement of an advert annually in the newspaper calling for IGG registration	100%	100%	Target not achieved	No Advert done Open Day held at the Multi-Purpose Centre	Part of our Revenue Enhancement Strategy
	10.3	Capturing of all new IGG applications on indigent register within two months	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Community Facilities (P12)			Strategic Priority: Broaden access to and improve the quality of municipal services			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To promote access and utilisation of public and community amenities	12.1	Number of new recreational parks developed	2	2	Target achieved	n/a	n/a
	12.2	Number of new sports grounds established	2	4	Target not achieved (0)	Identified land occupied by informal settlement	New land to be identified through SDF
	12.4	Number of existing community halls maintained	7	7	Target achieved	n/a	n/a
	12.5	Number of existing swimming pools maintained	2	2	Target achieved	n/a	n/a
	12.6	Number of existing family parks maintained	14	14	Target achieved	n/a	n/a
	12.7	Number of existing sports grounds maintained	20	20	Target achieved	n/a	n/a
	12.8	Number of stadiums maintained	2	2	Target achieved	n/a	n/a
	12.9	High Performance Centres (HPCs) maintained	1	1	KPI removed from the SDBIP as per the mid-year amendments	n/a	n/a
	12.10	MPC maintained	1	1	Target achieved	n/a	n/a
	12.11	Number of existing cemeteries maintained	8	8	Target achieved	n/a	n/a
	12.12	% maintenance of the Abrahams rust facility as per the approved maintenance plan	100%	100%	Target achieved	n/a	n/a
	12.13	% maintenance of the Day Visit Facilities (OV/DV) as per the approved maintenance plan	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Clean Communities (P13)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To develop and promote a clean and environmentally-friendly town & communities	13.1	Number of environmental cleanness programme implemented	6 Wards	6 Wards	Target achieved	n/a	n/a
	13.2	Number of training and awareness programmes developed and implemented	4	4	Target achieved	n/a	n/a
	13.3	Number of illegal dumps removed	10	5	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Safe Communities (P14)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To support and strengthen the fight against crime in all communities	14.1	Number of security cluster programmes implemented	15	15	Target achieved	n/a	n/a
	14.2	Number / % of all municipal bylaws enforced	100%	100%	Target achieved	n/a	n/a
	14.3	Number of school road safety programmes implemented (in consultation with principals)	15	15	Target achieved	n/a	n/a
	14.4	No / % of support programmes for locals, provincial, and national crime prevention initiatives	100%	100%	Target achieved	n/a	n/a
	14.5	% community access to fire-fighting services	100%	100%	Target achieved	n/a	n/a
	14.6	Response time to fire-fighting emergencies	Within 20 mins	Within 10 mins	Target achieved	n/a	n/a
	14.7	Number of fire safety programmes conducted	10 per quarter = 40 annually	10 per quarter = 40 annually	Target achieved	n/a	n/a
	14.8	Number of fire-fighting skills programmes	1	1	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Safe Communities (P14)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
		provided as per the WSP					
	14.9	%Traffic management laws enforced	100%	100%	Target achieved	n/a	n/a
	14.10	% of actual capital expenditure (CAPEX) spent as a percentage of the approved / adjusted budget	100%	100%	Target achieved	n/a	n/a
	14.11	% of actual capital expenditure (OPEX) spent as a percentage of the approved / adjusted budget	100%	100%	Target achieved	n/a	n/a
	14.12	% of Auditor General queries resolved by end of April	100%	100%	Target achieved (No AG queries)	n/a	n/a
	14.13	Report submitted on performance assessment of the service providers	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Healthy Communities (P15)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To increase awareness and participation of communities in HIV/AIDS, TB, STIs, and other illnesses.	15.1	Number of community awareness programmes conducted on HIV/AIDS, TB and STIs	2	2	Target not achieved (1)	Budget constraints	Will be fully budgeted in 2017/18
To increase access to	15.2	Number of sport development programmes	4	4	Target not achieved (0)	Due to lack of funding	Will be fully budgeted in 2017/18

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Healthy Communities (P15)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
community development services		organised / offered					
	15.3	Number of library development programmes organised / offered	950	1050	Target achieved (1050)	n/a	n/a
	15.4	Number of additional (new) members registered	500	500	Target achieved (500)	n/a	n/a
	15.5	Number of youth development programmes organised	2	2	Target not achieved	Due to lack of funding	Will be fully budgeted 2017/18
	15.6	Number of programmes organised for women	2	2	Target not achieved	Due to lack of funding	Will be fully budgeted 2017/18
	15.7	Number of programmes organised for children	2	2	Target not achieved	Due to lack of funding	Will be fully budgeted 2017/18
	15.8	Number of programmes organised with the aged	2	2	Target not achieved	Due to lack of funding	Will be fully budgeted 2017/18

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Healthy communities (P16)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To improve access and maximise utilization of arts and culture resources	16.1	Annual arts and culture festival organised / hosted	1	1	Target achieved (1)	n/a	n/a
	16.2	Number of arts and culture programmes organized	12	12	Target achieved (12)	n/a	n/a
	16.3	Number of events / programmes held at	4	4	Target achieved (4)	n/a	n/a

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Healthy communities (P16)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
		theatre					
	16.4	Number of local artists developed and participating in theatre progammes	20	4	Target achieved (4)	n/a	n/a

KEY PERFORMANCE AREA 3: COMMUNITY DEVELOPMENT AND SOCIAL COHESION							
EID Cluster	Programme: Disaster Management (P17)			Strategic Priority: Build united, non-racial, integrated and safer communities			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To increase awareness and participation of communities in disaster management	17.1	Increased number of disaster awareness programmes conducted in partnership with District and local Industries	4	4	Target achieved (4)	n/a	n/a
	17.2	% development and implementation of the Disaster Management Plan	100%	100%	Target achieved (100%)	n/a	n/a
	17.3	Number of volunteers trained on disaster management	30	30	Target achieved (30)	n/a	n/a
	17.4	Disaster awareness programmes implemented	30	30	Target achieved (30)	n/a	n/a

KEY PERFORMANCE AREA 4: PUBLIC PARTICIPATION AND GOOD GOVERNANCE

KEY PERFORMANCE AREA 4: COMMUNITY PARTICIPATION AND GOOD GOVERNANCE							
EID Cluster	Programme: Participatory Governance (P18)			Strategic Priority: Promote active community participation			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To improve the level of functionality of public participation systems in the municipality	18.1	Number of Functional Ward Committees established	21	21	Target achieved (21)	n/a	n/a
	18.2	Number of CDW's deployed in all 21 wards	21	21	Target not achieved (16)	Delay in appointing CDW's by Premier's Office	Liaise with the Office of the Premier to appoint CDW's
	18.3	Number of ward committees trained on identified core skills areas	21	21	Target achieved		
	18.4	Number of quarterly community meetings held per ward	4	4	Target not achieved	Political instability	New Councillors are to be elected, the BY-ELECTIONS are said to take place on 29 Nov. 2017
To actively support community-initiated social activities	18.5	Number of skills programmes implemented for burial societies, stokvels, religious groups, etc.	4	4	Target achieved	n/a	n/a
To improve external and internal communication	18.6	Number of monthly updates of municipal website completed	12 updates	12 updates	Target achieved	n/a	n/a
	18.7	Number of newsletters produced and published	6	6	Target not achieved (0)	Slow SCM processes. The Bid Adjudication Committee has to sit in order to finalise the appointment of the service provider	Will follow up with SCM unit in order to check progress and to fast track the process.
	18.8	Number of interactions arranged with the print and electronic media	12	12	Target achieved	n/a	n/a
	18.9	Number of quarterly interactions held with relevant municipal and community stakeholders	4	4	Target not achieved (2)	Political instability	n/a
	18.10	% actual capital expenditure (CAPEX) as a percentage of the approved / adjusted	100%	100%	Target not achieved	n/a	n/a

KEY PERFORMANCE AREA 4: COMMUNITY PARTICIPATION AND GOOD GOVERNANCE							
EID Cluster	Programme: Participatory Governance (P18)			Strategic Priority: Promote active community participation			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
		budget					
	18.11	% actual operational expenditure (OPEX) as a percentage of the approved / adjusted budget	100%	100%	Target not achieved	Lack of capacity	n/a
	18.12	% of Auditor General queries resolved by end of April	100%	100%	Target not achieved	No queries from AG	n/a
	18.13	% of report submitted on performance assessment of the service providers	100%	100%	Target not achieved	No service providers appointment	

KEY PERFORMANCE AREA 4: GOOD GOVERNANCE AND COMMUNITY PARTICIPATION							
EID Cluster	Programme: Corporate Governance (P19)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance	Source of Supporting Evidence	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure that effective and efficient systems and processes of good governance are implemented and maintained (NKPI 9)	19.1	% of a credible 5 - Year IDP compiled according to COGTA guidelines	0%	100%	Target not achieved (100% compiled according to CoGTA guidelines)	Council was dissolved	Ensure that IDP is reviewed annually according to CoGTA guideline and submitted to Council for approval in new FY
	19.3	% of compliant annual SDBIP approved within 28 days after the approval of the budget	100%	100%	Target not achieved (100% compliant)	Delay in approval by Executive Mayor within 28 days after the approved budget	Ensure that annual SDBIP is approved within 28 days after the approval of the budget
	19.4	% Security management strategy compiled and approved	100%	100%	Target Not achieved (50%)	Waiting for approval of security management policy that will inform security management	Ensure that security management policy is submitted for approval in 2017/18 FY

KEY PERFORMANCE AREA 4: GOOD GOVERNANCE AND COMMUNITY PARTICIPATION							
EID Cluster	Programme: Corporate Governance (P19)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
	PERFORMANCE OBJECTIVES AND INDICATORS			2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance	Source of Supporting Evidence	Corrective Measures Taken / To Be Taken To Improve Performance
						strategy	
	19.5	% Security management policy compiled and approved	100%	100%	Target Not achieved (50%)	Draft Security management policy was referred back by MANCO for further inputs	Ensure that security management policy is completed and approved in 2017/18 FY
	19.6	% report on security incidents submitted to senior management (monthly and quarterly) to council	100%	100%	Target Not achieved (50%)	Due to lack of capacity (Manager)	Fast track the appointment of Security Manager in 2017/18 FY
	19.7	% of annual internal audit plan approved by audit committee before end of June	100%	100%	Target achieved	n/a	n/a
	19.8	% Execution of annual internal audit plan	100%	100%	Target achieved	n/a	n/a
	19.9	% Developed three rolling coverage plan	100%	100%	Target achieved	n/a	n/a
	19.10	Number of audit committee meetings held per annum	4	4	Target achieved	n/a	n/a
	19.11	% review of audit charters completed annually	100%	100%	Target achieved	n/a	n/a
	19.12	% review of risk management strategy & policy	100%	100%	Target Not achieved	1.Risk Management Committee 0n 31 October; 30th March 2017 2. Senior Management on 15May 20173. Reviewed Strategic Docs was set to be presented to MAYCO June15, 2017., however due to none functionality by Portfolio in the office of MM, MMC withdrew the item in the meeting(see agenda) 3. Due to Political instability the	Review timeously as stated per the Risk Management Policy and Strategy.

KEY PERFORMANCE AREA 4: GOOD GOVERNANCE AND COMMUNITY PARTICIPATION							
EID Cluster	Programme: Corporate Governance (P19)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance	Source of Supporting Evidence	Corrective Measures Taken / To Be Taken To Improve Performance
						report didn't serve in council, after advised corrective measures by MMC)	
	19.13	% compilation and updating of the risk register	100%	100%	Target Achieved	n/a	n/a
	19.14	Number of risk management committee meetings	4	4	Target not achieved (2)	Two (2) Meetings per annum Q1 - October 2016; March 2017)	1. Document Annual Scheduling of meeting for following financial year 2017/18. Align meetings with the planned schedule.
	19.15	% of approved fraud prevention and anti-corruption strategy reviewed annually	100%	100%	Target not achieved	1.Risk Management Committee 0n 31 October; 30th March 2017 2. Senior Management on 15May 20173. Reviewed Strategic Docs was set to be presented to MAYCO June15, 2017., however due to none functionality by Portfolio in the office of MM, MMC withdrew the item in the meeting(see agenda) 3. Due to Political instability the report didn't serve in council, after advised corrective measures MMC.	Review timeously as per the Plan
	19.16	% of approved fraud prevention and anti-corruption strategy implemented annually	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 4: GOOD GOVERNANCE AND COMMUNITY PARTICIPATION							
EID Cluster	Programme: Corporate Governance (P19)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance	Source of Supporting Evidence	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure that a functional and effective organisational performance management system is adopted and implemented (NKPI: 3)	19.17	% of compliant performance agreements for MM and S56 managers compiled and signed on time	100%	100%	Target achieved (100%)	n/a	n/a
	19.18	% of employee PM7D policy submitted to council for approval	100%	100%	Target not achieved (Draft PMS Policy ready for submission and approval by Council)	Delay by Council for approval	Ensure that Draft EPMD Policy is submitted to Council for approval in new FY
	19.19	% of PMS cascaded to all levels of employees in the municipality	80%	100%	Target not achieved (0%)	Due to lack of PMS Policy	Ensure that PMS is cascaded to all levels of employees in the municipality once PMS Policy has been approved
	19.20	% / No of quarterly institutional performance reports submitted to council within 30 days after the end of each quarter	4	4	Target not achieved (0)	Delay in submission of the information	Ensure that quarterly institutional performance reports submitted to council within 30 days after the end of each quarter in the new FY
	19.21	% of MSA and MFMA compliant annual report tabled in council by 31 January	100%	100%	Target achieved	n/a	n/a
	19.22	% submission of oversight report to council within 2months after tabling annual report	End of March = 100%	End of March = 100%	Target achieved (100%)	n/a	n/a
	19.23	% of monthly report submitted to senior management regarding D/ville & O/ville units	100%	100%	Target not achieved	Quarterly reports are compiled but submitted through departments e.g Social Services & Technical	Ensure role clarification and reporting channels in 2017/18 FY
	19.24	% of actual revenue collected against budget from day visit areas (D/ville &O/ville)	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 4: COMMUNITY PARTICIPATION AND GOOD GOVERNANCE							
EID Cluster	Programme: Inter-Governmental Relations (IGR) (P20)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure effective participation by the municipality in all IGR forums and programmes	20.1	% of IGR meetings and forums at District, Provincial and National levels attended as per schedules (DCF, PCF, National forums)	100%	100%	Target not achieved (0%)	No invitations received for meetings	To ensure that when invitation is received, meetings are attended as scheduled.
	20.2	% Of relevant IGR reports submitted to senior management (14 days after each meeting)	100%	100%	Target not achieved (0%)	No invitations received for meetings	To ensure that when invitation is received, meetings are attended as scheduled
	20.3	% Actual capital expenditure (CAPEX) as a % of the approved / adjusted budget	100%	100%	Target not achieved (0%)	No budget allocation	To budget for 2017/2018 financial year for the projects.
	20.4	% Actual operational expenditure (OPEX) as a % of the approved/ adjusted budget	100%	100%	Target not achieved (0%)	No budget allocation	To budget for 2017/2018 financial year for the projects.
	20.5	% of AG queries resolved by the end of April	100%	100%	No queries for Communication Unit		
	20.6	% Report submitted on performance assessment of the service providers	100%	100%	Target not achieved (0%)	No budget allocation	To budget for 2017/2018 financial year for the projects.
	20.7	% Development approval of the communication strategy	100%	100%	Target not achieved (0%)	In draft format	That it is finalized in 2017/2018 financial year and ready approval by council.
	20.8	% Development approval of the communication policy	100%	100%	Target not achieved (0%)	In draft format	That it is finalized in 2017/2018 financial year and ready approval by council.
	20.9	Number of Meetings held between council Whip, EM, Speaker, & MM on matters affecting the municipality	24	24	Target achieved	n/a	n/a
	20.10	% of troika resolutions implemented	100	100%	Target not achieved	Lack of capacity to implement resolutions	

KEY PERFORMANCE AREA 4: GOOD GOVERNANCE AND COMMUNITY PARTICIPATION							
EID Cluster	Programme: Customer Care (P21)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure that an effective and efficient customer care function is established	21.1	% Development and approval of the customer care policy	75%	100%	KPIs rolled over to 2017/18 financial year as per the mid-year amendments.		
	21.2	% Implementation of the customer care model	75%	100%			
	21.3	Number of / % municipal employees (frontline staff)who received customer care training	100%	100%			
	21.4	% of Municipal customer care centre established	100%	100%			

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Revenue and Cash Flow Management (P22)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure the effective and efficient management of municipal revenue and cash flow according to national norms and standards	22.1	Annual property rates and service charges more than 70% of total revenue	76%	78%	Target achieved (84%)	Increase in property values and building plans approved	n/a
	22.2	% of Debtors revenue collected	90%	92%	Target not achieved (75%)	No debt collection action done in all the areas except Sasolburg and Zamdela	Revenue Enhancement Strategy. Implement a Debt Management Department
	22.3	% Reduction of consumer debtors book	98%	98%	Target not achieved (14.98%)	Not possible because payment levels do not exceed 100% and further - Interest is charged monthly on arrears.	Revenue Enhancement Strategy. This KPI is to be reviewed.
	22.4	Actual revenue generated as a percentage of the approved / adjusted budget	100%	100%	Target not achieved (90%)	We have no control over the extent of water and electricity that people consume. There is a corresponding saving on the expenditure side for materials and bulk purchases	Trends of collections taken into account when preparing the Budget.
	22.5	% Billing done monthly, no later than the end of the month	100%	100%	Target achieved (100%)	n/a Monthly billing done on time	n/a
	22.6	% Completion of all meter readings by no later than 25th of every month	100%	100%	Target not achieved (91%)	Lack of capacity	Appointment of meter readers
	22.7	% Issuing of warning letters no later than 20th of the month	100%	100%	Target not achieved (38%)	No warning notices issued to all areas except Sasolburg and Zamdela	Revenue Enhancement Strategy / Debt Collection policy adherence.
	22.8	% Ensuring that all cut offs have been effected by the service provider no later than the 25th of each month exc. Eskom supplied	100%	100%	Target not achieved (50%)	No cut offs done in other areas except Sasolburg	Revenue Enhancement Strategy / Debt Collection policy adherence.

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Revenue and Cash Flow Management (P22)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
		areas					
	22.9	% Implementation of data purification project	100%	100%	Target achieved (100%)	n/a	n/a
	22.10	% implementation of operation patala	100%	100%	KPI removed from the SDBIP as per the mid-year amendments	Operation Patala ended on 30 June 2016.	New Council to approve a new Policy.
	22.11	Submission of cash flow to the Executive Mayor	100%	100%	Target achieved (100%)	Submitted daily	n/a

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Expenditure Management and SCM (P23)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Annual Target 2016/17	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To implement an effective and efficient system of expenditure and supply chain management	23.1	Actual operating expenditure (OPEX) as a percentage of the approved / adjusted budget	100%	100%	Target not achieved (90.13%)	Expenditure curbed due to cash constraints	Debt collection measures intensified.
	23.2	% of MSIG allocation spent	100%	100%	KPI removed from the sdbip as per the mid-year amendments	n/a	n/a
	23.3	% of FMG allocation spent	100%	100%	Target achieved (FMG) (100%)	n/a – 100% achieved	n/a
	23.4	% Payment of creditors within 30 days of receipt of the invoice	100%	100%	Target not achieved 71% payments made within 30 days	Cash flow constraints and departments not submitting invoices in time at the creditors section	Conduct expenditure & scm workshops explaining the scm & payments procedures

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Expenditure Management and SCM (P23)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Annual Target 2016/17	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
	23.5	Completion of bank recons monthly	100%	100%	Target achieved (100%)	n/a Done monthly	n/a
	23.6	Timeous payment of salaries	100%	100%	Target achieved (100%)	n/a Paid monthly	n/a
	23.7	Timeous payment of salary deductions	100%	100%	Target achieved (100%)	n/a Paid monthly	n/a
	23.8	Timeous payment of insurance premiums	100%	100%	Target achieved (100%)	n/a Paid on time	n/a
	23.9	Submission of insurance claims received from departments to insurer within 7 working days	100%	100%	Target not achieved (99%)	Only one claim form was not signed by the Manager on time	Conduct informative insurance workshops with the officials
	23.10	Annual reviews of insurance premiums	100%	100%	Target achieved (100%)	Previews done prior to expiry of policy	n/a
	23.11	Awarding quotations between R30 000 and R200 000 within 21 working days after receipt of the request	21 days	21 days	Target not achieved (50%)	Departmental delays in submitting technical reports	
	23.12	Tenders for bids above R200 000 processed and decided within 90 days of the advertisement	90 days	90 days	Target not achieved (50%)	Departmental delays in submitting technical reports	
	23.13	% Compliance with SCM policy and procedures	100%	100%	Target achieved (100%)	n/a	n/a
	23.14	% Reduction of fruitless and wasteful, unauthorised and irregular expenditure (prior year audited AFS as baseline	100%	40% reduction annually= 100%	SCM Department did not incurred any fruitless and wasteful, unauthorized and irregular expenditure (prior year audited AFS as baseline) Fruitless – not achieved as it	Target not achieved Fruitless – not achieved as it increased. (0%) Unauthorized Achieved. (100%)	Fruitless 16/17 R900 027 : 15/16 R158 840 Unauthorized 2016/17 R 0 : 2015/16 R19 367 544

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Expenditure Management and SCM (P23)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	**Ref. Nr / ID**	**Key Performance Indicator (KPI)**	**Annual Target 2016/17**	**Annual Target 2016/17**	**Annual Actual Performance (Quantify actual performance whether achieved/not achieved)**	**Reason/s for non-achievement /over achievement**	**Corrective Measures Taken / To Be Taken To Improve Performance**
					increased. (0%) Unauthorized Achieved. (100%)		Irregular 2016/17 **not finalized** 2015/16 R25 703 162)
	23.15	% Update of the supplier database	100%	100%	Target achieved (100%)	n/a	n/a
	23.16	% Quarterly reporting to council on awarded tenders	100%	4 = 100%	Target achieved (100%) (Council postponed the sittings and eventually was dissolved)	Reports were ready but due to Council meetings not quorating, reports were discussed late.	Will be resolved once the new Council is elected.
	23.17	Quarterly reporting to council on deviations R30000 and R200 000	100%	100%	Target achieved (100%) (Council postponed the sittings and eventually was dissolved)	Reports were ready but due to Council meetings not quorating, reports were discussed late.	Will be resolved once the new Council is elected.
	23.18	Quarterly reporting to council on procurement from R30 000 - R200 000	100%	100%	Target achieved (100%) (Council postponed the sittings and eventually was dissolved)	Reports were ready but due to Council meetings not quorating, reports were discussed late.	Will be resolved once the new Council is elected.
	23.19	Reporting to council on stock counts done annually	100%	100%	Target achieved (100%)	Reports were ready but due to Council meetings not quorating, reports were submitted to the meeting of Administrator	Will be resolved once the new Council is elected.
	23.20	Stock losses not to exceed 10% of the stock value	7%	7%	Target achieved (100%)	n/a	n/a

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Budgeting and reporting (P24)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure that the municipal budget and financial reporting processes are compliant with applicable legislation	24.1	Actual expenditure (CAPEX) as a % of the approved/ adjusted budget for finance	92%	92%	Target not achieved (85.28%)	Expenditure curbed due to cash constrains	Debt collection measures intensified.
	24.2	Actual expenditure (OPEX) as a % of the approved/ adjusted budget for finance	91%	92%	Target not achieved (0%)	Projects from own funding not implemented due to cash constrains	Debt collection measures intensified.
	24.3	% Draft budget compiled and tabled by no later than 31 March	100%	100%	Target achieved (100%)	n/a Deadline was met	n/a
	24.4	% Adjustment budget tabled by no later than end of February	100%	100%	Target achieved (100%)	n/a Deadline was met	n/a
	24.5	Annual budget (MTREF) compiled and approved in time (draft budget 31 March; and final budget 31 May	100%	100%	Target not achieved (0%)	MTREF was tabled 31 May 2017 but not approved by Council. Council was dissolved at the end of June 2017	Will be resolved once the new Council is elected.
	24.6	% Development, review, and approved budget related policies as per the national treasury and MFMA requirements (not later than 31 May	100%	100%	Target not achieved (50%)	Policies were reviewed. Council referred policies to 19 and 20 June 2017 but Council did not sit.)	Policies will be submitted to new Council for approval
	24.7	% Compilation and submission of monthly budget statement to the Mayor by no later than 10 working days after the end of each month	100%	100%	Target achieved (100%)	n/a Monthly submissions made	n/a
	24.8	Timeous submission of monthly national treasury returns	100%	100%	Target achieved (100%)	n/a Monthly submissions made	n/a
	24.9	Timeous submission of quarterly national treasury returns	100%	100%	Target achieved (100%)	n/a Quarterly submissions made	n/a

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Budgeting and reporting (P24)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
	24.11	Timeous submission of DORA returns	100%	100%	Target not achieved (93%)	Only one submission was one day late	Procedures put in place to ensure all reporting done on time
	24.12	Submission of mid-year assessments to the Mayor by 25 January	100%	100%	Target achieved (100%)	n/a Submitted on or by the due date	n/a
	24.13	Submission of mid-year budget assessments and budget adjustments reports to the Mayor by 25 January	100%	100%	Target achieved (100%)	n/a Submitted on or by the due date	n/a

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Clean Audit (P25)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure that the municipality received a Clean Audit Report	25.1	Submission of annual financial statements to AG by the end of August	100%	100%	Target achieved (100%)	n/a Submitted by the due date	n/a
	25.2	Compilation and implementation of action plan pertaining to the issues raised by internal audit and AG	100%	100%	Target achieved Compiled (100%) Implemented Finance (23.81%)	Action plan was compiled All actions not implemented. 10 Resolved, 6 in progress, 25 not resolved and1 pre-determined objective	Action plan compiled after audit is completed
	25.3	Actual improvement in annual audit outcomes received from the AG	Unqualified Audit Outcome	Unqualified Audit Outcome	Target achieved (100%)	n/a	Attention given to other matters raised by AG

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Clean Audit (P25)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
	25.4	Annual Implementation of PROPAC resolutions affecting finance	100%	100%	Target not achieved (0%)	No PROPAC resolutions received	n/a

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Asset Management (P26)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure the effective, efficient and economical management of municipal assets	26.1	Compilation and updating of the fixed assets register as per GRAP requirements	100%	100%	Target achieved (100%)	n/a	n/a
	26.2	Annual physical verification of assets	100%	100%	Target achieved (100%)	n/a	n/a

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Facilities Management (P27)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To ensure the effective, efficient and economical	27.1	% development and approval of the fleet management policy by council	100%	100%	KPI removed from the SDBIP as per the mid-year changes		

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Facilities Management (P27)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
management of municipal facilities	27.2	% establishment of a centralised fleet management unit	100%	100%	Target not achieved (0%)	Organisational Structure still in the process of being reviewed	Centralized fleet management unit to be incorporated into the reviewed organizational structure
	27.3	% Effective, efficient management of municipal buildings and corporate facilities as per allocated maintenance budget	100%	100%	Target achieved		Provision have been made in the 2017/2018 financial year
	27.4	% Review of the ICT policy and submission thereof to the Council for approval	100%	100%	Target not achieved (50%)	The reviewed policy is in a draft format. Was submitted to SM and referred back. Awaiting the policy workshop.	Policy workshop be convened
	27.5	Percentage compliance with IT objectives and principles by ensuring a fully functional ICT steering committee	100%	100%	Target not achieved (75%)	3 out of 4 scheduled meetings convened successfully during 2016/17 FY due to non-attendance by committee members	Consequence management be implemented for non-attendance without valid reasons.
	27.6	Monitoring of the network to ensure the reduction of downtime of critical systems to less than 5% of total uptime required	5%	5%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 5: FINANCIAL MANAGEMENT AND VIABILITY							
EID Cluster	Programme: Human Capital (P28)			Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government			
PERFORMANCE OBJECTIVES AND INDICATORS				2016/17 Annual Performance Targets and Feedback on Actual Performance			
Objective	**Ref. Nr / ID**	**Key Performance Indicator (KPI)**	**Baseline 30 June 2016**	**Annual Target 2016/17**	**Annual Actual Performance (Quantify actual performance whether achieved/not achieved)**	**Reason/s for non-achievement /over achievement**	**Corrective Measures Taken / To Be Taken To Improve Performance**
To provide sufficient and skilled human capital to enable all departments to function optimally in order to enhance institutional capacity and effective service delivery	28.1	% of funded critical posts filled by suitably qualified candidates	80%	100%	Target not achieved	Budget allocated for filling of vacancies utilized 100%, and total vacancies will only be filled once the organizational review is finalized.	Awaiting finalization of Organisational review
	28.2	Turnaround time maintained on recruitment: funded vacancies (from date of advertisement)	90 working days	90 working days	Target not achieved (Vacancies filled within 120 days instead of 90)	Delays in finalization of internal processes.	A schedule has been developed to monitor the time lines.
	28.3	% annual compilation and review of the organisational structure	100%	100%	Target not achieved (90% achieved, draft was tabled before senior management)	Unforeseen cash flow challenges, and dissolution of Council	Payments up to date and structure to be presented to the Administrator.
	28.4	% development and implementation of WSP and annual training submitted to LGSETA	100%	100%	Target achieved	n/a	n/a
	28.5	% of staff trained as per WSP targets on an annual basis	100%	100%	Target achieved	n/a	n/a
	28.7	% implementation of EE plan as per approved targets and measures	100%	100%	Target not achieved (Actual performance: 70% compliance with DG's review)	Municipality under DG''s review	Service provider to be appointed to assist with the finalization of the draft plan.
	28.8	% revision and approval of human resources-related policies by council	100%	100%	Target not achieved (All HR related policies were approved Oct 2015)		All policies that require review will be approved in October 2017.
	28.9	Measures to improve LLF functionality developed and implemented	10	10 meetings	Target not achieved (All measures meant to improve LLF functionality including meetings were developed and implemented)	Meetings could not sit due to failure to form a quorum (SAMWU did not attend meetings)	Municipality declared a dispute with SALGBC for SAMWU's non-compliance with ORA
	28.10	% of grievances reported and handled in terms of Collective Agreements (within 5 days)	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 6: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

KEY PERFORMANCE AREA 6:MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT							
EID Cluster	Programme: Institutional Excellence (P29)				Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government		
PERFORMANCE OBJECTIVES AND INDICATORS					2016/17 Annual Performance Targets and Feedback on Actual Performance		
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
To create a working environment that enables good staff morale, high performance and effective functioning of council structures	29.1	Number of OD interventions developed and implemented	2	100%	Target achieved	n/a	n/a
	29.2	% Support services provided to Council in line with expected standards	100%	100%	Target achieved (Meeting was held as scheduled)	n/a	n/a
	29.3	% Agendas and minutes of Council and Committees compiled and sent in time	100%	100%	Target achieved	n/a	n/a
	29.4	System for tracking implementation of Council resolutions developed	4	4	Target not achieved (50%)	Technical problems with ICT	New user friendly tracking system has been developed
	29.5	% of Auditor General queries resolved by end of April	100%	100%	Target achieved (All queries that could be resolved were resolved)	Only queries that could not be resolved in retrospect were not resolved.	The department has put control measures to ensure non recurrence of queries.
	29.6	% actual capital expenditure (CAPEX) as a percentage of the approved / adjusted budget	100%	100%	Target not achieved (80%)	Cash flow challenges as this CAPEX is funded from own funding.	To set smart realistic CAPEX projects.
	29.7	% actual operational expenditure (OPEX) as a percentage of the approved / adjusted budget	100%	100%	Target achieved	n/a	n/a
	29.8	% of Development and updating of contract register quarterly	100%	100%	Target achieved	n/a	n/a
	29.9	Number of awareness campaigns on collective agreements conducted annually	1	1	Target achieved	n/a	n/a
	29.10	% of legal opinions provided on legal matters	100%	100%	Target achieved	n/a	n/a
	29.11	% of civil matters/ cases defended against the municipality	100%	100%	Target achieved	n/a	n/a
	29.12	% control and management of the usage of	100%	100%	Target achieved	n/a	n/a

KEY PERFORMANCE AREA 6:MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT							
EID Cluster	Programme: Institutional Excellence (P29)				Strategic Priority: Ensure more effective, accountable and clean local government that works together with national and provincial government		
PERFORMANCE OBJECTIVES AND INDICATORS					2016/17 Annual Performance Targets and Feedback on Actual Performance		
Objective	Ref. Nr / ID	Key Performance Indicator (KPI)	Baseline 30 June 2016	Annual Target 2016/17	Annual Actual Performance (Quantify actual performance whether achieved/not achieved)	Reason/s for non-achievement /over achievement	Corrective Measures Taken / To Be Taken To Improve Performance
		telephone systems (monthly deductions of private calls from salaries)					
	29.13	% of telephone policy developed and approved	100%	100%	Target not achieved (80%)	Policy in draft format	Policy to be submitted for approval by 30 Oct 2017
	29.14	% data card policy developed and approved	100%	100%	Target not achieved (80%)	Policy in draft format	Policy to be submitted for approval by 30 Oct 2017
	29.15	% of updated declaration of interest register maintained	100%	100%	Target achieved	n/a	n/a
	29.16	Number of occupational health and safety risk assessments (annually	1	1	Target achieved	n/a	n/a
	29.17	No. of occupational health and safety awareness workshops conducted	4	4	Target achieved	n/a	n/a
	29.18	% Development and implementation of the evacuation plan (annually)	100%	100%	Target achieved	n/a	n/a
	29.19	No. of employee wellness programmes provided to employees (e.g alcohol and drug abuse, family violence)	1	1	Target achieved	n/a	n/a
	29.20	No. of Employee wellness day arranged	1	1	Target achieved	n/a	n/a
	29.21	% Review of records management policy	100%	100%	Target not achieved (80%)	Policy in draft format	Policy to be submitted for approval by 30 Oct 2017
	29.22	% Development and approval of the records management strategy	100%	100%	Target not achieved (80%)	Policy in draft format	Policy to be submitted for approval by 30 Oct 2017
	29.23	% installation of bathroom healthcare services	100%	100%	Target not achieved	Financial Constraints	

Table 54 - Skills Development Expenditure

Original Budget and Actual Expenditure on skills development 2016/17										
Details	Gender	Employees as at the beginning of the financial year	Learner ships		Skills programmes & other short courses		Other forms of training		Total	
Budget Details			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Occupational level		No.	R'000							
MM and S57	Female	1	0	0	30	12	0	0	30	12
	Male	2	0	0	300	539	0	0	300	539
Legislators, senior officials and managers	Female	3	0	0	40	2	0	0	40	2
	Male	14	20	15	50	12	0	0	70	27
Professionals	Female	4	0	0	70	40	0	0	70	40
	Male	7	30	17	50	36	0	0	80	53
Technicians and associate professionals	Female	1	0	0	30	3	0	0	30	3
	Male	8	0	0	10	8	0	0	10	8
Clerks	Female	15	150	132	40	28	0	0	190	160
	Male	7	30	17	50	45	0	0	80	62
Service and sales workers	Female	9	0	0	30	23	0	0	30	23
	Male	7	0	0	110	105	0	0	110	105
Plant and machine operators and assemblers	Female	0	0	0	15	0	0	0	15	0
	Male	0	0	0	0	0	0	0	0	0
Elementary occupations	Female	28	60	53	80	60	0	0	140	113
	Male	54	200	196	33	0	0	0	233	196
Sub total	Female	61	210	185	335	168	0	0	545	353
	Male	99	280	245	603	745	0	0	883	990
Total		**160**	**490**	**430**	**938**	**913**	**0**	**0**	**1 428**	**1 343**

Component D: Managing Workforce Expenditure

Table 55 - Workforce Expenditure

Details	2015/16 R	2016/17 R	Year on Year Movement (%)
Original Budget	(231,529,430)	(263,354,520)	13.7%
Budget Adjustment	(3,229,930)	(3,475,350)	7.6%
Final Budget	(234,759,360)	(266,829,870)	13.7%
Actual Outcome	(230,381,663)	(244,980,573)	6.3%
Unauthorised Expenditure	-	-	-
Variance	4,377,697	21,849,297	399.1%
Actual Outcome as % of Final Budget	98%	92%	6.1%
Actual Outcome as % of Original Budget	99%	93%	6%

CHAPTER 5: FINANCIAL PERFORMANCE

This chapter provides an overview of the financial performance of the municipality thorough measuring of results. It further serves as the basis for future planning so as to ensure that future budgetary allocations are brought in line with IDP and functional area activities and outputs.

Component A: Statement of Financial Performance

Table 56 - Statement of Financial Performance

	Notes	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	21	524,105,868	513,136,112
Non-payment fees		5,601,620	5,202,473
Licenses and permits		116,954	159,061
Fines		17,272,057	17,674,548
Levies - refuse dump yard		626,620	825,555
Connection fees		3,167,363	2,338,908
Other income	22	7,275,452	4,480,888
Income legal cost		3,593,305	4,464,527
Interest received - investment	23	2,107,597	2,701,815
Dividends received	23	98,858	96,022
Interest income - consumers	56	25,071,512	16,449,002
Rental of facilities	57	6,068,776	4,641,920
Total revenue from exchange transactions		**595,105,982**	**572,170,831**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	128,980,269	114,445,495
Transfer revenue			
Government grants and subsidies	25	209,642,375	202,893,358
Public contributions and donations	26	10,414,953	16,729,794
Total revenue from non-exchange transactions		**349,037,597**	**334,068,647**
Total revenue	56	**944,143,579**	**906,239,478**
Expenditure			
Employee related costs	27	(244,980,573)	(231,547,634)
Remuneration of councillors	28	(15,757,133)	(15,246,933)
Depreciation and amortisation	29	(39,336,244)	(42,930,416)
Finance costs	30	(3,175,419)	(991,367)
Lease rentals on operating lease		(4,637,354)	(3,712,648)
Debt impairment	31	(140,049,611)	(127,167,185)
Bulk purchases	32	(324,861,874)	(317,838,362)
Contracted services	33	(31,384,039)	(30,976,176)
General expenses	34	(77,786,839)	(85,153,769)

Repairs and maintenance	54	(18,129,239)	(20,450,147)
Total expenditure		**(900,098,325)**	**(876,014,637)**
Operating surplus		**44,045,254**	**30,224,841**
(Loss)/ gain on disposal of assets		(1,876,969)	(1,657,070)
Actuarial gain/(loss)		1,419,971	4,185,156
Sale of stands	52	294,457	1,425,535
(Loss)/gain on inventory		(19,020)	409,049
Library inventory transfer write-downs		(79,295)	-
Fair value adjustments on stands		-	6,491,043
Fair value adjustment on listed equities		204,724	(275,732)
Rehabilitation of land fill sites	20	17,767,740	(4,724,649)
		17,711,608	**5,853,332**
Surplus for the year		**61,756,862**	**36,078,173**

Component B: Spending against Capital Budget

Table 57 - Spending against Capital Budget

	Original budget	Budget adjustment (i.t.o. s28 and s31 of the MFMA)	Final adjustment budget	Final budget	Actual outcome	Variance	Actual outcome as a % of final budget	Actual outcome as a % of original budget
	R	R	R	R	R	R	R	R
Capital expenditure and funds sources								
Total capital expenditure	**113,245,440**	**13,194,420**	**126,439,860**	**126,439,860**	**94,637,740**	**31,802,120**	**75%**	**84%**
Sources of capital funds								
Transfers recognised - capital	67,091,850	1,500,000	68,591,850	68,591,850	69,625,507	(1,033,657)	102%	104%
Public contributions and donations	-	12,474,850	12,474,850	12,474,850	8,864,203	3,610,647	71%	0%
Borrowing	1,000,000	10,084,570	11,084,570	11,084,570	4,484,791	6,599,779	40%	448%
Internally generated funds	45,153,590	(10,865,000)	34,288,590	34,288,590	11,663,239	22,625,351	34%	126%
Total sources of capital funds	**113,245,440**	**13,194,420**	**126,439,860**	**126,439,860**	**94,637,740**	**31,802,120**		

Component C: Cash Flow Management & Investment

Table 58 - Cash Flow Management & Investment

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		523,185,875	528,945,092
Grants		214,343,417	202,893,358
Interest income		27,179,109	15,861,017
Dividends received		98,858	96,022
Other receipts		26,664,463	9,942,303
		791,471,722	757,737,792
Payments			
Employee costs		(256,018,034)	(241,974,313)
Suppliers		(453,565,281)	(437,550,322)
Finance costs		(1,932,247)	(947,457)
		(711,515,562)	(680,472,092)
Net cash flows from operating activities	35	**79,956,160**	**77,265,700**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(85,973,538)	(99,267,340)
Movement in other financial assets		1,303,696	1,493,076
Proceeds from sale of stands		294,457	1,425,535
Net cash flows from investing activities		**(84,375,385)**	**(96,348,729)**
Cash flows from financing activities			
Repayment of finance lease		(1,977,461)	-
Repayment of long term loan		(1,267,234)	(1,163,296)
Finance lease receipts		5,112,662	9,230,215
Net cash flows from financing activities		**1,867,967**	**8,066,919**
Net increase/(decrease) in cash and cash equivalents		**(2,551,258)**	**(11,016,110)**
Cash and cash equivalents at the beginning of the year		15,178,853	26,194,963
Cash and cash equivalents at the end of the year	7	**12,627,595**	**15,178,853**

Component D: Other Financial Matters

1. Expression on the Auditor General Report

We believe that the opinion expressed by the Auditor-General on the audit of the affairs of the municipality for the reporting period under review is a fair reflection of the state of affairs of the municipality's financial and non-financial performance for the period ended 30 June 2017.

2. Plans to enhance financial viability

- Develop and implement a revenue enhancement strategy
- Campaign for registration of all those who qualify for indigent support
- Reduce historical debt
- Exercise caution and be prudent with spending to fund necessary service delivery
- Review current business practices that do not yield value for money
- Undertake cost benefit analysis on expenditure
- Evaluate possible benefits of owning rather than renting of plant and equipment
- Reduce and minimize technical and non-technical losses on water and electricity
- Exercise strict fiscal discipline

3. Financial Ratios based on Key Performance Indicators

1.1 Revenue Management

1.1.1 Level of Reliance on Government Grants

Purpose: The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

Table 59 - Level of reliance on Government Grants

	2016/17			2015/16
Formula	**Government Grants**	**Total Revenue**	**%**	**%**
Grants & Subsidies/Total Revenue	207 642	963,830	21%	22%

Analysis and Interpretation: From the above, it is evident that the municipality is not highly reliant on Government Grants. Further decrease between 2015/16 and 2016/17 is due to reduction in government grants allocations to the municipality during the period under review compared to the preceding period.

1.1.2 *Actual Revenue versus Budgeted Revenue*

Purpose: The purpose of this ratio seeks to determine deviations between actual and budgeted revenue and to ascertain reasons for the deviations.

Table 60 - Actual Revenue vs Budgeted Revenue

Formula	Actual Revenue 2016/17	Budgeted Revenue 2016/17	Variance R	Variance 2016/17 %	2015/16 %
Variance/Actual Revenue	963,830	1 063 524	99,694	8.3%	3.6%

Analysis and Interpretation: The acceptable standard is that the actual revenue for a financial year must equal or exceed the approved budget for the financial year. The municipality's actual revenue is less than the budget by 8.3%. In the previous financial year, actual revenue was lesser than budgeted revenue by 3.6%. The actual revenue also fluctuates based on the level of consumption of water and electricity. With the drought conditions experienced, consumers were urged to save on the water consumption.

1.2 Expenditure Management

1.2.1 *Employee Related Costs to Total Operating Expenditure*

Purpose: The purpose of this ratio is to indicate Personnel Cost as a percentage of Total Expenditure.

Table 61 - Expenditure Management

	2016/17			2015/16
Formula	Employee Cost	Total Operating Expenditure	%	%
Actual Salaries, Wages and Allowances/Total Expenditure	244 981	902,074	27%	26%

1.2.2 Remuneration of Councillors

Purpose: The purpose of this ratio is to indicate Remuneration of Councillors as a percentage of Total Expenditure.

Table 62 - Remuneration of Councillors

	2016/17			2015/16
Formula	**Remuneration of Councillors**	**Total Expenditure**	**%**	**%**
Actual Remuneration of Councillors/ Total Expenditure	15 757	902 074	1.8%	1.7%

Analysis and Interpretation: From the above, it can be deduced that remuneration of councillors as a percentage of total operating expenditure remained almost constant year on year to total expenditure, and at the same time remuneration of employees to total expenditure remains the same as the previous year

1.2.3 Repairs and Maintenance to Total Expenditure

Purpose: The purpose of this ratio is to indicate Repairs and Maintenance as a percentage of Total Expenditure.

Table 63 - Repairs and Maintenance to Total Expenditure

	2016/17			2015/16
Formula	**Repairs & Maintenance**	**Total Expenditure**	**%**	**%**
Actual Repairs & Maintenance/ Total Expenditure	18 129	902 074	2.0%	2.1%

Analysis and Interpretation: The norm for this ratio is that Repairs and Maintenance should equal at least 10% of Total Operating Expenditure. In this case the expenditure is below 10%, and showed a further decrease year on year. The main contributing factor to this variance between the norm and actual may be attributable to the fact during the period under review, most of the municipality's budget was channelled towards renewal programmes for assets as opposed to mere maintenance.

1.3 Liability Management

1.3.1 Acid Test Ratio

Purpose: To test the extent to which the municipality's current assets can cover the short term obligations.

Table 64 - Acid Test Ratio

	2016/17			2015/16
Formula	**Current Assets less Inventory**	**Current Liabilities**	**Ratio**	**Ratio**
Current Assets less Inventory/Current Liabilities.	235 792 133	261 310 408	0.90:1	0.92:1

Analysis and Interpretation: The norm for this ratio is 1.5:1.

The municipality is not a normal "business" which holds large amounts of inventory for resale. The inventory is only R 15m out of total current assets of R 250m.

CHAPTER 6: AUDITOR-GENERAL'S FINDINGS

Besides the Auditor-Generals Report for the reporting period under review, which cannot be amended by the municipality, information pertaining to the following is also included in this chapter:

- Issues raised during the previous financial year;
- Remedial action taken to address the above and preventative measures.

Report of the auditor-general to the Free State Legislature and the council on the Metsimaholo Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Metsimaholo Local Municipality set out on pages … to …, which comprise the statement of financial position as at 30 June 2017, statement of financial performance, statement of changes in net assets, cash flow statement and the 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.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Metsimaholo Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (Dora).

Basis for opinion

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

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

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

Material uncertainty related to going concern

6. I draw attention to note 44 to the financial statements, which indicates that the municipality's current liabilities exceeded its current assets by R10 457 393. In addition, the municipality owed Eskom R38 734 074 (2016: R26 449 491) and the water board R11 135 456 (2016: R10 720 677) as at 30 June 2017. These conditions, along with other matters as set forth in note 44, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

Emphasis of matters

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

Irregular Expenditure

8. As disclosed in note 48 to the financial statements, irregular expenditure of R18 302 949 (2016: R19 380 908) was incurred due to non-compliance with SCM requirements. In addition, the full extent of irregular expenditure is still in the process of being determined.

Restatement of corresponding figures

9. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2017.

Material losses

10. As disclosed in note 32 to the financial statements, The municipality incurred water distribution losses of R4 836 143 (2016: R3 270 901) mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material impairments

11. As disclosed in note 5 to the financial statements, consumers and other receivables from non-exchange transactions were impaired by R141 639 600 (2016: R136 692 289). In addition, as disclosed to in note 6 to the financial statements receivable from exchange transactions were impaired by R642 331 750 (2016: R522 427 485).

Other matters

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

Dissolution of the municipal council

13. The municipal council was dissolved in the current year due to the failure to approve the 2017-18 budget which was due on 30 June 2017. In terms of the section 139(4) of the Constitution of South Africa, 1996 (Act No. 108 of 1996), the executive council appointed an administrator until a new council has been declared elected.

Unaudited disclosure notes

14. 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, as contained in note xx to the financial statements, did not form part of the audit of the financial statements and, accordingly, I do not express opinion on it.

Unaudited supplementary information

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

Responsibilities of the accounting officer for the financial statements

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

17. In preparing the financial statements, the accounting officer is responsible for assessing the Metsimaholo 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 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

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

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

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

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

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

Key performance area	**Pages in the annual performance report**
KPA 1: Basic service delivery and infrastructure development	x – x

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

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

Key performance area 1: Basic service delivery and infrastructure development

Indicator 1.9 percentage of reported water leaks repaired.

25. The municipality did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. Sufficient appropriate audit evidence could not be provided in some instances. In other cases, the evidence provided did not agree with the recorded achievements which resulted in a misstatement of the target achievement reported as the evidence provided indicated that it was 64,6percentage and not 88percentage. I was also unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements.

Various indicators

26. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators listed below. This was due to actual achievement not reported. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Indicator	**Reported achievement**
2.6 Percentage of reported sewer blockages attended to in time (within 48hours)	Target achieved
2.7 Percentage compliance with the green drop quality accreditation system	Target not achieved
3.7 Percentage electricity distribution losses minimised	Target achieved
3.8 Number of hours/ percentage of reported outages responded to in time	Target not achieved
3.9 Number of hours / percentage of reported industrial outages responded to in time	Target achieved
3.10 Number of months/ percentage of reported faulty street and high mast lights responded to in time	Target achieved

Various indicators

27. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators listed below. This was due to the unavailability of supporting documentation. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Indicator	**Reported achievement**
1.1 Number of HHs with access to potable water in formalised areas (yard metered connection)	51893
1.2 Number of HHs provided with new metered yard connections	1601
2.1 Number of HHs with access to decent sanitation	51893
2.2 Number of households provided with sewer house connections	1601

2.3 Percentage planned sewer pump stations constructed in Gortin	88percentage
3.1 Number of HHs with access to basic electricity in formal areas	51088
3.2 Number of HHs provided with new metered stand connections in formal areas	3213
11.1 Number of/ percentage of households with access to basic refuse removal services (removal at least once a week)	50 000=100percentage
11.2 Percentage of formal businesses receiving a daily refuse removal service	100percentage

Various indicators

28. 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
1.8 Percentage minimisation of water distribution loss	23percentage	27.9percentage
1.12 Number of/ percentage of zonal meters installed	5=100percentage	5=45percentage

Other matters

29. I draw attention to the matters below.

Achievement of planned targets

30. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets. This information should be considered in the context of the disclaimer of opinions expressed on the usefulness and reliability of the reported performance information in paragraph of this report.

Adjustment of material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for disclaimer of opinion paragraphs.

Report on audit of compliance with legislation

Introduction and scope

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

33. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements and annual report

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of property plant and equipment identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently.

35. The 2015-16 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.

Asset management

36. Capital assets were transferred without the approval of the council and the accounting officer, as required by section 14(2)(a) of the MFMA.

Expenditure management

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

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

Procurement and contract management

39. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.

40. Sufficient appropriate audit evidence could not be obtained that some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

41. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.

42. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year.

43. One of the competitive bids was adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). This non-compliance was also reported in the prior year.

44. One contract was made to bidders other than those recommended by the bid evaluation committee as required by SCM regulation 29(5)(b). Similar non-compliance was also reported in the prior year.

45. An award was made to a provider whose directors principal shareholders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44.

Consequence management

46. Irregular 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.

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

Strategic planning and performance management

48. The integrated development plan (IDP) was not adopted by the council after the start of its elected term, as required by section 25(1) of the Municipal System Act, 2000 (Act No. 32 of 2000) (MSA).

Human resource management

49. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the Municipal System Act, 2000 (Act No. 32 of 2000).

Other information

50. The Metsimaholo Local Municipality's 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 KPAs presented in the annual performance report that have been specifically reported on in the auditor's report.

51. 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.

52. 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 KPAs presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

53. I did not receive the other information prior to the date of this auditor's report. When I do receive 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 re-issue my auditor's report amended as appropriate.

Internal control deficiencies

54. 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 findings on the annual performance report and the findings on compliance with legislation included in this report.

55. Management did not always take timely and adequate action to address weaknesses in the reporting on financial and performance management and predetermined objectives due to a lack of monitoring and supervision, which resulted in material adjustments and audit report matters.

56. Management did not interpret the SCM regulations requirements correctly in the supply chain management section, which resulted in non-compliance with applicable legislation and further the occurrence of irregular expenditure.

57. Consequence management was not applied effectively as the council did not investigate instances of irregular and fruitless and wasteful expenditure to determine whether any person was to be held liable for the expenditure as the council did not appoint a committee to investigate the expenditure before it was written off.

58. Senior management did not ensure that supporting documentation for some indicators and targets were kept and that the reported information is consistent, valid, accurate and complete. As a result, issues were reported in the audit report that could have been prevented.

59. Inadequate monitoring of the financial statements compilation process as well as a lack of skills and review by municipal officials resulted in material adjustments to the financial statements that could have been prevented.

60. Management did not regularly review and monitor management's compliance with laws and regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted that could have been prevented.

61. Internal audit did not adequately review and verify the information reported in the annual financial statements and performance report submitted for auditing. This resulted in various matters to be adjusted and corrected in the audit report that could have been prevented.

62. Insufficient coordination between directorates and lack of processes and controls to ensure compliance with the supply chain management requirements resulted in the occurrence of irregular expenditure.

Bloemfontein

30 November 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected key performance areas and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
   - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Metsimaholo Local Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

APPENDICES

Appendix A: Councillors; Committee Allocation and Council Attendance

Table 65 - List of Councillors and record of Council Meetings Attendance

Number of Council Meetings held for the year						
Total number of meetings held for the year			6	6	12	
			Ordinary	Special	Total	
Details			Record of Council Meetings Attended			
Full Names & Surname	Political Party	Ward No.	Ordinary	Special	Total	Number of Apologies
Brutus Tshepo Mahlaku (Executive Mayor)	ANC	PR				
Sello Zacharia Matena	ANC	PR				
Thandiwe Linah Soetsana	ANC	PR				
Nomsa Josephina Kubheka	ANC	PR				
Retshedisitsoe Johannes Mabefu	ANC	PR				
Anna Ndutula Radebe	ANC	PR				
Dikeledi Ellen Mokoena	ANC	PR				
Khabonina Jane Makhoba	ANC	PR				
Mnyamezeli Welcome Khonto	ANC	PR				
Sylvia LindiweTshongwe	ANC	PR				
Frans Christiaan Coetzer	DA	PR				
Jacobus Johannes Geyser	DA	PR				
Tsietsi Johannes Mofokeng	DA	PR				
A MamoketeRamphala	DA	PR				
MakoneFithallsMachaea	DA	PR				
Velly Johannes Maseko	DA	PR				
Mabaka George Ntoane	DA	PR				
Pretty Jacob Mahlangu	DA	PR				
Johannes du Plessis	DA	PR				
Mmabatho Martie Mosia	DA	PR				
Theo du Toit	FF	PR				
Matsediso Alina Tamane	ANC	1				
Malebo Daniel Nthebe	ANC	2				
Mosiuoa Solomon Poho	ANC	3				
Gabaikitsi Beauty Nnune	ANC	4				
Selina Moreki	ANC	5				

MasontagaNomsaSejaki	ANC	6				
Thabo Emmanuel Mosia	ANC	7				
Lebohang Samuel Semonyo	ANC	8				
Seipati Suzan Mofokeng	ANC	9				
Nokuthula Merriam Mtshali	ANC	10				
Kenneth Thabo Mabasa	ANC	11				
Sophia Bulelwa Khunou	ANC	12				
Julia Masetlhare Phepheng-Lelahla	ANC	13				
Jan Daniel Viljoen	DA	14				
Jacobus Johannes Grobbelaar	DA	15				
Hans Jurie Moolman	DA	16				
Maria Cecilia Van der Walt	DA	17				
David Mac Millan Oswald	DA	18				
Alexis Khomolileng Mare	ANC	19				
Nombulawa Lucy Mdola	ANC	20				
Lefu Richard Chebase	ANC	21				

Appendix B: Committees & their respective purposes

Table 66 - Name & Purpose of the Committee

Name of Committee	Purpose of the Committee
Portfolio Committee: Corporate Services (s80)	Oversight over Corporate Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Finance and Audit (s80)	Oversight over Finance departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Technical Services (s80)	Oversight over Technical Services departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Public Safety (s80)	Oversight over Public Safety sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Cleansing, Parks and Cemeteries (s80)	Oversight over Social Services sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Urban Planning and	Oversight over Urban Planning & Human Settlement departmental activities

Name of Committee	Purpose of the Committee
Human Settlements (s80)	through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: LED, Tourism and Agriculture (s80)	Oversight over LED & Tourism departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Sports, Arts and Culture (s80)	Oversight over Sports, Arts & Culture sectional activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Audit and Performance Audit Committee (s79)	Roles and responsibilities as outlined in section 166 of the MFMA and the approved charter
Oversight Committee (s79)	Roles and responsibilities as outlined in section 129 of the MFMA and the National Treasury guidelines issued in MFMA Circular 32 (18 March 2006)

Table 67 - Members of the Committees & their respective attendance record

Corporate Services (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
L Semonyo(Chairperson) reshuffling	ANC		
S S Mofokeng	ANC		
J Du Plessis	DA		
M G Ntoane	DA		
S B Khunou	ANC		

Finance and Audit (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
S L Tshongwe(Chairperson)	ANC		
J D Viljoen	DA		
J J Geyser	DA		
G B Nnune	ANC		

Technical Services (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
N J Kubheka (Chairperson)	ANC		
J J Geyser	DA		
M N Sejaki	ANC		
M A Tamane	ANC		
D M Oswald	DA		
S S Mofokeng	ANC		
G B Nnune	ANC		

Public Safety (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
M W Khonto(Chairperson)	ANC		
M D Nthebe	ANC		
A K Mare	ANC		
M M Mosia	DA		
H J Moolman	DA		

Cleansing, Parks and Cemeteries (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
K J Makhoba (Chairperson)	ANC		
N M Mtshali	ANC		
MC Van Der Walt	DA		
A K Mare	ANC		
P J Mahlangu	DA		

L R Chebase	ANC		

Urban Planning and Human Settlements (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
R J Mabefu (Chairperson)	ANC		
M A Tamane	ANC		
L R Chebase	ANC		
F C Coetzer	DA		
M F Machaea	DA		
S Moreki	ANC		

LED, Tourism and Agriculture (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
R J Mabefu (Chairperson)	ANC		
M A Tamane	ANC		
L R Chebase	ANC		
F C Coetzer	DA		
M F Machaea	DA		
S Moreki	ANC		

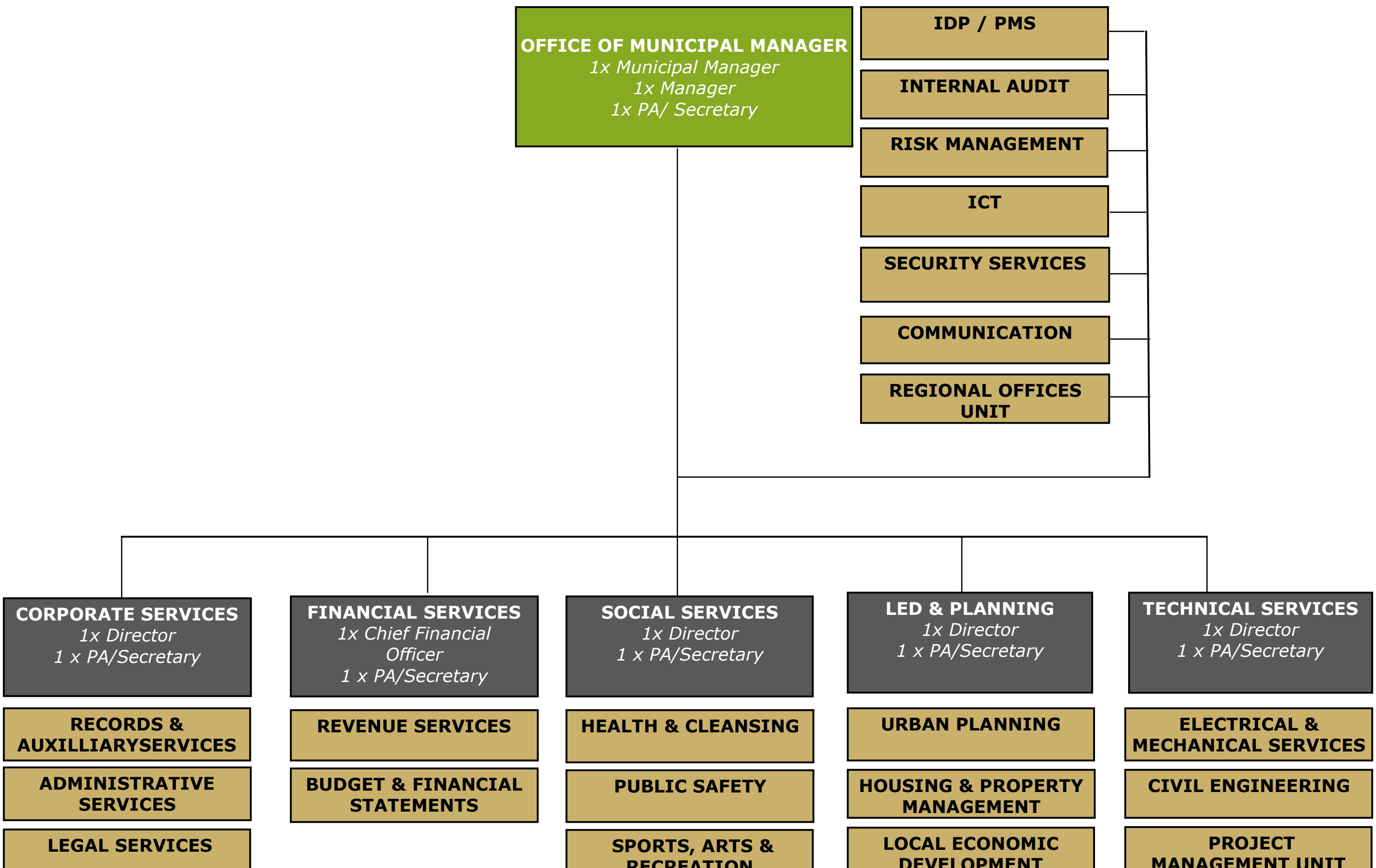
Sports, Arts and Culture (s80)			
Initials & Surname	**Political Party**	**No. of Meetings Attended by the Member**	**No. of Apologies**
A N Radebe (Chairperson)	ANC		
JJ Grobbelaar	DA		
N M Mtshali	ANC		
V J Maseko	DA		

Audit and Performance Audit Committee (s79)			
Initials & Surname	Political Party	No. of Meetings Attended by the Member	No. of Apologies
Mr. Z Fihlani (Chairperson)	N/A	6	0
Ms. S Makhathini	N/A	5	1
Mr. S Simelane	N/A	5	1

Oversight Committee (s79)			
Initials & Surname	Political Party	No. of Meetings Held by the Committee for the period	No. of Meetings Attended by the Member
T E Mosia (Chairperson)	ANC		
J M Lelahla	ANC		
N L Mdola	ANC		
M A Ramphala	DA		

Appendix C: Third Tier Administrative Structure

Figure 1 - Third Tier Administrative Structure



EXPENDITURE MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Appendix D: Functions of the Municipality

Table 68 - Functions of the Municipality

Powers & Functions	Reference	Performed (Yes/No)
Schedule 4 Part B and Schedule 5 Part B Powers and Functions:		
Air pollution	Schedule 4 Part B	
Building regulations	Schedule 4 Part B	
Child care facilities	Schedule 4 Part B	
Electricity and gas reticulation	Schedule 4 Part B	
Firefighting services	Schedule 4 Part B	
Local tourism	Schedule 4 Part B	
Municipal airports	Schedule 4 Part B	
Municipal planning	Schedule 4 Part B	
Municipal health services	Schedule 4 Part B	
Municipal public transport	Schedule 4 Part B	
Municipal public works	Schedule 4 Part B	
Pontoons, ferries, jetties, piers and harbours,	Schedule 4 Part B	

Powers & Functions	Reference	Performed (Yes/No)
Schedule 4 Part B and Schedule 5 Part B Powers and Functions:		
Stormwater management systems in built-up areas	Schedule 4 Part B	
Trading regulations	Schedule 4 Part B	
Water and sanitation services	Schedule 4 Part B	
Beaches and amusement facilities	Schedule 5 Part B	
Billboards and the display of advertisements in public places	Schedule 5 Part B	
Cemeteries, funeral parlours and crematoria	Schedule 5 Part B	
Cleansing	Schedule 5 Part B	
Control of public nuisances	Schedule 5 Part B	
Control of undertakings that sell liquor to the public	Schedule 5 Part B	
Facilities for the accommodation, care and burial of animals	Schedule 5 Part B	
Fencing and fences	Schedule 5 Part B	
Licensing of dogs	Schedule 5 Part B	
Licensing and control of undertakings that sell food to the public	Schedule 5 Part B	
Local amenities	Schedule 5 Part B	
Local sport facilities	Schedule 5 Part B	
Markets	Schedule 5 Part B	
Municipal abattoirs	Schedule 5 Part B	
Municipal parks and recreation	Schedule 5 Part B	
Municipal roads	Schedule 5 Part B	
Noise pollution	Schedule 5 Part B	
Pounds	Schedule 5 Part B	
Public places	Schedule 5 Part B	
Refuse removal, refuse dumps and solid waste disposal	Schedule 5 Part B	
Street trading	Schedule 5 Part B	
Street lighting	Schedule 5 Part B	
Traffic and parking	Schedule 5 Part B	
Fiscal Powers and Functions in terms of Section 229 of the Constitution:		
Levying of rates on property and surcharges on fees for services provided by or on behalf of the municipality		
Other powers and function not specified by the Constitution		
Disaster management (*)		
Integrated development planning		
Libraries and museums (other than national libraries and museums)		
Nature conservation Tourism promotion (at local level only)		

**Assigned to both district and local municipalities in accordance with section 44 of the Disaster Management Act, Act 57 of 2002.*

Appendix E: Ward Reporting

Table 69 - Ward Reporting

Functionality of Ward Committees					
Ward Name (Number)	**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 year**
Ward 1	Cllr MP Mokoena and 10 WC members	Yes	4	0	4
Ward 2	Cllr JM Molawa and 9 WC members	Yes	3	0	7
Ward 3	Cllr MM Telane and 10 WC members	Yes	3	0	5
Ward 4	Cllr GB Nunne 9 WC members	Yes	3	0	5
Ward 5	Cllr SS Kobo and 8 WC members	No	5	0	5
Ward 6	Cllr TL Radebe and 10 WC members	Yes	1	2	3
Ward 7	Cllr TE Mosia and 10 WC members	Yes	3	2	4
Ward 8	Cllr SJ Nteso and 10 WC members	Yes	6	0	6
Ward 9	Cllr NN Dywili and 9 WC members	Yes	5	1	5
Ward 10	Cllr MN Mtshali and 10 WC members	Yes	4	5	3
Ward 11	Cllr TK Mabasa and 10 WC members	Yes	4	0	2
Ward 12	Cllr M Khonto / Cllr LA Makhefu and 10 WC members	Yes	6	0	5
Ward 13	Cllr FD Mosokweni and 10 WC members	Yes	6	0	5
Ward 14	Cllr JD Viljoen and 10 WC members	Yes	0	0	2
Ward 15	Cllr JJ Grobbelaar and 10 WC members	Yes	3	0	2
Ward 16	Cllr EJ Gouws and 10 WC members	Yes	3	3	2
Ward 17	Cllr GS Burger and 10 WC members	Yes	1	0	2
Ward 18	Cllr L Gaigher and 10 WC members	No	1	0	2
Ward 19	Cllr K.A Mare and 10 WC members	Yes	3	4	5
Ward 20	Cllr L Fisher and 9 WC members	Yes	1	0	2
Ward 21	Cllr NP Mokoena and 10 WC members	Yes	1	0	2

Appendix F: Ward Information

Table 70 - Ward Information

First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
Activities	**Wards**	**Activities**	**Wards**	**Activities**	**Wards**	**Activities**	**Wards**
ID application for the elderly and first applicants	All	IDP Public Participation	All	Reestablishment of Ward committees	All	Information Session with the Department of Home Affairs	All
Smart Card Distribution	All	Awareness program: reestablishment of ward committees	All	Mayors Imbizo Program	All	Public Protector: Public Awareness program	3,4,20
Introduction of New Council	All	Fire Awareness	All	IEC Voter Education	All	No activity	All
No activity	All	No activity	All	No activity	All	Draft budget and IDP Public meetings	All

Appendix G: Recommendations of the Audit Committee

Table 71 - Recommendations of the Audit Committee

Municipal Audit Committee Recommendations		
Date of Meeting	**Committee recommendations during 2016/17**	**Recommendations adopted?**
23 August 2016	Management must improve quality of its performance report to ensure accuracy and completeness.	Yes
08 September 2016	Council should ensure that its established committees are functional by requesting quarterly performance reports from the committee chairperson and also requesting them to present the said reports at council meetings.	In progress
	Develop and implement internal control system for the early detection and prevention of irregular, fruitless and wasteful expenditure	In progress
01 March 2017	The debt management should be properly managed to control increasing amount of outstanding debtors	In Progress
	Accounting Officer to ensure regular sitting of the Risk Committee as there was no report submitted to the Committee during this reporting period	In progress
	Council to ensure: • that the MPAC committee is fully functional • MPAC to fulfil all its responsibilities as required by section 32 of the MFMA as well as other oversight issues.	In progress
	Disaster Recovery Plan be developed and implemented as a matter of urgency	No
	Quarterly reports regarding the implementation of SDBIP against the budget be submitted to council on a quarterly basis by the concerned department for effective	In progress

Municipal Audit Committee Recommendations		
Date of Meeting	**Committee recommendations during 2016/17**	**Recommendations adopted?**
	monitoring of the service delivery issues and	
	The municipality is functioning without having an approved PMS policy, and a performance management policy to be developed and implemented with immediate effect.	In progress
	Council must ensure that the fleet management unit is fully functional and usage of all vehicles belonging to the municipality and government garage are monitored to prevent private usage	In progress
	Organizational structure to be finalized as a matter of urgency	In progress
	ICT strategy to be developed and implemented	In progress
	Security Management strategy and policy be reviewed and implemented	In progress
13 June 2017	comprehensive management strategy for issues that are cutting across different departments.	In progress
	Action plan meetings be held soon after the Auditor General has presented his report to Council In January and Departments must start addressing with their findings as soon as the Management report is finalised in November.	In progress
	The Municipal Public Accounts Committee investigates all outstanding and current cases of Irregular, Fruitless and wasteful expenditure and where applicable recommend to Council to condone the expenditure.	In progress
	The Municipal Public Accounts Committee exercises greater oversight over the activities of the Municipality as per the Part B of the report on Compliance with key legislation applicable to municipalities.	In progress
	The Council develops a PAIA Manual in line with the Promotion of Access to Information Act.	In progress
	The Local Labour Forum be activated so that it is functional.	In progress
	That the performance of Service Providers be evaluated by the user departments.	In progress
	That all documents required to be made public in terms of section 75 of the MFMA be placed on the official website of the municipality.	In progress

Appendix H: Long-term contracts and Public Private Partnerships

Table 72 - Long-term contracts and Public Private Partnerships

Name of the supplier / service provider	Description of the Project	Service Level Agreement	Project Start Date	Project Completion Date	Status as at 30 June 2017

		signed (Yes/No)			
Rand water	Water demand management Project	Yes	09/09/2011	Concurrent on a need basis	Feasibility study on water services base line.
Millennium Pumps	Mechanical support pump stations water services	Yes	08/01/2014	08/01/2017	
Mafatseng Trading Projects	Supply and delivery of cold asphalt	Yes	08/01/2014	08/01/2017	
Inkokheli Business enterprise	Leasing of construction machinery	Yes	07/01/2014	07/01/2017	
Tzoneva Asphalt	Resurfacing and resealing of roads	Yes	24/02/2014	24/02/2017	
Circuit Breaker Industries (CBI)	Supply and delivery of electrical cables	Yes	01/02/2016	01/02/2019	

Appendix I: Municipal Entity/Service Provider Performance Schedule

Table 73 - Municipal Entity/Service Provider Performance Schedule

Name of the supplier / service provider	Description of the Project	Service Level Agreement signed (Yes/No)	Status as at 30 June 2017 (e.g in progress, completed, etc)	Performance Measurement as at 30 June 2017
Rand water	Water demand management Project	Yes	Feasibility study on water services base line.	
Millennium Pumps	Mechanical support pump stations water services	Yes		
Mafatseng Trading Projects	Supply and delivery of cold asphalt	Yes		
Inkokheli Business enterprise	Leasing of construction machinery	Yes		
Tzoneva Asphalt	Resurfacing and resealing of roads	Yes		
Circuit Breaker Industries (CBI)	Supply and delivery of cables	Yes		

Appendix J: Disclosure of Financial Interest

Table 74 - Disclosure of Financial Interest

Register of Declaration of Financial Interests as at 30 June 2017

Surname	Names	Name of Business & Registration Number	Address of Business	Association with the Business
Molala	Stephen Mzilozi	Sentech Soc Ltd	Private Bag X06, Honey Dew, 2040	Director
		Afriscopes CC	P.O.BOX 431, Wingate Park, 0153	Member
Mokgatle	Isaac Sonnyboy	None	N/A	N/A
Maseola	Motsei Johanna Margaret	Khumase Cc	31 Platinum Street, Steel park , Vereeniging, 1939	Share Holder
		Wealth prosperity	31 Platinum Street, Steel park , Vereeniging, 1939	100%
Lambat	Ahmed	Roshgold Ivestments Holdings Limited	37 Kruger Ave, Vereeniging	Director
		Roshhold Technologies Ltd	37 Kruger Ave, Vereeniging	Director
		Roshgold Ventures Limited	37 Kruger Ave, Vereeniging	Director
		Roshmeadow Properties Limited	37 Kruger Ave, Vereeniging	Director
		Top Share Equities (Pty) Ltd	37 Kruger Ave, Vereeniging	Director
		Lambat & Pochee Chattered Accountants	Park Drive, Marfair, Johannesburg	Partner
		New Redruth Motors CC	Voortrekker Street, Alberton	Member
		Albaraka Bank Limited	Durban	Director
		Lambcell CC	31 Firdoze Street, Dadaville Vereeniging, 1939	Member
		Lambfuel CC	31 Firdoze Street, Dadaville Vereeniging, 1939	Member
Lempe	Sydney Letala	None	N/A	N/A
Monyaki	Seithati Joyce	Ralewa Trading	224 Sentrahof Mc Cabe, Street, Ficksburg	Shareholder
		Bold Moves 198	Cnr Lang & Mc, Cabe Street, Ficksburg	Shareholder
		Free State Gambling & Liquor Board	111 Zastron St, Westdene, Bloemfontein, 9300	Board Member
Mahlaku	Brutus Tshepo	MTN	West Block, 187 Rivonia Rd, Sandton, ohannesburg, 2057	Shareholder
		Sasol Nzalo	Sasol Place, 50 Katherine Street, Sandton, 2196	Shareholder
Matena	Sello Zacharia	None	N/A	N/A

Register of Declaration of Financial Interests as at 30 June 2017				
Surname	**Names**	**Name of Business & Registration Number**	**Address of Business**	**Association with the Business**
Makhoba	Khabunina Jane	Sasol Nzalo	Sasol Place, 50 Katherine Street, Sandton, 2196	Shareholder
Tshongwe	Sylvia Lindiwe	MTN – Asonge	West Block, 187 Rivonia Rd, Sandton, ohannesburg, 2057	Shareholder
Kubheka	Nomsa Josephina	Whiphold	Wiphold House, 29 Central Street, Houghton	Shareholder
		Sasol Inzalo	Sasol Place, 50 Katherine Street, Sandton, 2196	Shareholder
Mokoena	Dikeledi Ellen	MTN	West Block, 187 Rivonia Rd, Sandton, Johannesburg, 2057	Shareholder
Khunou	Sophia Bulelwa	Fezi Ngubentombi Hospital	8 Langenhoven St, Sasolburg, 1947	Board Member
Soetsang	Thandiwe Linah	Nyakaza Mfazi	198 Refengkgotso, Orangeville, 1995	Director
Ramphala	Mamokete Alinah	None	N/A	N/A
Machaea	Makone Fithalls	None	N/A	N/A
Geyser	Jacobus	Yetu Trust	28 High Street, Deneysville, 1932	Shareholder
		Metal Steel & Art Work	28 High Street, Deneysville 1932	Shareholder
Coetzer	Frans Christiaan	None	N/A	N/A
Radebe	Anna Ndutula	Wiphold	Wiphold House, 29 Central Street, Houghton	
		Maitshokolla		
Mtshali	Nokuthula Mirriam	Sasol Inzalo	Sasol Place, 50 Katherine Street, Sandton, 2196	Shareholder
Phepheng	Lelahla Jim	Gret Construction	12211 Harry Gwala, Zamdela, 1949	Member
Grobbelar	Jacobus Johannes	In His Foot Prints (NPO) Charity Organisation	02 Limburg Street, Sasolburg, 1947	Directorship
Mare	Alexis Khomolileng	None	N/A	N/A
Mosia	Mmathoto Maria	None	N/A	N/A
Du Plessis	Johannes	None	N/A	N/A
Ntoane	Maboka George	None	N/A	N/A

Register of Declaration of Financial Interests as at 30 June 2017				
Surname	**Names**	**Name of Business & Registration Number**	**Address of Business**	**Association with the Business**
Van Der Walt	Maria Cecilia	None	N/A	N/A
Tamane	Matshidiso Alina	None	N/A	N/A
Nnune	Gabaikitse Beauty	None	N/A	N/A
Sejaki	Masontaga Nomsa	None	N/A	N/A
Mofokeng	Tsietsi Johannes	Asazi Funeral Parlour	1319 Refengkgotso, Deneysville, 1932	Director
		Asazi Inn – Tavern	1319 Refengkgotso, Deneysville, 1932	Partner
Khonto	Mnyamezeli Welcome	None	N/A	N/A
Chebase	Lefu Richard	None	N/A	N/A
Mabefu	Retsilisitsoe Johannes	SKG Ho. Sand Mining	19 Lebombo Str, Vaal Park, 1948	Director
Mabasa	Kenneth Thabo	None	N/A	N/A
Semonyo	Lebohang Samuel	None	N/A	N/A
Moolman	Hans Jurie	None	N/A	N/A
Oswald	David Mc Millan	None	N/A	N/A
Mdola	Nombulawa Lucy	None	N/A	N/A
Nthebe	Malebo Daniel	Alaska One Enterprises Pty (Ltd)	8391 Sommersports, Zamdela, 1949	Director
Poho	Mosiuwa Solomon	None	N/A	N/A
Moreki	Selina	None	N/A	N/A
Mosia	Thabo Emmanuel	Soxi Electronics & It Centre	8689 Snake Park, Zamdela, 1949	Partner
Mofokeng	Seipati Suzan	None	N/A	N/A
Viljoen	J.D	None	N/A	N/A
Du Toit	Theo	None	N/A	N/A
Mahlangu	Pretty Jacob	None	N/A	N/A
Maseko	Victor Johannes	Belperizm Project Management – service provider	Sasolburg	100%

Appendix K: Revenue Collection Performance

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Table 75 - Revenue Collection Performance By Vote

Revenue Collection Performance by Vote						
						R' 000
Vote Description	2015/16	2016/17			2016/17 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %
Council Speaker Council	-	-	-	-	-	-
Municipal Manager	7 042	3 731	7 706	11 512	308.5	149.4
Organisational development and Corporate Services	1 269	1 678	1 678	792	47.20	47.20
Social services	62 716	67 882	68 182	64 054	94.4	93.9
Technical and Infrastructure Services	648 420	812 442	804 643	682 726	84.0	84.8
Financial Services	221 045	194 789	214 438	231 384	118.8	107.9
Local development and Urban Planning	13 033	6 946	6 946	8 747	125.9	125.9
Total Revenue by Vote	953 525	1 087 469	1 103 593	999 215	91.9	90.5

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Table 76 - Revenue Collection Performance By Source

Revenue Collection Performance by Source						
R '000						
Description	2015/16	2016/17			2016/17 Variance	
	Actual	Original Budget	Adjust-ments Budget	Actual	Original Budget %	Adjust-ments Budget %
Property rates	114 445	113 366	121 176	128 980	14%	6%
Service Charges - electricity revenue	208 626	284 053	287 553	242 998	-14%	-15%
Service Charges - water revenue	258 842	349 547	322 947	241 617	-31%	-25%
Service Charges - sanitation revenue	19 714	21 545	25 545	22 056	2%	-14%
Service Charges - refuse revenue	25 955	27 807	35 807	28 376	2%	-21%
Service Charges – other	8 367	13 429	0	9 396	-30%	-
Rentals of facilities and equipment	4 642	5 780	5 780	6 069	5%	5%
Interest earned - external investments	2 702	2 600	1 400	2 108	-19%	-50%
Interest earned - outstanding debtors	16 449	18 940	22 040	25 072	32%	14%
Dividends received	96	-	-	99	-	-
Fines	18 507	3 025	3 025	17 272	470%	470%
Licenses and permits	159	191	191	117	-39%	-39%
Agency services	-	-	-	-	-	-
Transfers recognised - operational	219 623	131 694	133 173	129 170	6%	-3%
Other revenue	8 945	7 328	22 799	12 869	75%	-44%
Gains on disposal of PPE	0	1 001	1 001	19 687	1866%	1866%
Total Revenue (excluding capital transfers and contributions)	907 072	980 306	982 457	885 885	-10%	-10%

Appendix L: Conditional Grants Received (Excluding MIG)

Table 77 - Conditional Grants Received (Excluding MIG)

Conditional Grants: excluding MIG						
						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget %	Adjustments Budget %	
Department of Energy	18 000	18 000	18 000	-	-	-
Financial Management Grant	1 625	1 625	1 625	-	-	-
Extended Public Works program	1 060	1 060	1 060	-	-	-
Total	**20 685**	**20 685**	**20 685**	-	-	-

Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes (Including MIG)

APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Table 78 - Capital Expenditure New Assets Programme

Description	2015/16	Budget Year 2016/17		
	Audited Outcome	Original Budget	Adjusted Budget	Actual Expenditure
	R thousands			
Infrastructure	**92,487**	**71,883**	**79,343**	**24,942**
Roads, Pavements & Bridges	22,518	32,818	30,060	24,286
Transmission & Reticulation	42,660	25,600	19,374	3,245
Water Reticulation	3,070	1,765	1,765	7,185
Sanitation Reticulation	23,835	1,500	17,944	(4,237)
Waste Management	404	1,500	1,500	988
Transportation	-	7,500	7,500	(5,625)
Other	-	1,200	1,200	(900)
Community	**8,830**	**7,674**	**3,998**	**(1,768)**
Sports fields & stadia	5,907	7,674	3,998	(2,998)
Fire, safety & emergency	328	–	–	200
Other	2,595	–	–	–
Other assets	**14,229**	**16,213**	**27,959**	**(12,011)**
General vehicles	8,808	1,395	4,720	(1,352)

Specialised vehicles	–	–	5,567	(4,175)
Plant & equipment	1,682	10,376	12,527	(9,395)
Computers - hardware/equipment	–	–	–	6,543
Furniture and other office equipment	298	2,372	3,566	(2,674)
Civic Land and Buildings	–	2,020	1,540	(1,155)
Other Buildings	–	–	–	228
Other	3,440	50	40	(30)
Total Capital Expenditure on new assets	**115,546**	**95,770**	**111,300**	**11,163**
Specialised vehicles	**–**	**–**	**5,567**	**(4,175)**
Fire	–	–	5,567	(4,175)

APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

Table 79 - Capital Expenditure Upgrade/Renewal Programme

Description	2015/16 Actual	Budget Year 2016/17		
		Original Budget	Adjusted Budget	Actual Expenditure
	R thousands			
Infrastructure	–			–
Roads, Pavements & Bridges	–	12,000	10,000	
Community	–	**630**	**300**	–
Community halls	–	200		–
Recreational facilities	–	430	300	–
Other assets	–	–	–	–
General vehicles	1,074	160	160	–
Plant & equipment	–	1,042	1,036	–
Furniture and other office equipment	–	14	14	–
Other Land	–	3,630	3,630	–
Total Capital Expenditure on renewal of existing assets	**1,074**	**17,476**	**15,140**	–

Appendix N: Capital Programme by Project current year

Table 80 - Capital Programme by Project current year

Capital Programme by Project: 2016/17
R' 000

Capital Project	Original Budget	Adjustment Budget	Actual Budget	Variance (Act - Adj) %	Variance (Act - OB) %
Water					
Water Pump					
Water treatment works plant(D/V)					
Sanitation/Sewerage					
Sewer Pump					
Gortin Sanitation Phase 4(MIG)					
Electricity					
Prepaid Meters- Thembalethu and Phomolong					
Network Strengthening Phase 03					
Resealing of roads					

Appendix O: Capital Programme by project by ward current year

Table 81 - Capital Programme by project by ward current year

MIG PROJECTS - 2016/2017						
Project description	**Ward**	**Total Budget**	**Start Date**	**Completion Date**	**Physical Progress %**	**Comments**
Gortin: Sanitation Phase 4	13	102 346 165	2014/02/28	29/06/2017		
Metsimaholo: Construction of Sports complex in Oranjeville	5	16 904 014	2016/02/05	30/06/2017		
Zamdela Paved Roads & Stormwater ward 10 (2.9km)	10	20 193 002	2016/01/06	30/6/2017		
Zamdela Paved Roads & Stormwater ward 11 (2.6 km)	11	1 788 246	2016/01/06	30/6/2017		
Zamdela Paved Roads & Stormwater ward 12 (2.2 km)	12	15 138 315	2016/01/06	30/6/2017		
DWS PROJECTS - 2015/2016 National Transfers						
Refengkgotso - upgrading the WWTW	3	3 500 000	2014/10/28	On going		
Water Demand Management Project	3, 5, 10, 12, 13, 19, 21	4 000 000	2015/02/03	On going		
EPWP PROJECTS - 2015/2016						

MIG PROJECTS - 2016/2017						
Project description	**Ward**	**Total Budget**	**Start Date**	**Completion Date**	**Physical Progress %**	**Comments**
Metsimaholo	5	1 020 000	2014/01/07	2016/06/30		
DOE PROJECTS - 2015/2016						
Construction of Bulk Supply Substation	19	45 047 597	20/07/2015	27/06/2016		

Appendix P: Service Connection Backlogs at Schools and Clinics

The municipality gets involved when service connections or locations are requested. As at 30 June 2017, there were service connections or locations requested.

Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is responsible for service provision

No backlogs in areas supplied by Eskom.

Appendix R: Declaration of Loans and Grants made by the municipality

There were no loans and grants made by the Municipality

Appendix S: Declaration of returns not made due time under MFMA s71

Monthly Budget Statements for the period under review were submitted on time in line with MFMS s71

Appendix T: National and Provincial Outcome for local government

Table 82 - National and Provincial Outcome for local government

National and Provincial Outcomes for Local Government		
Outcome/Output	**Progress to date**	**Number or Percentage Achieved**
Output: Improving access to basic services		
Output: Implementation of the Community Work Programme		
Output: Deepen democracy through a refined Ward Committee model		
Output: Administrative and financial capability		

VOLUME II – ANNUAL FINANCIAL STATEMENTS

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

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, spatial development and land use management, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and sold and distributed to the consumers by the municipality); Water Services (supplying water to the consumers); and Rates and general services (all types of services rendered by the municipality, excluding the supply of housing to the community, but including the rental of units owned by the municipality to the public and staff).

Mayoral committee

Mayoral committee members up until 9 August 2016 Khonto MW
Kubheka NJ
Mabasa KT
Mabefu RJ
Makhoba KJ (Council Whip from 25 November 2015)
Mtshali NM (from 25 November 2015)
Radebe AN
Semonyo LS
Tshongwe SL

Mayoral committee members 22 August 2016 - 22 February 2017
Mofokeng TH (Councillor from 10 August 2016)
Mothibe MB (Councillor from 10 August 2016)
Mohapi P (Councillor from 10 August 2016)
Gaigher L (Councillor from 10 August 2016)
Motlhale SM (Councillor from 10 August 2016)
Grobbelaar JJ
Mthembu S (Councillor from 10 August 2016)
Burger GS (Councillor from 10 August 2016 - 3 March 2017)

Mayoral committee members 23 February 2017 - 30 June 2017
Mabasa KT
Mosia TE (Chairperson MPAC till 9 August 2017)
Mosokweni F (Councillor from 10 August 2016)
Fisher L (Councillor from 10 August 2016)

General Information

Mayoral committee *(continued)*	Mokoena NP (Councillor from 10 August 2016)
	Radebe TL (Councillor from 10 August 2016)
	Mthembu S (Councillor from 10 August 2016)
	Mtshali NM (since 25 November 2015 to 10 August 2016 and From 4 March 2017))
Executive Mayor	Mahlaku BT (till 9 August 2016)
	Hlasa RS (from 22 August 2016)
Councillors	Matena SZ (Speaker till 9 August 2016)
	Soetsang TL (Council whip till 31 October 2015 and councillor till 9 August 2016)
	Du Plooy A (Speaker from 22 August 2016)
	Radebe LW (Council Whip from 22 August 2016)
	Chebase LR (till 9 August 2016)
	Coetzer FC (till 9 August 2016)
	Du Plessis J (till 9 August 2016)
	Du Toit T
	Dywili NN (from 10 August 2016)
	Geyser JJ
	Gouws EJ (from 10 August 2016)
	Khunou SB (till 9 August 2016)
	Kobo SS (from 10 August 2016)
	Machaea MF (till 9 August 2016)
	Madia RM (from 10 August 2016)
	Mahlangu PJ (till 9 August 2016)
	Majadibodu KC (from 10 August 2016)
	Makhata L (from 10 August 2016)
	Makhefu L (from 1 February 2017)
	Mare AK
	Maseko VJ (till 9 August 2016)
	Mdola NL (till 9 August 2016)
	Mofokeng D (from 10 August 2016)
	Mofokeng SS (till 9 August 2016)
	Mofokeng TJ (till 9 August 2016)
	Mokoena DE (till 9 August 2016)
	Mokoena MP (from 10 August 2016)
	Molawa M (from 10 August 2016)
	Moolman HJ (till 9 August 2016)
	Moreki S (till 9 August 2016)
	Mosia MM (till 9 August 2016)
	Motaung TA (from 10 August 2016) and MPAC chairperson from 28 September 2016
	Motjeane S (from 10 August 2016) and Ethics chairperson from 28 September 2016
	Nnune GB
	November N (from 10 August 2016)
	Nthebe MD (till 9 August 2016)

General Information

Councillors *(continued)*	Ntoane MG (till 9 August 2016) Nteso SJ (from 10 August 2016) Oswald DM (till 9 August 2016) Phepheng-Lelahla JM (till 9 August 2016) Poho MS (till 9 August 2016) Rampala AM (till 9 August 2016) Sejaki MN (till 9 August 2016) Tamane MA (till 9 August 2016) Telane MM (from 10 August 2016) Tsotetsi L (from 10 August 2016) Viljoen JD Van der Walt MC (till 9 August 2016) Zwane ZJ (from 23 February 2017)
Grading of local authority	Metsimaholo Local Municipality is a grade 9 Local Authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Capacity of local authority	High Capacity
Municipal demarcation code	FS204
Accounting Officer	Molala SM
Chief Financial Officer (CFO)	Lambat A (B.Com, B.Accounting, CA(SA))
Registered office	Civic Centre Fichardt Street Sasolburg 1947
Business address	Civic Centre Fichardt Street Sasolburg 1947
Postal address	PO Box 60 Sasolburg 1947
Bankers	The Standard Bank of South Africa Ltd ABSA Bank Ltd
Auditors	Auditor-General of South Africa

General Information

Attorneys	Adolff Attorneys
	Boitumelo Maubane Attorneys
	Lebea and Associates Attorneys
	Leepile & Mbewe Inc
	Lizel Venter Attorneys
	Melato Attorneys
	Melato - Mkhwanazi Attorneys
	Molefi Thoabala Inc Attorneys
	Mollenaar and Griffiths Attorneys and Conveyancers
	Moroka Attorneys
	Ndobela Attorneys
	Ponoane Attorney, Notaries and Conveyancers
	Rasegoete & Associates
	Werksman Inc

Index

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers (formerly IMFO)
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, Act No. 53 of 2003
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The annual financial statements set out on pages 6 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

Molala SM
Accounting Officer
31 August 2017

Statement of Financial Position as at 30 June 2017

	Notes	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	3	15,060,882	15,318,465
Other financial assets	4	3,018,504	4,117,476
Receivables from non - exchange transactions	5	77,930,642	63,483,471
Receivables from exchange transactions	6	142,215,392	147,923,826
Cash and cash equivalents	7	12,627,595	15,178,853
		250,853,015	**246,022,091**
Non-Current Assets			
Investment property	8	86,054,386	86,389,336
Property, plant and equipment	9	1,197,505,958	1,147,458,435
Intangible assets	10	4,421,285	317,626
Heritage assets	11	561,001	561,001
		1,288,542,630	**1,234,726,398**
Total Assets		**1,539,395,645**	**1,480,748,489**
Liabilities			
Current Liabilities			
Operating lease liability	12	2,339,748	1,883,504
Finance lease obligation	13	2,727,836	1,375,608
Payables from exchange transactions	14	221,585,738	214,192,180
VAT payable	15	6,234,447	10,915,968
Consumer deposits	16	19,459,196	18,026,993
Unspent conditional grants and receipts	17	7,583,751	833,375
Short term portion - long term loan	18	1,379,692	1,267,234
		261,310,408	**248,494,862**
Non-Current Liabilities			
Finance lease obligation	13	9,637,580	7,854,607
Employee benefit obligation	19	40,593,044	39,153,834
Landfill closure provision	20	31,850,938	49,618,678
Long term loan	18	3,136,825	4,516,517
		85,218,387	**101,143,636**
Total Liabilities		**346,528,795**	**349,638,498**
Net Assets		**1,192,866,850**	**1,131,109,991**
Accumulated surplus		1,192,866,850	1,131,109,991

Statement of Financial Performance

	Notes	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	21	524,105,868	513,136,112
Non-payment fees		5,601,620	5,202,473
Licenses and permits		116,954	159,061
Fines		17,272,057	17,674,548
Levies - refuse dump yard		626,620	825,555
Connection fees		3,167,363	2,338,908
Other income	22	7,275,452	4,480,888
Income legal cost		3,593,305	4,464,527
Interest received - investment	23	2,107,597	2,701,815
Dividends received	23	98,858	96,022
Interest income - consumers	56	25,071,512	16,449,002
Rental of facilities	57	6,068,776	4,641,920
Total revenue from exchange transactions		**595,105,982**	**572,170,831**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	128,980,269	114,445,495
Transfer revenue			
Government grants and subsidies	25	209,642,375	202,893,358
Public contributions and donations	26	10,414,953	16,729,794
Total revenue from non-exchange transactions		**349,037,597**	**334,068,647**
Total revenue	56	**944,143,579**	**906,239,478**
Expenditure			
Employee related costs	27	(244,980,573)	(231,547,634)
Remuneration of councillors	28	(15,757,133)	(15,246,933)
Depreciation and amortisation	29	(39,336,244)	(42,930,416)
Finance costs	30	(3,175,419)	(991,367)
Lease rentals on operating lease		(4,637,354)	(3,712,648)
Debt impairment	31	(140,049,611)	(127,167,185)
Bulk purchases	32	(324,861,874)	(317,838,362)
Contracted services	33	(31,384,039)	(30,976,176)
General expenses	34	(77,786,839)	(85,153,769)
Repairs and maintenance	54	(18,129,239)	(20,450,147)
Total expenditure		**(900,098,325)**	**(876,014,637)**
Operating surplus		**44,045,254**	**30,224,841**
(Loss)/ gain on disposal of assets		(1,876,969)	(1,657,070)
Actuarial gain/(loss)		1,419,971	4,185,156
Sale of stands	52	294,457	1,425,535
(Loss)/gain on inventory		(19,020)	409,049
Library inventory transfer write-downs		(79,295)	-
Fair value adjustments on stands		-	6,491,043
Fair value adjustment on listed equities		204,724	(275,732)
Rehabilitation of land fill sites	20	17,767,740	(4,724,649)
		17,711,608	**5,853,332**
Surplus for the year		**61,756,862**	**36,078,173**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1,093,923,583	1,093,923,583
Adjustments:		
Prior year adjustments	1,108,235	1,108,235
Balance at 01 July 2015 as restated*	**1,095,031,818**	**1,095,031,818**
Changes in net assets		
Surplus for the year	36,078,173	36,078,173
Total changes	36,078,173	36,078,173
Restated* Balance at 01 July 2016	**1,131,109,988**	**1,131,109,988**
Changes in net assets		
Surplus for the year	61,756,862	61,756,862
Total changes	61,756,862	61,756,862
Balance at 30 June 2017	**1,192,866,850**	**1,192,866,850**

Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		523,185,875	528,945,092
Grants		214,343,417	202,893,358
Interest income		27,179,109	15,861,017
Dividends received		98,858	96,022
Other receipts		26,664,463	9,942,303
		791,471,722	757,737,792
Payments			
Employee costs		(256,018,034)	(241,974,313)
Suppliers		(453,565,281)	(437,550,322)
Finance costs		(1,932,247)	(947,457)
		(711,515,562)	(680,472,092)
Net cash flows from operating activities	35	**79,956,160**	**77,265,700**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(85,973,538)	(99,267,340)
Movement in other financial assets		1,303,696	1,493,076
Proceeds from sale of stands		294,457	1,425,535
Net cash flows from investing activities		**(84,375,385)**	**(96,348,729)**
Cash flows from financing activities			
Repayment of finance lease		(1,977,461)	-
Repayment of long term loan		(1,267,234)	(1,163,296)
Finance lease receipts		5,112,662	9,230,215
Net cash flows from financing activities		**1,867,967**	**8,066,919**
Net increase/(decrease) in cash and cash equivalents		**(2,551,258)**	**(11,016,110)**
Cash and cash equivalents at the beginning of the year		15,178,853	26,194,963
Cash and cash equivalents at the end of the year	7	**12,627,595**	**15,178,853**

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 Performance Revenue						
Revenue from exchange transactions						
Service charges	682,952,050	(11,100,000)	**671,852,050**	524,105,868	**(147,746,182)**	51.1
Rental of facilities and equipment	5,780,030	-	**5,780,030**	6,068,776	**288,746**	
Interest income - consumers	18,940,170	3,100,000	**22,040,170**	25,071,512	**3,031,342**	51.28
Non - payment fees	3,979,180	2,000,000	**5,979,180**	5,601,620	**(377,560)**	51.2
Licenses and permits	190,600	-	**190,600**	116,954	**(73,646)**	51.13
Fines	3,025,020	-	**3,025,020**	17,272,057	**14,247,037**	51.9
Levies dump yard	1,110,920	-	**1,110,920**	626,620	**(484,300)**	
Connection fees	3,269,200	-	**3,269,200**	3,167,363	**(101,837)**	51.5
Other income	7,132,280	39,780	**7,172,060**	7,275,452	**103,392**	51.3 ;4;7;8;23
Income legal cost	5,266,360	-	**5,266,360**	3,593,305	**(1,673,055)**	51.12
Interest received - investment	2,600,000	(1,200,000)	**1,400,000**	2,107,597	**707,597**	51.10
Dividends received	-	-	**-**	98,858	**98,858**	51.27
Total revenue from exchange transactions	**734,245,810**	**(7,160,220)**	**727,085,590**	**595,105,982**	**(131,979,608)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	113,366,430	7,830,000	**121,196,430**	128,980,269	**7,783,839**	51.6
Transfer revenue						
Government grants and subsidies	188,286,000	11,478,800	**199,764,800**	209,642,375	**9,877,575**	51.11
Public contributions and donations	10,500,000	3,974,850	**14,474,850**	10,414,953	**(4,059,897)**	51.22
Total revenue from non- exchange transactions	**312,152,430**	**23,283,650**	**335,436,080**	**349,037,597**	**13,601,517**	
Total revenue	**1,046,398,240**	**16,123,430**	**1,062,521,670**	**944,143,579**	**(118,378,091)**	
Expenditure						
Employee related cost	(263,354,520)	(3,475,350)	**(266,829,870)**	(244,980,573)	**21,849,297**	51.17
Remuneration of councillors	(16,343,070)	-	**(16,343,070)**	(15,757,133)	**585,937**	51.18
Depreciation and amortization	(73,535,340)	-	**(73,535,340)**	(39,336,244)	**34,199,096**	51.24
Finance costs	(2,541,470)	(294,400)	**(2,835,870)**	(3,175,419)	**(339,549)**	51.14
Lease rentals on operating lease	(5,005,630)	600,390	**(4,405,240)**	(4,637,354)	**(232,114)**	51.15
Debt impairment	(84,441,070)	(10,000,000)	**(94,441,070)**	(140,049,611)	**(45,608,541)**	51.21
Repairs and maintenance	(38,199,230)	260,000	**(37,939,230)**	(18,129,239)	**19,809,991**	51.29
Bulk purchases	(371,654,250)	10,020,000	**(361,634,250)**	(324,861,874)	**36,772,376**	51.25
Contracted services	(36,532,200)	(1,563,200)	**(38,095,400)**	(31,384,039)	**6,711,361**	51.20;26
General expenses	(107,230,180)	553,600	**(106,676,580)**	(77,786,839)	**28,889,741**	51.19;51.16
Total expenditure	**(998,836,960)**	**(3,898,960)**	**(1,002,735,920)**	**(900,098,325)**	**102,637,595**	
Operating surplus	**47,561,280**	**12,224,470**	**59,785,750**	**44,045,254**	**(15,740,496)**	

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	
Loss on disposal of assets and liabilities	-	-	-	(1,876,969)	**(1,876,969)**	
Actuarial gain	-	-	-	1,419,971	**1,419,971**	
Rehabilitation of landfill sites	-	-	-	17,767,740	**17,767,740**	
Sale of stands	1,001,000	-	**1,001,000**	294,457	**(706,543)**	
Loss on inventory	-	-	-	(19,020)	**(19,020)**	
Library transfer of assets	-	-	-	(79,295)	**(79,295)**	
Fair value adjustment on shares	-	-	-	204,724	**204,724**	
	1,001,000	**-**	**1,001,000**	**17,711,608**	**16,710,608**	
Surplus before taxation	**48,562,280**	**12,224,470**	**60,786,750**	**61,756,862**	**970,112**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**48,562,280**	**12,224,470**	**60,786,750**	**61,756,862**	**970,112**	

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	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	R	R	R	R	R	R	R	R	R	R
2017											
Financial Performance											
Property rates	113,366,430	7,830,000	121,196,430	-	-	121,196,430	128,980,269	-	7,783,839	106 %	114 %
Service charges	682,952,050	(11,100,000)	671,852,050	-	-	671,852,050	524,105,868	-	(147,746,182)	78 %	77 %
Investment revenue	2,600,000	(1,200,000)	1,400,000	-	-	1,400,000	2,206,455	-	806,455	158 %	85 %
Transfers recognised - operational	127,663,000	1,478,800	129,141,800	-	-	129,141,800	131,170,233	-	2,028,433	102 %	103 %
Other own revenue	49,694,760	5,139,780	54,834,540	-	-	54,834,540	70,508,087	-	15,673,547	129 %	142 %
Total revenue (excluding capital transfers and contributions)	**976,276,240**	**2,148,580**	**978,424,820**	**-**	**-**	**978,424,820**	**856,970,912**	**-**	**(121,453,908)**	**88 %**	**88 %**
Employee costs	(263,354,520)	(3,475,350)	(266,829,870)		-	(266,829,870)	(244,980,573)	-	21,849,297	92 %	93 %
Remuneration of councillors	(16,343,070)	-	(16,343,070)	-	-	(16,343,070)	(15,757,133)	-	585,937	96 %	96 %
Debt impairment	(84,441,070)	(10,000,000)	(94,441,070)			(94,441,070)	(140,049,611)	-	(45,608,541)	148 %	166 %
Depreciation and asset impairment	(73,535,340)	-	(73,535,340)			(73,535,340)	(39,336,244)	-	34,199,096	53 %	53 %
Finance charges	(2,541,470)	(294,400)	(2,835,870)	-	-	(2,835,870)	(3,175,419)	-	(339,549)	112 %	125 %
Materials and bulk purchases	(371,654,250)	10,020,000	(361,634,250)		-	(361,634,250)	(324,861,874)	-	36,772,376	90 %	87 %
Other expenditure	(186,967,240)	(149,210)	(187,116,450)	-	-	(187,116,450)	(133,893,735)	-	53,222,715	72 %	72 %
Total expenditure	**(998,836,960)**	**(3,898,960)**	**(1,002,735,920)**	**-**	**-**	**(1,002,735,920)**	**(902,054,589)**	**-**	**100,681,331**	**90 %**	**90 %**
Surplus/(Deficit)	**(22,560,720)**	**(1,750,380)**	**(24,311,100)**	**-**		**(24,311,100)**	**(45,083,677)**		**(20,772,577)**	**185 %**	**200 %**

Appropriation Statement

	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	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	60,623,000	10,000,000	70,623,000	-	-	70,623,000	78,472,142	-	7,849,142	111 %	129 %
Contributions recognised - capital and contributed assets	10,500,000	3,974,850	14,474,850	-	-	14,474,850	10,414,953	-	(4,059,897)	72 %	99 %
Surplus (Deficit) after capital transfers and contributions	**48,562,280**	**12,224,470**	**60,786,750**	**-**	**-**	**60,786,750**	**43,803,418**	**-**	**(16,983,332)**	**72 %**	**90 %**
	-	-	-	-	-	-	(19,020)	-	(19,020)	DIV/0 %	DIV/0 %
Loss on inventory	-	-	-	-	-	-	204,724	-	204,724	DIV/0 %	DIV/0 %
Fair value adjustments on listed equities	-	-	-	-	-	-	17,767,740	-	17,767,740	DIV/0 %	DIV/0 %
Rehabilitation of landfill sites											
Surplus/(Deficit) for the year	**48,562,280**	**12,224,470**	**60,786,750**	**-**	**-**	**60,786,750**	**61,756,862**	**-**	**970,112**	**102 %**	**127 %**

Appropriation Statement

	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	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funding sources											
Total capital expenditure	113,245,440	13,194,420	126,439,860	-		126,439,860	(116,877,452)		(243,317,312)	(92)%	(103)%
Sources of capital funds											
Transfers recognised - capital	59,591,850	9,000,000	68,591,850	-		68,591,850	68,772,492		180,642	100 %	115 %
Public contributions and donations	7,500,000	4,974,850	12,474,850	-		12,474,850	8,864,203		(3,610,647)	71 %	118 %
Borrowing	1,000,000	10,084,570	11,084,570	-		11,084,570	4,484,791		(6,599,779)	40 %	448 %
Internally generated funds	45,153,590	(10,865,000)	34,288,590	-		34,288,590	11,663,239		(22,625,351)	34 %	26 %
Total sources of capital funds	**113,245,440**	**13,194,420**	**126,439,860**	**-**		**126,439,860**	**93,784,725**		**(32,655,135)**	**74 %**	**83 %**

Appropriation Statement

	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	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	125,402,000	(35,082,000)	90,320,000	-		90,320,000	79,956,160		(10,363,840)	89 %	64 %
Net cash from (used) investing	(104,744,000)	(8,219,000)	(112,963,000)	-		(112,963,000)	(84,375,385)		28,587,615	75 %	81 %
Net cash from (used) financing	(2,389,000)	11,151,000	8,762,000	-		8,762,000	1,867,967		(6,894,033)	21 %	(78)%
Net increase/(decrease) in cash and cash equivalents	**18,269,000**	**(32,150,000)**	**(13,881,000)**	**-**		**(13,881,000)**	**(2,551,258)**		**11,329,742**	**18 %**	**(14)%**
Cash and cash equivalents at the beginning of the year	732,000	13,613,000	14,345,000	-		14,345,000	15,178,853		833,853	106 %	2,074 %
Cash and cash equivalents at year end	**19,001,000**	**(18,537,000)**	**464,000**	**-**		**464,000**	**12,627,595**		**(12,163,595)**	**2,721 %**	**66 %**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies are disclosed below.
These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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 discounted cashflow projection assumption may change which may then impact on the estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non - cash generating assets:

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits and other long-term benefits

The present value of the post retirement and other long-term employee obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net long-term benefit 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 19.

Effective interest rate

The municipality used the incremental borrowing rate to discount future cash flows.

Allowance for impairment

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

1.3 Investment property

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

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

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

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

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

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

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	50 years

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.

1.3 Investment property *(continued)*

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 8).

1.4 Property, plant and equipment

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

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

i. it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
ii. the cost or fair value 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 the 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

1.4 Property, plant and equipment *(continued)*

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation charge is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	3 - 30 years
Infrastructure	Straight line	5 - 50 years
Land		Indefinite
Motor vehicles	Straight line	3 - 20 years
Office equipment	Straight line	3 - 10 years
Plant and machinery	Straight line	3 - 15 years

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

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

1.4 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

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.

Intangible assets are initially measured at cost.

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset. The amortisation charge for each period is recognised in surplus or deficit.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	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 the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

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.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 - Heritage assets.

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.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Transfers

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

Derecognition

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

1.7 Heritage assets *(continued)*

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

1.8 Financial instruments

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

Classification

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
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	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
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Operating lease	Financial liability measured at amortised cost
Long term loan	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.8 Financial instruments *(continued)*

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

1.8 Financial instruments *(continued)*

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

<u>Financial assets</u>

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

1.8 Financial instruments *(continued)*

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

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

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

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

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

1.9 Statutory receivables *(continued)*

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

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

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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

1.9 Statutory receivables *(continued)*

- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amount 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 re 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.

1.11 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. Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of generating a commercial return and generating cash flows managed for cash-generating purposes the assets are treated as cash-generating assets.

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

Identification

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

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

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

Value in use

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount

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

of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of service delivery and generating cash flows managed for non-cash-generating purposes the assets are treated as non - cash generating assets.

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the 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.

1.12 Impairment of non-cash-generating assets *(continued)*

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Value-added Tax (VAT)

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

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited / credited against accumulated surplus when retrospective adjustments are made.

1.15 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

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

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

1.16 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include 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 cell phones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

1.16 Employee benefits *(continued)*

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

1.16 Employee benefits *(continued)*

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other long-term employee benefits

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

1.16 Employee benefits *(continued)*

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

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

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

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

1.16.3 current service cost;
1.16.4 interest cost;
1.16.5 actuarial gains and losses;

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

1.17 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.
If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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

A contingent liability is a:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

1.17 Provisions and contingencies *(continued)*

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

1.18 Revenue from exchange transactions

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

1.18 Revenue from exchange transactions *(continued)*

Interest and dividends

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.19 Revenue from non-exchange transactions

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

Recognition

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

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

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

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.

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

When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

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

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

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

Debt forgiveness and assumption of liabilities

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

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

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

Fines

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

Assets arising from fines are measure at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

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

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

1.20 Investment income

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

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Grant in aid

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

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

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

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial\\ statements, if both the following criteria are met:

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

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 40 for detail.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Budget information

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

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

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

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

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

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

1.30 Events after reporting date

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

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

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2 New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:

- 2.1.1 the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- 2.1.2 an indicator-based assessment of useful lives of assets was introduced;
- 2.1.3 clarity was provided on the wording related to the use of external valuers;
- 2.1.4 introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- 2.1.5 the encouraged disclosures were deleted; and
- 2.1.6 separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements..

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:

- 2.1.7 the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- 2.1.8 an indicator-based assessment of useful lives of assets was introduced;
- 2.1.9 clarity was provided on the wording related to the use of external valuers;
- 2.1.10 introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- 2.1.11 encouraged disclosures were deleted; and
- 2.1.12 separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations *(continued)*

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

2. New standards and interpretations *(continued)*

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

2. New standards and interpretations *(continued)*

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.
The impact of this standard is currently being assessed.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity’s financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

2. New standards and interpretations *(continued)*

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

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

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date.
The impact of this interpretation is currently being assessed.

GRAP 12 (as amended 2016): Inventories

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

The most significant changes to the Standard are:

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

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

2. New standards and interpretations *(continued)*

The most significant changes to the Standard are:

2.1 General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

2.2 IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

2.3 General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

2.4 IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

2. New standards and interpretations (continued)

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

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

2. New standards and interpretations *(continued)*

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

2. New standards and interpretations *(continued)*

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

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

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

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

GRAP 20: Related parties

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

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

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

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

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

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

2. New standards and interpretations *(continued)*

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

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

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

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

- control;
- related party transactions; and
- remuneration of management

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

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

2. New standards and interpretations *(continued)*

GRAP 109: Accounting by Principals and Agents

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

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

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

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

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

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

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

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

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

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

GRAP 18 Segment reporting

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

2. New standards and interpretations (continued)

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

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

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Inventories

Water (purified water in reservoirs and pipes)	495,836	416,138
Unsold properties held for resale	13,164,043	13,635,042
Fuel (diesel, petrol)	391,185	203,333
Stores and materials	1,009,818	1,063,952
	15,060,882	**15,318,465**

After the inventory count, an amount of R 19 020 was written off.

Inventory pledged as security

During the year no inventory was pledged as security.

4. Other financial assets

Designated at fair value		
Listed shares Sanlam shares 2017:46 109 @ R64.80 2016:46 109 @ R60.36	2,987,863	2,783,139
Unit trusts Sanlam - SIM Money market fund 2017:0 shares @ 100 cents 2016:1 303 696 shares @ 100 cents	- **2,987,863**	1,303,696 **4,086,835**
	~~**2,987,863**~~	~~**4,086,835**~~
At amortised cost		
Investment – ceded	30,641	30,641
Total other financial assets	**3,018,504**	**4,117,476**
Current assets		
At fair value	2,987,863	4,086,835
At amortised cost	30,641	30,641
	3,018,504	**4,117,476**

	2017 R	2016 R

4. Other financial assets *(continued)*

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

	2017	2016
Level 1		
Sanlam shares	2,987,863	2,783,139
Sanlam unit trust	-	1,303,696
	2,987,863	**4,086,835**

5. Receivables from non - exchange transactions

	2017	2016
Receivables	6,435,024	8,746,133
Deposits	1,764,798	1,675,695
Operating lease receivables	-	1
Rates	110,714,239	91,228,779
Sundry receivables	80,057,060	77,955,026
Traffic fines	15,808,225	17,692,325
Prepaid electricity payments	3,465,894	2,877,800
Allowance for impairment	(140,314,598)	(136,692,288)
	77,930,642	**63,483,471**

Pledged as security

None of the receivables from non-exchange transactions was pledged as security by the municipality during the financial year.

	2017	2016
Rates		
Current (0 - 30 days)	9,624,912	7,442,119
31 - 60 days	4,945,408	3,820,017
61 - 90 days	2,798,629	2,373,003
> 91 days	93,345,290	77,593,640
Allowance for impairment	(63,072,614)	(53,256,207)
	47,641,625	**37,972,572**

Summary of receivables by customer classification

	2017	2016
Household consumers		
Current (0 - 30 days)	5,771,314	5,056,319
31 - 60 days	3,959,610	2,886,090
61 - 90 days	2,373,836	1,978,779
> 91 days	80,549,743	66,392,149
	92,654,503	**76,313,337**

	2017	2016
Industrial and commercial consumers		
Current (0 - 30 days)	3,762,196	2,357,716
31 - 60 days	936,912	907,324
61 - 90 days	394,960	367,633
> 91 days	10,071,599	8,611,878
	15,165,667	**12,244,551**

	2017 R	2016 R

5. Receivables from non - exchange transactions *(continued)*

National and provincial government		
Current (0 - 30 days)	91,402	28,084
31 - 60 days	48,886	26,603
61 - 90 days	29,833	26,591
> 91 days	2,723,948	2,589,613
	2,894,069	**2,670,891**
Total		
Current (0 - 30 days)	9,624,912	7,442,119
31 - 60 days	4,945,408	3,820,017
61 - 90 days	2,798,629	2,373,003
> 91 days	93,345,290	77,593,640
Allowance for impairment	(63,072,614)	(53,256,207)
	47,641,625	**37,972,572**
Traffic Fines		
Current (0 -30 days)	1,233,690	342,900
31 - 60 days	922,400	1,898,400
61 - 90 days	2,118,700	1,800,300
> 91 days	11,533,435	13,650,725
Allowance for impairment	(11,162,025)	(11,547,250)
	4,646,200	**6,145,075**
Sundry Reveivables		
Current (0 - 30 days)	10,245,629	1,510,798
31 - 60 days	617,603	1,116,324
61 - 90 days	1,018,038	591,841
> 91 days	68,175,790	74,776,063
Allowance for impairment	(66,079,959)	(71,888,830)
	13,977,101	**6,106,196**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R 140,314,598 (2016: R 136,692,289) were impaired and provided for.

The ageing of these trade and other receivables is as follows:

3 to 6 months	3,816,667	2,964,844
Over 6 months	161,521,080	152,369,703

	2017 R	2016 R

5. Receivables from non - exchange transactions *(continued)*

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(136,692,288)	(121,760,403)
Allowance for impairment on other receivables - reversal	5,808,871	(10,750,956)
Amounts written off as uncollectible (traffic fines)	16,651,323	20,023,298
Allowance for impairment on traffic fines	(16,266,097)	(17,464,434)
Allowance for impairment on rates	(10,092,833)	(7,035,250)
Amounts written off as uncollectible (rates)	276,426	295,457
	(140,314,598)	**(136,692,288)**

6. Receivables from exchange transactions

Gross balances		
Electricity	89,262,279	82,666,700
Water	602,404,237	510,904,316
Sewerage	38,404,659	32,685,659
Refuse	53,961,078	44,094,636
	784,032,253	**670,351,311**
Less: Allowance for impairment		
Electricity	(42,126,623)	(34,843,524)
Water	(523,051,031)	(423,495,510)
Sewerage	(31,688,648)	(27,258,752)
Refuse	(44,950,559)	(36,829,699)
	(641,816,861)	**(522,427,485)**
Net balance		
Electricity	47,135,656	47,823,176
Water	79,353,206	87,408,806
Sewerage	6,716,011	5,426,907
Refuse	9,010,519	7,264,937
	142,215,392	**147,923,826**
Electricity		
Current (0 -30 days)	14,680,927	7,364,030
31 - 60 days	7,403,996	6,242,597
61 - 90 days	3,502,911	3,035,403
91 - 120 days	63,674,445	66,024,670
Allowance for impairment	(42,126,623)	(34,843,524)
	47,135,656	**47,823,176**
Water		
Current (0 - 30 days)	25,827,113	39,567,429
31 - 60 days	17,909,637	24,954,620
61 - 90 days	13,556,462	14,045,428
91 - 120 days	545,111,026	432,336,839
Allowance for impairment	(523,051,032)	(423,495,510)
	79,353,206	**87,408,806**

	2017 R	2016 R

6. Receivables from exchange transactions *(continued)*

Sewerage		
Current (0 - 30 days)	1,931,584	1,734,317
31 - 60 days	1,215,947	1,038,955
61 - 90 days	864,552	705,822
91 - 120 days	34,392,575	29,206,565
Allowance for impairment	(31,688,647)	(27,258,752)
	6,716,011	**5,426,907**

Refuse		
Current (0 - 30 days)	2,515,665	2,250,898
31 - 60 days	1,659,297	1,533,412
61 - 90 days	1,321,492	1,149,573
91 - 120 days	48,464,624	39,160,753
Allowance for impairment	(44,950,559)	(36,829,699)
	9,010,519	**7,264,937**

	2017 R	2016 R

6. Receivables from exchange transactions *(continued)*

Summary of debtors by customer classification

	2017 R	2016 R
Consumers		
Current (0 - 30 days)	33,459,826	36,898,634
31 - 60 days	20,266,278	23,169,199
61 - 90 days	16,402,120	12,358,356
91 - 120 days	637,467,996	509,565,806
	707,596,220	**581,991,995**

	2017 R	2016 R
Industrial / commercial		
Current (0 - 30 days)	9,270,448	10,230,670
31 - 60 days	5,220,833	5,927,714
61 - 90 days	1,409,659	6,054,632
91 - 120 days	42,580,608	40,364,786
	58,481,548	**62,577,802**

	2017 R	2016 R
National and provincial government		
Current (0 - 30 days)	2,225,015	3,787,370
31 - 60 days	2,701,766	4,672,671
61 - 90 days	1,433,638	523,237
91 - 120 days	11,594,066	16,798,236
	17,954,485	**25,781,514**

	2017 R	2016 R
Total		
Current (0 - 30 days)	44,955,289	50,916,674
31 - 60 days	28,188,877	33,769,584
61 - 90 days	19,245,417	18,936,225
91 - 120 days	691,642,670	566,728,828
	784,032,253	670,351,311
Less: Allowance for impairment	(641,816,861)	(522,427,485)
	142,215,392	**147,923,826**

	2017 R	2016 R
Less: Allowance for impairment		
Current (0 - 30 days)	(12,708,249)	(14,004,296)
31 - 60 days	(14,410,421)	(17,275,093)
61 - 90 days	(12,978,749)	(9,275,549)
91 - 120 days	(601,719,442)	(481,872,547)
	(641,816,861)	**(522,427,485)**

	2017 R	2016 R
Total debtor past due but not impaired		
Current (0 - 30 days)	32,247,040	36,912,379
31 - 60 days	13,778,456	16,494,491
61 - 90 days	6,266,668	9,660,676
91 - 120 days	89,923,228	84,856,280
	142,215,392	**147,923,826**

	2017 R	2016 R

6. Receivables from exchange transactions *(continued)*

Reconciliation of allowance for impairment

	2017 R	2016 R
Balance at beginning of the year	(522,427,485)	(430,760,556)
Contributions to allowance	(119,384,073)	(91,916,543)
Debt impairment written off against allowance	-	249,614
Reversal of written off debt	(5,303)	-
	(641,816,861)	**(522,427,485)**

Credit quality of receivables from exchange transactions

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

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from exchange transactions past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 109,968,352 (2016: R 109,374,522) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2017 R	2016 R
1 month past due	13,778,456	16,494,491
2 months past due	6,266,668	9,660,676
3 months past due	89,923,228	83,219,355

Receivables from exchange transactions impaired

As of 30 June 2017, receivables from exchange transactions of R 641,816,861 (2016: R 522,427,485) were impaired and provided for.

The ageing of the impairment is as follows:

	2017 R	2016 R
3 to 6 months	12,978,749	9,275,549
Over 6 months	601,719,442	481,872,547

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017 R	2016 R
Cash on hand	5,150	5,489
Bank balances	5,245,991	1,223,842
Short-term deposits	7,376,454	13,949,522
	12,627,595	**15,178,853**

	2017 R	2016 R
Cash and cash equivalents held by the municipality allocated to unspent conditional grants	7,583,751	833,375

Unspent grants
- Department of Co-operative Governance R 704 984 (2016: R 704 984)
- Department of Water and sanitation R 79 057 (2016:R 79 057)
- Department of Energy 2017:R 1 442 950 (2016:R 0)
- Extended Public Works Program 2017: R 0 (2016: R 49 334)
- Municipal Infrastructure Grant R 5 356 759 (2016: R0)

	2017 R	2016 R

7. Cash and cash equivalents *(continued)*

Cash and cash equivalents pledged as guarantees

Guarantee: Eskom as electricity deposit	990,000	990,000
Guarantee: Post Office as postal deposit	80,000	80,000

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2017	30 June 2016	30 June 2015	Cash book balances 30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Cheque Account	635,473	407,374	3,584,900	635,472	404,974	3,584,900
ABSA Bank - Revenue account-520 000 062	-	-	-	-	(3,188)	-
Standard Bank - current account (primary bank account) - 240347862	4,988,001	4,592,175	2,290,877	4,610,519	1,335,591	2,882,505
Standard Bank - Revenue Account - 33 197 836 9	-	-	8,393,419	-	(513,535)	8,389,773
ABSA Bank - Call Account - 907 840 0708	1,154,993	1,915,309	3,633,177	-	-	-
ABSA Bank - Call Account - 907 840 0708	-	27,726	1,427,726	-	-	-
Standard Bank - Call deposit account	109,045	5,573,806	1,073,805	-	-	-
Standard Bank - Call deposit account - 228 505 348	323,807	129,530	394	-	-	-
Nedbank -Call deposit account -788 103 308	1,073,095	73,095	5,773,095	-	-	-
Standard Bank - money Market-447 648	-	-	1,000,000	-	-	-
Investec- Call account- 1100 - 523923	4,687,789	6,230,057	-	-	-	-
Rand Merchant Bank CDS-DC02J00005	27,726	-	-	-	-	-
Investments	-	-	-	7,376,454	13,949,522	11,332,296
Total	**12,999,929**	**18,949,072**	**27,177,393**	**12,622,445**	**15,173,364**	**26,189,474**

8. Investment property

	2017 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	2016 Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	86,592,762	(538,376)	86,054,386	86,902,762	(513,426)	86,389,336

Reconciliation of investment property - 2017

	Opening balance	Disposals	Depreciation	Total
Investment property	86,389,336	(310,000)	(24,950)	86,054,386

8. Investment property *(continued)*

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	86,415,127	(25,791)	86,389,336

Pledged as security

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

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.
During the year no repairs and maintenance cost occurred on investment property.

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
Infrastructure Work in Progress	352,466,847	-	352,466,847	300,761,672	-	300,761,672
Buildings	138,700,178	(57,569,302)	81,130,876	133,213,529	(54,881,551)	78,331,978
Buildings Work in Progress	8,654,577	-	8,654,577	7,549,884	-	7,549,884
Land Work in Progress	63,665	-	63,665	63,665	-	63,665
Furniture and fixtures	25,087,378	(18,558,542)	6,528,836	26,168,400	(20,511,333)	5,657,067
Infrastructure	1,508,495,586	1,030,559,786)	477,935,800	1,485,411,882	(992,475,542)	492,936,340
Land	225,302,149	-	225,302,149	225,607,149	-	225,607,149
Leased assets	11,019,753	(994,762)	10,024,991	8,096,680	(103,938)	7,992,742
Motor vehicles	33,500,369	(18,719,226)	14,781,143	31,944,815	(20,574,130)	11,370,685
Office equipment	41,067,057	(27,922,528)	13,144,529	40,216,253	(30,197,597)	10,018,656
Plant and machinery	19,157,926	(11,685,381)	7,472,545	18,459,474	(11,290,877)	7,168,597
Total	**2,363,515,485**	**(1,166,009,527)**	**1,197,505,958**	**2,277,493,403**	**(1,130,034,968)**	**1,147,458,435**

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

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Total
Buildings	78,331,978	3,298,748	2,187,901	-	(2,687,751)	81,130,876
Buildings Work in Progress	7,549,884	1,104,693	-	-	-	8,654,577
Furniture and fixtures	5,657,067	60,813	-	(108,800)	919,756	6,528,836
Infrastructure	492,936,340	23,438,206	-	(354,500)	(38,084,246)	477,935,800
Infrastructure Work in Progress	300,761,672	51,705,175	-	-	-	352,466,847
Land	225,607,149	-	-	(305,000)	-	225,302,149
Motor vehicles	11,370,685	1,828,994	1,413,271	(306,964)	475,157	14,781,143
Office equipment	10,018,656	557,898	838,175	(49,496)	1,779,296	13,144,529
Plant and machinery	7,168,597	1,055,939	-	(50,504)	(701,487)	7,472,545
Land Work in Progress	63,665	-	-	-	-	63,665
Leased assets	7,992,742	2,923,073	-	-	(890,824)	10,024,991
	1,147,458,435	**85,973,539**	**4,439,347**	**(1,175,264)**	**(39,190,099)**	**1,197,505,958**

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

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Total
Buildings	80,996,249	-	-	-	(2,664,271)	78,331,978
Buildings Work in Progress	1,642,905	5,906,979	-	-	-	7,549,884
Furniture and fixtures	7,859,479	332,278	-	-	(2,534,690)	5,657,067
Infrastructure	490,645,572	17,027,883	14,728,477	(1,579,036)	(27,886,556)	492,936,340
Infrastructure Work in progress	234,068,872	66,692,800	-	-	-	300,761,672
Land	225,266,449	-	340,700	-	-	225,607,149
Motor vehicles	15,229,557	-	-	(53,300)	(3,805,572)	11,370,685
Office equipment	14,942,927	16,694	1,315	(663)	(4,941,617)	10,018,656
Plant and machinery	6,902,738	1,130,361	-	(24,071)	(840,431)	7,168,597
Land Work in Progress	-	63,665	-	-	-	63,665
Lease assets	-	8,096,680	-	-	(103,938)	7,992,742
	1,077,554,748	**99,267,340**	**15,070,492**	**(1,657,070)**	**(42,777,075)**	**1,147,458,435**

Pledged as security

None of the above property, plant and equipment have been pledged as security, other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note 13.

Assets subject to finance lease (net carrying amount)

Motor vehicles	9,241,705	7,992,742
Office equipment	783,286	-
	10,024,991	**7,992,742**

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	300,761,672	7,613,549	308,375,221
Additions/capital expenditure	65,499,812	3,700,180	69,199,992
Transferred to completed items	(13,794,637)	(2,595,487)	(16,390,124)
	352,466,847	**8,718,242**	**361,185,089**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	234,068,872	1,642,905	235,711,777
Additions/capital expenditure	66,692,800	5,970,644	72,663,444
	300,761,672	**7,613,549**	**308,375,221**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure included in Statement of Financial Performance		
Employee related costs	58,977,913	53,996,298
Contracted services and materials	18,129,239	20,450,147
General expenses	638,935	3,241,456
	77,746,087	**77,687,901**

Projects delayed

Gortin Sanitation project: Dispute between consultant and contractor pertaining to the design and additional scope of work and hence payment dispute.

Oranjeville Sports Complex: There were design discrepancies on the earthworks and labour disputes on subcontracting. Inadequate funding that result in a request for additional budget. The scope of work need to be reduced.

Paving of roads Ward 10 Zamdela: Limited funding and planned for 2017/18 financial year.

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.

	2017 R	2016 R

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	5,088,176	(666,891)	4,421,285	863,321	(545,695)	317,626

Reconciliation of intangible assets - 2017

	Opening balance	Additions through donations	Amortisation	Total
Computer software	317,626	4,224,855	(121,196)	4,421,285

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	445,177	(127,551)	317,626

Pledged as security

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

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.

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	561,001	-	561,001	561,001	-	561,001

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	561,001	561,001

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	561,001	561,001

Heritage assets which fair values cannot be reliably measured

This is land used to manufacture bricks that were used to build the Union Buildings in Pretoria (Tshwane).

	2017 R	2016 R

12. Operating lease

Government Garage		
Opening balance	1,883,504	1,199,646
Movement for the year	456,243	683,858
	2,339,747	**1,883,504**

Minimum lease payments due		
- within one year	2,847,658	3,530,841
- in second to fifth year inclusive	1,909,720	3,336,907
	4,757,378	**6,867,748**

Operating lease - Government Garage

Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of three years and rentals are fixed for the full term of the lease.

Operating lease - Abrahamsrust Resort

Operating lease payments represent rentals payable by the municipality for rental of property situated in Abrahamsrust.

The municipality has a 50 year lease that expired on 31 March 2017 and a new lease has been entered into for a peiod of three years. The new agreement is from 1 April 2017 till 31 March 2019 and amounts to R1 per year.

13. Finance lease obligation

Minimum lease payments due		
- within one year	3,852,875	2,241,653
- in second to fifth year inclusive	11,211,156	9,389,987
- later than five years	-	186,752
	15,064,031	11,818,392
less: future finance charges	(2,698,615)	(2,588,177)
Present value of minimum lease payments	**12,365,416**	**9,230,215**

Present value of minimum lease payments due		
- within one year	2,727,836	1,375,608
- in second to fifth year inclusive	9,637,580	7,669,393
- later than five years	-	185,214
	12,365,416	**9,230,215**

Non-current liabilities	9,637,580	7,854,607
Current liabilities	2,727,836	1,375,608
	12,365,416	**9,230,215**

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

The average lease terms were 3 and 5 years and the average effective borrowing rate was 10% (2016: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

	2017 R	2016 R

14. Payables from exchange transactions

	2017 R	2016 R
Accrued bonus	4,637,802	4,453,544
Accrued expenses	107,594,762	113,963,837
Accrued leave pay	16,197,969	14,521,736
Eskom	38,734,074	26,449,491
Payments received in advance	17,074,503	15,498,789
Rand Water	11,135,456	10,720,677
Retentions	14,324,979	13,813,667
Trade payables	11,886,193	14,770,439
	221,585,738	**214,192,180**

15. VAT payable

	2017 R	2016 R
Value added tax payable	6,234,447	10,915,968

16. Consumer deposits

	2017 R	2016 R
Water and electricity	19,459,196	18,026,993

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017 R	2016 R
Unspent conditional grants and receipts		
Department of Co-operative Governance and Traditional Affairs	704,984	704,984
Department of Energy	1,442,951	-
Extended Public Works Programme	-	49,334
Municipal Infrastructure Grant	5,356,759	-
Water Demand Management	79,057	79,057
	7,583,751	**833,375**

Movement during the year

	2017 R	2016 R
Balance at the beginning of the year	833,375	1,326,620
Additions during the year	216,392,751	202,400,113
Income recognition during the year	(209,642,375)	(202,893,358)
	7,583,751	**833,375**

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

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

18. Long term loan

	2017 R	2016 R
Development Bank of Southern Africa Limited - Non-current portion	3,136,825	4,516,517
Development Bank of Southern Africa Limited - Current portion	1,379,692	1,267,234

Terms and conditions

The original loan amount approved was R 19 000 000 but only R 9 000 000 was disbursed in 2012/2013 financial year.
The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be 10.67% on arrear amounts.
The interest and capital repayment is made every 6 months in 14 equal instalments of R 871 356 over 7 years.
The loan is unsecured but the application of the loan is conditional to specific projects.

	2017 R	2016 R

19. Employee benefit obligations

Defined benefit plan

Reconciliation of employee benefits obligation - 2017

	Opening Balance	Additions	Total
Employee benefit cost medical	25,140,278	2,153,299	27,293,577
Employee benefits long service awards	14,013,556	(714,089)	13,299,467
	39,153,834	**1,439,210**	**40,593,044**

Reconciliation of employee benefits obligation - 2016

	Opening Balance	Additions	Total
Employee benefit cost medical	25,989,436	(849,158)	25,140,278
Employee benefits long service awards	15,537,619	(1,524,063)	14,013,556
	41,527,055	**(2,373,221)**	**39,153,834**

Employee benefit cost obligation

	2017 R	2016 R
Post Employment Health Care Benefits		
Balance at beginning of year	25,140,278	25,989,436
Current-service cost	456,192	467,711
Interest cost	2,214,237	2,227,127
Actuarial (gain) / loss	810,178	(2,218,536)
Employer benefit payments	(1,327,308)	(1,325,460)
	27,293,577	**25,140,278**

Continued Medical aid membership
Municipal employees contribute to accredited medical schemes.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member’s death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member’s death-in-service or death-in-retirement, the surviving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

	2017 R	2016 R

19. Employee benefit obligations (continued)

	2017 R	2016 R
Accrued liability		
Category of member		
In-service members	9,315,745	10,562,509
Continuation members	17,977,832	14,577,769
All members		
Total liability	27,293,577	25,140,278
Value of asset	-	-
	27,293,577	**25,140,278**

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

	2017 R	2016 R
History of liabilities and assets		
Present value of accrued liability	27,293,577	25,140,278
Fair value of plan asset	-	-
	27,293,577	**25,140,278**

The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2017 R	2016 R
History of experience adjustments: Gains and losses Experience adjustment		
Liabilities: (gain) / loss	810,178	(2,218,536)
Assets: gain / (loss)	-	-
	810,178	**(2,218,536)**

	2017 R	2016 R
Best estimate of benefits payments expected in next annual period 2017/2018 (comparatives are for 2016/2017)		
Opening accrued liability	27,293,577	25,140,278
Current service cost	399,902	456,192
Interest cost	2,446,487	2,214,237
Benefit vestings	(1,702,970)	(1,327,308)
Total annual expense	-	-
	28,436,996	**26,483,399**

History of liabilities and assets (R millions)

Liability History	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Accrued liability	30.414	24.076	25.989	25.140	27.294

Key financial assumptions

The table summarises the financial assumption used.

	2017 R	2016 R
Discount rates	9.25 %	9.04 %
Health care cost inflation rate	7.58 %	8.14 %
Net effective discount rate	1.55 %	0.83 %

Notes to the Annual Financial Statements

	2017 R	2016 R

19. Employee benefit obligations (continued)

The next contribution rate increase is assumed to occur at 1 January 2018.

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA 90-1 ultimate

	Age	Females	Males
Withdrawal from service (sample annual rates)			
	20	24%	16%
	30	18%	12%
	40	10%	8%
	50	4%	4%
	>55	2%	2%

Number of in service members	48
Number of pensioners	42

Summarised results of the sensitivity analysis.

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		9.316	17.978	27.294	
Health care inflation	1%	9.783	18.601	28.384	4
	-1%	8.539	17.169	25.708	(6)
Post-retirement mortality	-1 yr	7.919	16.621	24.539	(10)
Average retirement age	-1 yr	11.070	19.548	30.618	12

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 4% higher than that shown.

Long term service awards		
Balance at beginning of year	14,013,556	15,537,619
Current-service cost	1,813,650	1,489,958
Interest cost	1,126,312	1,146,306
Actuarial (gain) / loss	(2,230,149)	(1,966,620)
Employer benefit payments	(1,423,902)	(2,193,707)
	13,299,467	**14,013,556**

Employer benefit payments		
Value of long-service awards	13,086,284	13,775,349
Retirement gifts	213,183	238,207
	13,299,467	**14,013,556**

	2017 R	2016 R

19. Employee benefit obligations (continued)

Best estimate of benefits payments expected in next annual period 2017/2018 (comparatives are for 2016/2017)		
Opening accrued liability	13,299,467	14,013,556
Current service cost	1,687,032	1,813,650
Interest cost	1,037,468	1,126,312
Benefit vesting	(1,873,106)	(1,423,902)
Total annual expenses	-	-
	14,150,861	**15,529,616**

Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	209	506	715
Average annual salary	188 591	175 532	179 349
Salary-weighted average age	44.5	45.4	45.2
Salary-weighted average past service	10.8	8.4	9.1

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	4.0%	(5/250 + 2%) x annual salary
10	7.0%	(10/250 + 3%) x annual salary
15	10.0%	(15/250 + 4%) x annual salary
20	11.0%	(15/250 + 5%) x annual salary
25,30,35,40,45	12.0%	(15/250 + 6%) x annual salary

733 Employees benefit from this policy

Special leave pay

44 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

84 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

Key Financial assumptions

The table summarised the financial assumptions used.

Discount rates	8.38 %	8.46 %
General Salary Inflation (long term)	6.20 %	7.12 %
Net effective discount rate	2.05 %	1.25 %

19. Employee benefit obligations (continued)

The salaries used in the valuation include an assumed increase on 1 July 2016 of 7.12%.

The next salary increase was assumed to take place in July 2017.

Average retirement age		65	
Mortality during employment		SA 85-90	
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	18%	12%
	40	10%	8%
	50	4%	4%
	>55	2%	2%

Sensitivity analysis on the accrued liability (R Millions) Assumption	**Change**	**Liability**	**% change**
Central assumptions		13.299	
General salary inflation	+1%	14.101	6%
	-1%	12.573	-5%
Average retirement age	-2 yrs	12.088	-9%
	+2 yrs	14.417	8%
Withdrawal rates	-50%	15.231	54%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than that shown.

History of liabilities and assets

Liability History	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Accrued Liability	15 099 497	15 818 226	15 537 619	14 013 556	13 299 467

20. Landfill closure provision

Reconciliation of landfill closure provision - 2017

	Opening Balance	Reduction due to re-measurement	Total
Environmental rehabilitation	49,618,678	(17,767,740)	31,850,938

Reconciliation of landfill closure provision - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	44,894,029	4,724,649	49,618,678

Provision for landfill closure

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Mrs Sandra Mutangadura from One Pangaea Financial CC.Mrs Mutangadura is a professional engineer and a member of the South African Institute of Civil Engineers (SAICE).

Key financial assumptions used in this calculation were as follows:

Assumption	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
CPI	6.12%	6.12%	6.12%
Discount rate	9.42%	9.42%	9.42%
Net effective discount rate	3.11%	3.11%	3.11%

The 2017 amount of the discounted landfill closure provision of R31 884 642 represents a decrease of R17 767 740 over the provision of R49 618 678 in the previous financial year. Composition of this change relates to changes in the CPI, discount rate and unit costs.

The 2017 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2017. The size of the landfill sites used up until now and estimate remaining useful lives are as follows:

	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
Approximate size used until 30 June 2017	15.135 ha	1.273 ha	5.112 ha
Remaining useful lives	3 years	16 years	8 years

Notes to the Annual Financial Statements

	2017 R	2016 R

21. Service charges

	2017	2016
Sale of electricity	243,228,190	208,625,631
Sale of water	230,445,408	258,841,883
Sewerage and sanitation charges	22,055,895	19,713,892
Refuse removal	28,376,375	25,954,706
	524,105,868	**513,136,112**

	2017	2016
Forgone income (free portion)		
Electricity	(6,374,068)	(4,305,657)
Sewerage and sanitation	(7,983,760)	(7,418,032)
Refuse removal	(9,638,097)	(8,930,777)
Water	(25,349,662)	(10,823,581)
	(49,345,587)	**(31,478,047)**

22. Other income

	2017	2016
Billboards	376,759	446,376
Building plan fees	243,703	228,625
Cemetery fees	485,018	501,811
Clearance certificates	324,135	243,021
Entrance fees	1,022,961	1,183,310
Fire services rendered	449,307	420,626
Lost library books	1,518	2,037
Photo copies	19	106,368
Private telephone calls	238,077	241,223
Sundry income	3,953,536	386,894
Tender documents sold	180,419	720,597
	7,275,452	**4,480,888**

23. Investment revenue

	2017	2016
Dividend revenue		
Dividends	98,858	96,022
Interest revenue		
Interest received	2,107,597	2,701,815
	2,206,455	**2,797,837**

24. Property rates

Rates revenue

	2017	2016
Commercial	10,547,254	9,588,561
Heavy Industries	31,782,029	24,571,219
Residential	82,358,569	76,654,710
Small holdings and farms	10,123,827	9,402,652
State	11,015,323	10,114,060
Less: Income forgone	(16,846,733)	(15,885,707)
	128,980,269	**114,445,495**

	2017 R	2016 R

24. Property rates (continued)

Valuations

5 year: Tax Holiday	35,763	49,237
Churches	108,010	108,325
Commercial	912,839	911,515
Heavy/light industries	937,635	918,276
Municipal	437,691	438,089
Public Benefit Organisation/Service Infrastructure	51,834	51,088
Residential	8,044,044	7,971,142
Small holdings and farms	2,974,530	2,971,355
State	687,996	685,716
Allocated, unregistered stands	228,696	257,350
	14,419,038	**14,362,093**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 01 July 2018.

Rebates up to R35 000 (2016: R35 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment.

The following properties are exempted from property rates:
- Properties owed by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church
- Road reserves
- Railway reserves

Tariff structure (cents per Rand)		
Business	0.01590	0.01473
Industries	0.03978	0.03684
Residential	0.00794	0.00736
State-owned property	0.01590	0.01473
Farmland		
Residential	0.00397	0.00368
Business	0.00794	0.00736
Industries	0.01993	0.01845
Private owned towns, Body Corporate, Sectional Titles	0.00397	0.00368
Mining	0.01992	0.01845
Agricultural	0.00199	0.00185

25. Government grants and subsidies

Operating grants		
Energy Efficiency and Demand Side Management Grant	-	3,000,000
Equitable Share	125,968,334	115,423,000
Expanded Public Works Programme Integrated Grant	1,060,000	970,666
Financial Management Grant	1,625,000	1,600,000
Contribution COGTA	2,000,000	-
Municipal Systems Improvement Grant	-	930,000
Sector Education Training Authority Grant	516,899	986,976
	131,170,233	**122,910,642**

Capital grants		
Department of Energy Grant	16,956,125	29,000,084

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Department of Water Affairs Grant	9,249,776	7,429,632
Housing Development Agency	-	340,000
Municipal Infrastructure Grant	52,266,241	43,213,000
	78,472,142	**79,982,716**
	209,642,375	**202,893,358**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	81,674,041	87,470,358
Unconditional grants received	125,968,334	115,423,000
	207,642,375	**202,893,358**

Equitable Share

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

A Council Resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate 6kl water, and basic sewer per month to all households. Indigent households are allocated an additional 4kl of water (only in 2015/2016), 50 kWh of electricity, additional sewer, refuse, and R50 per month on Rates.

Municipal System Improvement Grant

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	**-**

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

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

Financial Management Grant

Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	-	**-**

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

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

	2017 R	2016 R

25. Government grants and subsidies (continued)

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	49,334	-
Current-year receipts	1,060,000	1,020,000
Conditions met - transferred to revenue	(1,060,000)	(970,666)
Funds withheld by National Treasury	(49,334)	-
Unspent at year end	-	(49,334)
	-	**-**

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

Appointment of workers on the Extended Public Works Program. The workers continue in July 2016 and were paid with the unspent remaining grant of 30 June 2016.

Municipal Infrastructure Grant

Current-year receipts	57,623,000	43,213,000
Conditions met - transferred to revenue	(52,266,241)	(43,213,000)
	5,356,759	**-**

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

Funds received for installation of infrastructure.

Department of Water Affairs Grant

Balance unspent at beginning of year	-	10,230
Current-year receipts	9,249,776	3,500,000
Conditions met - transferred to revenue	(9,249,776)	(3,510,230)
	-	**-**

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

The municipality received funds from the Department of Water Affairs for water purification.

Department of Energy Grant

Balance unspent at beginning of year	-	84
Current-year receipts	18,399,076	29,000,000
Conditions met - transferred to revenue	(16,956,125)	(29,000,084)
	1,442,951	**-**

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

Installation of electricity network and connections, Amelia, in the municipality's area, financed by the Department of Energy.

Department of Cooperative and Traditional Affairs

Balance unspent at beginning of year	704,984	704,984

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

Funds received for the installation of infrastructure.

	2017 R	2016 R

25. Government grants and subsidies (continued)

Department of Co-operative Government and Traditional Affairs

Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	-
	-	-

Grant from COGTA to pay a consultant that assisted the municipality.

Sector Education Training Authority Grant

Balance unspent at beginning of year	-	611,322
Current-year receipts	516,899	375,654
Conditions met - transferred to revenue	(516,899)	(986,976)
	-	-

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

The municipality received funds from Sector Education Training Authority for excellence performance by human resources division. The funds must be utilised towards training. In the previous year the process in appointing service providers to provide training was delayed.

Housing Development Agency

Current-year receipts	-	340,000
Conditions met - transferred to revenue	-	(340,000)
	-	-

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

Land was purchased and transferred into the name of the municipality in 2016 by the Housing Development Agency. The land is earmarked for the development of mainly residential stands.

Water Demand Management (Free State Province)

Balance unspent at beginning of year	79,057	-
Current-year receipts	-	3,998,459
Conditions met - transferred to revenue	-	(3,919,402)
	79,057	**79,057**

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

Grant from Free State Province to assist with water demand management.

Energy Efficiency and Demand Side Grant

Current-year receipts	-	3,000,000
Conditions met - transferred to revenue	-	(3,000,000)
	-	-

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

Grant from National Treasury to assist with electricity maintenance.

	2017 R	2016 R

25. Government grants and subsidies

(continued) Changes in level of government

grants

Based on the allocations set out in the Division of Revenue Act, (Act 53 of 2000), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Public contributions and donations

Department of Sport, Arts and Culture (Library)	1,750,750	2,000,000
Rejuvenation	6,081,666	14,727,779
Public contributions and donations	2,582,537	2,015
	10,414,953	**16,729,794**

Reconciliation of conditional contributions		
Current-year receipts	10,414,953	16,729,794
Conditions met - transferred to revenue	(10,414,953)	(16,729,794)
	-	-

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

The funds transferred to current year were received from the Provincial Department of Sport, Arts and Culture for the payment of salaries for library staff. The following were donated in the 2016/2017 financial year: Computers were donated by SASOL to Financial Services (R 88 175). Two mobile maintenance units were donated by SASOL to Technical Services R 1 413 271). A new financial system was sponsored by SASOL (R 4 974 855). A creche in Refengkgotso was donated by Mission Point Trading 41 Pty (Ltd) and S.Bothma & son transport Pty (Ltd) (R2 187 901).

The following were donated in the 2015/2016 financial year: A printer was donated by Millennium Pumps Pty (Ltd) to Technical Services (R1 314). Electrical network installed in Chem City (R 8 104 389) and Naledi (R 5 071 957) by SASOL Rejuvenation. Electricity installed in Zamdela Extension 17 (R 1 551 434) by MDV Developments. Land to the value for R 700 donated by private developers.

27. Employee related costs

Basic	140,394,437	134,760,764
13th Cheques and other bonuses	11,268,350	10,021,761
Contribution post retirement	1,343,121	1,369,378
Defined contribution plans	23,253,762	22,784,069
Group Insurance	216,260	199,941
Housing benefits and allowances	1,095,215	974,329
Industrial council levy contributions	70,395	56,724
Leave pay accrual	2,506,604	1,497,640
Leave pay provision	1,860,491	2,991,946
Long-service awards	1,516,060	442,557
Medical aid - company contributions	16,027,543	13,855,637
Overtime payments	15,032,871	13,038,301
Standby allowance	3,046,334	2,449,676
Transport allowance	15,040,854	16,070,510
UIF	1,262,218	1,171,950
Other	1,027,556	2,400
	234,962,071	**221,687,583**

	2017 R	2016 R

27. Employee related costs (continued)

Remuneration of S M Molala - Municipal Manager

	2017 R	2016 R
Annual remuneration	1,674,635	1,579,846
Car allowance	240,000	240,000
Performance bonuses	-	80,130
Contributions to UIF, medical and pension funds	1,785	-
Travel, motor car, accommodations, subsistence and other allowances	2,396	3,679
Telephone allowance	36,000	36,000
	1,954,816	**1,939,655**

Remuneration of A Lambat - Chief Financial Officer

	2017 R	2016 R
Annual remuneration	1,781,362	1,680,531
Car allowance	24,000	24,000
Performance bonuses	-	68,926
Contributions to UIF, medical and pension funds	1,785	-
Travel, motor car, accommodations, subsistence and other allowances	8,482	4,897
Telephone allowance	30,000	30,000
	1,845,629	**1,808,354**

Remuneration of I S Mokgatle - Director Technical Service and Infrastructural Services

	2017 R	2016 R
Annual remuneration	1,049,149	989,763
Car allowance	409,290	409,291
Contributions to UIF, medical and pension funds	1,785	-
Telephone allowance	30,000	30,000
	1,490,224	**1,429,054**

Remuneration of M L M Maseola - Director Organisational Development and Corporate Services

	2017 R	2016 R
Annual remuneration	1,289,402	1,216,417
Car allowance	120,000	120,000
Performance bonuses	-	64,104
Contributions to UIF, medical and pension funds	1,785	-
Housing subsidy	120,000	120,000
Telephone allowance	30,000	30,000
Other	-	5,614
	1,561,187	**1,556,135**

Remuneration of S J Lempe - Director Social Services

	2017 R	2016 R
Annual remuneration	1,206,064	1,137,797
Car allowance	190,000	190,000
Performance bonuses	-	64,104
Contributions to UIF, medical and pensionfunds	1,785	-
Housing subsidy	120,000	120,000
Transport claims	2,702	335
Telephone allowance	30,000	30,000
Acting allowance as Municipal Manager	13,870	19,450
	1,564,421	**1,561,686**

	2017 R	2016 R

27. Employee related costs (continued)

Remuneration of S J Monyaki - Director Economic Development

Annual remuneration	1,138,012	1,073,597
Car allowance	270,000	270,000
Performance Bonuses	-	64,104
Contributions to UIF, medical and pension funds	1,785	-
Housing subsidy	100,000	100,000
Transport claims	8,766	3,166
Telephone allowance	30,000	30,000
Acting allowance as Municipal Manager	53,662	24,300
	1,602,225	**1,565,167**

Total Employee related cost	244,980,573	231,547,634

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

28. Remuneration of Councillors

	2017 R	2016 R
Executive Mayor	793,561	807,929
Council Whip	596,338	570,843
Mayoral Committee Members	4,758,856	4,889,311
Speaker	640,449	650,514
Councillors	8,967,929	8,328,336
	15,757,133	**15,246,933**

Remuneration per councillor

	2017 R	2016 R
Executive Mayor		
Mahlaku BT (till 9 August 2016)	87,569	807,929
Hlasa R S (since 22 August 2016)	705,992	-
Council Whip		
Soetsang TL (Till 31 October 2015)	-	205,146
Makhoba KJ (Council Whip from 25 November 2015	65,806	365,696
Radebe LW (Council Whip since 22 August 2016)	530,532	-
Mayoral Committee Members		
Khonto MW (till 9 August 2016)	65,806	611,164
Kubheka NJ (till 9 August 2016)	65,806	611,164
Mabasa KT (till 9 August 2016 and 23 February 2017 to 30 June 2017)	279,981	611,164
Mabefu RJ (till 9 August 2016)	65,806	611,164
Makhoba KJ (Council Whip from 25 November 2015)	-	245,467
Radebe AN (till 9 August 2016)	65,806	611,164
Semonyo LS (till 9 August 2016)	65,806	611,164
Tshongwe SL (till 9 August 2016)	65,806	611,164
Mtshali NM (MAYCO member 25 November 2015 till 9 August 2016 and 4 March 2017 to 30 June 2017)	265,675	365,696
Mofokeng TH (22 August 2016 to 22 February 2017)	314,314	-
Mothibe MB (22 August 2016 to 22 February 2017)	314,314	-
Mohapi P (22 August 2016 to 22 February 2017)	314,314	-
Gaigher L (22 August 2016 to 22 February 2017)	314,314	-
Motlhale SM (22 August 2016 to 22 February 2017)	314,314	-
Grobbelaar JJ (22 August 2016 to 22 February 2017)	314,314	-
Mthembu S (22 August 2016 to 30 June 2017)	530,532	-
Burger GS (from 10 August 2016 MAYCO member 22 August 2016 to 3 March 2017)	331,072	-
Mosia TE (23 February 2017 to 30 June 2017)	214,175	-
Mosokweni F (23 February 2017 to 30 June 2017)	214,175	-
Fisher L 23 February 2017 to 30 June 2017)	214,175	-
Mokoena NP (23 February 2017 to 30 June 2017)	214,175	-
Radebe TL (23 February 2017 to 30 June 2017)	214,175	-
Speaker		
Matena SZ (Speaker till 9 August 2016)	70,673	650,515
Du Plooy (Speaker since 22 August 2016)	569,776	-
Councillors		
Chebase LR (till 9 August 2016)	28,881	255,306
Coetzer FC (till 9 August 2016)	28,881	258,104
Du Plessis J (till 9 August 2016)	28,881	258,104
Du Toit T	270,331	258,104
Geyser JJ	270,331	258,104
Grobbelaar JJ (MAYCO member 22 August 2016 to 22 February 2017)	131,488	258,104
Khonto MW (MAYCO member till 9 August 2016 resigned as Councillor 8 December 2016)	89,871	-
Kubheka NJ (MAYCO member Committee till 9 August 2016)	241,450	-
Khunou SB (till 9 August 2016)	28,881	258,104
Lelahla JM (till 9 August 2016)	28,881	258,104

28. Remuneration of Councillors (continued)

	2017 R	2016 R
Mabasa KT(MAYCO member till 9 August 2016 and from 23 February 2017 to 30 June 2017)	146,556	-
Machafa MF (till 9 August 2016)	28,881	258,104
Mahlangu PJ (till 9 August 2016)	28,881	258,104
Mare AK	270,331	258,104
Maseko VJ (till 9 August 2016)	28,881	258,104
Mdola NL (till 9 August 2016)	28,881	258,104
Nnune MS	270,331	258,104
Mofokeng SS (till 9 August 2016)	28,881	258,104
Mofokeng TJ (till 9 August 2016)	28,881	258,104
Mokoena DE (till 9 August 2016)	28,881	258,104
Moolman HJ (till 9 August 2016)	28,881	258,104
Moreki S (till 9 August 2016)	28,881	258,104
Mosia MM (till 9 August 2016)	28,881	258,104
Mosia TE (Chairperson MPAC till 9 August 2016 and MAYCO member from 23 February 2017 to 30 June 2017)	210,503	571,810
Mtshali NM (MAYCO member 25 November 2015 till 9 August 2016 and from 4 March 2017 to 30 June 2017)	154,987	103,665
Nthebe MD (till 9 August 2016)	28,881	258,104
Ntoane MG (till 9 August 2016)	28,881	258,104
Oswald DM (till 9 August 2016)	28,881	258,104
Poho MS (till 9 August 2016)	28,881	258,104
Rampala AM (till 9 August 2016)	28,881	258,104
Sejaki MN (till 9 August 2016)	28,881	258,104
Soetsang TL (Council Whip till 31 October 2015; (till 9 August 2016)	28,881	170,643
Tamane MA (till 9 August2016)	28,881	258,104
Van der Walt MC (till 9 August2016)	28,881	258,104
Viljoen JD	270,331	258,104
Mahlaku BT (Executive Mayor till 3 August 2017)	241,450	-
Hlasa R S (Executive Mayor since 22 August 2016)	8,610	-
Radebe LW (Council Whip since 22 August 2016)	8,610	-
Matena SZ (Speaker till 3 August 2016)	241,450	-
Du Plooy (Speaker since 22 August 2016)	8,610	-
Burger GS (from 10 August 2016 MAYCO member 22 August 2016 to 3 March 2017)	97,405	-
Dywili NN (from 10 August 2016)	241,450	-
Fisher L (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-
Gaigher L (from 10 August 2016 and MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Gouws EJ (from 10 August 2016)	241,450	-
Kobo SS (from 10 August 2016)	241,450	-
Madia RM (from 10 August 2016)	241,450	-
Majadibodu KC (from 10 August 2016)	241,450	-
Makhata L (from 10 August 2016)	241,450	-
Makhefu L (from 1 February 2017)	112,115	-
Mofokeng D (from 10 August 2016)	241,450	-
Mokoena MP (from 10 August 2016)	241,450	-
Mokoena NP (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-
Mohapi P (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Molawa M (from 10 August 2016)	241,450	-
Motaung TA (from 10 August 2016) MPAC chairperson from 28 September 2016	491,654	-
Mofokeng TH (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Mosokweni F (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-

	2017 R	2016 R
28. Remuneration of Councillors (continued)		
Motlhale SM (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102,607	-
Mothibe MB (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017 ;Resigned February 2017)	8,610	-
Motjeane S (from 10 August 2016) Ethics chairperson from 28 September 2016)	491,654	-
Mthembu S (from 10 August 2016 MAYCO member 22 August 2016 to 30 June 2017)	8,610	-
November N (from 10 August 2016)	241,450	-
Nteso SJ (from 10 August 2016)	241,450	-
Radebe TL (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146,556	-
Telane MM (from 10 August 2016)	241,450	-
Tsotetsi L (from 10 August 2016)	241,450	-
Zwane ZJ (from 23 February 2017)	93,996	-
	15,757,133	**15,246,933**

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.

29. Depreciation and amortisation

	2017	2016
Intangible assets	121,196	127,551
Investment property	24,950	25,791
Property, plant and equipment	39,190,098	42,777,074
	39,336,244	**42,930,416**

30. Finance costs

	2017	2016
Finance leases	1,243,172	43,910
Current borrowings	475,475	579,416
Other interest paid	1,456,772	368,041
	3,175,419	**991,367**

31. Debt impairment

	2017	2016
Contributions to debt impairment provision	140,049,611	127,167,185
Receivables from exchange transactions	119,384,074	91,916,543
Receivables from non-exchange transactions	20,665,537	35,799,878
	140,049,611	**127,716,421**

32. Bulk purchases

	2017	2016
Electricity	202,158,748	187,906,291
Water	122,703,126	129,932,071
	324,861,874	**317,838,362**

	2017 R	2016 R

32. Bulk purchases (continued)

2017	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	203,883,464	212,558,246	(8,674,782)	(4)%	6,741,619
Water	13,352,412	18,188,555	(4,836,143)	(27)%	36,578,138
	217,235,876	**230,746,801**	**(13,510,925)**		**43,319,757**

2016	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	207,819,924	215,018,959	(7,199,035)	(3)%	5,597,825
Water	16,926,683	20,197,587	(3,270,901)	(16)%	22,108,523
	224,746,607	**235,216,546**	**(10,469,936)**		**27,706,348**

Unaccounted consumption can be a result of:

- Distributions losses;
- Internal use that is not metered and not read;
- Illegal connections and theft.
- Supply to informal areas that have not yet been formalised.

33. Contracted services

	2017	2016
Specialist services	14,220,430	14,291,285
Other Contractors	17,163,609	16,684,891
	31,384,039	**30,976,176**

	2017	2016
Specialist services		
Security services	14,220,430	14,291,285

	2017	2016
Other Contractors		
Cash security	354,258	336,834
Cleaning services	2,631,265	2,198,364
Delivery of summonses/traffic fines	1,501,971	1,777,436
Disconnection and re-connection of services	1,309,619	531,190
Easy pay commission	914,246	668,968
Electricity pre-paid service	7,573,791	7,197,983
Printing services	2,878,459	3,974,116
	17,163,609	**16,684,891**

Notes to the Annual Financial Statements

34. General expenses

	2017 R	2016 R
Advertising	821,794	896,179
Auditors remuneration	6,326,106	4,741,151
Bank charges	466,655	339,111
Bursaries	185,239	2,610,763
Cleaning	304,223	159,715
Computer expenses	5,035,014	4,673,736
Conferences and seminars	860,920	1,163,943
Connection charges	1,116,928	92,157
Consulting and professional fees	16,188,767	19,105,503
Entertainment	135,840	355,975
Fuel and oil	5,665,167	5,687,522
Insurance	2,437,481	1,764,831
Magazines, books and periodicals	40,308	27,090
Marketing	66,000	476,370
Medical expenses	73,350	53,223
Other expenses	599,838	1,365,819
Pest control	43,244	22,518
Postage and courier	1,667,763	1,708,987
Printing and stationery	519,507	672,992
Promotions	7,660	9,974
Public programmes	886,544	4,075,163
Rental of equipment	5,930,446	5,602,428
Royalties and license fees	379,801	361,693
Seed, trees, shrubs and topdressing	-	1,171
Sewer treatment	16,800,035	14,963,955
Skill Development Levy	2,001,366	1,895,793
Stocks and materials	1,103,617	3,963,886
Subscriptions and membership fees	2,365,318	2,325,868
Telephone	2,254,651	2,112,886
Title deed search fees and valuation cost	111,884	250,442
Training	1,456,180	1,392,475
Training LG SETA	-	111,924
Travel - local	706,556	1,246,774
Uniforms	1,228,637	921,752
	77,786,839	**85,153,769**

	2017 R	2016 R

35. Cash generated from operations

	2017	2016
Surplus	61,756,862	36,078,173
Adjustments for:		
Depreciation and amortisation	39,336,244	42,930,416
Loss/(gain) on sale of inventory	19,020	(409,049)
Fair value adjustment on stands	-	(6,491,043)
Loss/(gain) on inventory stands	471,000	-
Fair value adjustments	(1,419,971)	(4,185,156)
Loss on the write off/transfer of property, plant and equipment	1,190,807	231,524
Fair value shares	(204,724)	275,732
Housing Development Agency - land	-	(340,000)
PPE and intangible assets donated	(8,664,203)	(14,730,494)
Debt impairment	140,049,611	127,167,185
Movements in operating lease assets and accruals	456,244	683,858
Movements in retirement benefit assets and liabilities	2,859,181	1,811,935
Movements in land fill closure provisions	(17,767,740)	4,724,649
Current leave and bonus accrual	10,767,579	2,991,947
Changes in working capital:		
Inventories	(232,437)	(27,401)
Receivables from non - exchange transactions	(35,112,708)	(36,219,574)
Receivables from exchange transactions	(113,675,644)	(114,249,540)
Payables from exchange transactions	(3,374,019)	30,248,235
VAT	(4,681,521)	5,486,411
Unspent conditional grants and receipts	6,750,376	(493,245)
Consumer deposits	1,432,203	1,781,137
	79,956,160	**77,265,700**

36. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	2,987,863	-	2,987,863
Other financial assets - Investment	-	30,641	30,641
Receivables from non - exchange transactions	-	77,930,642	77,930,642
Receivables from exchange transactions	-	142,215,392	142,215,392
Cash and cash equivalents	-	12,627,595	12,627,595
	2,987,863	**232,804,270**	**235,792,133**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	2,727,836	2,727,836
Payables from exchange transactions	221,585,738	221,585,738
Consumer deposits	19,459,196	19,459,196
Unspent conditional grants	7,583,751	7,583,751
Short term portion - long term loan	1,379,692	1,379,692
Long term loan	3,136,825	3,136,825
	255,873,038	**255,873,038**

	2017 R	2016 R

36. Financial instruments disclosure (continued)

2016

Financial assets

	At fair value	At amortised cost	Total
Receivables from non - exchange transactions	-	63,483,471	63,483,471
Receivables from exchange transactions	-	147,923,826	147,923,826
Cash and cash equivalents	-	15,178,853	15,178,853
Other financial assets	2,783,139	-	2,783,139
Other financial assets - Unit Trust	1,303,696	-	1,303,696
Other financial assets - Investment	-	30,641	30,641
	4,086,835	**226,616,791**	**230,703,626**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	214,192,180	214,192,180
Short term portion - long term loan	1,267,234	1,267,234
Long term loan	4,516,517	4,516,517
Consumer deposits	18,026,993	18,026,993
Unspent conditional grant	833,375	833,375
Finance lease obligation	9,230,215	9,230,215
	248,066,514	**248,066,514**

37. Commitments

Authorised capital expenditure

	2017 R	2016 R
Already contracted for but not provided for		
• Property, plant and equipment	176,811,123	95,240,654
Total capital commitments		
Already contracted for but not provided for	176,811,123	95,240,654

Authorised operational expenditure

	2017 R	2016 R
Already contracted for but not provided for		
• Expenditure	10,123,807	33,565,881
Total operational commitments		
Already contracted for but not provided for	10,123,807	33,565,881

Total commitments

	2017 R	2016 R
Total commitments		
Authorised capital expenditure	176,811,123	95,240,654
Authorised operational expenditure	10,123,807	33,565,881
	186,934,930	**128,806,535**

This committed expenditure relates to contracts and will be financed by available bank facilities, accumulated surpluses, existing cash resources and funds internally generated.

	2017 R	2016 R

38. Contingencies

	2017 R	2016 R
Housing loans		
Guarantees for housing loans to employees at financial institutions	30,161	30,161
Leabea and Associates (Employee related matters)		
Roux JJ (re-instatement)	-	3,000,000
Klauman - Moller (re-instatement)	-	4,000,000
Kriel HJ (re-instatement)	-	3,000,000
Various attorneys		
Ukwazi Force CC / Metsimaholo Municipality	6,500,000	-
Nkadimeng & Mofokeng / Metsimaholo Municipality	100,000	-
Steven Murray & Associates	41,034	-
SAMRO NPC / Metsimaholo Municipality	714,957	-
Edge Forensic and Risk Consultants / Metsimaholo Municpality	1,899,704	-
J M Fusstenburg / Metsimaholo Municipality	19,680	-
A.G.A Transport Co (Pty)Ltd	45,435	-
C van Wynsgaard/Metsimaholo Municipality	9,124	-
Ndobela Attorneys		
Labour Matters	-	180,000
Metsimaholo Municipality / Human CW	-	44,474
Heading		
Mkwanazi Melato Inc		
Metsimaholo Municipality / I A van der Walt	58,000	47,265
Metsimaholo Municipality / A Maredi	-	27,256
Metsimaholo Municipality / J Schoultz	58,365	58,365
Metsimaholo Municipality / S Maboe	-	190,000
Metsimaholo Municipality / Mpembe	-	44,377
Dreyer Albertus JP /Metsimaholo Municipality	5,713,000	-
Metsimaholo Municipality / Mohlakane	-	57,816
Metsimaholo Municipality / Manoto	-	65,159
Metsimaholo Municipality / Elite Tent	-	68,578
Metsimaholo Municipality / Mbongo	-	46,950
Metsimaholo Municipality / Saaiman R	100,000	100,000
Metsimaholo Municipality / Fouche Quinton	13,930	18,000
Metsimaholo Municipality / Vaal Panelbeaters	-	35,000
Ponoane Attorneys		
L Lehani / Metsimaholo Local Municipality (settled in 2014/2015)	400,000	233,368
Erwee Andries / Metsimaholo Local Municipality	38,645	38,645
Adolff Attorneys		
Metsimaholo Municipality / Van der Vyver C	13,186	13,186
Metsimaholo Municipality / Van Zyl J	12,135	12,135
Metsimaholo Municipality / Calitz ACJ	11,182	111,182
Internal Legal Division		
Ward PD / Metsimaholo Local Municipality	-	3,686
Rhani DV / Metsimaholo Local Municipality	-	4,515
Vosloo A / Metsimaholo Local Municipality	-	1,443
Aztek Furnance and MEC SUP CC / Metsimaholo Local Municipality	-	38,399
Le Roux JM / Metsimaholo Local Municipality	18,937	18,937
Loots SJH / Metsimaholo Local Municipality	-	35,000
Trauernicht M / Metsimaholo Local Municipality	-	16,184
Mokoena L / Metsimaholo Local Municipality	-	12,639
Mokoena L / Metsimaholo Local Municipality	-	4,321
Coertze J / Metsimaholo Local Municipality	-	15,929
Pretorius IEM / Metsimaholo Local Municipality	-	2,835
Pretorius IEM / Metsimaholo Local Municipality	-	75,000
IMATU obo Van Rooyen F Labour dispute	-	75,000
	15,797,475	**11,725,805**

Unlicensed landfill site

	2017 R	2016 R

38. Contingencies (continued)

The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community

39. Related parties

Relationships	
Phepheng Lelahla JM	Grey Construction (Civil & Mechanical)
Nthebe MD	Alaska One Enterprise (Pty) Ltd
Maseko VJ	Living Fountains (Church)
Grobbelaar JJ	In his footprints (Non-profitable Charity organisation)
	Tuso Hunges (Non-profitable Charity organisation)
Soetsang T L	Nyakaza Mfazi Primary co-operative limited
Mofokeng TJ	Asazi funeral parlour
	Asazi Inn
Mosia TE	Soxi Electronics and IT Centre
Mahlangu PJ	Kgutlo Thako Funeral Services
Radebe AN	Maitshokolla Cooperative
Makhoba KJ	Paballo Ya Bomme
Du Plessis J	SanJohan private trust (trustee)
Viljoen JD	Principal of Vaalpark Primary School
Mabefu RJ	Directorship: Skyho Sands
Mosokweni F	Sibusisiwe (Pty) (Ltd) Construction
Molala SM	Afriscapes CC (Capacity building)
Maseola M	Khumase CC (Construction and transport)
	Wealthpros(General Trading)
Monyaki SJ	Raleoa Trading cc (Tourism retail)
	Bold Moves 198 Pty (Ltd) (Properties, tourism, retail)
Lambat A	New Redruth Motors CC
	Roshgold Investment Holdings Limited
	Roshgold Technologies Limited
	Roshgold Ventures Limited
	Roshmeadow Properties Limited
	Top Share Equities (Pty) Ltd
	Directorship: Albaraka Bank Limited
Post employment benefit plan for employees	Refer to note 19
Members of key management	Refer to note 27
Executive Council Members	Refer to note 28

40. Prior period errors

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

40. Prior period errors (continued)

Statement of financial performance Revenue	Balance as previously reported	Prior period error	Reclassified (note 42)	Total
Service charges	513,136,112	-	-	513,136,112
Levies refuse dump yard	825,555	-	-	825,555
Rental of facilities and equipment	4,641,920	-	-	4,641,920
Interest received - trading	16,449,002	-	-	16,449,002
Interest received - investments	2,701,815	-	-	2,701,815
Dividends	96,022	-	-	96,022
Non- payment fees	5,202,473	-	-	5,202,473
Licence and permits	159,061	-	-	159,061
Fines	18,506,723	(832,175)	-	17,674,548
Connection fees	2,338,908	-	-	2,338,908
Property rates	114,445,495	-	-	114,445,495
Government grants and subsidies	202,893,358	-	-	202,893,358
Public contributions and donations	16,729,794	-	-	16,729,794
Other income	4,480,888	-	-	4,480,888
Income legal cost	4,464,527	-	-	4,464,527
	907,071,653	**(832,175)**	**-**	**906,239,478**
Expenses				
Employee related cost	(230,381,663)	(1,165,971)	-	(231,547,634)
Remuneration of councillors	(15,246,933)	-	-	(15,246,933)
Depreciation and amortisation	(42,930,416)	-	-	(42,930,416)
Debt Impairment	(127,716,421)	549,236	-	(127,167,185)
Finance cost	(991,347)	(20)	-	(991,367)
Repairs and maintenance	(18,941,729)	(1,508,418)	-	(20,450,147)
Bulk purchases	(317,736,666)	(101,696)	-	(317,838,362)
Contracted services	(30,976,176)	-	-	(30,976,176)
General expenses	(91,592,672)	1,714,254	4,724,649	(85,153,769)
Operating Lease	(3,712,648)	-	-	(3,712,648)
Rehabilitation of landfill sites	-	-	(4,724,649)	(4,724,649)
	(880,226,671)	**(512,615)**	**-**	**(880,739,286)**
Gain/loss on disposal of assets	(1,657,070)	-	-	(1,657,070)
Fair value adjustments on stands	6,491,043	-	-	6,491,043
Actuarial gain / (loss)	4,185,156	-	-	4,185,156
Sale of stands (Loss on sale)	1,425,535	-	-	1,425,535
Gain on inventory	409,049	-	-	409,049
Fair value of listed equities	(275,732)	-	-	(275,732)
	10,577,981	**-**	**-**	**10,577,981**

Statement of financial position Current assets	Balance as previously reported	Prior period error	Reclassification (note 42)	Total
Inventory	15,318,465	-	-	15,318,465
Receivables from exchange transactions	147,954,077	(30,251)	-	147,923,826
Receivables from non-exchange transactions	64,171,138	(687,666)	-	63,483,472
Cash and cash equivalents	14,345,478	-	833,375	15,178,853
Other financial assets	4,950,851	-	(833,375)	4,117,476
	246,740,009	**(717,917)**	**-**	**246,022,092**

40. Prior period errors (continued)

Non-current assets				
Investment property	86,389,336	-	-	86,389,336
Property, plant and equipment	1,147,458,435	-	-	1,147,458,435
Intangible assets	317,626	-	-	317,626
Heritage assets	561,001	-	-	561,001
	1,234,726,398	**-**	**-**	**1,234,726,398**
Current liabilities				
Operating lease liabilities	1,883,504	-	-	1,883,504
Finance lease liability	1,375,608	-	-	1,375,608
Payables from exchange transactions	214,673,543	(481,363)	-	214,192,180
VAT payable	10,915,968	-	-	10,915,968
Consumer deposits	18,026,993	-	-	18,026,993
Unspent conditional grants	833,375	-	-	833,375
Short term portion -Long term loan	1,267,234	-	-	1,267,234
	248,976,225	**(481,363)**	**-**	**248,494,862**
Non-current liabilities				
Long term loan	4,516,517	-	-	4,516,517
Finance lease obligation	7,854,607	-	-	7,854,607
Employee benefit obligations	39,153,834	-	-	39,153,834
Landfill closure provision	49,618,678	-	-	49,618,678
	101,143,636	**-**	**-**	**101,143,636**
Net assets				
Accumulated surplus - opening balance	1,093,923,583	1,108,235	-	1,095,031,818

1. Expenses not accrued in prior years

Some general expenses finance cost and repairs and maintenance were incorrectly accrued in 2014/2015 and 2015/2016 years. These have been corrected and the 2014/2015 amounts restated accordingly.

Statement of financial position		
Adjustment against the opening accumulated surplus 1 July 2015	-	(489,735)
Decrease in payables	-	1,129,399
Decrease in receivables from non - exchange transactions	-	(433,848)
	-	**205,816**

Statement of financial performance		
Decrease in general expenditure	-	(1,714,254)
Increase in repairs and maintenance	-	1,508,418
Increase in finance cost	-	20
	-	**(205,816)**

2. Revenue unallocated in the prior years

Write off votes of sundry income prior 2014/2015 year. These have been corrected and the 2014/2015 amounts restated accordingly.

40. Prior period errors (continued)

Statement of financial position		
Adjustment against the opening accumulated surplus 1 July 2015	-	(670,596)
Decrease in payables from exchange transactions	-	670,596
	-	**-**

3. Adjustment of traffic fine and impairment for 2015/2016 year.

Traffic fines debtors were corrected in 2015/2016 financial year. These have been corrected and restated in 2015/2016 year accordingly.

Statement of financial position		
Decrease in receivables from non - exchange transactions	-	(282,939)

Statement of financial performance		
Decrease of traffic fines	-	832,175
Decrease in provision for bad debts	-	(549,236)
	-	**282,939**

4. Adjustment of employee cost

Salaries adjustments and provision for payment to Commissioner were made for the 2015/2016 year and prior 2014/2015. These have been corrected and restated accordingly.

Statement of financial position		
Adjustment against the opening accumulated surplus 1 July 2015	-	10,390
Increase in payables	-	(1,205,481)
Increase in receivables from non exchange transactions	-	29,121
	-	**(1,165,970)**

Statement of financial performance		
Increase in employee cost	-	1,165,970

5. Bulk purchase correction

Bulk purchase have been corrected for 2015/2016 year and prior 2014/2015 year. These have been corrected and the years have been restated accordingly.

Statement of financial position		
Adjustment against the opening accumulated surplus 1 July 2015	-	11,455
Increase in payables	-	(113,150)
	-	**(101,695)**

Statement of financial performance		
Increase in Bulk purchase	-	101,695

6.Service charges adjusted

It was identified that electricity billing be adjusted in 2014/2015 financial year. These have been corrected and the 2014/2015 electricity debtor restated accordingly.

40. Prior period errors (continued)

Statement of financial position		
Adjustment against the opening accumulated surplus 1 July 2015	-	30,250
Decrease in receivables from exchange transactions	-	(30,250)
	-	**-**

7. Deviations and Irregular expenditure
Deviations were adjusted from R17 141 704 to R12 611 530 for expenditure items that were previous included incorrectly.

41. Change in estimate

Property, plant and equipment

No changes in 2016/2017 financial year that related to previous years. The useful lives of some of the assets where amended during the financial year.

The change in the estimate of the useful lives were done after investigation that found that the assets are still in good condition and can be at least used for further two years. The difference in the depreciation for the current year is R16 871 078

42. Comparative figures

Certain comparative figures have been reclassified.

Investments were re-classified from other financial assets to cash and cash equivalents.
Rehabilitation cost for landfill sites have been re-classified from general expenditure to a separate disclosure on the Statement of Performance]

The effects of the reclassification are set out in note 40.

Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Other financial assets	4,950,851	(833,375)	4,117,476
Cash and cash equivalents	14,345,478	833,375	15,178,853
Total	**19,296,329**	**-**	**19,296,329**

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
General expenditure (Provision for rehabilitation of landfill sites)	(89,878,418)	4,724,649	(85,153,769)
Rehabilitation of landfill sites	-	(4,724,649)	(4,724,649)
Total	**(89,878,418)**	**-**	**(89,878,418)**

43. Risk management

financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	19,459,196	-	-	-
Finance lease obligation	2,727,836	-	9,637,580	-
Payables from exchange transactions	221,585,738	-	-	-
Other financial liabilities	1,379,692	-	3,136,825	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	18,026,993	-	-	-
Finance lease obligation	1,375,608	-	7,854,607	-
Other financial liabilities	1,267,234	-	4,516,517	-
Payables from exchange transactions	214,192,180	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial instrument	2017	2016
Receivables from exchange transactions	155,586,040	147,923,826
Receivables from non-exchange transactions	73,714,833	63,483,471
Cash and cash equivalents	12,627,595	15,178,853
Other financial assets - short term	3,018,504	4,117,476

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.

43. Risk management

(continued) Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

44. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had an accumulated surplus of R 1,192,866,850 (2016: R 1 131,692 151) and that the municipality's total assets exceeded its liabilities by R 1,192,866,850 (2016: R1,131,692,151). Current liabilites exceeded current assets by R 1 239 713 (2016 Current Liabilities exceed current assets by R 1 890 611).

The municipality has experienced some financial difficulties,as indicated below:

- not all suppliers were not paid within the legislative 30 days
- The gross debtors book has grown from R 839 535 116 to R 974 803 552 at June 2017.The debt impairment provision has increased for the year by R 123 396 912 compared to R98 406 721 for the previous year. This is indicative of challenges in reducing the debtors book, requiring more stringent debt collection measures.;
- The average payment level for the year was 78.9% compared to a budgeted collection level of 82
- The municipality also faced challenges in meeting the munimum maintenance of Property Plant and Equipment as precsribed by National Treasury

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is the continued funding of capital expenditure through MIG, increased allocations of equitable share , including revenue enhancement and cost cutting and cost containment measures .

45. Events after the reporting date

The Executive Council of the Free State has, in terms of Section 139(4) of the Constitution dissolved the Metsimaholo Municipal Council with effect from 1 July 2017. The Administrator was appointed and has since assumed the functions of the municipal council till the new council is declared elected. It is anticipated that by-elections will be held within a period of 90 days as prescribe by section 25 of the Municipal Structures Act, 1998 unless the Independent Electoral Commission (IEC) is permitted by the Electoral Court to hold such elections outside the prescribed period.

No events took place after the reporting date.

46. Unauthorised expenditure

Opening balance	19,380,908	77,901,967
Incurred during the current year	-	19,367,544
Condoned by Council November 2015	-	(25,983,230)
Condoned by Council May 2016	-	(51,905,373)
	19,380,908	**19,380,908**

Nothing noted for 2016/2017 financial year.

Details of unauthorised expenditure - prior year

Financial services Budget: R38 011 420 Actual expenditure: R57 378 964	-	19,367,544

47. Fruitless and wasteful expenditure

Opening balance	2,890,282	12,747,980
Incurred in the current year	900,027	158,840
Written off Council meeting October 2015	-	(6,225,775)
Written off Council November 2015	-	(3,790,763)
	3,790,309	**2,890,282**

Analysis of expenditure

Telkom- payment of telephone accounts.Interest charged on the late payment of accounts	11,089	18,233
Sheriff Sasolburg - payment of interest	97,069	2,288
Compensation Commissioner	82,231	-
Auditor General - interest on late payment	161,554	5,932
Rand Water - interest on the late payment of water account	238,242	5
ESKOM - interest paid on the late payments of electricity accounts	285,670	121,959
Free State Provincial Government - late payment of licence fees	18,973	7,301
Standard Bank Financing - interest on late payment	4,624	-
SAICE - interest on late payment	-	361
SARS late submission of EMP501	-	1,654
SARS late submission of EMP501	-	1,107
SARS -interest on VAT	575	-
	900,027	**158,840**

48. Irregular expenditure

Opening balance	227,253,976	228,943,576
Add: Irregular expenditure - current year	18,302,949	25,703,162
Less: Amounts written off Council Resolution June 2016	-	(27,392,762)
Add: Restatement of 2015/2016 prior year irregular	1,697,619	-
Less: Investigated and found not to be irregular in 2015/2016	(5,582,425)	-
	241,672,119	**227,253,976**

Analysis of expenditure awaiting condonation per age classification

Unauthorised sole supplier	2,021,090	3,623,241
Tax clearance not submitted	1,304,727	335,119
Supplier not on the accredited prospective providers list and the listing requirements not met	256,592	165,866
Supplier did not submit declarations of interest	-	42,560
Not submitting the minimum quotations for acquiring goods and services	3,822,535	480,308
No supporting documentation (payment vouchers and/or tender documentation	2,018,954	4,657
Other	3,806,286	-
Contract / SLA expired ie exceeds three years, no valid approval for extension	1,202,766	3,456,685
Competitive bidding process not followed	1,495,141	14,728,438
Bid specifications did not specify the minimum threshold for local production and content as required by PPR9	1,621,874	2,866,288
2015/2016:Not submitting the minimum quotations for acquiring goods and services	1,248,167	-
2015/2016:No supporting documentation (payment vouchers and/or tender documentation	449,452	-
Regulation 32 Non- compliance	752,984	-
	20,000,568	**25,703,162**

The full extent of the current year’s irregular expenditure is still in process of being determined.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	2,726,900	2,300,000
Amount paid - current year	(2,726,900)	(2,300,000)
	-	-

Audit fees

Current year fee (VAT inclusive)	7,373,315	4,741,151
Amount paid - current year	(5,906,324)	(4,741,151)
	1,466,991	-

PAYE and UIF

Current year subscription / fee	38,049,143	33,626,558
Amount paid - current year	(38,049,143)	(33,626,558)
	-	-

Pension and medical aid deductions

Current year subscription / fee	60,292,927	58,741,181
Amount paid - current year	(60,292,927)	(58,741,181)
	-	-

VAT

Value added tax payable	6,234,447	10,915,968

The nett VAT output payable and VAT input receivable is shown in note 15.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding more than 90 days R	Total R
Dywilli N (Acc no 108921 and 562734)	7,887	7,887
Fisher L (Acc no 554069 and 580028)	12,920	12,920
Hlasa S (Acc no 6012058)	58,116	58,116
Mohapi P (Acc no 569717)	2,220	2,220
Madia R (Acc no 570682)	500	500
Makhata L (Acc no 569911)	422	422
Mofokeng D (Acc no 536668 and 593307)	9,228	9,228
Mokoena NP (Acc no 565105 and 791179)	12,294	12,294
Molawa M (Acc no 106880 and 564125)	3,075	3,075
Motlhale S (Acc no 12921)	2,022	2,022
Mokoena MP (Acc no 553206 and 568419)	4,706	4,706
Mosokweni FD (Acc no 108066 and 830353)	28,895	28,895
Motaung TA (Acc no 537934, 574795 and 595856)	7,732	7,732
Motjeane SM (Acc no 106180 and 562151)	22,666	22,666
Mtshali NM (Acc no 562315)	30,498	30,498

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

Kobo SS (Acc no 526816 and 830352)	11,534	11,534
Nteso JR (Acc no 103104)	81,044	81,044
Radebe TL (Acc no 567293)	17,267	17,267
November N (Acc no 511459)	126,180	126,180
Telane MM (Acc no 512521 and 566245)	29,180	29,180
Tsotetsi L (Acc no 511192)	24,444	24,444
	492,830	**492,830**

30 June 2016	Outstanding more than 90 days R	Total R
Chebase E (Acc no 601490)	37,428	37,428
Du Toit T (Acc no 525381)	235	235
Khunou PJ (Acc no 103351 and 575822))	2,757	2,757
Mabasa KT (Acc no 579460 and 600299)	3,486	3,486
Machaea MF (Acc no 103252 and 561530)	765	765
Mahlangu J (Acc no 612694)	120,560	120,560
Mofokeng TJ (Acc no 511539 and 579964)	51,579	51,579
Mosia MM (Acc no 555731)	6,463	6,463
Mtshali BP (Acc no 562315)	62,640	62,640
Moreki S (Acc no 526465)	58,600	58,600
Moreki S (Acc no 526465	66,918	66,918
Sejaki PS (Acc no 565498)	20,452	20,452
Semonyo JS (Acc no 103997)	4,110	4,110
Tamane WL (Acc no 551238)	44	44
	436,037	**436,037**

Supply chain management regulations

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

Incident		
Emergency	2,875,144	8,268,750
Exceptional/Impractical	1,259,664	3,830,345
Other	455,959	37,793
Accomodatin	721,324	-
Social crime prevention	-	101,282
Sole suppliers	1,262,157	373,360
	6,574,248	**12,611,530**

The full extent of the current year’s deviations expenditure which could potentially result in irregular expenditure is still in the process of being determined.

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved by the Accounting Officer:

51. Budget differences

Material differences between budget and actual amounts

1. Service charges - Electricity sales and refuse charges were less than the budgeted. Water restrictions contribute in lower revenue on water as well as certain areas that used water without they were billed.

2. Non-payment fees - Less actions were taken against non-payers of services, therefore less actual revenue than budgeted for.

3. Billboards - Collection for billboards exceed the budget.

4. Building Plans - Collection for building plans is less than the budget due to non-submission of building plans by the community and due to economic decline.

5. Connection Plans - Fewer consumers applied for the new connections to service network than budgeted for. The economic decline also plays a part.

6. Property Rates - Assessment rates billed were more than budgeted due to supplementary valuation roll.

7. Private Telephone Calls - Collection for telephone calls exceeded the budget due to better cost control.

8. Tender deposit - Collection for tender deposit is less than the budget amount due to fewer tenders advertised.

9. Fines - The fines allocated in terms of GRAP exceeded the budget.

10. Interest received - Interest on investments was increased in the adjustment budget based on prevailing circumstances.

11. Government grants and subsidies - Exceeded the budget due to increase of R15 000 000 from the Municipal Infrastructure Grant.

12. Income legal cost - Less actions were taken against consumers than anticipated with the budget.

13. Licences and permits - The money collected on licences and street trading was less than the budget.

14. Finance cost - Interest on overdue accounts were not budgeted for.

15. Lease rental on operating lease - Government Garage expenditure.

16. Sewer treatment charges - Charges were lower than anticipated.

17. The contribution for employee benefits was than anticipated and does not exceed the budget.

18. The councillors' actual expenditure lower than the budget as all councillors did not receive a general increase.

19. Computer services did not exceed the budget.

20. Commission of electricity sales exceeded the budget as more consumers converted to pre-paid electricity meters and various levels of consumption.

21. Provision for impairment exceeded the budget as the non-payment of consumers and fines increased.

22. Donations were made by the public for infrastructure that was not part of the budget.

23. Assets from insurance were not budgeted for.

24. Depreciation is R32 million less that the budget due to capital projects/items not finalised or implemented. The life span on certain assets were also extended.

25. Water purchased lower than budgeted due to a refund from Rand Water.

26. Contracted service - less was spent than budgeted, such as collection from Easy Pay and traffic camera fines.

51. Budget differences (continued)

27. Dividends on shares were not budgeted for.

28. Interest income - consumers exceeded the budget as the non-payment for services increased.

29. Repairs and maintenance are less than the budget amount due to cash constrains.

52. Sale of Stands

Gain or loss on sale of stands asset	294,457	1,425,535

53. Auditors' remuneration

Fees	6,326,106	4,741,151

54. Repairs and maintenance

Contracted services/materials		
Roads and stormwater	3,353,374	6,977,615
Sewer network and pumpstations	4,492,552	3,845,516
Water network	217,384	2,642,798
Electricity network and substations	5,865,343	2,960,323
Buildings and sites	399,672	1,110,091
Equipment	621,782	794,122
Vehicles	3,179,132	2,119,682
	18,129,23	**20,450,14**
General expenditure: stocks and materials		
Electricity section	39,990	2,646,723
Vehicle maintenance section	13,341	3,306
Roads and storm water section	89,483	141,813
Buiding maintenance section	26,556	50,616
Sewer maintenanace section	99,104	71,252
Water maintenance section	370,460	327,745
	18,768,173	**23,691,602**

55. Other revenue

Levies dumpyard	626,620	825,555
Connection fees	3,167,363	2,338,908
Sundry income	7,275,452	4,480,888
Legal cost	3,593,305	4,464,527
	14,662,740	**12,109,878**

Notes to the Annual Financial Statements

Figures in Rand

56. Revenue

Service charges	524,105,868	513,136,112
Rental of facilities and equipment	6,068,776	4,641,920
Interest received (trading)	25,071,512	16,449,002
Non-payment fees	5,601,620	5,202,473
Licences and permits	116,954	159,061
Fines	17,272,057	17,674,548
Levies - refuse dump yard	626,620	825,555
Connection fees	3,167,363	2,338,908
Other income	7,275,452	4,480,888
Income legal cost	3,593,305	4,464,527
Interest received - investment	2,107,597	2,701,815
Dividends received	98,858	96,022
Property rates	128,980,269	114,445,495
Government grants & subsidies	209,642,375	202,893,358
Public contributions and donations	10,414,953	16,729,794
	944,143,579	**906,239,478**

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

Service charges	524,105,868	513,136,112
Rental of facilities and equipment	6,068,776	4,641,920
Interest received - consumers	25,071,512	16,449,002
Non-payment fees	5,601,620	5,202,473
Licences and permits	116,954	159,061
Miscellaneous other revenue	17,272,057	17,674,548
Levies - refuse dump yard	626,620	825,555
Connection fees	3,167,363	2,338,908
Other income	7,275,452	4,480,888
Income legal cost	3,593,305	4,464,527
Interest received - investment	2,107,597	2,701,815
Dividends received	98,858	96,022
	595,105,982	**572,170,831**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	128,980,269	114,445,495
Transfer revenue		
Government grants & subsidies	209,642,375	202,893,358
Public contributions and donations	10,414,953	16,729,794
	349,037,597	**334,068,647**

57. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	6,068,776	4,641,920