



Ngaka Modiri Molema District Municipality
Financial statements
for the year ended 30 June 2016

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	Service delivery
Jurisdiction	Ngaka Modiri Molema District Municipality (NMMDM) is one of the four districts of North West province.
Mayoral committee	
Executive Mayor	CLLR TJ Makolomakwa (Executive Mayor)
Councillors	CLLR E Landsman (Single Whip) CLLR YF Sechoaro (Speaker) CLLR A Magagane (MMC: Project Management Unit) CLLR B Loeto (MMC: Special projects) CLLR O Seabelo (MMC: Finance) CLLR P Kwenaitse (MMC: Health and Safety) CLLR N Mokoto (MMC: Corporate Support) CLLR P Malebelela (MMC: Infrastructure & Maintenance) CLLR OJ Tselapedi (MPAC Chairperson) CLLR M Molefe (MMC: District Economic Growth) CLLR M.P Pilane (MMC) CLLR M.E Phaedi (MMC-District planning and IDP) CLLR M.W Morutse (MMC-District growth and economic development)
Accounting Officer	J.J Brander
Chief Finance Officer (CFO)	G.M Mofokeng
Registered office	Cnr. Carrington Str and 1st Avenue Industrial Site Mahikeng 2745
Postal address	Private Bag X2165 Mahikeng 2745
Bankers	First National bank
Auditors	Auditor General South Africa
Legislation	Municipal Finance Management Act (MFMA) Municipal Systems Act Municipal Structures Act Division of Revenue Act (DORA)

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

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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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and will be given unrestricted access to all financial records and related data.

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

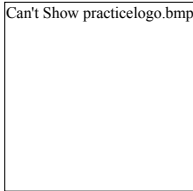
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting 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 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 2017 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 financial statements set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

J Brander
Acting Municipal Manager



Report of the Auditor General

To the Provincial Legislature of Ngaka Modiri Molema District Municipality

Report on the financial statements

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Opinion

Auditor General South Africa

30 November 2016

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	7	29,663,324	30,485,891
Receivables from exchange transactions	8	6,445,525	8,188,456
VAT receivable	9	156,432,804	161,378,714
Cash and cash equivalents	10	2,277,505	82,539,578
		194,819,158	282,592,639
Non-Current Assets			
Property, plant and equipment	3	3,647,684,293	4,818,683,767
Intangible assets	4	630,988	50,267
Other financial assets	5	1,988,273	31,888,999
		3,650,303,554	4,850,623,033
Non-Current Assets		3,650,303,554	4,850,623,033
Current Assets		194,819,158	282,592,639
Total Assets		3,845,122,712	5,133,215,672
Liabilities			
Current Liabilities			
Other financial liabilities	12	796,306	8,473,364
Payables from exchange transactions	15	292,426,280	315,915,797
Employee benefit obligation	6	102,000	100,000
Unspent conditional grants and receipts	11	106,423,058	146,075,826
Provisions	13	790,000	3,687,000
Bank overdraft	10	-	5,117,761
		400,537,644	479,369,748
Non-Current Liabilities			
Other financial liabilities	12	635,014	-
Employee benefit obligation	6	27,701,000	22,678,000
Provisions	13	18,985,000	13,103,000
Other liability	14	196,158,788	146,591,836
		243,479,802	182,372,836
Non-Current Liabilities		243,479,802	182,372,836
Current Liabilities		400,537,644	479,369,748
Total Liabilities		644,017,446	661,742,584
Assets		3,845,122,712	5,133,215,672
Liabilities		(644,017,446)	(661,742,584)
Net Assets		3,201,105,266	4,471,473,088
Accumulated surplus		3,201,105,266	4,471,473,088

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Insurance claims	17	131,870	238,248
Other revenue	17	190,270	155,169
Rental income		185,500	-
Sale of water	17	958,586	842,313
Other income		380,271	138,045
Sundry income sewer	17	227,141	258,244
Interest earned	22	3,023,932	3,975,361
Total revenue from exchange transactions		5,097,570	5,607,380
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	688,321,305	658,851,886
		5,097,570	5,607,380
		688,321,305	658,851,886
Total revenue	17	693,418,875	664,459,266
Expenditure			
Employee related costs	20	(301,118,991)	(304,687,735)
Remuneration of councillors	21	(13,251,109)	(8,049,349)
Depreciation and amortisation	23	(323,478,136)	(229,414,501)
Finance costs	24	(1,621,000)	(7,166,286)
Lease rentals on operating lease		(503,033)	(823,560)
Repairs and maintenance	26	(64,193,053)	(43,006,157)
Contracted services	27	(399,555,108)	(171,727,427)
Transfers and Subsidies	28	(11,662,547)	(141,763,325)
General Expenses	19	(56,799,878)	(89,909,117)
Total expenditure		(1,172,182,855)	(996,547,457)
		-	-
Total revenue		693,418,875	664,459,266
Total expenditure		(1,172,182,855)	(996,547,457)
Operating deficit		(478,763,980)	(332,088,191)
Gain/(Loss) on investments		31,889,360	4,987,554
Deficit before taxation		(446,874,620)	(327,100,637)
Taxation		-	-
Deficit for the year		(446,874,620)	(327,100,637)

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	4,798,573,725	4,798,573,725
Changes in net assets		
Surplus for the year	(327,100,637)	(327,100,637)
Total changes	<u>(327,100,637)</u>	<u>(327,100,637)</u>
Opening balance as previously reported	4,242,254,269	4,242,254,269
Adjustments		
Correction of errors	594,274,383	594,274,383
Balance at 01 July 2015 as restated*	3,647,979,886	3,647,979,886
Changes in net assets		
Surplus for the year	(446,874,620)	(446,874,620)
Total changes	<u>(446,874,620)</u>	<u>(446,874,620)</u>
Balance at 30 June 2016	3,201,105,266	3,201,105,266
Note(s)		

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Grants		509,895,000	765,700,554
Interest income		1,138,515	1,935,746
Other receipts		342,046,106	1,632,019
		<u>853,079,621</u>	<u>769,268,319</u>
Payments			
Employee costs		(314,274,697)	(288,678,086)
Suppliers		(439,272,199)	(439,272,199)
Finance costs		(1,621,000)	(7,166,286)
		<u>(755,167,896)</u>	<u>(735,116,571)</u>
Total receipts		853,079,621	769,268,319
Total payments		(755,167,896)	(735,116,571)
Net cash flows from operating activities	29	97,911,725	34,151,748
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(208,414,952)	5,164,350
Proceeds from sale of property, plant and equipment	3	7,685	-
Purchase of other intangible assets	4	(532,051)	(126,730)
Movement on Investment		29,900,726	-
		<u>(179,038,592)</u>	<u>5,037,620</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(7,042,044)	(89,929,435)
		<u>(7,042,044)</u>	<u>(89,929,435)</u>
Net increase/(decrease) in cash and cash equivalents		(88,168,911)	(50,740,067)
Cash and cash equivalents at the beginning of the year		90,446,416	141,186,483
Cash and cash equivalents at the end of the year	10	2,277,505	90,446,416

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	3,172,897	1,133,103	4,306,000	380,271	(3,925,729)	
Interest received - investment	1,949,258	(1,689,258)	260,000	3,023,932	2,763,932	
Total revenue from exchange transactions	5,122,155	(556,155)	4,566,000	3,404,203	(1,161,797)	
Revenue from non-exchange transactions						
Taxation revenue						
Equitable share	510,260,000	-	510,260,000	583,734,000	73,474,000	
Transfer revenue						
Government grants and subsidies	300,855,000	67,480	300,922,480	4,587,305	(296,335,175)	
Total revenue from non-exchange transactions	811,115,000	67,480	811,182,480	588,321,305	(222,861,175)	
'Total revenue from exchange transactions'	5,122,155	(556,155)	4,566,000	3,404,203	(1,161,797)	
'Total revenue from non-exchange transactions'	811,115,000	67,480	811,182,480	588,321,305	(222,861,175)	
Total revenue	816,237,155	(488,675)	815,748,480	591,725,508	(224,022,972)	
Expenditure						
Personnel	(276,643,397)	-	(276,643,397)	(301,118,991)	(24,475,594)	n
Remuneration of councillors	(12,752,860)	-	(12,752,860)	(13,251,109)	(498,249)	
Depreciation and amortisation	(65,406,276)	-	(65,406,276)	(323,478,136)	(258,071,860)	.
Finance costs	(3,000,000)	-	(3,000,000)	(1,621,000)	1,379,000	
Bulk purchases	41,000,000	(36,370,446)	4,629,554	(4,629,554)	(9,259,108)	
Repairs and maintenance	(11,300,000)	(27,091,873)	(38,391,873)	(64,193,053)	(25,801,180)	
Contracted Services	(6,650,000)	(3,631,991)	(10,281,991)	(399,555,108)	(389,273,117)	
Transfers and subsidies	(4,244,000)	-	(4,244,000)	(11,662,547)	(7,418,547)	
Contributions to fixed assets	(3,450,000)	2,493,484	(956,516)	(2,869,160)	(1,912,644)	
General expenses	(37,870,000)	(40,133,535)	(78,003,535)	56,799,878	134,803,413	
DBSA Loan Payment	-	(4,902,438)	(4,902,438)	-	4,902,438	
Capital Projects	(279,313,552)	2,775,000	(276,538,552)	(87,585,535)	188,953,017	
Transfers and grants	(5,000,000)	-	(5,000,000)	(6,500,000)	(1,500,000)	
Total expenditure	(664,630,085)	(106,861,799)	(771,491,884)	(1,159,664,315)	(388,172,431)	
	816,237,155	(488,675)	815,748,480	591,725,508	(224,022,972)	
	(664,630,085)	(106,861,799)	(771,491,884)	(1,159,664,315)	(388,172,431)	
Operating deficit	151,607,070	(107,350,474)	44,256,596	(567,938,807)	(612,195,403)	
Processed from investments	-	-	-	3,377,416	3,377,416	
	151,607,070	(107,350,474)	44,256,596	(567,938,807)	(612,195,403)	
	-	-	-	3,377,416	3,377,416	
Deficit before taxation	151,607,070	(107,350,474)	44,256,596	(564,561,391)	(608,817,987)	
Surplus before taxation	151,607,070	(107,350,474)	44,256,596	(564,561,391)	(608,817,987)	
Taxation	-	-	-	-	-	

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	151,607,070	(107,350,474)	44,256,596	(564,561,391)	(608,817,987)	

The reasons for the above differences are based on the actual expenditure and the final adjustment budget. The final approved budget is available at the municipal registered office should any person so wish to see the reasons for the adjustment and the original budget.

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Financial Statements

The 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 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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 (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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 13 - Provisions.

Useful lives of waste and water network and other assets

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

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 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.

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Depreciation commences when the asset is ready for its intended use.

Property, plant and equipment is subsequently measured at cost less accumulated

Land does not depreciate and has an indefinite useful life.

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

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

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

1.3 Intangible assets

An asset is identifiable if it either:

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

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Intangible assets (continued)

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.

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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.

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

Item	Useful life
Patents, trademarks and other rights	indefinite
Computer software, internally generated	Indefinite
Computer software, other	x 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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.4 Financial instruments (continued)

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.5 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 entity assesses the classification of each element separately.

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.

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

Ngaka Modiri Molema District Municipality

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Accounting Policies

1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Ngaka Modiri Molema District Municipality

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Accounting Policies

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Accounting Policies

1.10 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

1.11 Revenue from exchange transactions

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

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

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

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

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

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

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Ngaka Modiri Molema District Municipality

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.13 Comparative figures

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

1.14 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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Accounting Policies

1.15 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.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
- but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

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

1.17 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Ngaka Modiri Molema District Municipality

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1.18 Conditional grants and receipts

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.

1.19 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

The 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.

1.20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

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

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

1.21 Value Added Tax

The municipality is registered for VAT on the payment basis.

Ngaka Modiri Molema District Municipality

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Ngaka Modiri Molema District Municipality

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3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16,317,852	-	16,317,852	3,914,628	-	3,914,628
Buildings	104,346,733	(50,962,562)	53,384,171	141,472,127	(78,784,465)	62,687,662
Furniture and fixtures	808,643	(578,552)	230,091	808,643	(420,968)	387,675
Motor vehicles	34,141,555	(19,129,809)	15,011,746	34,141,555	(14,252,444)	19,889,111
IT equipment	1,501,049	(1,068,463)	432,586	1,501,049	(689,379)	811,670
Infrastructure	6,977,255,121	(3,830,868,705)	3,146,386,416	5,196,785,515	(2,435,826,111)	2,760,959,404
Community	54,118,798	(33,846,816)	20,271,982	96,102,478	(41,336,416)	54,766,062
Other property, plant and equipment	60,578,697	(2,716,364)	57,862,333	60,899,492	(2,716,364)	58,183,128
Asset found	337,765,260	-	337,765,260	1,857,036,869	-	1,857,036,869
Emergency Equipment	128,536	(106,680)	21,856	128,536	(80,978)	47,558
Total	7,586,962,244	(3,939,277,951)	3,647,684,293	7,392,790,892	(2,574,107,125)	4,818,683,767

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Correction of Error	Disposals	Transfers	Depreciation	Total
Land	3,914,628	12,403,224	-	-	-	-	16,317,852
Buildings	62,687,662	1,405,597	(7,348,615)	-	-	(3,360,473)	53,384,171
Furniture and fixtures	387,675	5,339	-	-	-	(157,584)	235,430
Motor vehicles	19,889,111	-	-	-	-	(4,877,365)	15,011,746
IT equipment	1,173,547	54,707	-	(7,685)	-	(379,084)	841,485
Infrastructure	2,760,959,404	698,850,669	-	-	-	(313,423,657)	3,146,386,416
Community	54,766,062	-	(33,239,808)	-	-	(1,254,272)	20,271,982
Other property, plant and equipment	58,183,128	756,111	-	-	-	-	57,862,333
WIP-Infrastructure	1,857,036,869	82,066,876	(890,084,592)	-	(711,253,893)	-	337,765,260
Emergency Equipment	47,558	-	-	-	-	(25,702)	21,856
	4,819,045,644	795,542,523	(930,673,015)	(7,685)	(711,253,893)	(323,478,137)	3,648,098,531

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Correction of error	Depreciation	Total
Land	3,914,628	-	-	-	3,914,628
Buildings	70,254,199	-	-	(7,566,537)	62,687,662
Furniture and fixtures	808,643	-	-	(156,132)	387,675
Motor vehicles	34,141,555	-	-	(4,877,365)	19,889,111
IT equipment	1,501,049	361,877	-	(331,468)	1,173,547
Infrastructure	2,984,247,796	-	(4,917,460)	(218,370,932)	2,760,959,404
Community	58,243,094	-	-	(3,477,032)	54,766,062
Other property, plant and equipment	54,079,657	3,294,374	-	-	58,183,128
WIP-Infrastructure	1,737,950,772	119,086,097	-	-	1,857,036,869
Emergency Equipment	73,260	-	-	(25,702)	47,558
	4,945,214,653	122,742,348	(4,917,460)	(234,805,168)	4,819,045,644

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2016

2015

3. Property, plant and equipment (continued)

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.

4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	532,051	-	532,051	126,730	-	126,730
System software	175,400	(76,463)	98,937	-	(76,463)	(76,463)
Total	707,451	(76,463)	630,988	126,730	(76,463)	50,267

5. Other financial assets

At amortised cost

Momentum investment	218,119	44,783,959
ABSA Aims	1,770,154	1,616,444
	1,988,273	46,400,403

Non-current assets

At amortised cost	1,988,273	31,888,999
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Sanlam -2015-2016

	Opening Balance	Interest	Deposit	Withdrawal	Balance
040497849X6	10,131,670	601,758	-	(10,733,428)	-
040508656X2	8,659,681	513,822	-	(9,173,504)	-
043053526X0	7,795,224	458,208	-	(8,253,431)	-
043053527X8	5,302,424	311,629	-	(5,614,053)	-
	31,888,999	1,885,417	-	(33,774,416)	-

Sanlam -2014-2015

	Opening Balance	Interest	Deposits	Withdrawal	Balance
040497849X6	9,443,840	687,830	-	-	10,131,670
040508656X2	8,073,137	586,545	-	-	8,659,681
043053526X0	7,339,752	455,472	-	-	7,795,224
043053527X8	4,992,655	309,769	-	-	5,302,424
	29,849,384	2,039,616	-	-	31,888,999

Sanlam- 2013-2014

	Opening Balance	Interest	Deposits	Withdrawal	Balance
040497849X6	9,319,129	124,711	-	-	9,443,840
040508656X2	7,966,527	106,610	-	-	8,073,137
043053526X0	7,308,114	31,638	-	-	7,339,752
043053527X8	4,971,134	21,521	-	-	4,992,655
	29,564,904	284,480	-	-	29,849,384

Non-current assets	1,988,273	31,888,999
Current assets	-	-

Ngaka Modiri Molema District Municipality

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Figures in Rand 2016 2015

6. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr Neil Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Categories

In-service Members (Employees)	671	667
In-service Non-members (Employees)	106	108
Continuation Members (Retirees, widowers and orphans)	4	4
	781	779

Liability in respect of the past:

In-service Members (Employees)	26,697,000	21,691,000
Continuation Members (Pensioners)	1,106,000	1,087,000
	27,803,000	22,778,000

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(27,803,000)	(22,778,000)
Non-current liabilities	(27,701,000)	(22,678,000)
Current liabilities	(102,000)	(100,000)
	(27,803,000)	(22,778,000)

The major categories of plan assets as a percentage of total plan assets are as follows:

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

Opening balance	22,778,000	-
Benefits paid	(100,000)	-
	22,678,000	-

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

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Figures in Rand 2016 2015

6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.02 %	9.10 %
Expected increase in salaries	7.60 %	7.60 %
Expected increase in healthcare costs	8.09 %	8.28 %

GRAP 25 defines the determination of the Discount rate assumption to be used as followsw

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity 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.”

Expected Retirement Age

Expected Retirement Age - Female	65	65
Expected Retirement Age - Males	65	65
	-	-

Sensitivity Analysis on Current-service and interest cost for the year ending 30 June 2016

	Current service cost	Interets Cost	Total
Central Assumption	2,947,000	2,672,000	5,619,000
Medical Aid Inflation (+1%)	3,039,000	2,744,000	5,783,000
Medical Aid Inflation (-1%)	2,806,000	2,564,000	5,370,000
Mortality rate (+20%)	2,749,000	2,502,000	5,251,000
Mortality rate (-20%)	3,174,000	2,867,000	6,041,000
	14,715,000	13,349,000	28,064,000

7. Inventories

Consumable stores	4,396,143	4,422,458
Maintenance materials	25,267,181	26,063,433
	29,663,324	30,485,891

	-	-
	-	-
	-	-
	-	-

Consumables consists of stationery and fuel
Maintenance materials consists of road signs and water network parts.

Inventory pledged as security

No Inventory was pledged as security for the 2015/2016 financial year.

Ngaka Modiri Molema District Municipality

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Notes to the Financial Statements

Figures in Rand	2016	2015
8. Receivables from exchange transactions		
Other debtors	6,364,150	8,107,081
Other debtors	81,375	81,375
	6,445,525	8,188,456
Trade and other receivables pledged as security		
No Trade and other receivables were pledged as security.		
9. VAT receivable		
VAT	156,432,804	161,378,714
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	965,706	7,094,556
Short-term deposits	1,311,799	75,445,022
Bank overdraft	-	(5,117,761)
	2,277,505	77,421,817
Current assets	2,277,505	82,539,578
Current liabilities	-	(5,117,761)
	2,277,505	77,421,817

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABASA 3: Account No 160432-2201-01	260,986	248,463	236,958	260,986	248,463	236,959
FNB: Account number - 623-2461-9975	28,726	27,682	1,105	28,726	27,682	1,105
FNB: Account number - 623-4837-7195	87,530	50,734	50,781	87,530	50,734	50,782
FNB: Account number - 623-2792-9735	52,899	53,046	82,248	52,899	53,046	(261,151)
FNB: Account number - 529-100-86-795	408,068	4,882,239	4,202,151	335,333	(21,942,545)	3,530,156
FNB: Account number - 624-457-097-46	934,557	1,000	317,674	934,557	1,000	317,718
Total	1,772,766	5,263,164	4,890,917	1,700,031	(21,561,620)	3,875,569

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
11. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Premier's Legacy Grant	6,931,206	6,931,206
Municipal Infrastructure Grant	81,918,390	120,540,841
Municipal Systems Improvement Grant	406,222	148,363
Department of Water Affairs and Forestry (WSOG)	5,192,736	5,192,736
Disaster Management Grant	481,431	481,431
Rural Roads Assessment Management	679,237	679,237
EPWP Grant	444,342	2,466,292
Bucket Eradication	2,831,076	2,831,076
SETA	1,878,190	1,508,651
RRAM	896,211	531,976
MWIG	4,764,017	4,764,017
	106,423,058	146,075,826
12. Other financial liabilities		
At amortised cost		
DBSA loan	1,431,320	8,473,364
Capital shall be repaid in full on or before 31 July 2015 and the interest shall be capitalised and be repaid over five (5) years. Capital loan period: 2 years or before 30 June 2013 (which occurs first) from date of first disbursement.		
Interest rate: base 2 year swap rate plus 1.30%		
Non-current liabilities		
At amortised cost	635,014	-
Current liabilities		
At amortised cost	796,306	8,473,364

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

13. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Long service award	16,790,000	3,823,554	(838,554)	19,775,000

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Long service award	13,218,000	3,572,000	16,790,000
Non-current liabilities		18,985,000	13,103,000
Current liabilities		790,000	3,687,000
		19,775,000	16,790,000

Long Service Award

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2016 by Mr Neil Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	7.96%
Consumer Price Inflation	6.33%
Normal Salary Increase	7.33%
Net Effective Discount Rate	0.59%

Movements in the present value of the Defined Benefit Obligation were as follows:

PV of the obligation as at the previous valuation date	16,790,000	13,218,000
Current Service Cost	2,221,000	1,866,000
Interest Cost	1,621,000	1,111,000
Benefits Paid *	(838,554)	984,000
Actuarial Loss / (Gain)	(18,446)	(389,000)
Present Value of Fund Obligation at the end of the Year	19,775,000	16,790,000

The amount recognised in the Statement of Financial Position are as follows:

Non Current Liability	18,985,000	13,103,000
Current Liability	790,000	3,687,000
Present value of unfunded obligations	19,775,000	16,790,000

The amount recognised in the Statement of Financial Performance are as follows:

Current Cost	2,221,000	1,866,000
Interests Cost	1,621,000	1,111,000

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
13. Provisions (continued)		
Actuarial Gains or losses	(18,446)	984,000
Total Post-retirement Benefit included in Employee Related Costs	3,823,554	3,961,000

14. Other liability

This liability relates to the Sedibeng Water overdue accounts which the municipality acknowledged and agreement was reached that repayment of a minimum of R10 million would commence from 1 July 2015 on receipt of equitable shares. The payable balance was then split between current and non-current with the assumption that three repayments of R10 million would occur when equitable share is received.

The condition of the agreement is that the municipality would continue to service monthly current account when its due at the end of each month.

Sedibeng Water

Current Portion	30,000,000	30,000,000
Non-Current Portion	196,158,788	124,505,180
Correction of prior year error	-	22,086,656
	226,158,788	176,591,836

15. Payables from exchange transactions

Trade creditors	239,488,172	246,753,568
Rentention fees	72,660,242	78,241,574
Leave accrual	11,342,236	18,375,412
Suspense control accounts	7,589,125	6,626,501
Unallocated deposits	(2,619,201)	(2,619,201)
Third party control account	11,543,853	17,588,646
Other Creditors	(53,349,225)	(56,029,314)
Bonus accrual	5,771,077	6,978,623
	292,426,280	315,915,797

16. Financial instruments disclosure

Derivative financial instruments and hedging information

The following information relates to derivative financial instruments included in other financial assets and other financial liabilities:

The carrying amount approximates the Fair Value because of the short maturity of these instruments

Long-term investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan receivable/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand 2016 2015

Financial instruments disclosure (continued)

Trade and Other Receivable/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

17. Revenue

Insurance claims	131,870	238,248
Yard Connections	190,270	155,169
Rental income	185,500	-
Sale of water	958,586	842,313
Other income	380,271	138,045
Sundry Income Sewer	227,141	258,244
Interest received - investment	3,023,932	3,975,361
Government grants & subsidies	688,321,305	658,851,886
	693,418,875	664,459,266

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

Insurance Claims	131,870	238,248
Other revenue	190,270	155,169
Rental income	185,500	-
Sale Of Water	958,586	842,313
Other Income	380,271	138,045
Sundry income sewer	227,141	258,244
Interest received - investment	3,023,932	3,975,361
	5,097,570	5,607,380

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Figures in Rand	2016	2015
17. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	688,321,305	658,851,886

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
18. Government grants and subsidies		
Operating grants		
Equitable share	583,734,000	444,828,000
Disaster Management Grant	-	145,000
Extended Public Works Programme (EPWP)	1,544,658	675,709
Financial Management Grant (FMG)	1,325,000	1,250,000
Municipal Systems Improvement Grant	523,778	785,638
	587,127,436	447,684,347
Capital grants		
Premier's Legacy Grant	-	1,068,794
Regional Bulk Infrastructure Grant	-	23,914,876
Rural Roads Assets Management	1,951,765	2,775,000
Department of Water Affairs and Forestry (ACIP)	-	30,000,000
Municipal Water Infrastructure Grant	-	6,061,710
Municipal Infrastructure Grant	99,242,104	127,347,159
Local Government	-	20,000,000
	101,193,869	211,167,539
	688,321,305	658,851,886
Premier's Legacy Grant		
Balance unspent at beginning of year	6,931,206	-
Current-year receipts	-	8,000,000
Conditions met - transferred to revenue	-	(1,068,794)
Other	(6,931,206)	-
	-	6,931,206
Conditions met and transferred to revenue (see note 11).		
Grants used to implement capital projects of sanitation in the Project Management Unit to assist with the backlog encountered by the municipality.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	120,540,841	-
MIG Grants Offset	(120,540,430)	-
Current Year Receipts	181,160,083	247,888,000
Conditions met - transferred to revenue	(99,242,104)	(127,347,159)
	81,918,390	120,540,841
Conditions met and transferred to revenue (see note 11).		
The MIG is the grant that relates to specific projects in the municipality mainly water and sanitation projects and all the projects must be MIG related and captured in the Integrated Development Plan (IDP) and offset of R 120 540 430 was taken against equitable shares.		
Municipal System Improvement Grant		
Balance unspent at beginning of year	148,362	-
Current Year Receipts	930,000	934,000
Conditions met - transferred to revenue	(672,140)	(785,638)
	406,222	148,362

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
18. Government grants and subsidies (continued)		
Conditions met and transferred to revenue (see note 11).		
This grant focus on the IDP programmes that may include IDP forum and public participation for projects relating to the Budget to be implemented by the municipality.		
Department of Water Affairs and Forestry		
Balance unspent at beginning of year	5,192,736	5,192,736
Other	(5,192,736)	-
	<u>-</u>	<u>5,192,736</u>
Conditions still to be met - remain liabilities (see note 11).		
The unspent portion of the grant was calculated by the roll over from prior period, plus grants received for the year, less the expenditure incurred to meet the requirements of the grant; which is recognised to revenue.		
The DWAF grant apply on refurbishment of existing assets in order to improve the condition and capacity of those assets.		
Financial Management Grant		
Current-year receipts	1,325,000	1,250,000
Conditions met - transferred to revenue	(1,325,000)	(1,250,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
Department of Local Government and Traditional Affairs		
Balance unspent at beginning of year	19,024,085	19,024,085
Current-year receipts	-	20,000,000
Conditions met - transferred to revenue	-	(20,000,000)
Other	(19,024,085)	-
	<u>-</u>	<u>19,024,085</u>
Conditions still to be met - remain liabilities (see note 11).		
Current Department of Local Government and Traditional Affairs Grant projects are still on going at year end. The balance of this grant is expected to be utilised within the first quarter of the next financial year		
The unspent portion of the grant was calculated by the roll over from prior period, plus grants received for the year, less the expenditure incurred to meet the requirements of the grant; which is recognised to revenue.		
The grant received is as a result of the support provided by the department on capital projects and conditions were not met, this relates to prior year.		
Rural Household Infrastructure Grant		
Balance unspent at beginning of year	-	4,000,000
Other	-	(4,000,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
Disaster Management Grant		
Balance unspent at beginning of year	5,718,311	5,718,311

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Notes to the Financial Statements

Figures in Rand	2016	2015
18. Government grants and subsidies (continued)		
Current-year receipts	-	625,000
Conditions met - transferred to revenue	-	(145,000)
Other	(5,718,311)	-
	-	5,718,311

Conditions still to be met - remain liabilities (see note 11).

Current Disaster Management Grant projects are still on going at year end. The balance of this grant is expected to be utilised within the first quarter of the next financial year

The unspent portion of the grant was calculated by the roll over from prior period, plus grants received for the year, less the expenditure incurred to meet the requirements of the grant; which is recognised to revenue.

Grant was to improve on the disaster plans as well as disaster materials.

Provincial Infrastructure Grant

Balance unspent at beginning of year	-	14,006,394
Other	-	(14,006,394)
	-	-

Conditions still to be met - remain liabilities (see note 11).

Current Provincial Infrastructure Grant projects are still on going at year end. The balance of this grant is expected to be utilised within the first quarter of the next financial year

The unspent portion of the grant was calculated by the roll over from prior period, plus grants received for the year, less the expenditure incurred to meet the requirements of the grant; which is recognised to revenue.

Grants used to implement capital projects of sanitation in the Project Management Unit to assist with the backlog encountered by the municipality.

Bucket Eradication

Balance unspent at beginning of year	1,415,538	1,415,538
Other	(1,415,538)	-
	-	1,415,538

Conditions still to be met - remain liabilities (see note 11).

The unspent portion of the grant was calculated by the roll over from prior period, plus grants received for the year, less the expenditure incurred to meet the requirements of the grant; which is recognised to revenue.

The grant was for the sanitation project in erecting VIP toilet and facing out the bucket system, conditions were not met and this relates to the prior years.

Extended Public Works Programme

Balance unspent at beginning of year	2,466,291	-
EPWP Offset	(2,466,291)	-
Current-year receipts	1,989,000	3,142,000
Conditions met - transferred to revenue	(1,544,658)	(675,709)
	444,342	2,466,291

Conditions met and transferred to revenue (see note 10).

EPWP grant is for cleaning roads and patching potholes across the district.

Ngaka Modiri Molema District Municipality

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Notes to the Financial Statements

Figures in Rand	2016	2015
18. Government grants and subsidies (continued)		
15.15 Rural Roads Asset Management		
Balance unspent at beginning of year	531,976	531,976
Current-year receipts	2,316,000	-
Conditions met - transferred to revenue	(1,951,764)	-
	896,212	531,976
Conditions still to be met - remain liabilities (see note 11).		
This grant was used to implement the road master plan for all five local municipality in the district.		
15.16 Department of Water Affairs and Forestry - ACIP		
Current-year receipts	-	30,000,000
Conditions met - transferred to revenue	-	(30,000,000)
	-	-
Conditions met and transferred to revenue (see note 11).		
Grants relate to capital projects and assisting the infrastructure and project management unit, this grant is a claimable grant that solely depend on the performance of the municipality then the full allocation will be utilised.		
15.18 Municipal Water Infrastructure Grant		
Balance unspent at beginning of year	4,764,016	9,367,726
Current-year receipts	-	1,458,000
Conditions met - transferred to revenue	-	(6,061,710)
Other	(4,764,016)	-
	-	4,764,016
Conditions still to be met - remain liabilities (see note 11).		
The grant was introduced to improve on MIG and accelerate capital projects in the municipality.		
15.19 Popo Molefe Hall		
Balance unspent at beginning of year	2,254,897	2,254,897
Other	(2,254,897)	-
	-	2,254,897
Conditions still to be met - remain liabilities (see note 11).		
This grant dates back 15years. The municipality is in a process to investigate the grant during the 2013/2014 financial year.		
The unspent portion of the grant was calculated by the roll over from prior period, plus grants received for the year, less the expenditure incurred to meet the requirements of the grant; which is recognised to revenue.		
The grant was used for the construction of community hall for defend activities.		
15.20 LG SETA		
Balance unspent at beginning of year	1,508,653	1,308,098
Current-year receipts	-	200,555
Other	(1,508,653)	-
	-	1,508,653

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18. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

Current Municipal Infrastructure Grant projects are still on going at year end. The balance of this grant is expected to be utilised within the first quarter of the next financial year

The unspent portion of the grant was calculated by the roll over from prior period, plus grants received for the year, less the expenditure incurred to meet the requirements of the grant; which is recognised to revenue.

The grant was mainly for capacity building in the municipality and to bridge the skills gap of the whole municipal staff.

Ngaka Modiri Molema District Municipality

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Notes to the Financial Statements

Figures in Rand	2016	2015
19. General expenses		
Advertising	597,008	482,152
Accommodation	38,558	1,023,345
Auditors fees	1,674,334	3,367,357
Bank charges	1,360,658	2,675,640
Consulting and professional fees	15,416,083	19,908,415
Capacity building	-	141,032
GRAP Implementation	-	169,320
Insurance	1,186,750	1,476,453
Imbizos	268,293	-
Conferences and seminars	-	234,889
IT expenses	-	208,863
Catering	-	5,400
Disaster management services	314,660	2,068,059
Marketing	114,997	1,399,616
Moral Renewal Programmes	-	40,800
Sponsorships	240,150	-
Levies	5,681,358	4,276,172
Fuel and oil	3,229,851	3,274,562
Subsistence and travelling	1,121,949	951,963
Postage and Telegrams	2,816	3,322
Printing and stationery	2,511,152	5,150,669
Protective clothing	258,151	1,703,214
Recruitment Costs	62,058	-
Licencing Vehicles	346,950	466,523
Membership and subscriptions	108,560	23,315
Telephone and fax	6,025,768	5,990,381
Training	6,800	1,103,713
Employee Assistance Programme	-	114,590
Job Evaluation	20,000	47,301
Drinking Water Quality Management	-	196,510
Electricity	3,144,763	3,814,419
Sector development programme	47,650	1,533,154
Health Services	233,000	202,336
Labour Relations	562,993	176,750
Uniforms	2,708,672	196,680
Tourism development	517,466	272,490
Special Projects	591,893	1,148,355
Internet and Satellite Services	8,756	42,224
Yard Connections Programme	6,203,426	11,356,857
Refreshments	26,700	228,801
Rates and taxes	1,924,329	557,990
IDP Review	-	2,400
Detergents	128,431	206,027
Sampling And Analysis	-	35,663
Strategic Planning	48,405	-
Water Services	-	13,111,254
Other expenses	66,490	520,141
	56,799,878	89,909,117

Ngaka Modiri Molema District Municipality

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Figures in Rand	2016	2015
20. Employee related costs		
Basic	172,128,553	167,388,540
Holiday allowance	9,384,964	6,310,250
Medical aid - company contributions	21,187,902	36,841,878
UIF	1,325,255	1,301,589
Leave pay provision charge	15,958,726	18,155,639
Post-employment benefits - Pension	33,034,887	32,251,757
Overtime payments	7,898,126	5,027,060
13th Cheques	13,832,425	12,243,023
Vehicle allowance	13,030,972	14,387,610
Housing benefits and allowances	622,793	672,915
Standby allowance	7,745,411	5,603,253
Industrial council	67,954	64,102
Contributions to staff leave accrual	4,812,773	4,294,619
Cell phone allowance	88,250	145,500
	301,118,991	304,687,735

Remuneration of municipal manager

Annual Remuneration	-	905,136
Car Allowance	-	225,000
Contributions to UIF, Medical and Pension Funds	-	220,014
Other	-	207,000
	-	1,557,150

Ngaka Modiri Molema District Municipality has a Municipal manager from other institutions of governance. Expenditure thereof for the employment of the Municipal manager is not from the district municipality

Remuneration of Chief Financial Officer

Annual Remuneration	-	71,907
Car Allowance	-	12,500
Contributions to UIF, Medical and Pension Funds	-	17,503
Other	-	76,972
	-	178,882

Ngaka Modiri Molema District Municipality has a Chief Financial Officer from other institutions of governance. Expenditure thereof for the employment of the Chief Financial Officer is not from the district municipality

Senior Manager: Mayor's Office

Annual Remuneration	-	858,968
Car Allowance	-	248,515
Contributions to UIF, Medical and Pension Funds	-	230,046
Other	-	12,000
Other	-	138,942
	-	1,488,471

Senior Manager in the Mayor's Office resigned on the 30th of June 2015.

Senior Manager: Business support

Annual Remuneration	-	516,690
Car Allowance	-	1,500
Performance Bonuses	-	124,920
Contributions to UIF, Medical and Pension Funds	-	7,026

Ngaka Modiri Molema District Municipality

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Figures in Rand	2016	2015
20. Employee related costs (continued)	650,137	1,408,422
Senior Manager: Corporate Resource Support		
Annual Remuneration	27,337	945,256
Car Allowance	14,000	168,000
Performance Bonuses	41,564	129,431
Contributions to UIF, Medical and Pension Funds	17,439	218,919
Other	3,500	42,000
Leave encashment	105,628	-
	209,468	1,503,606
Senior Manager: Growth and Economic Development		
Annual Remuneration	146,448	880,719
Car Allowance	24,000	144,000
Contributions to UIF, Medical and Pension Funds	32,516	203,563
Other	176,320	120,000
Cellphone Allowance	4,000	-
	383,284	1,348,282
The Senior Manager for Growth and economic development resigned on the 31st August 2015		
Senior Manager: Municipal Health, Fire and Emergency		
Annual Remuneration	853,743	859,250
Car Allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	220,046	225,429
Other	96,000	120,000
Other	-	42,751
Cellphone Allowance	24,000	-
	1,337,789	1,391,430
Acting Senior Manager: PMU		
Annual Remuneration	-	120,680
Car Allowance	-	32,000
Other	-	55,850
	-	208,530
Acting Senior Manager: Technical Services		
Annual Remuneration	-	34,960
Car Allowance	-	12,000
Other	-	23,293
	-	70,253
The Senior Manager for PMU has been vacant for the entire year of 2015-2016		
Chief Audit Executive		
Annual Remuneration	980,226	955,966
Car Allowance	82,200	82,200

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
20. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	185,362	220,019
Cellphone allowance	18,000	-
Housing allowance	72,000	90,000
	1,337,788	1,348,185
21. Remuneration of councillors		
Executive Mayor	476,714	986,595
Single Whip	515,341	-
Part Time councillors	2,431,526	-
Speaker	489,042	479,283
MMC & Sec 79	4,513,731	-
Medical and Pension fund contributions	1,360,880	4,744,990
Sitting Allowance	437,650	-
Allowance councillors	3,101,748	1,838,481
	13,326,632	8,049,349
22. Investment revenue		
Interest revenue		
Bank	502,406	217,411
Interest from investment	636,109	1,718,334
Interest received - other	1,885,417	2,039,616
	3,023,932	3,975,361
	-	-
	3,023,932	3,975,361
23. Depreciation and amortisation		
Property, plant and equipment	323,478,136	229,414,501
24. Finance costs		
Interest paid	1,621,000	5,475,087
Interest on loan	-	1,691,199
	1,621,000	7,166,286
25. Operating lease		
.		
The municipality is leasing the photocopying machines from Nashua and also have a lease agreement for packing at the district office		
Accounts payable under Operating Leases		
Within one year	192,128	-
Within two to five years	181,092	-
	373,220	-

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
26. Repairs and maintenance		
Premises		
Maintenance: District roads	2,205,549	3,317,042
Maintenance: Water	378,588	38,582,520
Other repairs and maintenance	60,959,896	38,816,201
	63,544,033	80,715,763
27. Contracted services		
Security services	8,631,765	29,079,859
Waste water treatment	-	2,562,655
Tanker Services-Draught Relief	138,663,701	-
Tanker Services-Disludging	21,449,279	-
Other Contractors	4,651,574	229,642
Bulk water Purchases	226,158,788	-
	399,555,107	31,872,156
28. Grants and subsidies paid		
Other subsidies		
FMG Grant	1,254,930	1,362,177
Operating Water Grant	-	121,320,265
Rural Transport Services&Infrastructure	1,712,074	2,716,430
Transfers to local municipalities	6,500,000	7,782,426
Other Grants (MSIG & EPWP)	2,195,543	6,302,597
Lehurutshe water crisis	-	2,279,430
	11,662,547	141,763,325
29. Cash generated from operations		
Deficit	(446,874,620)	(306,362,256)
Adjustments for:		
Depreciation and amortisation	323,478,136	229,414,501
Proceeds from investments	(31,889,360)	(4,987,554)
Movements in retirement benefit assets and liabilities	5,025,000	-
Movements in provisions	2,985,000	3,572,000
Changes in working capital:		
Inventories	822,567	(7,077,208)
Receivables from exchange transactions	1,742,931	1,713,813
Payables from exchange transactions	125,874,144	(6,739,298)
VAT	4,945,910	(6,145,795)
Unspent conditional grants and receipts	111,802,017	130,763,545
	97,911,725	34,151,748

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
30. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	209,411,004	772,574,114
Total capital commitments		
Already contracted for but not provided for	209,411,004	772,574,114

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Ngaka Modiri Molema District Municipality

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31. Contingencies

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

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31. Contingencies (continued)

Contingent assets

Tshenolo Resources JV

R 11 228 364

The Municipality is suing for additional payments made in respect of the tender awarded to Tshenolo Resources JV.

Bagorosi Civil Projects and Engineers

R 691 850

The Municipality is suing for additional payments made in respect of the tender awarded to Bagorosi Civil Projects and Engineers.

Khethwayo Construction

R5 498 434

The Municipality is suing for additional payments made in respect of the tender awarded to Khethwayo Construction amounting to R 5 498 434.

JY GUTTA VS the Municipality

R 2 235 379 R 2 235 379

Matter started in 2011, summons were received where the Municipality is being sued for damage of property due to the fire during a cleaning campaign commemorating Mandela day. The matter is currently under dispute and the necessary pleading have been filed

* La Dira Trading 03 CC

R 756 924 R 756 924

We received summons and we have appointed the attorneys who have filed an intention to defend. Currently the attorneys acting on behalf of La Dira Trading 03 CC filed an application for summary judgement, our attorneys then filed an application to oppose same with a possibility of having a counter claim.

Bathalefi Projects

R 17 722 191 R 17 722 191

The municipality received invoices for work purported to be done by Bathalefi Projects on First Street. Due to the payments exceeding the allocated budget the Municipality appointed a forensic investigator to investigate into the allegations (First Street-Queckwin Projects). The matter has since been stagnant

32. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note 20&21

33. Prior period errors

Statement of financial position

Decrease in receivable from exchange transactions	(8,106,220)	-
Decrease in cash and cash equivalent	(29,849,383)	-
Decrease in PPE	(4,156,830)	-
Increase in othe financial assets	31,888,999	-
Decrease in payable from exchange transactions	(149,195,474)	-
Increase in employee benefit plan	100,000	-
Decrease in bank overdraft	(16,824,784)	-
Increase in employee benefit plan-non current	22,678,000	-
Increase in other liabilities-Sedibeng water	22,086,656	-

Statement of Financial Performance

Increase in Interest earned	2,039,615	-
Increase in Employee related costs	22,777,998	-
Decrease in Transfers and Subsidies	116,493,364	-
Decrease in General Expenses	23,361,907	-

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

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33. Prior period errors (continued)

The following prior period error corrections were done for the 2014/15 financial year:

Other liabilities- Sedibeng water invoices were received late and had to be adjusted by Approximately R 22 086 656 for the services provided in the prior year.

Provision for Post retirement medical benefit has never been assessed in the past financial years as a result of the unavailability of the actuarial reports to recognise such liabilities. Year 2014/2015 reinstate amounts for Non Current Liabilities is R 22 678 000 and the current liability is at R 100 000.

Interest received – This was as a result of the investment that was discovered from Sanlam. The municipality took out four policies with Sanlam between the year 1999 and 2003. There has not been enough trace to how the investments featured in the past 5 financial years. Interest realised for the past year amounted to R2 039 616.

Employee Related Cost – The initial amount recognised as of 30 June 2015 was R 281 909,737. It has only been this year that the municipality does actuarial analysis on the post-retirement medical benefits which made then made an impact on there of R 100 000 and R22 678 000 for current and non-current portion of the post retirement benefit respectively.

Receivable from exchange transactions- Allocation of payments received in advance exceeded the initial recognition of a receivable and therefore reclassification of the receivable was necessary to reflect a payable as at year end. An amount of R1 023 690.00 was adjusted to show the effect

PPE - The has been a revision on movable assets to account for the movement with sufficient and appropriate information for the past two years. A decrease of R 4 156 830 was necessary to show effects of proper movements

Cash and Bank- There has been a Bank reconciliation cleanout on long outstanding deposits and long outstanding payments that were only hanging on the cashbook and the creditors control account. Management embarked on clearing the bank reconciliation in conduction with the creditors control account. An amount of R29 849 383 was then adjusted on the prior year

Other Financial Assets- This relates to a four investment policies that was taken with Sanlam. The four investments were taken between the years 1999 and 2003. There has never been and trace of the investment in the past reasonable years. An amount of R31 888 999 in now recognised for the current year's comparative to show effects of the valuation of such policies.

Payable from exchange transactions- Allocation of payments received in advance exceeded the initial recognition of a receivable and therefore reclassification of the receivable was necessary to reflect a payable as at year end, furthermore, the payable module did not match the control account and the suspense. in an attempt to rectify the mismatch, balances that were hanging in the prior periods were then reflected on the control account. An amount of R149 195 474 was adjusted to show the effect

Employee benefit obligation –The municipality has only started assessing for the post retirement benefit in the year under review and the actuarial analysis were also done for the past financial year. Therefore, current liabilities for the prior year's not recognised is R100 000 and R22 678 000 for the non-current portion of the post retirement benefit.

Bank overdraft- The municipality has been under serious financial constraints, however, it does not have overdraft facilities. The R21 Million shown in the prior year's financials as an overdraft is not a true reflection of the financial state of the municipality as there were technical errors within the system for the past 4 years with uncleared reconciled items. The decrease of R16 824 784 was as a result of efforts taken to resolve the reconciling items in the past years.

34. Comparative figures

Certain comparative figures have been reclassified.

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

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34. Comparative figures (continued)

Contracted Services –Management took a decision to separately disclose tanker services for both Draught relief and desludging. This would give the users of the financial statement more clarity on the expenses that goes through projects for water and sanitation in and around the Ngaka Modiri Molema District area. Classification of the draught and sanitation which was initially recognised as transfers and subsidies for all transactions relating to Draught Relief and General Expenses for all transaction relating to Desludging is now classified as contracted services. The cost amounted to R160 112 980 in total.

Statement of Financial Performance

Increase in Contracted services	139,855,271	-
Decrease in Transfers and Subsidies	(116,493,364)	-
Decrease in General Expenses	(23,361,907)	-

35. Risk management

Financial risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2016	2015
Current account-Primary account	408,068	4,882,239
Current account- expenditure account	52,899	53,046
Short term deposits	1,988,273	-
Payables from exchange transactions	292,426,280	-

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

36. Going concern

The 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.

Ngaka Modiri Molema District Municipality

Financial Statements for the year ended 30 June 2016

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36. Going concern (continued)

Ngaka Modiri molema district municipality incurred a net deficit of R 446 874 620 during the year ended 30 June 2016 and, as of that date the municipality's current liabilities exceeded its current asset by R 205 718 486. Management believes that the going concern assumptions is appropriate, however, based on the financial position the municipality finds itself in we understand that material uncertainty might exit at year end. The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that all procurements, employments and any other activities that seeks the outflow of cash be monitored and policies that are in place be enforced to secure and restore the solvency of the municipality. .

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

37. Unauthorised expenditure

Opening Balance	473,582,958	66,712,142
Unauthorised Expenditure Current Year	252,052,656	406,870,816
	725,635,614	473,582,958

Unauthorised expenditure for the current year relates to the following expenditure categories:

Employee Related cost	11,076,980	4,684,737
Depreciation	(65,406,276)	122,365,270
Finance cost	(1,639,342)	4,166,286
Contracted Services	(3,105,371)	14,477,156
Transfers and subsidies	(162,513,940)	240,705,135
General Expenses	(30,464,707)	20,472,232
	(252,052,656)	406,870,816

38. Fruitless and wasteful expenditure

Opening Balance	3,424,567	37,322
Additional Fruitless and Wasteful Expenditure	2,159,707	3,387,245
	5,584,274	3,424,567

39. Irregular expenditure

Opening balance	401,568,043	345,810,366
Add: Irregular Expenditure - current year	258,148,760	55,757,677
Add: Irregular Expenditure identified in current year relating to prior year	653,460,851	-
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	1,313,177,654	401,568,043

Ngaka Modiri Molema District Municipality

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39. Irregular expenditure (continued)

Details of irregular expenditure

Assessment for Quotes	-	-
Deviation from SCM Regulations	-	55,757,677
Non Submission of Tax Clearance Certificate	50,049,533	-
Non Submission of declaration of interest	6,107,929	-
Non Adherence to 3 written quotations	18,422,038	-
	74,579,500	55,757,677

Assessment for Tenders

Limitation of full and complete tender documentation	748,695,219	-
No Evaluation & adjudication report	350,596,480	-
Procurement process not followed	93,293,324	-
Advert available and it is less than 30 days	46,013,131	-
	1,238,598,154	-

Details of irregular expenditure – current year

-

40. 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 financial statements.

Infrastructure assets were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. 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.