



## MHLONTLO LOCAL MUNICIPALITY

# DRAFT ANNUAL REPORT 2016/2017

# MHLONTLO LOCAL MUNICIPALITY



DRAFT ANNUAL REPORT

2016/2017

## CONTENTS

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY .....	1
COMPONENT A: MAYOR’S FOREWORD .....	1
COMPONENT B: EXECUTIVE SUMMARY .....	5
1.1. MUNICIPAL MANAGER’S OVERVIEW .....	5
1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW .....	7
1.3. SERVICE DELIVERY OVERVIEW .....	9
1.4. FINANCIAL HEALTH OVERVIEW .....	9
1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW .....	11
1.6. AUDITOR GENERAL REPORT .....	11
1.7. STATUTORY ANNUAL REPORT PROCESS .....	12
CHAPTER 2 – GOVERNANCE .....	13
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE .....	13
2.1 POLITICAL GOVERNANCE .....	13
2.2 ADMINISTRATIVE GOVERNANCE .....	15
COMPONENT B: INTERGOVERNMENTAL RELATIONS .....	15
2.3 INTERGOVERNMENTAL RELATIONS .....	16
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION .....	18
2.4 PUBLIC MEETINGS .....	19
2.5 IDP PARTICIPATION AND ALIGNMENT .....	20
COMPONENT D: CORPORATE GOVERNANCE .....	20
2.6 RISK MANAGEMENT .....	20
2.7 ANTI-CORRUPTION AND FRAUD .....	20
2.8 SUPPLY CHAIN MANAGEMENT .....	21
2.9 BY-LAWS .....	21
2.10 WEBSITES .....	21
CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I) .....	22
COMPONENT A: BASIC SERVICES .....	22
3.1. WATER PROVISION .....	22
3.2 WASTE WATER (SANITATION) PROVISION .....	22
3.3 ELECTRICITY .....	22
3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING) .....	28

COMPONENT B: ROAD TRANSPORT .....	32
3.7 ROADS .....	32
3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION) .....	32
3.9 WASTE WATER (STORMWATER DRAINAGE) .....	37
COMPONENT C: PLANNING AND DEVELOPMENT .....	42
3.10 PLANNING .....	42
3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES) .....	46
COMPONENT D: COMMUNITY & SOCIAL SERVICES .....	51
3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC).....	51
3.13 CEMETORIES AND CREMATORIUMS.....	55
COMPONENT E: ENVIRONMENTAL PROTECTION .....	58
3.15 POLLUTION CONTROL .....	58
COMPONENT G: SECURITY AND SAFETY.....	59
3.20 POLICE .....	61
CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE .....	61
(PERFORMANCE REPORT PART II).....	61
COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL .....	61
4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES .....	63
COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE.....	63
4.2 POLICIES.....	64
4.3 INJURIES, SICKNESS AND SUSPENSIONS .....	65
4.4 PERFORMANCE REWARDS.....	67
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE.....	68
4.5 SKILLS DEVELOPMENT AND TRAINING .....	68
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE.....	71
4.6 EMPLOYEE EXPENDITURE.....	71
CHAPTER 5 – FINANCIAL PERFORMANCE.....	74
COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE .....	74
5.1 STATEMENTS OF FINANCIAL PERFORMANCE .....	77
5.2 GRANTS.....	77
5.3 ASSET MANAGEMENT .....	78

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS .....	81
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET .....	85
5.5 CAPITAL EXPENDITURE .....	86
5.6 SOURCES OF FINANCE .....	86
5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS .....	87
COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS .....	89
5.9 CASH FLOW .....	89
CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS .....	91
COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS Year -1 .....	91
6.1 AUDITOR GENERAL REPORTS Year -1 (Previous year) .....	92
COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR) .....	92
6.2 AUDITOR GENERAL REPORT YEAR 0 .....	92

## **/CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY**

### **MAYOR’S FOREWORD**

#### a. Vision

The Mhlontlo Municipality envisions itself as a,

*“...united community that champions viable socio-economic development programmes and provision of effective and efficient services in an environment of good governance.”*

#### Key Policy Developments

##### Our Key Development Objectives

The Mhlontlo Local Municipality has identified its key development objectives to be implemented a number of years as some are easy to achieve and find the expression of being categorised as quick wins, whilst some are realised through the medium-term and long-term. The Mhlontlo Local Municipality is committed to:

- Provide Basic Services and Infrastructure;
- Improve the institutional systems;
- Promote economic growth through Agriculture, Tourism and Mining;
- Promote sustainable community livelihood;
- Promote comprehensive Rural Development.
- Improve financial management

#### Key Service Delivery Improvements

Despite having delivered the services to the communities of Mhlontlo, the municipality has experienced difficulties in trying to meet the needs to the entirety of the area. The municipality has managed to achieve construction of four (4) access roads that equal to 37, 7 km. These are Qumbu Tech – Khalankomo which is 9,6km, Nombodlelana-Ncitsana with 12,2km, Mahlubini-Qolombana with 8,4km and Gungqwana (Rehabilitation) 7,3km. The municipality would have delivered more than what was done to positively impact on the lives of as many voters as possible. However, the norm utilised to allocate funds from the national purse perpetrates the historically skewed service delivery. This is assertion is made against the background of recognising huge infrastructure backlogs versus budget allocations done by the National Treasury. It is also a fact that co-operative governance is practical as government departments and state entities are committed in successful intergovernmental relations implementation. This is attested to by the fact that service delivery has not been left to the municipality alone, but an integrated and collective approach was used during the period under

review. Department of Energy has, throughout the previous years, been injecting millions of rand to realise universal access to electricity in Mhlontlo. Department of Human Settlements has made Mhlontlo Local Municipality proud of delivery of Tsolo 500 Housing Project with 226 units practically handed over to beneficiaries. The year under review has also seen Qumbu benefitting from a project that equals the Tsolo one. The Municipality played a pivotal role of co-ordination in the projects mentioned above. Legal battles are still perpetual and even the year under review saw the municipality paying towards litigation resulting, mostly from land invasions. Due to the said land claims ORTDM also suffered huge loss of millions of rand on the sewage project that had to halt. However, an amicably solution was found between the AmaGcina land claimants and the municipality. The municipality still struggles understanding with Balasi Community land claimants. This is not limited to this as the Municipality is currently exposed to a huge amount of R48m litigation by Tsolo TDH, a developer suing the municipality under the pretext that the municipality was obliged to provide bulk services.

Mhlontlo Local Municipality participated in the Greenest Town Competition in ORTDM and managed to scoop R50 000 for third prize, an amount too little for an institution with sufficient resources but worth coming into the coffers of the cash strapped ones. This does not mean not being able to meet its commitments.

The National Department of Environmental Affairs have assisted the municipality with construction and renovation of Tsitsa Falls Lodge at an amount of R20m. DEDEAT injected R500 000 for the development of fire management belt and fencing.

The municipality has developed LED programmes such as Siyazenzela Agricultural Participation Programme (SAGRIPP) with the aim of supporting farmers through establishing Co-operative Development Centres. Due to lack of funds the municipality could not fulfil that objective, however construction of a CDC started at Toleni in ward 25 although it could not be completed as per the project plan.

As part of Comprehensive Rural Development Programme (CRDP), Department of Rural Development and Land Reform commenced with the construction of Gqunu Access Road in 2014 and is still underway due to problems of the incapacity of the contractors employed. As a result, contractors were terminated, and supply chain processes restarted.

The municipality is a beneficiary of Mzimvubu Multi-Purpose Project where two dams of Ntabelanga and Laleni will be constructed. Feasibility study and Environmental Impact Assessment have been completed. However, social facilitation meeting was done with the traditional leadership of O R Tambo District Municipality, Joe Gqabi and Alfred Nzo. This was done by the Honourable Minister of Water and Sanitation together with the office of the Premier.

## Public Participation

Public participation is one of the political underlying principles in ensuring empowerment of citizens to better articulate their will and needs directly to political representatives and public officials. Public participation promotes good governance as it bears some elements of corporate governance such as responsibility, accountability and transparency in delivering services. An open systems approach used by Mhlontlo Local Municipality mostly boosted the morale of the citizenry. Mhlontlo Local Municipality has consistently allowed people to air out their views during preparation of IDP and Budget process which was done all 26 wards comprising the municipality.

## Future Actions

The municipality is still faced with backlogs in terms of the infrastructure development, especially construction of access roads, housing, water and sanitation as well as electrification. It is a well-known fact that the mandate to address water and sanitation belongs to the district. The municipality is also charged with ensuring that growth of villages is planned accordingly, in order, to be able to render the required infrastructure services as required by the law. The municipality has a mandate to construct access roads and has made it a point that during planning stages, surfacing of urban roads is prioritised. This statement tries to reflect that the municipality is busy implementing the project of surfacing Qumbu and Tsolo streets. Electrification is a mandate that Mhlontlo Local Municipality is carrying through funding from Department of Energy (DoE) and Eskom. An allocation of R14m is allocated, according to DORA, to ensure that a remarkable mark is made during the current financial year of 2017/18. The KwaMadiba Small Scale Hydro Power (SSHP) that was reported to have been funded by the Department of Science and Technology which commissioned University of Pretoria for implementation is still under construction. The village has a complete distribution network from Eskom and awaiting connection to hydropower which is delayed by drilling of the rock. This project was started during the second quarter of the financial year under review.

Local Economic Development, Planning and Rural Development as a key element to enhance SMME development, job creation and economic growth remains a priority of the municipality. This will be done through promotion of LED strategy and its critical components. There is high demand for economic infrastructure development which, among other things, include construction of access roads, electricity and fencing of the productive areas. This has a potential to economically contribute towards gross domestic product of the municipality (GDP).

## Agreements / Partnerships

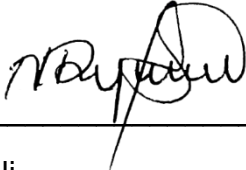
Mhlontlo Local Municipality has vigorously embarked in the implementation of skills development as a measure to capacitate its employees for better delivery of services



to the communities, as well as skilling of the unemployed in creating better employment opportunities. The programme was assisted by a contribution of various SETAs which took an extra mile of even having learners placed in Mhlontlo under different learnerships. Bursaries were also granted to the municipality to assist in skilling of councillors and officials. Amongst the SETAs reported during the year under review are Local Government Sector Education and Training Authority which is commonly referred to as LGSETA, Services SETA, TETA and AGRISETA. There are also existing partnerships with government departments that include Department of Energy (DOE), Department of Economic Development, Environmental affairs and Tourism (DEDEAT), Department of Sport Recreation Arts and Culture (DSRAC), Department of Transport, as well as parastatals such as Eskom and Telkom.

## Conclusion

To conclude, the office of the mayor wishes to unreservedly appreciate both to politicians and the administration of Mhlontlo Local Municipality for the strides taken to provide services to the people. They all meant serving the people with modesty and prudence, guarding against arrogance and rashness. Politicians have whole-heartedly devoted themselves and that was not without any tribulations. The uneven resource allocation from the national fiscus has remained a daunting factor in delivering services to the people. Despite the challenges of August 2016 local government elections, the municipality surmounted various hurdles and had the environment manageable until the ushering in of the new council. It is important to sum up by divulging that people had an impression that their will and interests were not seriously considered, hence resorting to wild cat protests during the eve of elections. On behalf of the Executive Committee which is the principal committee of the council, the office of the mayor lacks descriptive words to portray its excitement resulting from the collective approach in dealing with service delivery issues affecting communities. Best wishes to all stakeholders who showed interest in ensuring the success of the council during the financial year under review.

(Signed by : )  \_\_\_\_\_  
Mayor: Cllr N. Dywili

## **EXECUTIVE SUMMARY**

### **1.1 MUNICIPAL MANAGER'S OVERVIEW**

Mhlontlo Local Municipality, through its strategic document referred to as integrated development plan (IDP), drafted in line with National Development Plan, Provincial Development Plan and District Development Plan, managed to have its objectives implemented to advance the lives of the people taking into consideration all the socio-economic factors. All principles of Back to Basics document (B2B) were taken as key in ensuring that Mhlontlo communities receive the much-desired services. The implementation was done through service delivery and budget implementation plan (SDBIP) which is a contract between the community and the municipality. It was not easy to attain all the set targets due to various reasons that range from the partners in development such as State-Owned Enterprises which include, among others, Eskom, Sector departments and service providers. That required the municipality to consider adopting tactical flexibility and have the SDBIP amended. Infrastructure development was the most area of concern as Qumbu Town Hall was not completed with a simple reason that there was underquoting by the service provider. Electrification of AmaCwerha phase 2B was also delayed due to some logistical arrangements by Eskom and the consultant. That practically affected the achievement of the targeted households for connection and energising to be 914 instead of 1200. There was also a completion of AmaCwerha additional scope and electrification of KwaMadiba Rural with 321 connections.

The municipality also took a giant leap in reaching out to the people through the implementation of public participation. This effort is a mandate from the legislative framework governing the municipalities. The Speaker of the Council in collaboration with the Chief Whip, spearheaded public participation campaigns with the Mayor leading Imbizos. During IDP and Budget Roadshows, the municipality made it a point that politicians and administration reached to the communities in a process of meaningful involvement of the people in their development. The process of involvement started from the initial stages of IDP development through IDP Representative Forum meetings. The municipality also engaged religious fraternity through organising prayer days to mark significant and commemorative events such as Easter Prayer that is annually conducted at Tsolo Junction with all denominations participating.

Although there was lack of participation by some sector departments, the municipality co-ordinated IGR meetings successfully. These meetings opened space to discuss matters of common interest affecting communities of Mhlontlo. Amongst the State-Owned Enterprises (SOEs) continuously showing zeal and enthusiasm in attending meetings was Eskom, let alone not perfectly delivering on the expectations. Participation of all those that honoured meetings was indicative of having co-operative government as espoused in the Constitution of the Republic of South Africa.

Support to the Special Programmes Unit, composed of Women, Youth, Children, Elderly and Disabled, was always prioritised taking into cognisance the speciality of each section. There is an ongoing support to both HIV/AIDS infected and affected people. The O.R. District Municipality, during the year under review played an important role in support of the municipality regarding the Special programmes.

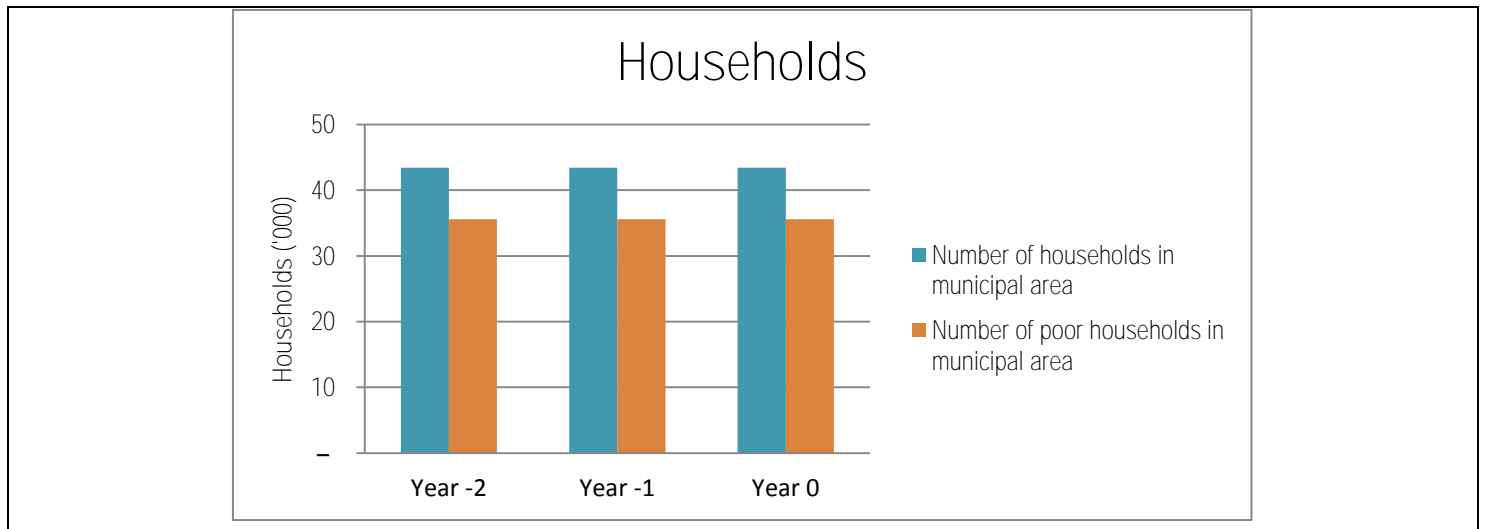
As a Constitutional mandate, refuse removal or collection was done to the households in urban areas of Mhlontlo Local Municipality. The municipality also converted Food for Waste employees who used to get groceries instead of money, into employees given an EPWP rate per day. That was an achievement well received by the employees and community as Food for Waste Project was perceived as undermining the integrity of those people. Although there were such developments, the municipality has not yet overgrown the issue of incapacity in cleaning. The incapacity is a direct bearing of the growth of business development in Mhlontlo, which does not necessarily reach an equilibrium in terms of the income of the municipality.

Financially, the municipality has shown signs of improved management with spending trends indicative of sound efficiency, effectiveness and prudence. This assertion is based mostly on how grants were utilised with no rollovers requested from the National Treasury. By the end of the 4<sup>th</sup> Quarter of the municipal financial year, the municipality did not request or apply for any overdraft. As such, at the year end, the municipality had a positive bank balance. It has been able to honour its current liabilities and debts as the annual financial statements reflect. The Audit Committee and the Municipal Public Accounts Committee performed their responsibilities with care and demonstrable understanding.

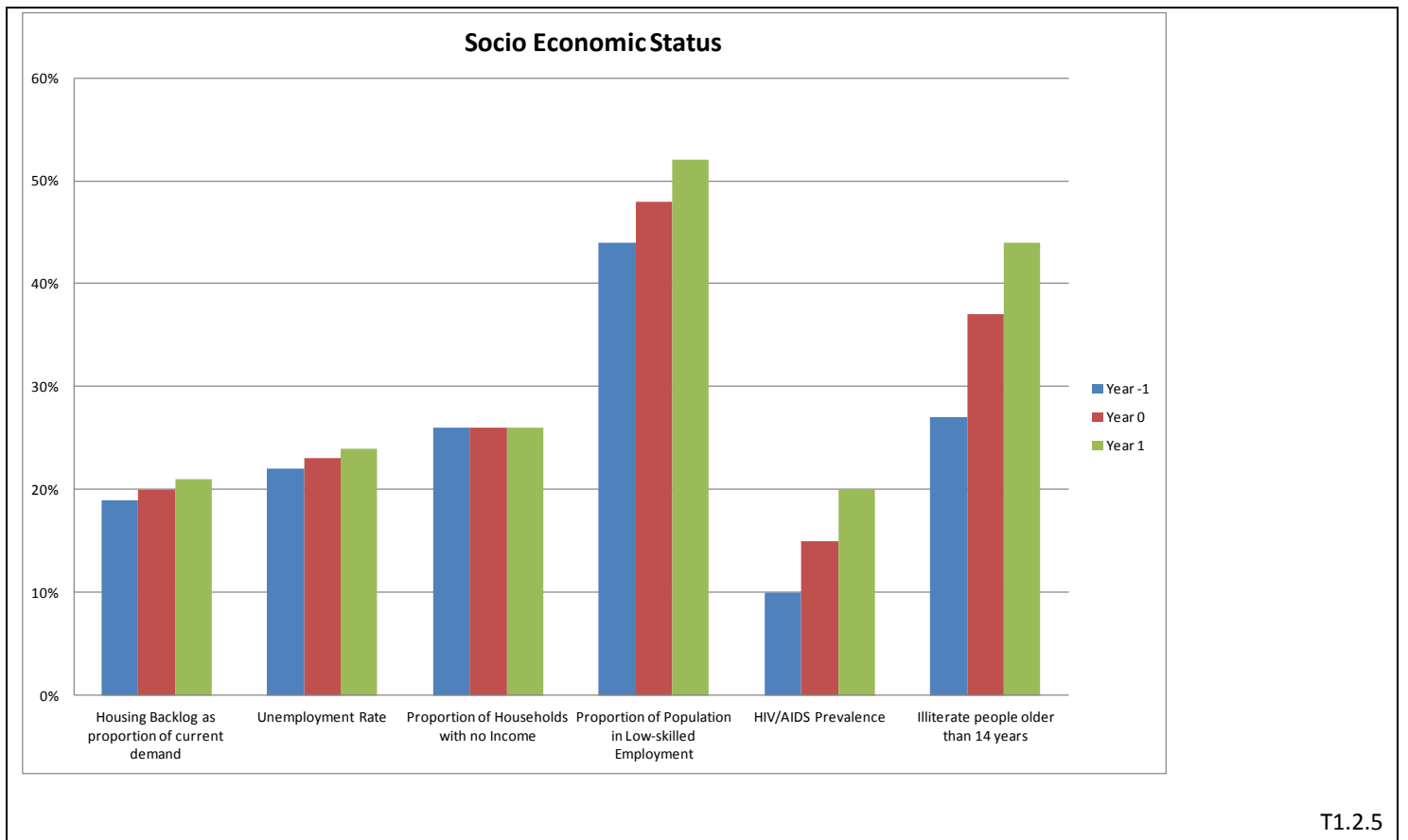
The municipality has harmoniously worked and enjoyed the support by O. R. Tambo District Municipality in Internal Auditing. As Mhlontlo has been confronted with incapacity of the Internal Audit Unit, Interns were hired by ORTDM to boost. This incapacity confronting the unit mostly results from the inability to fill vacant position that appears on the organisational structure of the institution. It is due to meagre financial resources that the municipality experiences.

## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Population Details									
Age	Population '000								
	Year -2			Year -1			Year 0		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 14	35	35	70	35	35	70	35	35	70
Age: 15 - 25	22	20	42	22	20	42	22	20	42
Age: 26 - 35	7	9	16	7	9	16	7	9	16
Age: 36 - 45	5	9	14	5	9	14	5	9	14
Age: 46 - 55	5	9	14	5	9	14	5	9	14
Age: 56 - 65	3	7	10	3	7	10	3	7	10
Age: 66 - 75	1	6	7	1	6	6	1	5	6
Age: 75+	1	4	5	1	4	4	1	3	4
<i>Source: Statistics SA</i>							<i>T 1.2.2</i>		



Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year -2	58%	43%	4%	56%	9%	15%
Year -1	58%	43%	4%	56%	9%	15%
Year 0	58%	43%	4%	56%	9%	15%



### **1.3 SERVICE DELIVERY OVERVIEW**

Service delivery is about providing services to the communities of the municipality. These services include construction of roads, provision of water, electricity, management of waste water (sanitation), solid waste management and building decent houses. Services are not limited to that, but some are a mandate that is with other government departments and SOEs. The municipality has not, and is still to far from satisfactorily providing services due to historic backlogs that continue haunting the communities of Mhlontlo.

Department of Roads and Public Works (DRPW) operate within the municipality to ensure maintenance of roads and bridges is provided through Roads Forum. The intervention programmes such as Area Wide Maintenance and other intervention by SANRAL to assist in the maintenance of roads that leading to schools and Clinics. The Area Wide programme has satisfactory coverage for roads accessibility though there were major challenges with budgets on projects funded and managed by DRPW.

The District Municipality is both a Water Service Authority and a provider. The water is provided by OR Tambo District for both construction of new water schemes and maintenance. During the year under review, the municipality has experienced dire water shortages to an extent of having communities forced to purchase due to either poor workmanship on the existing infrastructure or unavailability of monitoring of the schemes.

Department of Human Settlements (DoHS) is responsible for budgeting for houses that are to be built within the municipal area. The coverage is below demand as there is a slow programme when the projects are on construction. The municipality works with DoHS through housing strategy to ensure that houses identified for housing construction are informed by Housing Sector Plan

### **1.4 FINANCIAL HEALTH OVERVIEW**

During the year under review, our budget expectations were not fully realized. We budgeted for income amounting to R285 million and expenditure of R310 million. By the close of our books at the end of the year, we had obtained an income of R272 million (including capital grants received), and we spent R318 million, resulting in a deficit of R45 million.

For the 2016/2017 financial year, the municipality obtained an unqualified audit opinion from the Auditor-General. The municipality's capital expenditure remained at 100% (2016: 100%) by the end of 2017.

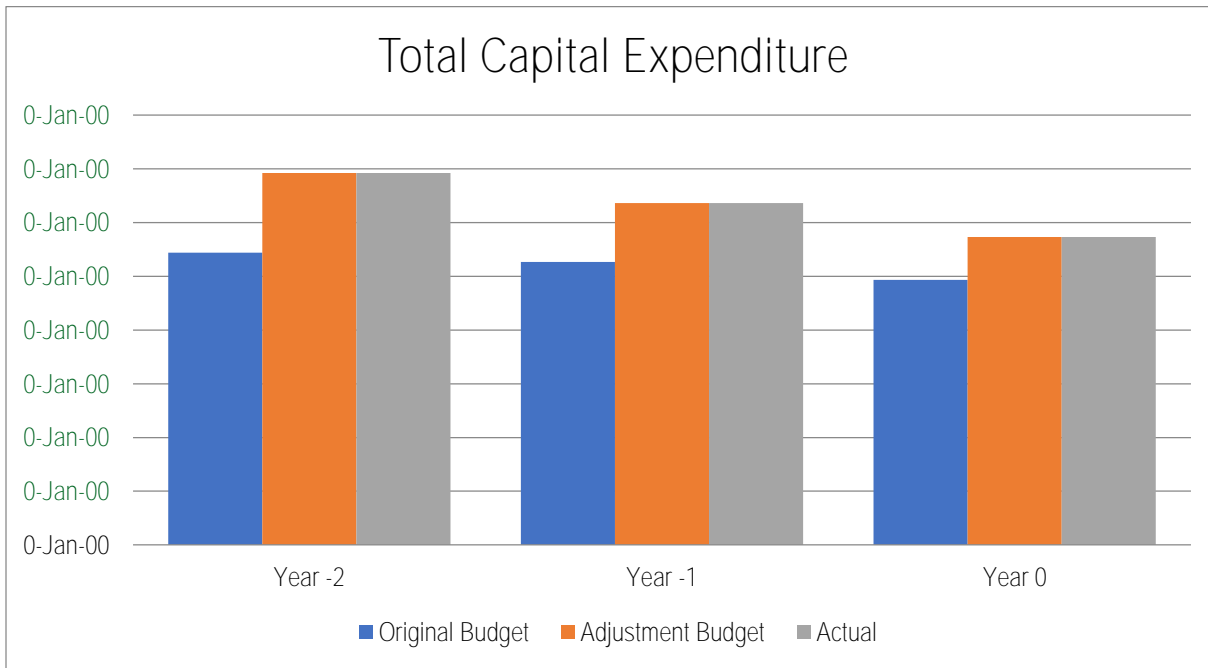
Financial Overview: 2016-2017			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	228 288 299	228 288 299	228 288 299
Taxes, Levies and tariffs	15 662 648	33 561 153	33 561 153
Other	22 931 476	23 341 365	10 915 651
Sub Total	266 882 423	285 190 817	272 765 103
Less: Expenditure	215 468 967	310 348 660	318 450 005
Net Total*	51 413 456	-25 157 843	-45 684 902
* Note: surplus/(defecit)			T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	36%
Repairs & Maintenance	2%
Finance Charges & Impairment	6%
T 1.4.3	

#### COMMENT ON OPERATING RATIOS:

Employee costs' ratios were sitting at 36% compared to expected norm are at 30%; repairs and maintenance were at 2% which is far less than the the expected norm of 20%; and finance charges and impairment were at 6% and the expected norm is 10%.

Total Capital Expenditure: 2014-2015 to 2016-2017			
			R'000
Detail	Year -2	Year -1	Year 0
Original Budget	54 410 378	52 698 873	49 340 773
Adjustment Budget	69 215 799	63 612 000	57 333 713
Actual	69 215 799	63 612 000	57 333 713
			T 1.4.4



T  
1.4.5

**COMMENT ON CAPITAL EXPENDITURE:**

The municipality’s expenditure trends on capital budget are at 100%. This results in increased allocations from the national fiscus.

**1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW**

The municipality has strived to ensure that the organisation has been developed through various training programmes and new systems were introduced.

**1.6 AUDITOR GENERAL’S REPORT**

As per the opinion reflecting in the report from Auditor General, the municipality’s financial statements were fairly presented in all material respects.



## 1.7 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	August 2017
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 1 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	N/A
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	31 August 2017
8	Mayor tables the unaudited Draft Annual Report for noting	
9	Municipality submits Draft Annual Report including consolidated annual financial statements and performance report to Auditor General Draft Annual Report is made public and representation invited	
10	Annual Performance Report is submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	<ul style="list-style-type: none"> <li>○ MPAC assesses Annual Report</li> <li>○ Auditor General Audits Annual Report including consolidated Annual Financial Statements and Performance data</li> </ul>	September- November 2017
12	Municipality receive and start to address the Auditor General's comments	
13	Mayor tables audited Annual Report to Council	January 2018
14	<ul style="list-style-type: none"> <li>○ MPAC Submits oversight report on the Annual Report</li> <li>○ Council Adopts Oversight Report</li> </ul>	March 2018
15	Oversight report is made public	April 2018
16	Oversight report is submitted to Legislature, Treasury and COGTA	April 2018
17	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	August 2018

## CHAPTER 2 – GOVERNANCE

### POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

During the year under review, Mhlontlo Local Municipality had a good interface between political and administrative arm. The council received full support of the administration in ensuring the success of all its committees. The administration, though there were some pitfalls, complied with all the applicable legislative framework to meet the council requirements. With regards to legislative and executive functions in the year under review, the council managed to adopt credible IDP, Budget and Policies.

#### 2.1 POLITICAL GOVERNANCE

The Mayor, as the political head of the institution, has without failure, given guidance to the principal committee of the council. The Mayor made it a point that the municipality developed its IDP and Budget as per the legislative framework. In the year under review the Council has established all its committees which include executive committee, standing committees and section 79 committees. The municipality also had a vital committee called Audit Committee which tirelessly worked to improve both the municipal governance and administrative systems.

*Photos*

**POLITICAL STRUCTURE**



**MAYOR**  
N.Dywili



**SPEAKER**  
M.G. Jara



**CHIEF WHIP**  
M.N,Mvanyashe

**EXECUTIVE COMMITTEE**

- Cllr M. Mabono (Resigned)
- Cllr E.Pula
- Cllr S.S. Mbangata
- Cllr N.P.B.Ludidi
- Cllr N.E.Sigwili
- Cllr V.Mnyanda
- Cllr M.Lingela
- Cllr G.Mazitshana
- Cllr N.Zikolo

**COUNCILLORS**

The council of Mhlontlo Municipality has 51 councillors. 26 are ward councillors and 25 are proportional representative councillors. There are ten traditional leaders in the council in line with the Local Government: Municipal Structures Act, 117 of 1998.

**POLITICAL DECISION-TAKING**

Council is the only decision-making body and all other structures recommend to council. The council has eight (8) section 80 committees who report to the Executive Committee. Section 79 committees appointed during the period under review were four (4). They comprise of Municipal Public Accounts (MPAC), Women's Caucus, Public Participation and Petitions Committee as well as Ethics and Members' Interest Committee. The section 80 committees were assisted by their respective whip members to process recommendations, and this created a good mood of the working environment.

## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the institution as per the Municipal Finance Management Act and is appointed according to the Local Government: Municipal Structures Act 117 of 1998 and the Local Government: Municipal Systems Act 32 of 2000. The Municipal Manager, during the year under review, has performed all the duties of the accounting officer as stipulated in the legislation with due diligence taking into consideration all the applicable pieces of legislation governing municipalities. Management Committee meetings were scheduled to sit on Monday of every week, except when there could be some activities requiring attention of management. Management stability was the order of the day, hence there were no interruptions were reported. Senior management posts were all occupied.

	<b>TOP ADMINISTRATIVE STRUCTURE</b>	<b>Function</b>
	<b>TIER 1</b>	
	<b>MUNICIPAL MANAGER</b>	
	S.G. Sotshongaye	
<i>Directors</i>	: <b>Mr</b> L. Matiwane	
	DIRECTOR: Corporate Services	
	Mr T.P. Mase	
	DIRECTOR: Infrastructure Development	
	Mr Z. Zipete	
	DIRECTOR: LED, Planning and Rural Development	
	Mr M.J. Yilo	
	DIRECTOR: Community Services	
	Mrs N. Boti	
	Chief Financial Officer	
	Director Strategic Services: Vacant	

## INTERGOVERNMENTAL RELATIONS

Regulation governing Intergovernmental Relations (IGR) require the establishment of structures and mechanisms aimed at enabling integrated planning and management within the different spheres of government. In striving towards effective intergovernmental relations, the IGR Policy was developed and approved by the council with terms of reference and schedule of meetings for the year.

The IGR meeting are chaired by the Municipal Manager and the IGR meetings are sitting as per the schedule. The IGR is always at the centre during the IDP Representative Forums, Public Participation meetings and Mayoral Imbizo's to present their programmes or project that should be included in the IDP and setting of indicators during the Strategic Planning Session.

### 2.3 INTERGOVERNMENTAL RELATIONS

#### NATIONAL INTERGOVERNMENTAL STRUCTURES

Mhlontlo is a Local Municipality that operates according to the legislative framework, which in this case would have participated in the meetings at the national level through a special invitation. During the financial year under review, there was never any matters of interest that required such participation.

#### PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The provincial IGR structures that Mhlontlo LM has participated in includes, amongst others, Technical and Political MuniMEC meetings to share progress reports on service delivery across the province. The service delivery models are also shared and benchmarked for the success of the municipalities. It is also worth reporting that the municipality had been exposed to workshops by SALGA covering all the Key Performance Areas. Not only the nice to report about issues are shared, but also challenges and possible solutions.

It is also important to acknowledge, though limited, that the municipality, through the office of the mayor and the municipal manager participated in the Premier's coordinating forum (PCF). The invitation was based on **Part 3, Section 17 (3) of the Intergovernmental Fiscal Relations Act 97 of 1997** which states that the Premier may invite any person not mentioned in subsection (1).

#### RELATIONSHIPS WITH MUNICIPAL ENTITIES

Mhlontlo Local Municipality has not yet reached a level of having an entity established and cannot be in apposition to have such a report.

## DISTRICT INTERGOVERNMENTAL STRUCTURES

The District IGR structures mostly depend on the schedule of the District Municipality. Mhlontlo has been consistently attending the Technical District Municipal Manager's Forum and District Mayor's Forum meetings whenever invited. However, it is true that the municipality would have a request made to the District based on a matter of interest. With open arms and duty-bound to support, ORTDM would convene such meetings.

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Municipality accounts to the public through public participation meetings convened by the office of the Speaker and Mayoral Imbizo's convened by the office of the Mayor. Good attendance by the communities during the public participation meetings indicates the appreciation that communities have. Most of the time the Mayor invites the sector departments to be part of the meeting and respond to the issues raised by the communities.

#### **2.4 PUBLIC MEETINGS**

##### COMMUNICATION, PARTICIPATION AND FORUMS

Public meetings are conducted as a mechanism to report back to the communities. The municipality has formally dedicated the function of communicating with communities through the office of the Speaker, office of the Mayor, Ward Councillors and Ward Committee meetings. IDP representative forum meetings were done with communities participating to avoid top down approach towards development. During the IDP and Budget development processes, communities were involved in all stage or phases. Comments were also done and accepted by the council. They were also incorporated to the IDP.

##### WARD COMMITTEES

The ward committees are established as per the Local Government: Municipal Structures Act (Act 117 of 1998). Election of ward committees was done 26 wards with 10 as a maximum per ward. However, due to various reasons such as attrition, resignations and expulsion, their number dropped from 260 to 257. Ward Committee meetings sat and had their minutes processed until reaching the council.

## PUBLIC MEETINGS

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Community Meeting at ward 18 Mafusini village, public participation .	07/11/2016	02	01	351	Yes	07/11/2016
Community meeting at ward 24 Xotwe Village. Service delivery issue	02/03/2017	1	0	37	Yes	02/03/2017
Community meeting at ward 04 Gungululu Village. Public participation	07/03/2017	3	1	67	Yes	07/03/2017
Community meeting at ward 20 Gqwesa Village. Public Participation.	14/02/2017	2	2	43	Yes	05/03/2015
Community meeting at ward 20 Ngxaxha Village. Public Participation.	23/05/2017	1	2	80	Yes	23/05/2017

### COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

Contribution of the public was of high quality in terms of raising awareness to the municipality on challenges facing the communities. The Municipality could be able to rectify some projects that had challenges identified by the communities.



## 2.5

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

## CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

Mhlontlo Local Municipality, like all the institutions that subscribe to the New Public Management (NPM) and its principles, considers it so fundamental to adopt corporate governance run according to the King 111 Report and lately, King IV Report. All the oversight committees, with the Audit Committee playing its crucial role of being more of an advisory one and other council committees displayed their commitment. The municipality accounts to the public through annual report, community outreaches and financial statements as well as Auditor General's report.

### 2.6 RISK MANAGEMENT

MFMA Act 56 of 2003 section 62(1)(c) states that the accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure municipality has and maintains effective, efficient and transparent systems- (1) of financial and risk management and internal control.

The Internal Audit Unit and Risk Committee assist management in facilitating the process of risk identification, risk management, risk ratings, monitoring and reporting on risk factors to the council.

### 2.7 FRAUD AND ANTI-CORRUPTION STRATEGY

The municipality had its own adopted Fraud and Anti-Corruption Policy during the year under review. The Municipality has put various measures to prevent fraud and corruption through signing of declaration forms and disclosure of interest forms. The municipality has established bid committees as per supply chain regulations and policy. Companies were registered in the municipality's data base and Central Supplier Data (CSD) base to prevent possible fraud.

## 2.8 OVERVIEW SUPPLY CHAIN MANAGEMENT

The Municipality has reviewed and adopted the supply chain policy. There is a functional and effective supply chain management unit but it has not yet been fully established as the SCM head was appointed towards the end of the year under review.

## 2.9 BY-LAWS

By-laws introduced during year 1					
Newly Developed	Revised	Public participation conducted Prior to adoption of By-Laws	Dates of public participation	By-laws Gazetted (Yes/No)	Date of Publication
No new By-laws were developed during the year	No revised By-laws during the year	no	no	none	none

### COMMENT ON BY-LAWS:

No new by laws have been developed in the year under review

## 2.10 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	yes	28/07/2017
All current budget-related policies	yes	28/07/2017
The previous annual report (Year -1)	yes	28/07/2017
The annual report (Year 0) published/to be published	yes	28/07/2017
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	yes	28/07/2017
All service delivery agreements (Year 0)	No	
All long-term borrowing contracts (Year 0)	No	
All supply chain management contracts above a prescribed value (give value) for Year 0	yes	28/07/2017
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	no	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	no	
Public-private partnership agreements referred to in section 120 made in Year 0	no	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	yes	28/07/2017
<p><i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i></p>		

T 2.10.1

## COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The municipality has managed to meet the requirements of section 75 of MFMA by placing on the website information as stated above.

### **Chapter 3 - Basic Service Delivery**

#### 3.1 WATER SERVICES

This function resides with the District Municipality.

#### 3.2 SANITATION

This function resides with the District Municipality.

#### 3.3 INTRODUCTION TO ELECTRICITY

Note: Recent legislation includes the Electricity Amendment Acts 1989; 1994; 1995; and the Electricity Regulation Act 2006.

The Municipality has prioritised the electrification of Mhlontlo Municipality wards including urban and rural areas. The institution is mainly funded by Department of Energy and Eskom for eradication of electricity backlogs in Mhlontlo. The Municipality has achieved more than 96.8% in the eradication of its backlogs and the progress is hindered by the infields and extensions. The Municipality did not achieve the targeted house holds connections for the year under review due to unforeseen circumstances such as late approvals of designs by Eskom. The project is in progress and will be completed in 2016/2017 financial year. The municipality is prepared to eradicate the whole outstanding number of connections especially if the funds are available in order to reach the universal access.

Also Mhlontlo has prioritised the maintenance of the existing infrastructure VIS the highmust light and street lighting in our urban areas.

Electricity Service Delivery Levels				
				Households
Description	Year -3	Year -2	Year -1	Year 0
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<b><u>Energy: (above minimum level)</u></b>				
Electricity (at least min.service level)	1	2	1	0
Electricity - prepaid (min.service level)	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>	1	2	1	0
<i>Minimum Service Level and Above Percentage</i>	100.0%	100.0%	100.0%	100.0%
<b><u>Energy: (below minimum level)</u></b>				
Electricity (< min.service level)	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	–	–	–	–
<i>Below Minimum Service Level Percentage</i>	0.0%	0.0%	0.0%	0.0%
<b>Total number of households</b>	1	2	1	0
<i>T 3.3.3</i>				

Households - Electricity Service Delivery Levels below the minimum						
Households						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	-	-	-	-	-	-
Households below minimum service level	-	-	-	-	-	-
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
<b>Informal Settlements</b>						
Total households	-	-	-	-	-	-
Households below minimum service level	-	-	-	-	-	-
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
<i>T 3.3.4</i>						

**Electricity Service Policy Objectives Taken From IDP**

Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target		Actual		Target		Actual	
		*Previous Year (iii)	(iv)	*Previous Year (v)	(vi)	*Current Year (viii)	(ix)	*Current Year (ix)	*Following Year (x)
<b>Service Indicators</b>	(i)	(ii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
<b>Provision of minimum supply electricity</b>	Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level)	Additional HHs HHs below minimum)	Additional HHs HHs below minimum)	Additional HHs HHs below minimum)	Additional HHs HHs below minimum)	Additional HHs HHs below minimum)	Additional HHs HHs below minimum)	Additional HHs HHs below minimum)	Additional HHs HHs below minimum)
To ensure that all Mhlontlo Households have access to electricity		1200	800	400	280	1080	320	320	390

Employees: Electricity Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
Total	1	1	1	0	0%

Financial Performance Year 0: Electricity Services					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0%
Expenditure:					
Employees	340	350	350	350	0%
Repairs and Maintenance	665	966	966	880	-5%
Other	0	0	0	0	0%
<b>Total Operational Expenditure</b>	1005	41000	41000	23000	-4%
<b>Net Operational Expenditure</b>	1005	41000	41000	23000	-4%
Capital Expenditure Year 0: Electricity Services					

R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	41035	41055	39539	-4%	
Amacwerha Phase 2b	23000	23000	22359	-3%	280
Completion of Amacwerha Phase 2	8000	8000	8000	0%	150
Completion of Amacwerha Phase 2 and KwaMadiba	10000	10000	9100	-10%	320
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					<i>T 3.3.8</i>

**COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:**

Completion of Amacwerha Phase 2 is 100% complete and energized. Amacwerha Phase 2 Additional and Electrification of KwaMadiba Rural community is 99% complete waiting for connection of KwaMadiba in the SSHP. Amacwerha phase 2b are still under construction we had delays due to insufficient funds from DoE, but the project is currently at 70%.



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

### INTRODUCTION TO WASTE MANAGEMENT

**Refuse removal:** Solid waste management with the exception of hazardous waste is a responsibility of the local municipality. The municipality needs an integrated Waste Management Plan adopted by the council so as to deliver on this mandate. Waste is generated by businesses and households which pay the refuse rates. Domestic refuse is stored and collected in Black Plastic bags, supplied by the Municipality. Business refuse is stored in waste cages, and refuse bins.

### **Collection**

Refuse is collected as follows:

Domestic 1 x weekly removal

Business / Commercial: Daily 6 x per week

Street sweeping: Daily 6 x per week

1. The Municipality is able to reach 1611 households as against 43414 households.

### **Successes**

Four (4) awareness campaigns were conducted in waste management

Compaction of the landfill site was quarterly done as per the standard requirements of the landfill

100 beneficiaries were employed in the EPWP Food for Waste Programme

### **Challenges**

Frequent breakage of the refuse trucks which takes too long for them to be repaired

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:  
 Awareness of communities in Waste Management – 4 campaigns were conducted  
 EPWP Food for Waste Programme- 100 beneficiaries were employed,  
 R 18 000 000 the budgeted amount was used all up Rehabilitation of the landfill is  
 done quarterly with the assistance of Technical Department R158 700 budget was  
 used in compaction

<b>Solid Waste Service Delivery Levels</b>				
<b>Households</b>				
<b>Description</b>	<b>2013_14</b>	<b>2014_15</b>	<b>2015_16</b>	<b>2016-17</b>
	<b>Actual No.</b>	<b>Actual No.</b>	<b>Actual No.</b>	<b>Actual No.</b>
<b>Solid Waste Removal (Minimum Level)</b>				
Removed at least once a week	1411	1611	1611	1611
Min Service level and above subtotal	0	0	0	0
Min Service level and above percentage	0	0	0	0
<b>Solid Waste Removal (below min level)</b>	0	0	0	0
Removed less frequently than once a week	0	0	0	0
Using communal refuse dump	0	0	0	0
Other rubbish disposal	0	0	0	0
Below Minimum Service level subtotal	0	0	0	0
Below Minimum Service level percentage				
<b>Total Number of Households</b>	1411	1611	1611	1611

Waste Management Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets (i)	Year 0		Year 1		Year 2		Year 3	
		Actual	Target	Actual	Target	Actual	Target	Actual	Target
Service Indicators		Previous Year (iii)	*Previous Year (v)	*Current Year (vi)	Actual (vii)	*Current year (viii)	*Current year (ix)	*Current year (x)	
<b>Service Objective</b> <b>Provision of weekly collection service per household (HH)</b>	Proportionate reduction in weekly collection failures on year (average number of collection failures each week)	weekly collection failures	%reduction from year -1 (xxx weekly collection failures)	%reduction from year -1 (xxx weekly collection failures)	%reduction from year -1 (xxx weekly collection failures)	%reduction from year -1 (xxx weekly collection failures)	%reduction from year -1 (xxx weekly collection failures)	%reduction from year -1 (xxx weekly collection failures)	
<b>Future capacity of existing and earmarked (approved use and in council possession) waste disposal sites</b>	The amount of spare capacity available in terms of the number of years capacity available at the current rate of landfill usage	T0 years of unused landfill capacity available	T1 years of unused landfill capacity available	T1 years of unused landfill capacity available	A1 years of unused landfill capacity available	T2 years of unused landfill capacity available	T5 years of unused landfill capacity available	T5 years of unused landfill capacity available	
<b>Proportion of waste that is recycled</b>	Volumes of waste recycled as a percentage of total volume of waste disposed of at landfill sites	T0 %of year 0 waste recycled	T1 %of year 0 waste recycled	T1 %of year 0 waste recycled	A1 %of year 0 waste recycled	T2 %of year 0 waste recycled	T5 %of year 0 waste recycled	T5 %of year 0 waste recycled	
<b>Proportion of landfill sites in compliance with the Environmental Conservation Act 1989</b>	X% of landfill sites by volume that are being managed in compliance with the Environmental Conservation Act 1989.	T0 %of sites compliant	T1 %of sites compliant	T1 %of sites compliant	A1 %of sites compliant	T2 %of sites compliant	%of sites compliant	T5 %of sites compliant	
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii) must be incorporated in the indicator set for each municipality to which they apply). These 'universal municipal indicators': *Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round. *Current Year' refers to the targets set in the Budget IDP round. *Following Year' refers to the targets that were set in the Year -1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans(IDPs) and chapter 6 sets out the requirements for the reduction of performance management by municipalities in which IDPs play a key role</i></p>									

Employees: Waste Disposal and Other Services					
Job Level	Year -1		Year 0		Vacancies (as a % of total posts %)
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	
0-3	3	3	3	0	0
4-6	2	2	1	1	50 %
7-9	33	40	33	7	21 %
10-12					
13-15					
16-18					
19-20					
Total	39	45	37	8	17.8 %

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustment budget. Full-time equivalents are calculated by taking that total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days

Financial Performance Year 0: Solid Waste Management Services					
R'000					
Details	Year -1		Year 0		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	R4351956	R4531956	R2045545	R	R
Expenditure					
Employees	R17342988	R17342988	R10989009	R	R
Repairs and Maintenance	R423015	R423015	R329880	R	R
Other	R4531956	R4531956	R2636348	R	R
<b>Total Operational Expenditure</b>	R26 649915	R26649915	R16000782	R	R
<b>Net Operational Expenditure</b>	R	R	R	R	R

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual

Financial Performance Year 0: Waste Disposal and Other Services					
R'000					
Details	Year -1		Year 0		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0
Expenditure	R158 700	R158 700	R158 700		
Employees	R1 040 000	R104 000	R104 000		
Repairs and Maintenance	R31 686	R31686	R12024		
Other					
<b>Total Operational Expenditure</b>	R1230386	R1230386	R274724		
<b>Net Operational Expenditure</b>					

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual

Capital Expenditure Year 0: Waste management Services R'000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A	NIL	NIL	NIL	NIL	NIL
Project B	NIL	NIL	NIL	NIL	NIL
Project C	NIL	NIL	NIL	NIL	NIL
Project D	NIL	NIL	NIL	NIL	NIL
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate)</i>					

## ROADS INFRASTRUCTURE

### INTRODUCTION TO ROADS

The Municipality plays a pivotal role in the whole community to construct and maintain Access Roads and Road Black Top Surfacing to ensure swift mobility from and to different nodal points.

The Municipal Infrastructure Grant and Equitable Share actually assist with the funding in ensuring that roads which are prescribed to be constructed and maintained by the LM are implemented.

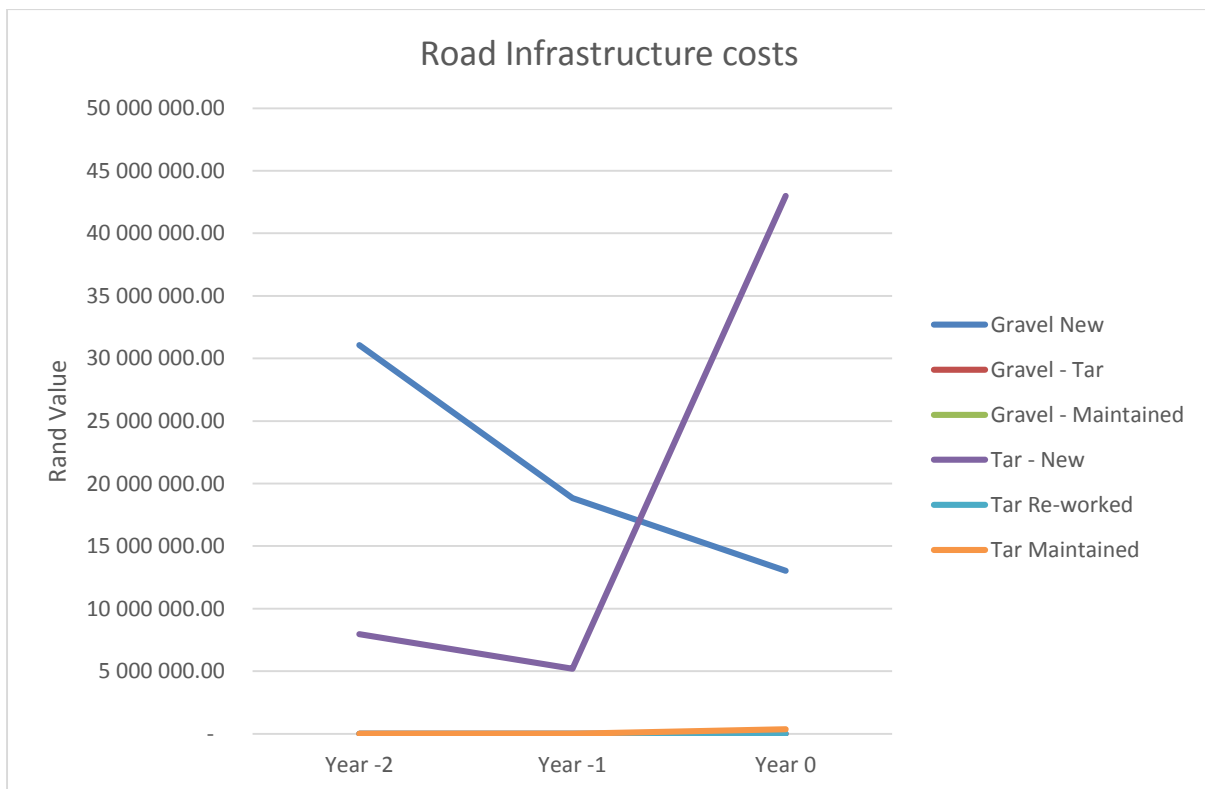
The Service Providers actually do the implementation of the projects and have a responsibility to ensure the high standard of work.

The Department ensures and monitors that the monetary value and the standard of work do tally each other in any of the projects undertaken within the area of jurisdiction of the Municipality.

Gravel Road Infrastructure				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Kilometers Gravel roads graded/maintained
Year -2	64	26	0.00	38
Year -1	98	51	0	47
Year 0	60	0	0.0	60
				<i>T 3.7.2</i>

Tarred Road Infrastructure						Kilometers
	Total roads tarred	New tar roads	Existing roads re-tarred	Existing roads tar sheeted	Tar roads maintained	
Year -2	0	0	0	0	0	
Year -1	0	0	0	0	0	
Year 0	8.78	7,78	0	0	1	
						T 3.7.3

Cost of Construction/Maintenance R' 000						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
Year -2	31 078	0	7 953	0	0	0
Year -1	18 835	0	5 200	0	00	0
Year 0	13 032	0	4 300	50 859	0	396
						T 3.7.4





Employees: Road Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	19	36	19	17	48%
4 - 6	2	2	2	0	0%
<b>Total</b>	<b>21</b>	<b>38</b>	<b>21</b>	<b>17</b>	<b>45%</b>

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T3.7.7

Financial Performance Year 0: Road Services R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0%
Expenditure:					
Employees	4050	4293	4293	4293	0%
Repairs and Maintenance	816	1400	520	520	-169%
Other	0	0	0	0	0%
<b>Total Operational Expenditure</b>	<b>4866</b>	<b>5693</b>	<b>4813</b>	<b>4813</b>	<b>-18%</b>
<b>Net Operational Expenditure</b>	<b>4866</b>	<b>5693</b>	<b>4813</b>	<b>4813</b>	<b>-18%</b>

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

T 3.7.8



Capital Expenditure Year 0: Road Services					
					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	67778	67778	42427	-60%	
Khalankomo-Qumbu Technical School Access Road	4322	4322	128	-3277%	
Mahlubini-Qolombana Access Road	4792	4792	4790	0%	
Nombondlelana-Ncitshana Access Road	7806	7806	7391	-6%	
Qumbu Street Surfacing Phase 2	18069	18069	14484	-25%	
Tsolo Street Surfacing Phase 2	32789	32789	15634	-110%	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T 3.7.9

#### COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The Municipality has prioritised several projects to be implemented in 2016/2017 financial year such as Khalankomo-Qumbu Technical School Access Road, Mahlubini-Qolombana Access Road, Nombondlelana-Ncitshana Access Road and other projects. The municipality is striving towards serving Mhlontlo communities with better access to roads infrastructure.

The progress in addressing the backlog figures has improved though there are challenges over funding of the projects, also there is serious need to improve the gravel to surfaced roads since these are easily washed by rains.

## STORM WATER

### INTRODUCTION TO STORMWATER DRAINAGE

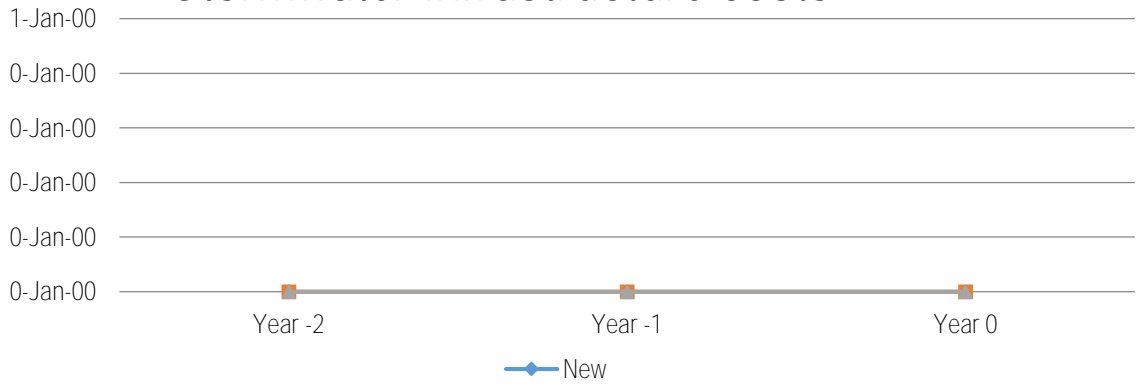
Mhlontlo Municipality has prioritised the implementation of stormwater drainage projects specifically for the urban areas. These projects have not been implemented in previous financial years due to funding unavailability and till to date stormwater as major project is been a challenge.

Minor stormwater drainage is done with roads construction as for diverting surface water to lower lying areas such as nearby rivers.

<b>Stormwater Infrastructure</b>				
				<b>Kilometers</b>
	<b>Total Stormwater measures</b>	<b>New stormwater measures</b>	<b>Stormwater measures upgraded</b>	<b>Stormwater measures maintained</b>
Year -2	0	0	0	0
Year -1	0	0	0	0
Year 0	0	0	0	0
				<i>T 3.9.2</i>

<b>Cost of Construction/Maintenance</b>			
			<b>R' 000</b>
	<b>Stormwater Measures</b>		
	<b>New</b>	<b>Upgraded</b>	<b>Maintained</b>
Year -2	0	0	0
Year -1	0	0	0
Year 0	0	0	0

# Stormwater infrastructure costs



Stormwater Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Service Indicators		*Previous Year	*Current Year	*Previous Year	*Current Year	*Current Year	*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective</b>									
Development of fully integrated stormwater management systems including wetlands and natural water courses	Phasing in of systems	Strategy approval (Yes/No); Time scale yrs	Strategy approval (Yes/No); Time scale yrs	Strategy approval (Yes/No); Time scale yrs	Strategy approval (Yes/No); Time scale yrs	Strategy approval (Yes/No); Timescale xyrs	Strategy approval (Yes/No); yrs remaining	Strategy approval (Yes/No); yrs remaining	Completion (Yes/No); yrs remaining
		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<b>Employees: Stormwater Services</b>					
<b>Job Level</b>	<b>Year -1</b>	<b>Year 0</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	0	0	0	0	0
4 - 6	0	0	0	0	0
7 - 9	0	0	0	0	0
10 - 12	0	0	0	0	0
<b>Total</b>	0	0	0	0	0

<b>Financial Performance Year 0: Stormwater Services</b>					
					<b>R'000</b>
<b>Details</b>	<b>Year -1</b>	<b>Year 0</b>			
	<b>Actual</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Variance to Budget</b>
<b>Total Operational Revenue</b>	0	0	0	0	0%
<b>Expenditure:</b>					
Employees	0	0	0	0	0%
Repairs and Maintenance	0	0	0	0	0%
Other	0	0	0	0	0%
<b>Total Operational Expenditure</b>	0	0	0	0	0%
<b>Net Operational Expenditure</b>	0	0	0	0	0%

<b>Capital Expenditure Year 0: Stormwater Services</b>					
					<b>R' 000</b>
<b>Capital Projects</b>	<b>Year 0</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
Total All	0	0	0	0%	
Project A	0	0	0	0%	0
Project B	0	0	0	0%	0
Project C	0	0	0	0%	0
Project D	0	0	0	0%	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					<i>T 3.9.8</i>

**COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:**

Mhlontlo Municipality has prioritised the implementation of storm water drainage projects specifically for the urban areas. These projects have not been implemented in previous financial years due to funding unavailability and till to date storm water as major project has been a challenge.

## **PLANNING AND DEVELOPMENT**

Mhlontlo Local Municipality has developed its new Spatial Development Framework (SDF) in line with current IDP which is intended, in part, to comply with Section 26(e) of the Municipal Systems Act No. 32 of 2000), which requires a municipality to prepare and adopt an SDF as a component of its Integrated Development Plan (IDP). Most importantly, the SDF is intended to facilitate the development of a spatial structure that promotes integrated development and enables an efficient delivery of services. It will give direction to future planning and development within Mhlontlo Local Municipality, and provide a framework for the local municipalities SDFs.

- facilitates decision making with regard to the location of service delivery projects and guides public and private sector investment;
- it strengthens democracy and spatial transformation and facilitates effective use of scarce land resources; and
- it promotes intergovernmental coordination on spatial issues and serves as a framework for the development of detailed Land Use Management Scheme (LUMS).

Planning Policy Objectives Taken from IDP										
Service objective	Outline indicators	Year 1		Year 0		Year 1		Year 3		
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	
		Previous year	Previous year	Previous year	Current Year	Current year	Current year	Current year	Following year	
Service objective: To ensure all land development is managed in a sustainable manner in line with relevant legislation and statutory documents										
Rezoning and subdivision application	Approval or Rejection of all built environment application within number of weeks	Determination of within X	Determination within x weeks	Determination within 12 weeks	Determination within 12 weeks	Determination within x weeks	Determination within 12 weeks	Determination within 12 weeks	Determination within 8 weeks	Determination within 8 weeks
	Reduction in planning decision overturned	Planning Decisions overturned	X planning decisions overturned	5% planning decision overturned	5% planning decision overturned	X planning decisions overturned	4% planning decision overturned	No planning decision overturned	No planning decision overturned	No planning decision overturned
	Number of Applications processed	10	10	100%	100%	10	100%	10	10	10



Employees: Planning Services					
Job Level	Year-1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalent)	Vacancies (as a % of total post)
	No.	No.	No.	No.	%
0-3	5	5	5	0	0
4-6	0	0	0	0	0

APPLICATION FOR LAND USE DEVELOPMENT						
Detail	Formalization of Townships		Rezoning		Built Environment	
	Year 1	Year 0	Year-1	Year 0	Year-1	Year 0
Planning application received	NIL	NIL	NIL	NIL	NIL	NIL
Determination made in year of receipt	NIL	NIL	NIL	NIL	NIL	NIL
Application withdrawals	NIL	NIL	NIL	NIL	NIL	NIL
Applications outstanding	NIL	NIL	NIL	NIL	NIL	NIL
T3.10.2						

Financial Performance Year:0 Planning Services					
Details	Year 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue					
Expenditures:					
Employees					
Repairs & Maintenance	R637,447.13	R999,996.00	R1,092,766.51	1,092,766.51	
Other	-	-	-	-	
Total Operating Expenditure	R637,447.13	R999,996.00	R1,092,766.51	1,092,766.51	
Net Operational Expenditure					

Capital Expenditure Year 0: Planning Services					
Capital Expenditure	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Original budget	Total Project Value
Total All					
Town Hall Alterations	R 899 000	R 995 000.00	R 545 000.000	R 96 000	R995 000.00

### **3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)**

#### **INTRODUCTION TO ECONOMIC DEVELOPMENT**

**Priority economic sectors.** The priority economic sectors which will underpin the LED strategy are, agriculture and forestry which focus on aquaculture and horticulture, production of high value crops, livestock farming, and forestry and timber production; wholesale trade and retail sector focussing on tourism and retail trade; mining sector, focussing on stone quarrying and sand pits; and the manufacturing sector focussing on agro-processing as well as textile and clothing sector.

**High impact catalytic projects.** Mhlontlo is well positioned to benefits from a set of high impact and catalytic projects that have been identified within the OR Tambo District. These include the Integrated Wild Coast Development Programme (IWCDP), which is a strategic, integrated initiative aimed at bringing significant changes in whole of the Wild Coast planning area, incorporating district municipalities of OR Tambo, Alfred Nzo and Amathole. The programme is built around three pillars namely agro-processing, green industries, tourism supported by major infrastructure projects. Infrastructure projects include the construction of the N2 highway, the Wild Coast Meander, Mzimvubu Dam. Plans are also afoot to declare Wild Coast a Special Economic Zone (SEZ).

**Mzimvubu Multi-Purpose Project:** The Mzimvubu Dam construction project entails the development of a multipurpose dam on the Tsitsa River, a tributary of the Mzimvubu River, to supply irrigated agriculture, domestic and industrial water requirements and hydropower generation. The Ntabelanga-Laleni Conjunctive Scheme, which is a conjunctive scheme comprising a large dam at Ntabelanga and a smaller dam at Laleni, both to be operated as an integrated scheme. In addition to supplying domestic and irrigation water, the upstream Ntabelanga dam will also serve to regulate stream flow required to generate hydropower at Laleni.

**Implementation Framework.** Mhlontlo is primarily responsible for creation of an LED-enabling environment. Among others this includes building institutional capacity for LED, creating an LED enabling environment, and building partnerships across all spheres of government, as well as private sector players. To this end, a five-year implementation framework has been developed with annual outputs linked to the strategic objectives.

**Capacity to implement LED.** Mhlontlo's coordinative capacity is critical to the success of the LED Strategy. In addition to strengthening IGR, there is a need to revive the Local Economic Development Forum (LED Forum). Linked to the Mhlontlo's priority economic sectors such a forum ideally comprises stakeholders drawn from all spheres of government, the state-owned enterprises, private sector players with strong presence within Mhlontlo, organised local business (both formal and informal), education and training service providers, and community-based organisations. Chaired by the Mayor and attended by all Councillors, and the municipal executive management team, the LED Forum will meet quarterly to review progress made, identify obstacles to LED implementation, and map the way forward.

The capability of the both the political and administrative arm of the Mhlontlo is critical to the success of the LED Strategy. Administratively, Mhlontlo needs to significantly and continuously enhance both its managerial, as well as technical capacity. In light of the key economic sectors identified in this strategy, Mhlontlo will, going forward, pay particular attention towards strengthening specialist capacity in the areas of agricultural production especially in agro-economics, forestry, tourism and small-scale industrial business development.

**LED funding.** LED is a broad policy outcome and as such, a responsibility of all government spheres, agencies and other non-state role players. That said, and for historical reasons, local government revenues as well as intergovernmental grants have remained the major source of LED funding followed by private sector investment. While ensuring full exploiting of all available public resources, Mhlontlo intends to aggressively mobilise LED funding through Public Private Partnerships (PPPs). Within Mhlontlo, LED funding is to be mobilised from across the various functions. Each department therefore will be required to reflect explicitly how its annual plan and budget support LED.

**Monitoring and evaluation.** LED is conducted in order positively impact the lives of communities living within a locality. In the process, LED also consumes a lot of limited public resources. Monitoring evaluation provides evidence-based mechanism for impact analysis and allocation of resources. LED however forms an integral part of municipal IDP. Out of necessity therefore, the monitoring and evaluation of the LED is to be directly linked to that of the IDP. However, the Mhlontlo intends setting specific indicators to track LED implementation progress on monthly,

quarterly and annual basis. Such indicators need to be robust enough to go beyond tracking outputs, but also the impact. Similarly, LED indicators must be fully integrated into the municipal-wide performance management system.

<b>Economic Employment by Sector</b>			
<b>Sector</b>	<b>Jobs</b>		
	<b>Year 1 No.</b>	<b>Year -1 No.</b>	<b>Year 0 No.</b>
Agric, forestry and fishing			856
Mining and quarrying			14
Manufacturing			464
Wholesale and retail trade			1 251
Finance, property, etc.			315
Govt, community and social services			6 416
Infrastructure services			826
<b>Total</b>			<b>10 142</b>
<i>Statistics South Africa</i>			

<b>Jobs Created during Year 0 by LED Initiatives (Excluding EPWP projects)</b>				
<b>Total Jobs created / Top 3 initiatives</b>	<b>Jobs created</b>	<b>Jobs lost/displaced by other initiatives</b>	<b>Net total jobs created in year</b>	<b>Method of validating jobs created/lost</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	
Total (all initiatives)				
Year -2				
Year -1				
Year 0				
Tsitsa Falls Lodge	06	0	04	Worksheet
CWP	1725	0	225	Worksheet
Waste Recycling	NIL	60	36	Worksheet
<i>T 3.11.5</i>				

<b>Job creation through EPWP* projects</b>		
<b>Details</b>	<b>EPWP Projects No.</b>	<b>Jobs created through EPWP projects No.</b>
Year -2	1	180
Year -1	1	200
Year 0	1	200
* - <i>Extended Public Works Programme</i>	T 3.11.6	

Local Economic Development Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Service Indicators		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective xxx</b>									
<b>Training of people in essential skills: x, y, z</b>	Number of people trained (including retrained up skilled)	People trained	People trained	People trained	People trained	People trained	People trained	People trained	People trained
<b>To promote enterprise development and opportunities in prioritized sectors</b>	Skilled and Co-operatives able to operate their enterprises	50	50		50 Skilled SMME's and Co-operatives able to operate in their enterprises	50skilled SMME's and Co-operatives	Business plan development	Rehabilitation of the informal trade sector	Implement and monitor the rehabilitation

<b>Employees: Local Economic Development Services</b>					
<b>Job Level</b>	<b>Year -1</b>	<b>Year 0</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	7	8	7	2	25%
4 - 6	1	2	1	1	50%
7 - 9					
19 - 20					
<b>Total</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>3</b>	<b>30%</b>

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

The public library provides educational information and social services to people under Mhlontlo community. It serves general community, and, as a result, is referred to as the “layman’s university”. It is a service–oriented institution usually owned or funded by governments, responsible for fulfilling the information needs of the community.

Preserve and promote cultural heritage and diversity, and foster mutual understanding and respect among cultures and peoples

We have engaged schools both high schools and junior secondary schools, ABET and out school i.e. generally public in our annual events that promote reading, cultural activities and self-development.



Libraries, Archives, Museums, Galleries; Community Facilities: Other Policy Objectives Taken From IDP										
Service Objectives	Outline Service Objectives	Year-1		Year 0		Year 1		Year 3		
		Target	Actual	Target	Actual	Target	Actual	Current Year	Following Year	
		Previous Year	Previous Year	Current Year	Current Year	Current Year	Current Year	Current Year	Current Year	
Promotion of culture of life-long learning	Facilitate the construction and rehabilitation of libraries	Consultative meetings	Consultative meetings	Consultative meetings	Design and layout stage for Qumbu library	Design and layout stage for Qumbu library	Design and layout stage for Qumbu library	Consultative meetings	Construction of Qumbu library	Consultative meetings
	No of successfully completed services	3 promotional activities to be observed	Education and learning promotional activities	Education and learning promotional activities	Library week, World book day and Literacy day promotional activities	Education and learning promotional activities	Education and learning promotional activities	Education and learning promotional activities	Education and learning promotional activities	Education and learning promotional activities

**Employees: Libraries; Archives: Museums; Galleries: Community Facilities; Other**

Job Level	Year -1				
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total) posts %
0-3	4	4	4	0	0
4-6	6	6	6	0	0
7-9					
10-12					
13-15					
16-18					
19-20					
Total	10	10	10	0	0

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustment budget. Full-time equivalents are calculated by taking that total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days*

Financial Performance Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	R350.000.00	R350.000.00		R354 895.21	R-4895.21
Expenditure	R354 895.21	R350.000.00		R354 895.21	R-4895.21
Employees					
Repairs and Maintenance		R29 680.00		R29 680.00	
Other					
<b>Total Operational Expenditure</b>					
<b>Net Operational Expenditure</b>					
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual</i>					

<b>Capital Expenditure Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other</b>					
<b>R'000</b>					
<b>Capital Projects</b>	<b>Year 0</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
Total All					
Project A	NIL	NIL	NIL	NIL	NIL
Project B	NIL	NIL	NIL	NIL	NIL
Project C	NIL	NIL	NIL	NIL	NIL
Project D	NIL	NIL	NIL	NIL	NIL
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate</i>					

## **CEMETORIES AND CREMATORIUMS**

### **INTRODUCTION TO CEMETORIES**

The Mhlontlo Local Municipality has two cemeteries ,the following projects prioritised. Grave tagging. Cemetery fencing.Cemetery cleaning is being done everyday.

### **COMMENT ON THE PERFORMANCE OF CEMETERIES**

The Mhlontlo Local municipality developed the cemetery register and is operational in both Qumbu and Tsolo. The cemeteries are fenced and as such are kept clean.

Cemeteries and Crematoriums Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year-1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
<b>Service Indicators (i)</b>	(ii)	Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Current year (x)
<b>Service Objective xxx</b>									
<b>Cemetery Management</b>	Cemetery system for burial records	To ensure that all cemeteries are accessible, well maintained and well managed	Cemetery records	Cemetery management	Cemetery tagging and registration	Registration of new graves and tagging	To ensure that all cemetery are accessible, well maintained and well managed	Registration tagging of graves	Registration and tagging
	Tagging of graves	To ensure that all graves are tagged	Tagging of graves	Grave maintenance	Grave tagging	Recording of new graves	Facilitate the provision of access to all cemeteries	Registration and tagging	Registration and tagging
	Maintenance and cleaning of grave sites		Easy access to all cemeteries	Grave maintenance	Grave tagging	Grave recording	Facilitate the provision of access to all cemeteries	Registration and tagging	Registration and tagging

Employees: Cemeteries and Crematoriums					
Job Level	Year -1		Year 0		Vacancies (as a % of total) posts %
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	
0-3	3	3	3	0	0
4-6	3	3	2	1	33.3 %
7-9	8	8	8	0	0
10-12					
13-15					
16-18					
19-20					
Total	14	14	13	1	7 %

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustment budget. Full-time equivalents are calculated by taking that total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days*

T3.13.4

Financial Performance Year 0: Cemeteries and Crematoriums					
R'000					
Details	Year -1		Year 0		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>					
Expenditure					
Employees					
Repairs and Maintenance					
Other					
<b>Total Operational Expenditure</b>					
<b>Net Operational Expenditure</b>					

*Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual*

Capital Expenditure Year 0: Cemeteries and Crematoriums					
R'000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Cemetery Tagging	R 400 000	R 46 000	R 354 000	R 46 000	R 354 000

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

Pollution Control Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets  (ii)	Year-1		Year 0			Year 1	Year 3	
Service Indicators (i)		Target	Actual	Target		Actual	Target		
		Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Current year (x)
<b>Service Objective xxx</b>									
Water and air purity	Water: x% of all readings taken throughout the year on at least weekly to be found acceptable (clean) by National Standards	T0% clean	A0% clean	T1% clean	T1% clean	A1% clean	T2% acceptable	T5% acceptable	T5% acceptable
	Air: of all readings taken throughout the year on at least weekly to be found acceptable (clean) by National Standards	T0% clean	A0% clean	T1% clean	T1% clean	A1% clean	T2% acceptable	T5% acceptable	T5% acceptable
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii) must be incorporated in the indicator set for each municipality to which they apply). These 'universal municipal indicators'. *Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round, *Current Year' refers to the targets set in the Budget IDP round. *Following Year' refers to the targets that were set in the Year -1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans(IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role</i></p>									

## COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

### INTRODUCTION TO SECURITY & SAFETY

The report will cover traffic services i.e. Law Enforcement, driving licence testing centre and registering authority activities as well as pound management and By- law enforcement. Fire and Disaster management are within the competence of O.R Tambo District Municipality and such will not be reflected in this report.

#### 3.65 POLICE

##### INTRODUCTION TO POLICE

The Mhlontlo Local municipality provide security and safety through community safety forums. The projects prioritised were: revival of community safety forums.

Coordination of community safety forums.

Police Service Data					
	Details	Year -1	Year 0		Year 1
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of road traffic accidents during the year	940	NIL	768	NIL
2	Number of by-law infringements attended	550	500	456	600
3	Number of police officers in the field on an average day (Traffic)	8	10	8	8
4	Number of police officers on duty on an average day	8	10	8	10
					T 3.65.2

The traffic officers are on duty 6 days a week and are on standby on Sundays



#### COMMENT ON THE PERFORMANCE OF POLICE OVERALL:

The Traffic officers are on duty 6 days per week, standby on Sundays. The following projects prioritized: Law enforcement, Learners and Driving License tests, registering and licensing of motor vehicles.

### **3.25 FINANCIAL SERVICES**

#### INTRODUCTION FINANCIAL SERVICES

The finance department plays a supporting function to other departments within the institution. It is not a service delivery orientated department – however it plays a pivotal function in Mhlontlo Local Municipality and also ensuring that the municipality becomes self-sufficient and continues to meet the needs [and expectations] of the rate payers.

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### INTRODUCTION

The department is composed of Human Resource, OHS, Skills development, Records management and Information Technology. The main function performed are leave management, recruitment and selection, training and development

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year -1	Year 0			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Mayors office	12	18	12	6	
Speaker's Office	11	18	11	7	
Municipal Manager's Office	11	16	11	5	
Infrastructure Development and Planning	24	38	24	14	
Budget and Treasury office	29	40	29	11	
Community Services	86	104	86	18	
Local Economic Development	10	18	10	8	
Corporate Services	33	43	33	10	
<b>Total</b>	<b>216</b>	<b>295</b>	<b>216</b>	<b>79</b>	<b>0</b>
<i>Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.</i>					

T 4.1.1

Vacancy Rate: Year 0			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0.00
CFO	1	0	0.00
Other S56 Managers (excluding Finance Posts)	5	1	16.67
Deputy Directors	11	2	18.18
Traffic officers	10	2	40.00
Fire fighters	0	0	
Senior management: Levels 13-15 (excluding Finance Posts)	0	0	
Senior management: Levels 13-15 (Finance posts)			
Highly skilled supervision: levels 9-12 (excluding Finance posts)	38	6	15.79
Highly skilled supervision: levels 9-12 (Finance posts)	6	0	0.00
<b>Total</b>	<b>73</b>	<b>13</b>	<b>17.81</b>
<p><i>Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p>			T 4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year -2	0	0	
Year -1	0	0	
Year 0	22	7	30%
<p><i>* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year</i></p>			T 4.1.3

## COMMENT ON VACANCIES AND TURNOVER:

The municipality had 3 persons who resigned during the financial year under review. All section 56 managers including the municipal manager were appointed during the financial year under review except the position of the Director: Strategic Services which was unfunded.

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The municipality is structured in such a way it meets its objectives in terms of the integrated development plan. There are 6 departments in the municipality and they are in line with the key functions of the municipality. They are Infrastructure planning and development, Community Services, Corporate Services, Local Economic Development and Strategic services Department. The municipality has developed its policies that guide the institution and has also instilled a culture of good management ethics.

## 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	100%	24 May -17	Con-211-29-May-17
2	Attraction and Retention	100%	24 May -17	Con-211-29-May-17
3	Code of Conduct for employees	100%	24 May -17	Con-211-29-May-17
4	Delegations, Authorisation & Responsibility	100%	24 May -17	Con-211-29-May-17
5	Disciplinary Code and Procedures	100%	24 May -17	Con-211-29-May-17
6	Essential Services	100%	24 May -17	Con-211-29-May-17
7	Employee Assistance / Wellness	100%	24-May-17	Con-211-29-May-17
8	Employment Equity	100%	24-May-17	Con-211-29-May-17
9	Exit Management			
10	Grievance Procedures	100%	24-May-17	Con-211-29-May-17
11	HIV/Aids	100%	24-May-17	Con-211-29-May-17
12	Human Resource and Development	100%	24-May-17	Con-211-29-May-17
13	Information Technology	100%	24-May-17	Con-211-29-May-17
14	Job Evaluation	100%	24-May-17	Con-211-29-May-17
15	Leave	100%	24-May-17	Con-211-29-May-17
16	Occupational Health and Safety	100%	24-May-17	Con-211-29-May-17
17	Official Housing			
18	Official Journeys			
19	Official transport to attend Funerals			
20	Official Working Hours and Overtime	100%	24-May-17	Con-211-29-May-17
21	Organisational Rights	100%	24-May-17	Con-211-29-May-17
22	Payroll Deductions	100%	24-May-17	Con-211-29-May-17
23	Performance Management and Development	100%	24-May-17	Con-211-29-May-17
24	Recruitment, Selection and Appointments	100%	24-May-17	Con-211-29-May-17
25	Remuneration Scales and Allowances	100%	24-May-17	Con-211-29-May-17
26	Relocation policy	100%	24-May-17	Con-211-29-May-17
27	Sexual Harassment	100%	24-May-17	Con-211-29-May-17
28	Skills Development	100%	24-May-17	Con-211-29-May-17
29	Smoking	100%	24-May-17	Con-211-29-May-17
30	Special Skills			
31	Work Organisation	100%	24-May-17	Con-211-29-May-17
32	Uniforms and Protective Clothing			
33	Other:			
Use name of local policies if different from above and at any other HR policies not listed.				T 4.2.1

#### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

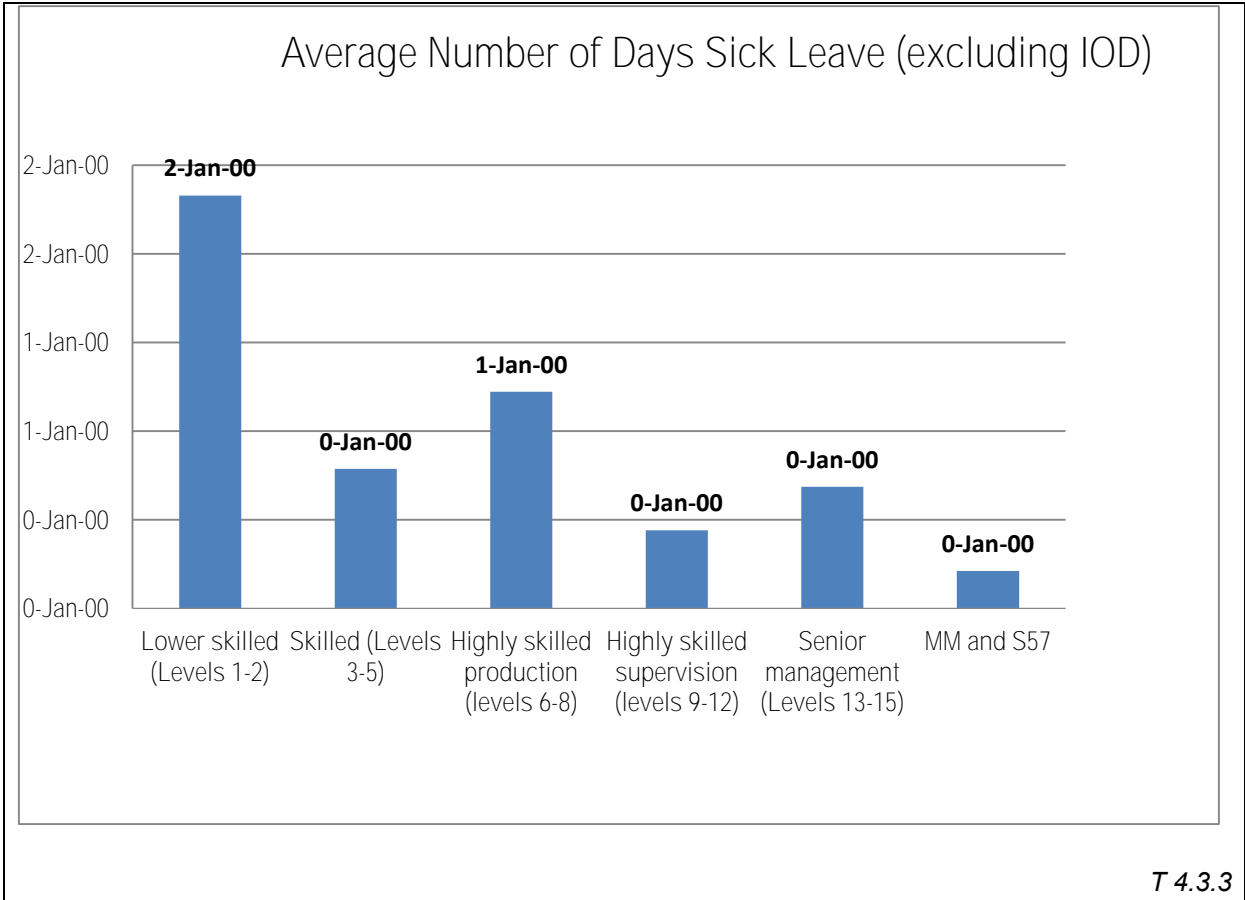
Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0		0	0
Temporary total disablement	0	0		0	
Permanent disablement	0	0		0	
Fatal	0	0		0	
<b>Total</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>

T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post* No.	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	249		27	55	2.33	
Skilled (Levels 3-5)	82		12	16	0.79	
Highly skilled production (levels 6-8)	248		17	31	1.22	
Highly skilled supervision (levels 9-12)	173		22	53	0.44	
Senior management (Levels 13-15)	37		6	11	0.69	
MM and S57	21		2	6	0.21	
<b>Total</b>	<b>1068</b>		<b>132</b>	<b>188</b>	<b>5.68</b>	<b>0</b>

\* - Number of employees in post at the beginning of the year  
 \*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T 4.3.2



**COMMENT ON INJURY AND SICK LEAVE:**

No serious injuries recorded. Awareness campaigns on health and safety issues were conducted. Only sick leaves with medical certificate were recorded

**COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:**

No case or suspensions took place during the financial year under review.

#### 4.4 PERFORMANCE REWARDS

Performance Rewards by Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	0	0	R' 000	0%
	Male	0	0	R' 000	0%
Skilled (Levels 3-5)	Female	0	0	R' 000	0%
	Male	0	0	R' 000	0%
Highly skilled production (levels 6-8)	Female	0	0	R' 000	0%
	Male	0	0	R' 000	0%
Highly skilled supervision (levels 9-12)	Female	0	0	R' 000	0%
	Male	0	0	R' 000	0%
Senior management (Levels 13-15)	Female	0	0	R' 000	0%
	Male	0	0	R' 000	0%
MM and S57	Female	0	0	R' 000	0%
	Male	0	0	R' 000	0%
Total					
Has the statutory municipal calculator been used as part of the evaluation process?					Yes/No

#### COMMENT ON PERFORMANCE REWARDS:

No performance rewards paid to municipal employees due to budgetary constraints.

#### COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

##### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Workplace Skills Plan is in place to guide all the training and development initiatives of the municipality. To improve the training and skills development the municipality is busy sourcing out funds to assist its employees and the councillors as well as for the community of Mhlontlo.



#### 4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 2017						Total					
			Learnerships			Skills programmes & other short courses			Other forms of training					
		No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target
MM and s57	Female	0				0		0			0			
	Male	2				2		0			0			2
	Female	9				1		8			8			9
Councillors, senior officials and managers	Male	7				1				6				7
	Female	0				0				0				0
Technicians and associate professionals*	Male	2				2				0				2
	Female	9				3				6				9
Professionals	Male	6				2				4				6
	Female	18								18				18
Sub total	Female	17								17				17
	Male	35	0	0	0	0	0	0	0	35	35	0	35	35
<b>Total</b>														

\*Registered with professional Associate Body e.g CA (SA)

T 4.5.1

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
<i>Accounting officer</i>	1	0	1	10	1	0
<i>Chief financial officer</i>	1	0	1	0	1	0
<i>Senior managers</i>	4	0	1	20	4	0
<i>Any other financial officials</i>	13	0	13	5	0	0
Supply Chain Management Officials						
<i>Heads of supply chain management units</i>	0	0	0	10	0	0
<i>Supply chain management senior managers</i>	2	0	2	10	0	1
<b>TOTAL</b>				<b>0</b>	<b>6</b>	<b>1</b>

\* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T 4.5.2

Skills Development Expenditure										
R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female									
	Male	2			1200 000	11272.00	1 200 000		1200 000	11 272.00
Legislators, senior officials and managers	Female	9			1 800 000	5636	1800 000	402 000	1800 000	407 636
	Male	6			1800 000	11 272	1 800 000	262 000	1800 000	273 272
Professionals	Female	9			1200 000	27 272	1200 000	217 825	1200 000	245097
	Male	6			1200 000	11 272	1200 000	238 000	1200 000	249 272
Technicians and associate professionals	Female	0			1200 000	0	1200 000		1200 000	0
	Male	2				3652.20	1200 000		1200 000	3 652.20

					1200 000					
Clerks	Female	10			1200 000	56873.36		167230	1200 000	224 103.36
	Male	2			1200 000	12 882				12 882
Service and sales workers	Female	0	0	0	0		0	0	0	0
	Male	1	0	0	1200 000	5636	0	0	1200 000	5636
Plant and machine operators and assemblers	Female	0		0	0	0	0	0	0	0
	Male	2		0	1200 000	15074.68	0	0	1200 000	15074.68
Elementary occupations	Female	0	0	0	0	0	0	0	0	0
	Male	1	0	0		0	1200000	45000	1200 000	45000
Sub total	Female	18								
	Male	17			1800 000					1492 897.24
<b>Total</b>					<b>1800 000</b>					<b>1 492 897.24</b>
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									%*	*R
										T4.5.3

## COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

Training plan was implemented partially due to limited funds that are available for training. The Variance between the original training budget and the actual budget is caused by the fact that the actual budget included the total training budget for the Councillors which is not combined in one vote as per the budget but is added up on the level of Councillors, Senior officials and Manager of the report to make a total budget of R 1800 000 and the budget for officials was spent in its totality therefore the difference was on the vote of Councillors that was not totally spent due to the fact that the training office received training needs of new councillors towards the end of the financial year. For the fully implementation of the Training plans the municipality is busy sourcing out funds from the SETAs in the form of Bursaries etc. In terms of the MFMA Competency Regulations, 19 Municipal Senior management and the relevant officials are being trained while others are competent in terms of the MFMA and others are still waiting for their final results.

# COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

## INTRODUCTION TO WORKFORCE EXPENDITURE

The personnel expenditure has been kept under the budget as reflected in the financial statements for 2016/17 financial year. The trends show that personnel expenditure in the year under review increased by R3 041 342 million. In 2015/16 the employee expenditure was R 76 744 083 whilst in 2016/17 it has increased to R 79 785 425. Councilors allowances show an increase from R16, 514 046, 551 to R 16 521 311 in 2016/17 financial year. In overall, personnel expenditure was within the budgeted amount.

### 4.6 EMPLOYEE EXPENDITURE



Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels9-12)	Female	0
	Male	0
Senior management (Levels13-16)	Female	0
	Male	0
MM and S 57	Female	
	Male	
Total		
<i>Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right-hand side of the column (as illustrated above).</i>		

T 4.6.2

Employees Whose Salary Levels Exceed the Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
n/a	0	0	0	0
n/a	0	0	0	0
n/a	0	0	0	0
n/a	0	0	0	0
n/a	0	0	0	0
T 4.6.3				

√\

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exists
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
T 4.6.4				

COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

The municipality has not yet implemented task grades as this matter is still handled by the District Job Evaluation Committee.

DISCLOSURES OF FINANCIAL INTERESTS

All officials and Councillors submitted their declaration forms in the financial year under review.

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Cash Flow Management and Investments
- Component D: Other Financial Matters

The overall operating results achieved for the past financial year closed off with a deficit of R45.6 million compared to a budgeted deficit of R25.2 million. Operating revenue for the year is R262 million (2016: R252 million), which reflects an increase of 4%. The operating expenditure for the year is R318 million (2016: R281 million), which reveals an increase of 11.6%.

The total capital expenditure capitalized for the year in respect of property, plant, and equipment amounted to R55.9 million. This includes R55.8 million from government grants, and R89 thousand from own cash resources. Cash and short-term investments increased to R36.9 million (2016: R25.9 million).

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

#### INTRODUCTION TO FINANCIAL STATEMENTS

The information on the table below suggests that there is an overall deficit. The table also highlights key revenue and expenditure components, such as, property rates, service charges, grants and subsidies as well as the major components of expenditure, namely, personnel, provision for bad debts, repairs and maintenance.

Property rates as a percentage of total revenue remains the largest single revenue source. Property rates are supposed to be a buoyant and steady source of revenue. However, there is a serious mis-match between budgeted revenue and actual collections, from this source.

Overall outstanding consumer accounts amounted to more than R54 million. Speedy conclusion of the disputes and related matters is therefore of utmost importance.

Service charges increased to R1.2 million (2016: R1.1 million)

Revenue from fines decreased by R200 thousand, while the remaining revenue sources increased.

The operating expenditure for the year is R318 million (2016: R281 million), which indicates a increase of 11% from the previous financial year.

The main expenditures are employee-related costs at R79.7 million, transfers and grants at R21.6 million, and depreciation at R114 million.

Repairs and maintenance increased to R3.2 million (2016: R2.9 million) and comprises 1% of total operating expenditure.

Grant and subsidies paid decreased from R25.8 million to R21.6 million as a result of MSIG, and INEP allocations that decreased.

Capital expenditure for the year amount to R55.9 million. This includes capital grants of R55.8 million; property, plant, and equipment (PPE) to the amount of R55.8 million; and internally generated funds of R89 thousand.



## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Reconciliation of Table A1 Budget Summary

Description	2016/17										
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget			
R thousands	1	2	3	6	7	9	10	11			
<u>Financial Performance</u>											
Property rates	15 663	18 110	33 772	33 772	33 561	211	99%	214%			
Service charges	1 220	(49)	1 172	1 172	1 278	(107)	109%	105%			
Investment revenue	3 564	354	3 918	3 918	9 638	(5 720)	246%	270%			
Transfers recognised - operational	172 237	2 932	175 168	175 168	228 288	(53 120)	130%	133%			
Other own revenue	17 705	(165)	17 541	17 541	17 541	0	0%	0%			
Total Revenue (excluding capital transfers and contributions)	210 389	21 182	231 571	231 571	272 765	(41 194)					
Employee costs	87 165	814	87 979	87 979	79 785	8 193	118%	130%			
Remuneration of councillors	17 293	(1 716)	15 577	15 577	16 521	(944)	91%	92%			
Debt impairment	19 876	4 958	24 834	24 834	19 348	5 486	106%	96%			
Depreciation & asset impairment	14 708	85 285	99 993	99 993	114 388	(14 395)	78%	97%			
Finance charges	-	-	-	-	357	(357)	114%	778%			
Transfers and grants	4 233	(4 233)	0	0	0	0	0%	0%			
Other expenditure	91 139	(9 115)	82 025	82 025	88 034	(6 009)	107%	97%			
Total Expenditure	234 414	75 994	310 408	310 408	318 433	(8 025)	103%	136%			
Surplus/(Deficit)	(24 025)	(54 812)	(78 837)	(78 837)	(45 668)	(33 169)	58%	190%			
Transfers recognised - capital	40 828	12 792	53 620	53 620	53 120	500	99%	130%			
Surplus/(Deficit) after capital transfers & contributions	16 803	(42 021)	(25 217)	(25 217)	7 452	(32 669)	-30%	44%			
Surplus/(Deficit) for the year	16 803	(42 021)	(25 217)	(25 217)	7 452	(32 669)	-30%	44%			
<u>Capital expenditure &amp; funds sources</u>											
Capital expenditure	-	7 896	7 896	7 896	-						
Transfers recognised - capital	-	7 896	7 896	7 896	-						
Total sources of capital funds	-	7 896	7 896	7 896	-						
<u>Cash flows</u>											
Net cash from (used) operating	51 180	(19 142)	32 038	32 038	65 431						
Net cash from (used) investing	(49 341)	10 311	(39 029)	(39 029)	(54 359)						
Cash/cash equivalents at the year end	39 186	(33 761)	(6 991)	(6 991)							

Financial Performance of Operational Services						
R '000						
Description	2015/16	2016/17			2016/17 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<u>Operating Cost</u>						
Waste Management	3 582	15 578	15 578	15 582	0.03%	0.03%
Housing	-	-	-	-		
Component A: sub-total	3 582	15 578	15 578	15 582	0.03%	0.03%
Waste Water (Stormwater Drainage)	-	-	-	-		
Roads	48 576	45 721	77 648	83 890	45.50%	7.44%
Transport	-	-	-	-		
Component B: sub-total	48 576	45 721	77 648	83 890	45.50%	7.44%
Planning	-	-	-	-		
Local Economic Development	4 192	-	18 885	17 219	100.00%	-9.68%
Component B: sub-total	4 192	-	18 885	17 219	100.00%	-9.68%
Community & Social Services	-	-	-	-		
Security and Safety	-	-	22 178	20 511	100.00%	-8.12%
Component D: sub-total	-	-	22 178	20 511	100.00%	-8.12%
<b>Total Expenditure</b>	<b>56 350</b>	<b>61 299</b>	<b>134 289</b>	<b>137 203</b>	<b>55.32%</b>	<b>2.12%</b>
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

T 5.1.2

## 5.2 GRANTS

Grant Performance						
R' 000						
Description	2015/16	2016/17			2016/17 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<u>Operating Transfers and Grants</u>						
National Government:	175 810	170 055	170 055	170 055		
Equitable share	159 404	154 313	154 313	154 313	0.00%	0.00%
Finance Management	1 875	2 010	2 010	2 010	0.00%	0.00%
EPWP Incentive	1 000	1 232	1 232	1 232	0.00%	0.00%
Integrated National Electrification Programme	13 531	12 500	12 500	12 500	0.00%	0.00%
Provincial Government:	170	1 350	1 850	1 850		
Library & Subsidies	170	350	350	350	0.00%	0.00%
EPWP Incentive	-	1 000	1 000	1 000	0.00%	0.00%
Tsitsa Fire Management	-	-	500	500		0.00%
District Municipality:	-	-	-	-		
Other grant providers:	42 193	41 660 000	5 660	5 660		
Municipal Infrastructure Grant (MIG)	42 193	41 660 000	5 660	5 660	-99.99%	0
<b>Total Operating Transfers and Grants</b>	<b>218 173</b>	<b>41 832 755</b>	<b>179 415</b>	<b>177 565</b>		

## COMMENT ON OPERATING TRANSFERS AND GRANTS:

*Note: For Municipal Infrastructure Grant (MIG) see T5.8.3. see **Appendix L***

The equitable share is an unconditional grant, and the full gazetted amount of R154.3 million was received. The Finance Management Grant was utilised for the intern programme and for consultants to assist with the compilation of an asset register. An amount of R2.0 was spent for the period.

The EPWP incentive grant is utilised for job creation projects. During the year, R1.2 was spent to employ temporary workers for street cleaning and cleaning of overgrown main streets.

The INEP grant is utilised to construct basic municipal infrastructure to provide basic services for the benefit of poor households. An amount of R12.5 million was received, and R12.5 million was spent by 30 June 2017. Ninety-six per cent (100%) of the 2016/2017 MIG allocation was spent by 30 June 2017. There were no roll-over funds for the 2016/2017 financial year.

### **5.3 ASSET MANAGEMENT**

#### **INTRODUCTION TO ASSET MANAGEMENT**

The Asset Management Policy is developed to comply with all relevant legislative requirements and complies with the standards specified by the Accounting Standards Board. Asset management within the municipality is overseen by the Chief Financial Officer.

#### **Fixed Asset Register**

The CFO established and maintained an asset register containing key financial data on each item of property, plant, or equipment that satisfies the criterion for recognition.

#### **Organizing Asset Management, Staff Involved, and Delegations**

The CFO is responsible to the Municipal Manager and needs to ensure that the financial investment in the municipality's assets is safeguarded and maintained.

The Asset Manager must ensure that appropriate physical management and control systems are established and maintained for all assets in their area of responsibility and that the municipal resources assigned to them are utilized effectively, efficiently, economically, and transparently. The Asset Champion must assist the Asset Manager in performing his/her functions and duties in terms of asset management.

*T 5.3.1*

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2016/17				
Asset 1				
Name	Tsolo Streets Surfacing			
Description	Surfacing of Tsolo roads in town			
Asset Type	Infrastructure			
Key Staff Involved	Miss F Mpisane			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
Asset Value	2013/14	2014/15	2015/16	2016/17
				32 789 980.54
Capital Implications	None			
Future Purpose of Asset	Provide access to school, town etc			
Describe Key Issues	None			
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Qumbu Streets Surfacing			
Description	Surfacing of Qumbu roads in town			
Asset Type	Infrastructure			
Key Staff Involved	Ms XY Ngatyelwa			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
Asset Value	2013/14	2014/15	2015/16	2016/17
				18 069 411.68
Capital Implications	None			
Future Purpose of Asset	Provide access to school, town etc			
Describe Key Issues	None			
Policies in Place to Manage Asset	Yes			
Asset 3				
Name	Electrification of Amacwerha			
Description	Electrification of villages in Qumbu			
Asset Type	Infrastructure			
Key Staff Involved	Mr Dawedi			
Staff Responsibilities	To be the project manager. Acting as a consultant for the project.			
Asset Value	2013/14	2014/15	2015/16	2016/17
				10 045 357.72
Capital Implications	None			
Future Purpose of Asset	Electrification			
Describe Key Issues	None			
Policies in Place to Manage Asset	Yes			

T 5.3.2

#### COMMENT ON ASSET MANAGEMENT:

With reference to the three projects approved in the year, these projects were evaluated from a cost and revenue perspective, including municipal tax and tariff implications in accordance with Section 19(2)(a) and (b) and MSA Section 74(2)(d), (e) and (i).

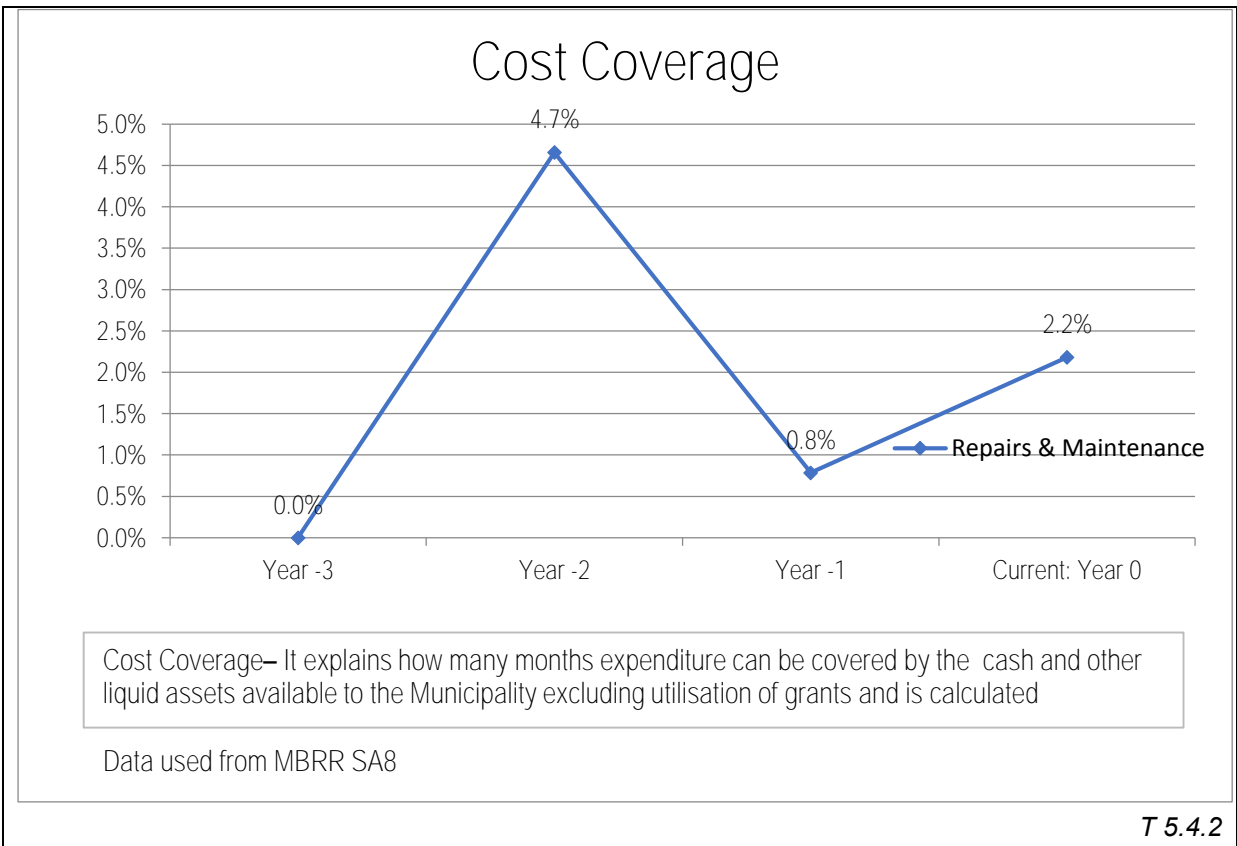
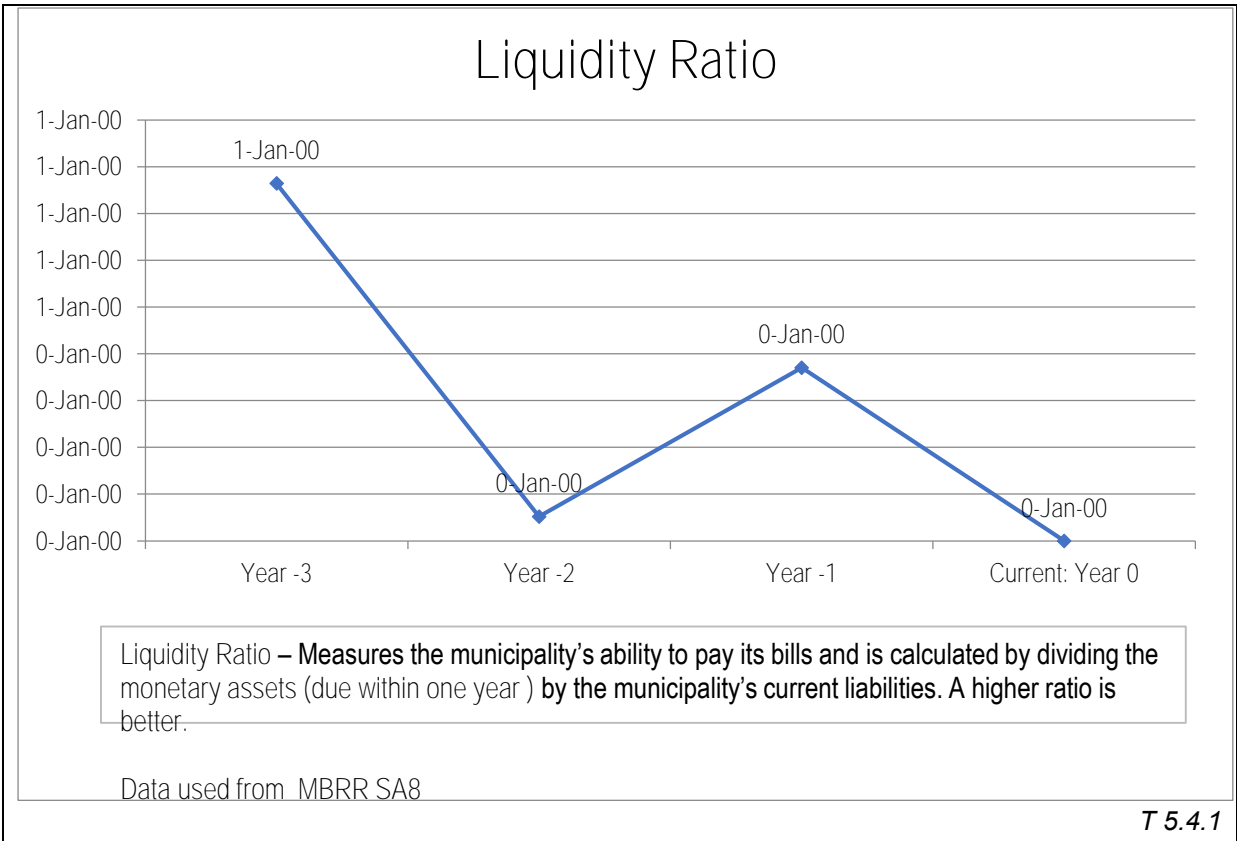
The responsible implementing departments ensure that project files are maintained, and these files are readily accessible for audit inspection. Financial data regarding asset management may be sourced from MBRR Table A9.

Repair and Maintenance Expenditure: 2016/17				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	4 068 958.34	2 480 462.67	3 253 735.00	20%
				T 5.3.4

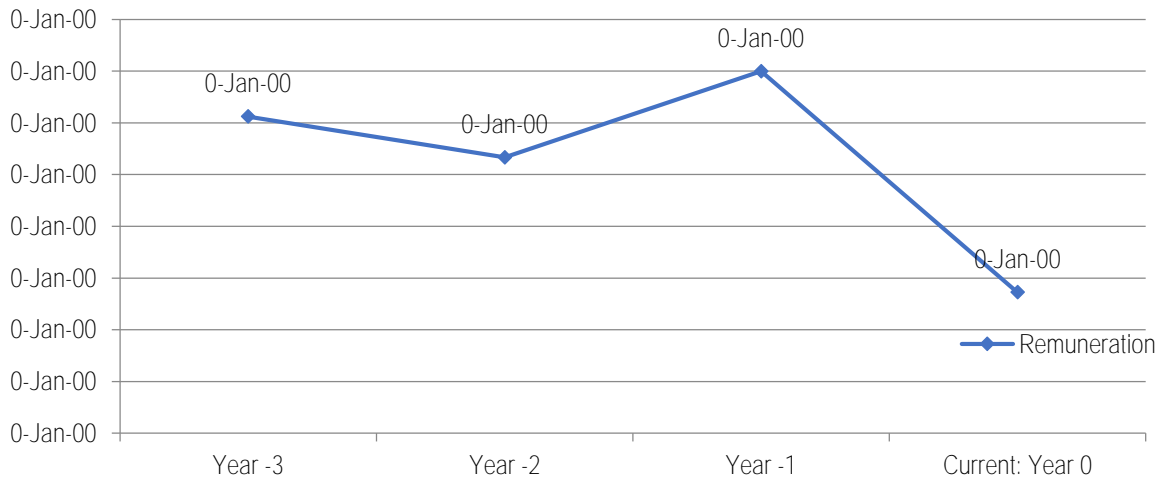
#### COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The aging infrastructure of the municipality requires that larger amounts be made available for the maintenance and replacement of rural roads. However, the pressure placed on budget provision for the extension of infrastructure to cater for new developments limits the availability of funds for maintenance purposes. The intention is to substantially increase maintenance expenditure in future budgets. The amount spent on repairs and maintenance is for materials only and decline proportionate to the budget considering the increases in other expenditures.

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



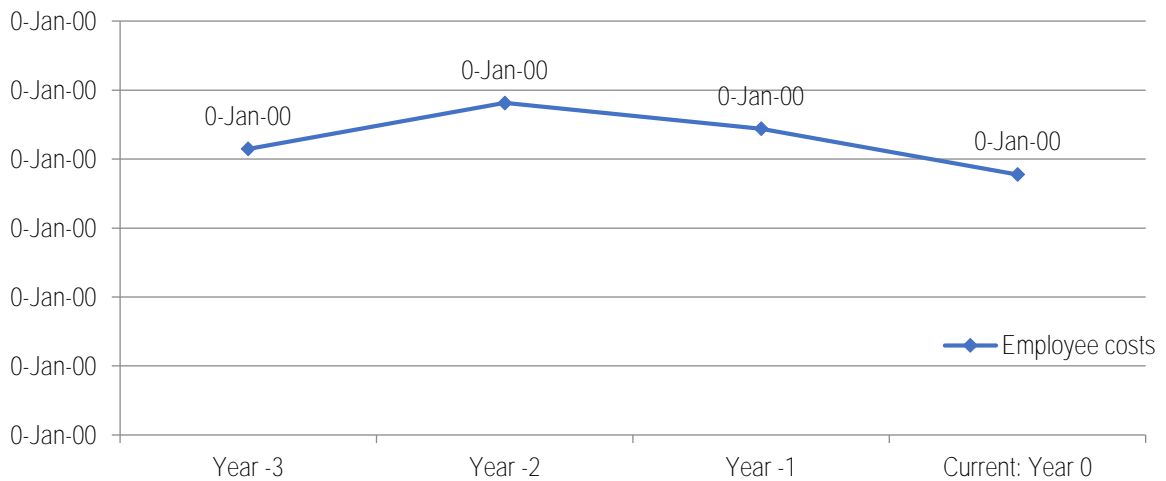
## Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

**T 5.4.3**

## Debt Coverage

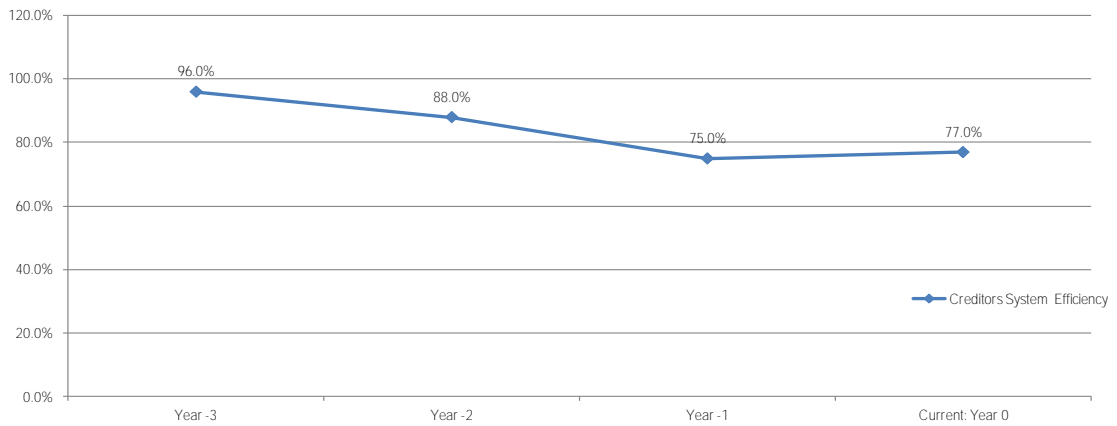


Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRR SA8

**T 5.4.4**

### Creditors System Efficiency

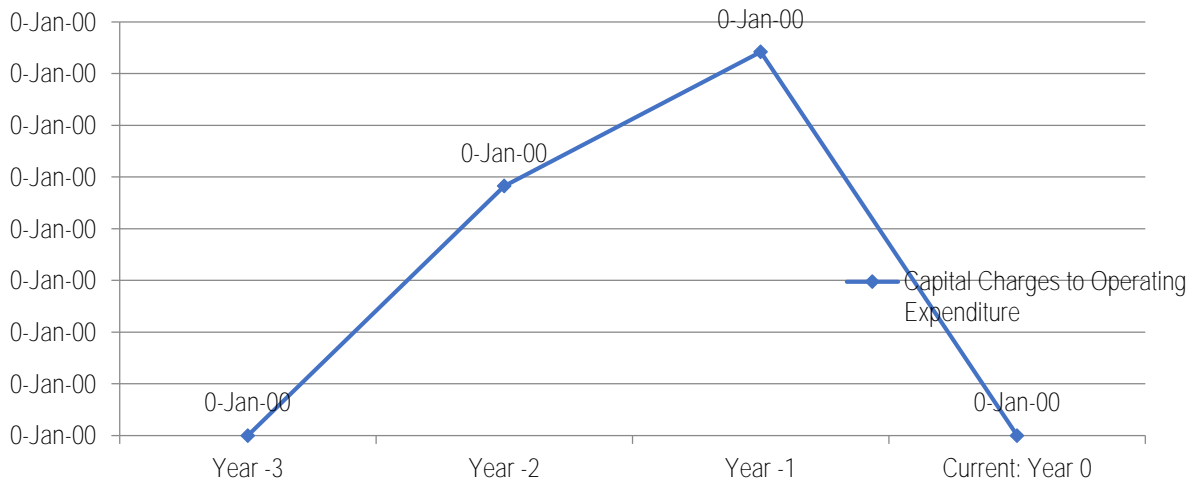


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.5

### Capital Charges to Operating Expenditure



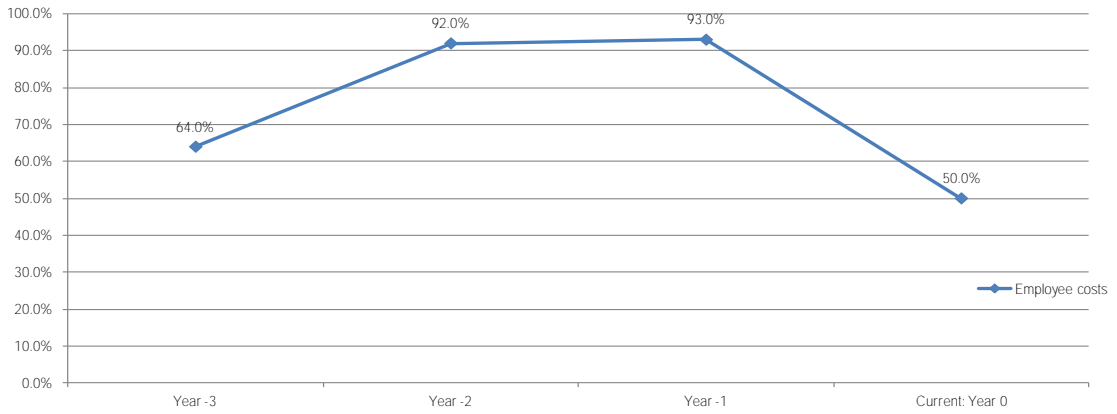
Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.6



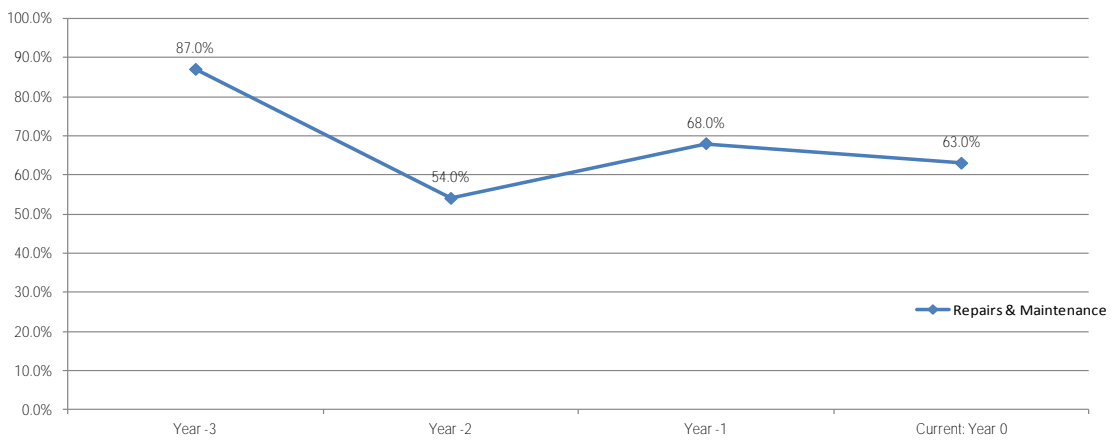
### Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.  
 Data used from MBRR SA8

T 5.4.7

### Repairs & Maintenance



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.  
 Data used from MBRR SA8

T 5.4.8

## COMMENT ON FINANCIAL RATIOS:

The liquidity ratio measures the extent to which the municipality has cash and short-term investments available to settle short-term liabilities. The ratio has increased, meaning the municipality can settle its short-term liabilities with cash and short-term investments.

The cost coverage ratio indicates the time taken to pay for expenditure incurred; this has decreased. It thus indicates that we can pay creditors faster.

Total outstanding service debtors to revenue has increased. This reveals that more accounts are irrecoverable in proportion to billed revenue.

The total outstanding net consumer debtors are unacceptably high.

Debt coverage ratio indicates the ease with which debt payments can be honoured. The Municipality's debt coverage is not healthy.

Repairs and maintenance has increased. This highlights that more spending is being incurred on repairs and maintenance.

These ratios are derived from table SA8 of the MBRR.

*T 5.4.9*

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to the construction of assets that will have value, lasting over many years. Capital expenditure is funded from grants, borrowings and surpluses.

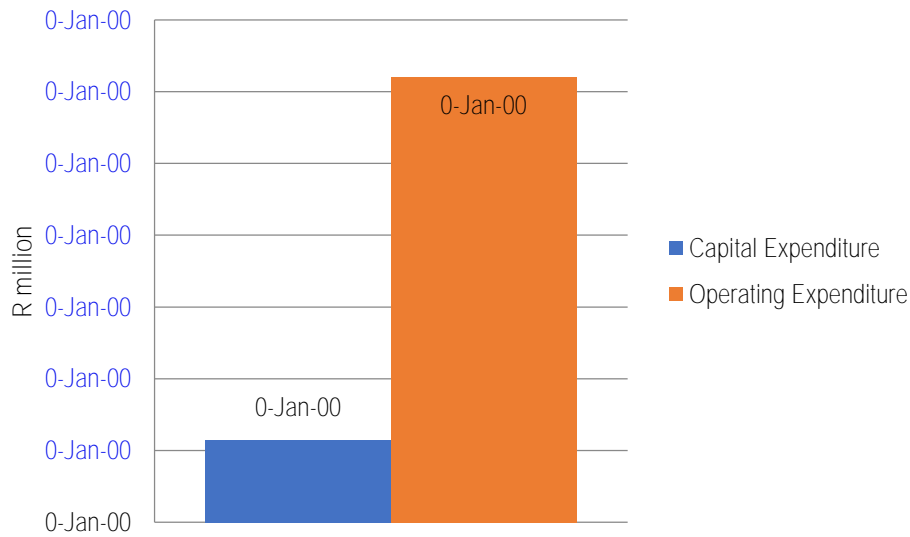
During the financial year under review, capital expenditure amount to R57.3 million. The capital expenditure for the year has increased by 3% when compared to the previous year expenditure.

The capital expenditure realized on roads and storm water amounts of R34.5 million, and other capital expenditure amounts to R22.8 million.

The capital budget was funded by government grants amounting to R57.3 million.

### 5.5 CAPITAL EXPENDITURE

## Capital Expenditure: 2016/17



T 5.5.1

## 5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2015/16 to 2016/17							
							R' 000
Details		2015/16	2016/17				
		Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance							
	Grants and subsidies	47 367 333	49 340 772	57 236 652	57 236 652	16%	16%
<b>Total</b>		<b>47 367 333</b>	<b>49 340 772</b>	<b>57 236 652</b>	<b>57 236 652</b>	<b>16%</b>	<b>16%</b>
Percentage of finance							
	Grants and subsidies	100%	100%	100%	100%	100%	100%
Capital expenditure							
	Roads and storm water	47 367 333	24 210 917	34 501 195	34 501 195	43%	43%
	Other	0	25 129 855	22 735 456	22 735 456.84	-10%	-10%
<b>Total</b>		<b>47 367 333</b>	<b>49 340 772</b>	<b>57 236 652.13</b>	<b>57 236 652.13</b>	<b>32.97%</b>	<b>32.97%</b>
Percentage of expenditure							
	Roads and storm water	100%	49%	60%	60%	129%	129%
	Other	0.0%	51%	40%	40%	-29%	-29%

T 5.6.1

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current: 2016/17			Variance: Current 2016/17	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Tsolo Streets Surfacing	32 789 981	32 789 981	13 087 478	60%	0%
B - Qumbu Streets Surfacing	18 069 412	18 069 412	13 354 793	26%	0%
C - Amacwerha Electrification	10 045 358	10 045 358	9 105 619	9%	0%
D - Construction of Tsolo Highmast Lights	5 505 278	5 505 278	2 340 437	57%	0%
E - Supply and Delivery of Qumbu Modular Houses	1 207 685	1 207 685	1 207 685	0%	0%
<i>* Projects with the highest capital expenditure in 2015/16</i>					
Name of Project - A	Surfacing of roads in Tsolo Town				
Objective of Project	Surfacing of roads				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Pothole free roads in town				
Name of Project - B	Surfacing of roads in Qumbu Town				
Objective of Project	Surfacing of roads				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Pothole free roads in town				
Name of Project - C	Electricificaion of Amacwerha				
Objective of Project	Electricificaion of Mhlontlo villages				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Electrification				
Name of Project - D	Tsolo Highmast Lights				
Objective of Project	Lights				
Delays	None				
Future Challenges	None				
Anticipated citizen benefits					
Name of Project - E	Modular Structures				
Objective of Project					
Delays	None				
Future Challenges	None				
Anticipated citizen benefits	Indirect benefits will accrue to the community. The asset will be used for administration purposes, ie for reaching out to the community.				
T 5.7.1					

Service Backlogs as at 30 June Year 0				
Households (HHs)				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water		%		%
Sanitation		%		%
Electricity		%		%
Waste management		%		%
Housing		%		%
<i>% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.</i>				

T 5.8.2

						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Infrastructure - Road transport				%	%	
<i>Roads, Pavements &amp; Bridges</i>	24 210 917.00	34 501 195.29	34 501 195.29	143%	100%	
Total				%	%	
<i>* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

T 5.8.3

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Proper cash flow management is a critical element to ensure the municipality meets its obligations. A stable positive cash flow balance relative to the growth of the municipality is a good indication of the municipality financial position and health. Cash flow projections are done monthly, and cash not immediately required is invested for a better return on the short-term.

Cash Flow Outcomes				
Description	2015/16	Current: 2016/17		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
R'000				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	3 350	7 675	2 664	2 578
Government - operating	220 463	172 237	165 859	228 040
Government - capital		49 341	56 660	
Interest	4 397	3 670	3 604	4 694
Service charges		598	416	
Other revenue	4 145	17 489	19 295	4 943
Payments				
Suppliers and employees	(174 087)	(199 830)	(183 201)	(174 467)
Finance charges	(258)			(357)
Transfers and Grants	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>58 010</b>	<b>51 180</b>	<b>65 296</b>	<b>65 431</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in non-current investments			(3 577)	
Payments				
Capital assets	(47 461)	(49 341)	(59 652)	(54 359)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(47 461)</b>	<b>(49 341)</b>	<b>(63 229)</b>	<b>(54 359)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts				
Payments				
Repayment of borrowing	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>10 549</b>	<b>1 839</b>	<b>2 067</b>	<b>11 072</b>
Cash/cash equivalents at the year begin:		37 347	3 358	
Cash/cash equivalents at the year end:	10 549	39 186	5 426	11 072

Source: MBRR A7

T 5.9.1

## COMMENT ON CASH FLOW OUTCOMES:

The cash flow from operating activities indicates a positive cash flow of R65.3 million. Further, R54.3 million was utilized on investment activities mainly to purchase property, plant, and equipment.

Considering the above movements, the net cash position at financial year end is R11 million, which indicates an increase. The net cash position of the municipality has remained stable over the past three years. This is a good indication that the municipality has and will meet its obligations in the future.

### 5.10 BORROWING AND INVESTMENTS

External borrowings are obtained to supplement the municipal capital programme. During the financial year under review, no external loans were taken up.

Municipal and Entity Investments			
	2014/15	2015/16	2016/17
Investment* type	Actual	Actual	Actual
<u>Municipality</u>			
Securities - National Government	0.00	0.00	0.00
Listed Corporate Bonds	0.00	0.00	0.00
Deposits - Bank	15 376 563	25 925 460	36 891 051
Deposits - Public Investment Commissioners	0.00	0.00	0.00
Deposits - Corporation for Public Deposits	0.00	0.00	0.00
Bankers Acceptance Certificates	0.00	0.00	0.00
Negotiable Certificates of Deposit - Banks	0.00	0.00	0.00
Guaranteed Endowment Policies (sinking)	0.00	0.00	0.00
Repurchase Agreements - Banks	0.00	0.00	0.00
Municipal Bonds	0.00	0.00	0.00
Other	0.00	0.00	0.00
Municipality sub-total	15 376 563.00	25 925 460.00	36 891 051.00
Consolidated total:	15 376 563.00	25 925 460.00	36 891 051.00

T 5.10.4

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

Every municipality must for each financial year prepare annual financial statements which

- fairly present the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; and
- disclose the information required in terms of Sections 123, 124 and 125 of the MFMA. Annual financial statements must be prepared within two months after the end of the financial year to which those statements relate and submit the statements to the Auditor-General for auditing. The accounting officer is responsible to at least once per year measure and review the performance of the municipality.

The results of the performance measurement must be audited annually by the Auditor-General. Therefore, the performance results are submitted with the annual financial statements. The Auditor-General must audit the financial statements and performance results and submit an audit report to the accounting officer within three months of receipt of the statements.

## COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR -1

### 6.1 AUDITOR GENERAL REPORTS YEAR -1 (PREVIOUS YEAR)

Auditor-General Report on Financial Performance: Year-1	
Audit Report Status	Unqualified with emphasis matters
Non-Compliance Issues	Remedial Action Taken
Irregular Expenditure, Unauthorized, Fruitless and Wasteful,	Audit Action Plan

Auditor-General Report on Service Delivery Performance: Year-1	
Audit Report Status	The municipality was unqualified on usefulness of the information and Qualification reliability of the information submitted
Non-Compliance Issues	Remedial Action Taken
Targets were not SMART and also adjustments on annual targets perceived as achieved but the adjusted to not achieved.	Audit Action Plan



**COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (CURRENT YEAR)**

**6.2 AUDITOR GENERAL REPORT YEAR 0**

<b>Auditor-General Report on Financial Performance: Year 0</b>	
Audit Report Status	Unqualified with emphasis matters
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Debt Impairment, Unauthorised, Fruitless and Wasteful, Irregular Expenditure	Audit Action Plan

<b>Auditor-General Report on Service Delivery Performance: Year 0</b>	
Audit Report Status	The municipality was qualified on both usefulness and reliability of the information submitted with material adjustments.
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Targets were not SMART and also adjustments on annual targets perceived as achieved but the adjusted to not achieved.	To review the annual performance report before finalization with auditing of POEs

**AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS: YEAR 0**

Auditor General's Report is attached.

**COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:**

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
1. Hon. Mayor Cllr.R. N.Dywili	FT	COUNCIL, EXCO, RULES COMMITTEE, WOMEN'S CAUCUS	ANC PR	73% (11/15)	26% (4)
2. Hon. Speaker Cllr. M.G. Jara	FT	COUNCIL, RULES COMMITTEE	ANC PR	86% (13/15)	13% (2)
3. Hon. Chief Whip Cllr. N.M. Mvanyashe	FT	COUNCIL, RULES COMMITTEE, WOMEN'S CAUCUS	ANC PR	93% (14/15)	6% (1)
4. EXCO Cllr. M.Mabono	FT	COUNCIL, EXCO AND IDAP	ANC PR	46% (7/9)	53% (8)
5. EXCO Cllr. N.P.B.Ludidi	PT	COUNCIL, EXCO AND SPU	ANC PR	46% (7/15)	53% (8)
6. EXCO Cllr. G.Mazitshana	PT	COUNCIL, EXCO AND CORPORATE SERVICES	ANC PR	93% (14/15)	6% (1)
7. EXCO Cllr.E.Pula	PT	COUNCIL, EXCO AND LED	ANC PR	86% (13/15)	13% (2)
8. EXCO Cllr. N.E.Sigwili	PT	COUNCIL, EXCO AND HUMAN SETTLEMENT AND DISASTER MANAGEMENT	ANC PR	93% (14/15)	6% (1)
9. EXCO Cllr. V.Mnyanda	FT	COUNCIL, EXCO AND BTO	ANC PR	86% (13/15)	13% (2)
10. EXCO Cllr.S.S.Mbangata	PT	COUNCIL, EXCO AND COMMUNITY SERVICES	ANC PR	86% (13/15)	13% (2)
11. Cllr. M.Ncapayi	PT	COUNCIL, BTO, CORPORATE SERVICES	WARD 01 ANC	80% (12/15)	20% (3)
12. Cllr .M.D.Manzi	PT	COUNCIL, CORPORATE SERVICES.	WARD 02 ANC	86% (13/15)	13% (2)
13. Cllr. T.Mgaweni	PT	COUNCIL, CORPORATE SERVICES.	WARD 03 ANC	80% (12/15)	20% (3)
14. Cllr S.S. Sophangisa	PT	COUNCIL, BUDGET AND TREASURY	WARD 04 INDEPENT	66% (10/15)	33% (5)

15. Cllr. M.Lingela	PT	COUNCIL, EXCO AND PLANNING RESEARCH AND INTERGOVERNMENTAL RELATIONS	WARD 05 ANC	93% (14/15)	6% (1)
16. Cllr. Z. Botya	PT	COUNCIL, HUMAN SETTLEMENTS AND DISASTER MANAGEMENT.	WARD 06 ANC	100% (15/15)	0% (0)
17. Cllr. Z. Ntshiba	PT	COUNCIL, COMMUNITY SERVICES.	WARD 07 ANC	86% (13/15)	13% (2)
18. Cllr .N. Gcaba	PT	COUNCIL, HUMAN SETTLEMENT AND DISASTER MANAGEMENT	WARD 08 ANC	73% (11/15)	26% (4)
19. Cllr. B. Honono	PT	COUNCIL, INFRA-STRUCTURE SERVICES	WARD 09 ANC	86% (13/15)	13% (2)
20. Cllr. P.Mdinwa	PT	COUNCIL, PUBLIC PARTICIPATION AND PETITIONS COMMITTEE	WARD 10 ANC	100% (15/15)	0% (0)
21. Cllr. L.P. Dlova	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT.	WARD 11 ANC	86% (13/15)	13% (2)
22. Cllr. S. Ntukuntezi	PT	COUNCIL, COMMUNITY SERVICES	WARD 12 ANC	86% (13/15)	13% (2)
23. Cllr Z.W. Nondaka	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT.	WARD 13 ANC	73% (11/15)	26% (4)
24. Cllr. Z. Mkakinana	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT.	WARD 14 ANC	66% (10/15)	33% (5)
25. Cllr. Z. Renene	PT	COUNCIL, COMMUNITY SERVICES.	WARD 15 ANC	93% (14/15)	6% (1)
26. Cllr.B.B. Mthitshane	PT	COUNCIL, BUDGET AND TREASURY.	WARD 16 ANC	93% (14/15)	6% (1)
27. Cllr.M. Soyekwa	PT	COUNCIL, PUBLIC PARTICIPATION AND PETITIONS COMMITTEE	WARD 17 ANC	73% (11/15)	26% (4)
28. Cllr.M.N. Mpheleli	PT	COUNCIL, SPECIAL PROGRAMME AND SOCIAL SERVICES.	WARD 18 ANC	73% (11/15)	26% (4)
29. Cllr.M.S Ngewu	PT	COUNCIL, HUMAN SETTLEMENTS AND DISASTER MANAGEMENT.	WARD 19 ANC	86% (13/15)	13% (2)
30. Cllr.M. Mfabela	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT.	WARD 20 ANC	66% (10/15)	33% (5)
31. Cllr.M.S. Mathe	PT	COUNCIL, BUDGET AND TREASURY	WARD 21 INDEPENDENT	33% (5/15)	66% (10)

32. Cllr.P.N. Mdemka	PT	COUNCIL, IDAP.	WARD 22 ANC	86% (14/15)	6% (1)
33. Cllr.Q. Madlaneni	PT	COUNCIL, COMMUNITY SERVICES	WARD 23 ANC	86% (14/15)	6% (1)
34. Cllr. S.Maham	PT	COUNCIL, SPU	WARD 24 ANC	73% (11/15)	26% (4)
35. Cllr. N.V. Ncaphayi	PT	COUNCIL, PUBLIC PARTICIPATION AND PETITONS COMMITTEE	WARD 25 ANC	80% (12/15)	20% (3)
36. Cllr. E.N. Sikwatsha	PT	COUNCIL, COMMUNITY SERVICES.	WARD 26 ANC	100% (15/15)	0% (0)
37. Cllr. G.O. Lamani	PT	COUNCIL, IDAP	UDM PR	66% (10/15)	33% (5)
38. Cllr. E.L. Xwayi	PT	COUNCIL, SPU	ANC PR	60% (9/15)	40% (6)
39. Cllr.R. N.T. Ngquke	PT	COUNCIL, INFRA-STRUCTURE.	ANC PR	66% (10/15)	33% (5)
40. Cllr.S. N. Nodlela	PT	COUNCIL, COMMUNITY SERVICES	ANC PR	93% (14/15)	6% (1)
41. Cllr.N.R. Ngewu	PT	COUNCIL, COMMUNITY SERVICES	ANC PR	93% (14/15)	6% (1)
42. Cllr.S.N.T. Mathanzima	PT	COUNCIL, SPU	ANC PR	86% (13/15)	13% (2)
43. Cllr.A.L. Tono	PT	COUNCIL, HUMAN SETTLEMENT AND DISASTER MANAGENT	CI PR	66% (11/15)	33% (4)
44. Cllr.D. Guqa	PT	COUNCIL, PLANNING RESEARCH AND INTERGOVERNMENTAL RELATIONS	CI PR	53% (8/15)	46% (7)
45. Cllr.B.S. Mbewu	PT	COUNCIL, RELATIONS	DA PR	53% (8/15)	46% (7)
46. Cllr. G. Matyeni	PT	COUNCIL, BTO	DA PR	53% (8/15)	46% (7)
47. Cllr.P. Ntobongwana	PT	COUNCIL, RURAL AND ECONOMIC DEVELOPMENT	EFF PR	20% (3/15)	80% (12)
48. Cllr.K. Mpula	PT	COUNCIL, INFRA-STRUCTURE SERVICES.	EFF PR	60% (9/15)	40% (6)
49. Cllr. Z.Nondaka	PT	COUNCIL, HUMAN SETTLEMENT AND DISASTER MANAGEMENT.	UDM PR	53% (8/15)	47% (7)
50. Cllr.N. Zikolo	PT	COUNCIL, INFRA-STRUCTURE SERVICES.	UDM PR	60% (9/15)	40% (6)
51. S. Qangani	PT	COUNCIL, SPU	ANC PR	60%(9/15)	40% (6)

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
COMMUNITY SERVICES STANDING COMMITTEE	Policy formulation, implementation and monitoring within the functional areas of Parks and Recreation; pound, disaster, law enforcement and traffic.
CORPORATE SERVICE	to formulate, implement and monitor a policy in relation to human resources, Support services, IT services
BUDGET AND TREASURY OFFICE	Policy formulation, implementation and monitoring of functional areas within asset, revenue, credit and budgetary issues
SPORT, RECREATION, ARTS AND CULTURE	
SPECIAL PROGRAMMES UNIT	To champion women, youth, children and elderly people programmes
LOCAL ECONOMIC DEVELOPMENT AND PLANNING	Policy formulation, implementation and monitoring within the functional areas of Planning function, strategic development, environmental planning, Economic development and local tourism.
INFRASTRUCTURE DEVELOPMENT	Policy formulation, implementation and monitoring within the functional areas of electricity and energy, transport, roads and storm water.
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	Hold the Executive and the administration accountable on the manner in which Municipal resources are used in the implementation of Service Delivery objectives of the council
WOMEN'S CAUCUS	To represent the needs of women councilors in council
PUBLIC PARTICIPATION AND PETITIONS COMMITTEE	To receive and consider issues raised during public participation and petitions from communities
ETHICS AND MEMBERS INTEREST	To represent welfare and interests of all councilors in council
RULES COMMITTEE	<p>To investigate and make a finding on any alleged breach of the Code and to make appropriate recommendations to Council;</p> <p>(b) to investigate and make a finding on non-attendance of meetings and to impose a fine as determined by the standing rules and orders of Council.</p> <p>(a) to investigate and make a finding on any alleged breach of the Code and to make appropriate recommendations to Council;</p> <p>(b) to investigate and make a finding on non-attendance of meetings and to impose a fine as determined by the standing rules and orders of Council.</p>

AUDIT COMMITTEE	To report on the activities of the audit committee to the Council.
IGR, Planning and Research	To champion IGR and integrated development planning
Human settlement and disaster management	To champion issues related to human settlement and disaster management

## APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Office of the Municipal Manager	Mr SG Sotshongaye
Infrastructure, development and Planning	Director: Mr TP Mase
Corporate Services	Director: Mr L Matiwane
Strategic Services	Vacant
Community Services	Director: Mr MJ Yilo
Budget and Treasury	CFO: Ms N Boti
Local Economic Development	Director: Mr Z Zipete
<i>Use as a spill-over schedule if top 3 tiers cannot be accommodated in chapter 2 (T2.2.2).</i>	
	<i>TC</i>

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	No of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Cllr M. M.Ncapayi	yes	12	12	4
2	Cllr S. M.D.Manzi	yes	12	12	4
3	Cllr. T.Mgaweni	yes	12	12	4
4	Cllr S.S.Sopangisa	yes	12	12	4
5	Cllr. M.Lingela	yes	12	12	4
6	Cllr. Z.Botya	yes	12	12	4
7	Cllr. Z.Ntshiba	yes	12	12	4
8	Cllr .N.Gcaba	yes	12	12	4
9	Cllr. B.Honono	yes	12	12	4
10	Cllr. P.Mdinwa	yes	12	12	4
11	Cllr. L.P.Dlova	yes	12	12	4
12	Cllr. S.Ntukuntezi	yes	12	12	4
13	Cllr Z.W.Nondaka	yes	12	12	4
14	Cllr. Z.Makinana	yes	12	12	4
15	Cllr. Z. Renene	yes	12	12	4
16	Cllr. B.B.Mthitshana	yes	12	12	4
17	Cllr.M.Soyekwa	yes	12	12	4
18	Cllr.M.N.Mpheleli	yes	12	12	4
19	Cllr. M.S.Ngewu	yes	12	12	4
20	Cllr.M.Mfamela	yes	12	12	4
21	Cllr S.Mathe	yes	12	12	4
22	Cllr.P.N.Mdemka	yes	12	12	4
23	Cllr.Q.Mandleni	yes	12	12	4
24	Cllr.S.Maham	yes	12	12	4
25	Cllr.N.V.Ncapayi	yes	12	12	4
26	Cllr.E.N.Sikwatsha	yes	12	12	4

Disclosures of Financial Interests		
Period 1 July to 30 June of 2017		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor		N/A
Member of MayCo / Exco		N/A
Councillor		
	Clr Vusumzi Mnyanda	Bakhokele Nkqubela Agricultural Co-operative
	Clr Tando Mgaweni	Intlutha Projects and Loyta Technologies and Projects
	Clr Lindinkosi Anderson Tono	Noiseless Trading
Municipal Manager		N/A
Chief Financial Officer		N/A
Deputy MM and (Executive) Directors		
Other S57 Officials		



	Mr Mase	Brother's CC: Best Thought Trading & Projects 108 and His Company: Xhakaza Investments Holdings
	Mr L Matiwane	Thotho Business Solutions, Malizo Projects, LISAF Trading
	Mr Yilo	Dlamini Growers
<p>* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A TJ</p>		

MHLONTLO LOCAL  
MUNICIPALITY



# LOCAL GOVERNMENT TEMPLATE

2016-2017

## Chapter: Organisational Transformation and Institutional Development –KPA 1

### Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	12	12	100%	N/A
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	6	100%	N/A
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	0	0	0	N/A
4	Percentage of Managers in Technical Services with a professional qualification	2	2	100%	N/A
5	Level of PMS effectiveness in the DM – (DM to report)	<b>THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM</b> Only section 56 Managers are assessed			
6	Level of effectiveness of PMS in the LM – (LM to report)				
7.	Adoption and implementation of HRD plan including WSP	The HRD plan and WSP have been adopted by council and implemented			
8.	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	100%	100%	100%	N/A
9	Percentage of councillors who attended a skill development training within the current 5 year term	60%	60%	60%	N/A
10	Percentage of staff complement with disability	1%	1%	1%	N/A
11	Percentage of female employees	61%	61%	61%	N/A
12	Percentage of employees that are aged 35 or younger	62%	62%	62%	N/A

## Chapter: Basic Service delivery performance highlights (KPA 2)

### Annual performance as per key performance indicators in water services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	N/A	N/A	N/A	N/A	N/A
2	Percentage of indigent households with access to free basic potable water	N/A	N/A	N/A	N/A	N/A
3	Percentage of clinics with access to potable water	N/A	N/A	N/A	N/A	N/A
4	Percentage of schools with access to potable water	N/A	N/A	N/A	N/A	N/A
5	Percentage of households in formal settlements using buckets	N/A	N/A	N/A	N/A	N/A

*“WATER SERVICE RESIDES WITH THE DISTRICT MUNICIPALITY”*

### Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services					
2	Percentage of indigent households with access to basic electricity services					
3	Percentage of indigent households with access to free alternative energy sources					

### Annual performance as per key performance indicators in sanitation services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services	N/A	N/A	N/A	N/A	N/A
2	Percentage of indigent households with access to free basic sanitation services	N/A	N/A	N/A	N/A	N/A
3	Percentage of clinics with access to sanitation services	N/A	N/A	N/A	N/A	N/A
4	Percentage of schools with access to sanitation services	N/A	N/A	N/A	N/A	N/A

***“SANITATION SERVICE RESIDES WITH THE DISTRICT MUNICIPALITY”***

### Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads					
2	Percentage of road infrastructure requiring upgrade					
3	Percentage of planned new road infrastructure actually constructed					
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.					

### Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	1611		1611	1611	100%
2	Existence of waste management plan	Yes it is in place				

### Annual performance as per key performance indicators in housing and town planning services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements					
2	Percentage of informal settlements that have been provided with basic services					
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses					
4	Existence of an effective indigent policy	The council has adopted and is implementing effectively its Indigent Subsidy Policy				
5	Existence of an approved SDF					
6	Existence of Land Use Management System (LUMS)					

## CHAPTER: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Existence of LED unit			
2	Percentage of LED Budget spent on LED related activities.			
3	Existence of LED strategy	<b>THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM</b>		
4	Number of LED stakeholder forum meetings held			
5	Plans to stimulate second economy			
6	Percentage of SMME that have benefited from a SMME support program			
7	Number of job opportunities created through EPWP			
8	Number of job opportunities created through PPP			

## Chapter: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	49 340 772.58	55 985 044	113.47%
		<b>Target set for the year (35%) R(000)</b>	<b>Achievement level during the year R(000)</b>	<b>Achievement percentage during the year vs the operational budget</b>
2	Salary budget as a percentage of the total operational budget	33.42%	30.20%	90.37%
		<b>Target set for the year (20% or less) R(000)</b>	<b>Achievement level during the year R(000)</b>	<b>Achievement percentage during the year vs the actual revenue</b>
3	Trade creditors as a percentage of total actual revenue	0.09%	2.22%	124.62%

		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	19.95%	16.30%	81.70%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	15 662 647,52	6 736 107,20	43%
6	Percentage of MIG budget appropriately spent	41 660 000	56 660 000	100%
7	Percentage of MSIG budget appropriately spent	N/A	N/A	N/A
8	AG Audit opinion	Unqualified	Unqualified	Unqualified
9	Functionality of the Audit Committee	Active	Active	
10	Submission of AFS after the end of financial year	31/08/2017	31/08/2017	

## Chapter: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	% of ward committees established	26	26	100%
2	% of ward committees that are functional	26	26	100%
3	Existence of an effective system to monitor CDWs	The municipality had 23 CDWS		
4	Existence of an IGR strategy	The municipality adopted IGR Strategy		
5	Effective of IGR structural meetings	IGR Meetings are effective.		
6	Existence of an effective communication strategy	Council has adopted communication strategy		
7	Number of mayoral imbizos conducted	4	4	100%
8	Existence of a fraud prevention mechanism	<b>THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM</b>		



MHLONTLO LOCAL  
MUNICIPALITY



# ANNUAL PERFORMANCE REPORT

2016-2017



*MHLONTLO  
LOCAL  
MUNICIPALITY*

*ANNUAL  
PERFORMANCE  
REPORT*

*2016/2017 FY*

*MHLONTLO  
LOCAL  
MUNICIPALITY*

# QUALITY CERTIFICATE

I, SOTSHONGAYE, S.G. (Full Names), the Municipal Manager of Mhlontlo Municipality hereby certify that the Annual Performance Report on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) for the full-year period ended 30 June 2017 has been prepared in accordance with the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act, and in terms of s46 of Local Government: Municipal Systems Act 2000 (32 of 2000).



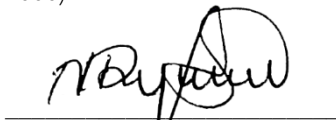
S.G. Sotshongaye

DATE

MUNICIPAL MANAGER

# RECEIPT BY THE MAYOR

I, N. Dywil (Full Names), the Mayor of Mhlontlo Local Municipality, hereby accept the Annual Performance Report on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) of the municipality for the period ended 30 June 2017 as presented by the Municipal Manager in terms of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act, and in terms of s46 of Local Government: Municipal Systems Act 2000 (32 of 2000).



Cllr. N. Dywil

DATE

MAYOR

## SECTION 1

### 1.1 OVERVIEW

---

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure efficiency and effectiveness and the impact of service delivery by the municipality. Therefore, performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organization and its employees, are met. At local government level performance management is institutionalised through legislative requirements on the performance management process for Local government.

The Constitution of the Republic of South Africa 1996, section 152, in dealing with the objectives of local government paved the way for performance **management with the requirements of an “accountable government”**. **The democratic values and principles in terms of section 195 (1) are also linked with the** concept of performance management, with reference to the principles of *inter alia*:

- The promotion of efficient, economic and effective use resources;
- The accountable public administration;
- To be transparent by providing information;
- To be responsive to the needs of the community; and
- To facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act 2000 (Act 32 of 2000), requires municipalities to establish a performance management system. Additionally, the same act and the Municipal Finance Management Act 2003 (Act 53 of 2003) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and be monitored for the performance of the budget against the IDP through the Service Delivery and Budget Implementation Plan (SDBIP)

Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 indicates that **“A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting, and improvement will be conducted, organized and managed, including determining the roles of the different role players”**. Performance management is not only relevant to the municipality as a whole, but also, to the individuals employed in the municipality, as

well as, the external service providers and the Municipal Entities, such as, *Trade Invest Mhlontlo* (TIM). This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and the individual performance.

In view of the foregoing, Section 46 (1) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), a municipality must prepare for each financial year an annual report consisting of –

- (a) A performance report reflecting -
  - (i) **the municipality's, and any service providers, performance** during that financial year, also in comparison with targets of and with performance in the previous financial year;
  - (ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and
  - (iii) measures that were or are to be taken to improve performance.

## 1.2 LEGISLATIVE REQUIREMENTS

---

1.2.1 The SDBIP is defined in terms of Section 1 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003), and the format of the SDBIP is prescribed by the MFMA Circular 13 from National Treasury.

1.2.2 Section 41 (1) (e) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000), prescribes that a process must be established for regular reporting to Council.








1.2.3 Section 46 (1) of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) dictates that at the end of each financial year that a municipality must prepare an annual report that will be inclusive of an annual performance reporting – reflecting how a municipality performed in the previous financial year.


1.2.4 The Annual Report is [also] defined in terms of Section 121, 127 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003)

### 1.3. Background

The annual overview of performance reflected below is as result of the amended SDBIP 2016/17 financial year. After the council passed the adjustment budget in January, it was necessary for the institution to amend its SDBIP as required by law. The amended SDBIP can be used as a source document to see targets that were shifted.

## STRATEGIC SERVICES

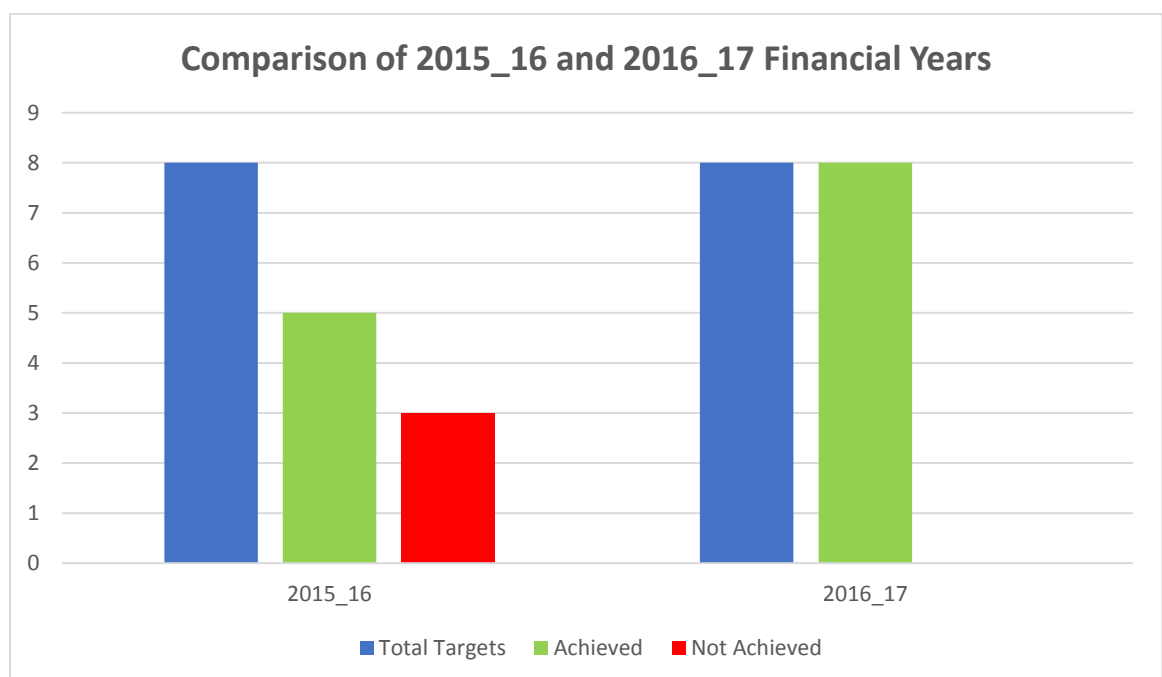
KPA Key Performance/Focus Area	Departmental Objectives	Project Name	Outcome Indicator	Budget	Expenditure	Annual Target	Annual Reporting				
							Achieved or not achieved	Actual Performance	Reasons for variance	Remedial action	Portfolio of Evidence
Integrated Development Plan (IDP)	To ensure an integrated Development Planning in line with Municipal Systems Act	Credible Integrated Development Plan	Credible IDP	R2 244 231.43	R1 328 480.68	One Credible IDP	 Achieved	Development of IDP	N/A	N/A	IDP document
SPECIAL Programmes	Establishment and revival of Special Programmes Statutory Structures (Youth Forums, Women Forums, Ward Aids Forums, Disabled & Elderly	Development and Support to Youth, Women and Elderly, Disabled People, Children and HIV/Aids programmes	Fully developed children's programmes implementation plan	R220150	R125 272.00	Children's programmes implementation plan	 Achieved	Development of Children's programme Implementation plan	N/A	N/A	Children's programmes implementation plan document
			Fully developed Youth programmes implementation plan	R368 875	R200 558.07	Youth programmes implementation plan	 Achieved	Development of Youth programme Implementation plan	N/A	N/A	Youth programmes implementation plan document
Special Programmes	Establishment and revival of Special Programmes Statutory Structures	Buying of inputs for people with disabilities projects	Availability of inputs for disabled peoples projects	R438 448	R275 945.83	Disabled people's programmes implementation plan	 Achieved	Development of Disabled people's programme Implementation plan	N/A	N/A	Disabled people's programmes implementation plan document
	Golden games	Provide support to Elderly peoples programmes	Increase in number of participants in Elderly programmes and decrease in the rate of Elderly illness	R351 016	R269 240.00	Elderly people's programmes implementation plan	 Achieved	Development of Elderly people's programme Implementation plan	N/A	N/A	Elderly people's programmes implementation plan document
		Awareness campaign in Breastfeeding	informed women on breastfeeding			women's programmes implementation plan	 Achieved	Development of women's programmes Implementation plan	N/A	N/A	Women's programmes implementation plan document
		Identification of orphans	Number of orphans identified	R269 464	R137 129.7	HIV/AIDS programmes	 Achieved	Development of HIV/Aids programmes	N/A	N/A	HIV/Aids programmes

Municipal Standard Chart of Accounts	To ensure that municipality is compliant with the mSCOA regulation by 01 July 2017	mSCOA	Full compliance with mSCOA regulations by 01 July 2017	N/A	N/A	Ensure full implementation of mSCOA implementation plan	 Achieved	Expenditure is done as per mSCOA requirement	N/A	N/A	implementation plan document	mSCOA report
--------------------------------------	--	-------	--	-----	-----	---	---	--	-----	-----	------------------------------	--------------

## Strategic Services Department




The above summary illustrates the significant difficulties that were experienced by the Department of Strategic Services on its quest to attain the predetermined objectives set by the department for the 2016/17 financial year as encapsulated in the Service Delivery and Budget Implementation Plan (SDBIP).




For the financial year under review, the department of Strategic Services had a total of eight (8) indicators on its scorecard. The department has managed to deliver positive results on all targets that were set for the under review, not even a single target was not achieved. **The department's overall performance** is commendable as it achieved 100 %, a significant improvement when compared with 62,5 % achievement of the previous financial year.













**DEPARTMENT: CORPORATE SERVICES**




Key Performance Area / Focus Area	Departmental Objectives	Project Name	Outcome Indicator	Budget	Expenditure	Annual Target	Annual Reporting				Portfolio of Evidence
							Achieved or not achieved	Actual Performance	Reasons for variance	Remedial action	
Human resources development	To improve human resources capacity of the institution	Review Human resource Strategy.	Improved human resource management	R300 000	R 179 773.44	Review and Implement HR Strategy	 Achieved	HR strategy was reviewed and implemented	none	none	Attendance register
		Training of officials in line with treasury regulations.	Improved capacity and performance of the staff	R1200 000	R971 573.52	40 employees to be trained and capacitated in line with WSP.	 Achieved	40 trained	None	None	Attendance and requisitions
		Training of councillors	Improved oversight role by Cllrs	R1500 000	R993 846.12	51 Cllrs trained and capacitated	 Achieved	51 Cllrs were trained	none	none	Attendance register for induction and policy workshop conducted.





HR Transformation	To review and maintain the organizational structure that responds to service delivery imperatives	Review the organizational structure, profile and evaluate all approved posts.	Staff establishment that meets the vision of the institution	R0.00	R0.00	Review and Implement the Organizational structure of the municipality.	 Achieved	Director community services post advertised. Other 10 employees were absorbed through LLF and council resolutions of the 29 of May 2017	none	none	Advert on national and local newspaper
	To ensure compliance with Employment Equity Act	Transform the workforce to ensure fair representation of demographics within the work place	Transformed work place	R0.00	R0.00	Review and Implement employment equity plan	 achieved	Employment equity was reviewed and implemented	none	none	Appointment letters.
HR Policies and Systems	To create an enabling environment within which employee can execute their duties and contribute to departmental and council vision	Develop, review and implement effective HR policies and systems. Ensure availability of systems that regulate HR environment	Improved HR systems and improved HR management	R300 000	R 327 573.97	Implement and review HR Policies. Maintain and update HR systems	 achieved	HR policies and systems were reviewed and implemented	none	none	Attendance register of the 24 and 25 May 2017


Occupational Health and Safety	To ensure safe and healthy working environment for all employees and councillors by 2016/17	Implementation of OHS plan	Safe working environment	R0.00	R0.00		Implementation of the OHS Plan in line with OHS Act	 Achieved	Conduct inspection in the work place	none	none	O.H.S. committee minutes and assessments.
Employee wellness	To improve the well-being of employees	Implementation of employee wellness policy	Improved wellness of employees	R108 000	R100 998.98		Conduct 4 wellness programmes	 Not achieved	Sports activities done	Wellness day not conducted due to unavailability of funds	Seek for availability of funds	None.

ICT Infrastructure management	To ensure the safety of information assets of the municipality. To ensure the adequate availability of IT Infrastructure and accessibility by 2015/16	Provide an integrated security system that responds to the needs of the municipality. Development of the disaster recovery plan/policy	Improved IT systems and network	R476 100	R264 990.76	Implementation and review of the ICT Policy. Development of the disaster recovery plan. Operations and maintenance of ICT Infrastructure	 Achieved  Achieved  Achieved	Been approved and implemented. Developed and approved by council Maintenance of ICT Infrastructure	None None none	None	Packaged with HR policies Council resolution on policy review Help desk report
-------------------------------	--	---	---------------------------------	----------	-------------	--	--	--	----------------------	------	--

ICT Governance	To ensure effective ICT governance	Implementation of ICT governance framework	Improved ICT governance				Development of ICT governance Framework and Strategy.	 Achieved	ICT governance framework was developed and approved by council	None	none	Council resolution on policy review
							4 ICT Steering Committee meetings to be held.	 Achieved	4 meetings set	None	None	Attendance register and minutes
Labour Relations	Strengthen and maintain good relations within the workplace	Ensuring continued existence of employer and employee structures	Sound relations between the municipality and traditional leaders.	R0.00			12 LLF Meetings	 Achieved	12 LLF meetings were convened	none	none	Minutes and attendance registers.

Information management	Automation and centralization of records and improved record management processes and procedures To ensure effective performance monitoring and evaluation of municipal plans, programmes and employees by 2015/16	Implementation of electronic Document management system (EDMS). Facilitation of disposal of old records in line with legislation	Improved records management	R250 000	R0	Installation of electronic document management system (EDMS).  Centralize records management	 Not achieved	Resorted to successful installation of electronic Scanners  Target moved to next financial year pending availability of space	Under budgeted  Non-availability of space	To be budgeted for according to specifications  To speed up the renovation process since it is not far from finish.	Receipt for purchased scanner and computer  none
Performance Management Systems (PMFS)	To ensure effective performance monitoring and evaluation of municipal plans, programmes and employees by 2015/16	Performance management system that monitors and appraises the council and all municipal employees.	Improved performance management	R0.00		Conduct 4 performance assessments for section 56 & 54A Mangers and other employees	 Achieved	Assessment for senior managers have been done at Dan's country Lodge	none	none	Performance assessments reports
Customer Care & Bathopele	To provide good customer care to all Mhlontlo communities	Implementation of the Customer Care policy	Improved customer care	R22 000	R0.00	Establishment of the customer care line and Hotline	 Not achieved	none	Insufficient funds	Target moved to next financial year	Documentation of proceedings.

Public Participation	Ensure effective stakeholder participation in municipal IDP and Budget by 2016/17	Develop and implement a stakeholder communication and management plan	Improved participation of communities in the affairs of the municipality	R1 088 247.82	R802 951.23	Conduct 26 public participation meetings	 Achieved	29 public participation meetings conducted	none	none	Documentation of proceedings.
Council Support	To ensure that council performs its oversight function	Coordinate effective functioning of council and its committees and provide administrative support	Improved Council oversight	R534 584.43	R571 919.47	A minimum of 4 ordinary council meetings to be held	 Achieved	4 ordinary council meetings held	none	Minutes and attendance register	
Traditional Leaders	To ensure sound relations with traditional leaders by 2016/17	Identify and develop strategies for the improvement of the relationship between the municipality and traditional leaders.	Sound relations between the municipality and traditional leaders.	R 226 400	R38 702.28	Convene 4 meetings with Traditional leaders	 Not achieved	1 meeting convened	Tight schedule of the council	To do reschedule in order to comply with the council calendar	Attendance register
Ward Committees	To enhance community participation in all programmes of the municipality by 2016/17	Capacitation of ward committees	Capacitated ward committees	R500 000	R75 832.25	Training and capacitation of 260 ward committees	 Not achieved	Only 65 ward committees were trained	MSIG did not provide funding for training ward committees	Mhlontlo will ask for funding at MSIG	Documentation of proceedings.

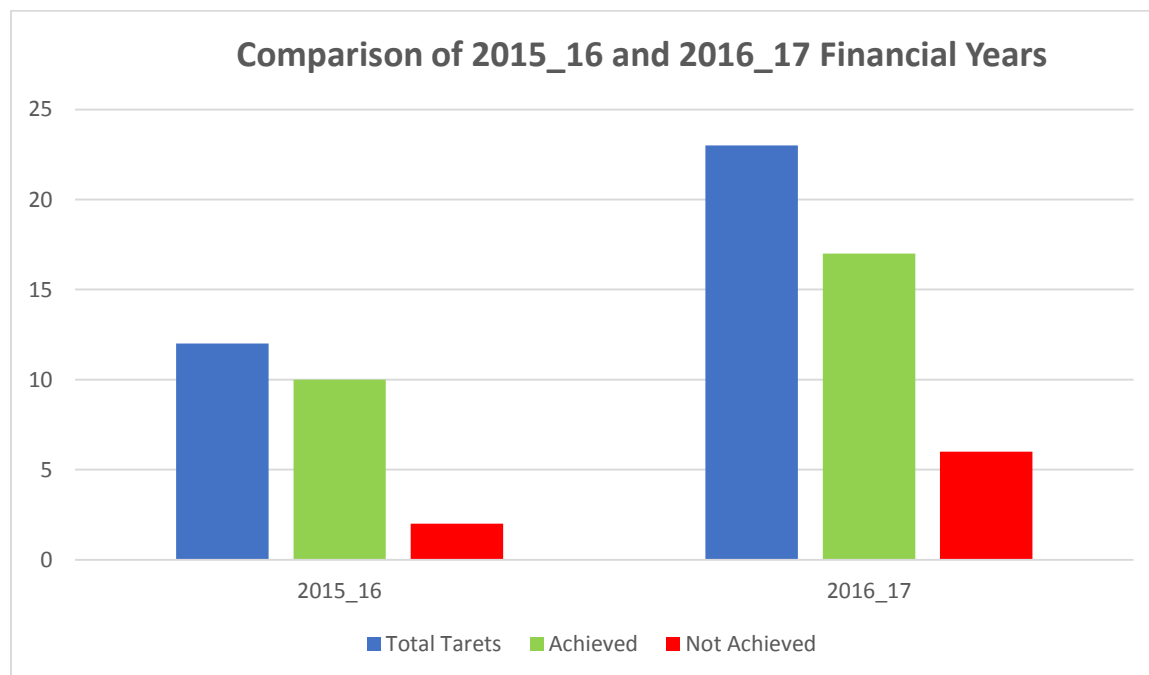
Municipal Standard Chart of Accounts	To ensure that municipality is compliant with the mSCOA regulation by 01 July 2017	mSCOA	Full compliance with mSCOA regulations by 01 July 2017	N/A	Nil	Ensure full implementation of mSCOA implementation plan	 Achieved	Complied with MSCOA	None	None	Report
--------------------------------------	--	-------	--	-----	-----	---	--	---------------------	------	------	--------



## Corporate Services Department






The above summary illustrates the significant strides and advances that were made by the Department of Corporate Services on its quest to attain the predetermined objectives set by the department for the 2016/17 financial year as encapsulated in the Service Delivery and Budget Implementation Plan (SDBIP).


For the financial year under review, the department of Corporate Services had set itself twenty-three (23) indicators on the scorecard. From the twenty-three (23) indicators, the department was able to deliver positive results on seventeen (17) of these, whilst six (6) indicators were not achieved. The **department's overall** performance of 73,9 % reflects a slight decline when compared to 83.3% achievement of the previous financial year.





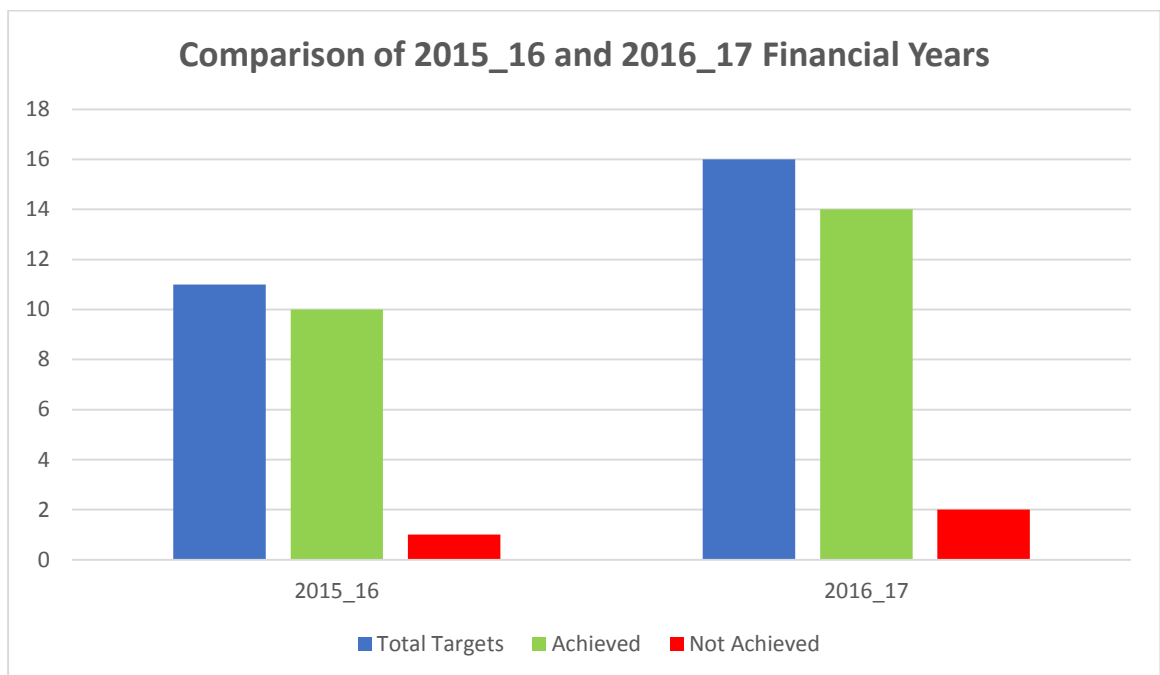


			Registration and licensing of vehicles and drivers.	Registered vehicles and tested applicants	R144 00		500 vehicles registered and 2000 people tested	 Achieved	Vehicles were registered and applicants were tested	N/A	N/A	Copies of print out
Crime Prevention and Law enforcement	Safe municipal environment	Provision of security services	Private Security Services in place	R4 404 524	R4 768 057.94		Security services in place	 Achieved	Safety of municipal assets	N/A	N/A	Copies of Appointment letters
Community safety and social services	To improve co-ordination of inter-departmental delivery of social and community services	revival and strengthening of the sector forum, community safety forum, education forum, Mhlontlo home affairs stakeholders	Functional community safety forums	R44 500	R0.00		Revival of 4 sector forums, monitoring and reporting of 4 forums.	 Not Achieved	Meetings were held	N/A	N/A	Copies of attendance registers
	To ensure safe and healthy environment by 2016/2017	animal control	Safe and healthy environment	R250 000	R246 981.25		implementation of impounding policy	 Achieved	Stray animals were impounded	N/A	N/A	Copies of registers
Sport	To promote healthy life style	development of sport implementation on plan	Games played	R690 000	R590 125.42		development of sport implementation plan, monitoring and reporting on sport	 Achieved	Sport activities supported	N/A	N/A	Copy of sport Plan






Municipal Standard Chart of Accounts	To ensure that municipality is compliant with the mSCOA regulation by 01 July 2017	mSCOA	Full compliance with mSCOA regulations by 01 July 2017	R 1500 00	R0.00	Ensure full implementation of mSCOA implementation plan	 Achieved	N/A	N/A	Documentation of proceedings.
---	---	-------	---	-----------	-------	---	--	-----	-----	----------------------------------






## Community Services

For the year under review, the Department of Community Services set itself sixteen (16) targets. The department managed to achieve fourteen (14) of those, whilst two (2) were not achieved. The impounding of stray animals in the SDBIP is also on-going, and this will continue in the financial years to come, the same goes for refuse removal too. **The department's overall performance** for the financial year was at 87,5% which indicates a slight decline when compared to 90.9% % achievement of 2015/16.





**Infrastructure Services Department**

Strategic Focus Area	5 Year Objectives	Programmes/Projects/Strategies	Outcomes Indicator	Budget	Expenditure	Annual Target	Achieve or not achieve	Annual Reporting			
								Actual Performance	Reasons for variance	Remedial Action	Portfolio of Evidence
<b>Roads</b>	To ensure that Mhlontlo 7080 Households are provided with roads and storm water management BY 2017	Khalankomo Access Road(18.40m 2.1x2.1m Bridge) and head walls	Easy Access by communities to socio economic services	R 4 322 913.66	R 4 314 132.25	Khalankomo Access Road(18.40m 2.1x2.1m Bridge) and head walls		Construction of 18.40m x 2.1x2.1m river bridge)	N/A	N/A	Practical Completion certificate
		Nombodlelana-Ncitshane Access Road(18.4m 2.4x2.4m bridge, 10.5m 1.2x1.2m bridge) and headwalls		R 7 390 555.57	Nombodlelana-Ncitshane Access Road(18.4m 2.4x2.4m bridge, 10.5m 1.2x1.2m bridge) and headwalls		Construction of (18.4m 2.4x2.4m bridge, 10.5m 1.2x1.2m bridge) and headwalls	N/A	N/A	Practical Completion certificate	
		Mahlubini-Qolombana Access Road(23.4m 1.5x1.5m Bridge) and headwalls	R 4 790 660.42	Mahlubini-Qolombana Access Road(23.4m 1.5x1.5m Bridge) and headwalls		Construction of (23.4m 1.5x1.5m Bridge) and headwalls	N/A	N/A	Practical Completion certificate		
		Lukhalane Low level crossing(12.2m Bridge)	R 2 143 366.31	Lukhalane Low level crossing(12.2m Bridge)		Completed construction of (12.2m low level crossing Bridge)	N/A	N/A	Practical Completion certificate		
		Ngcakaqheni Bridge	R 1 088 982.14	Ngcakaqheni Bridge .		Construction of Ngcakaqheni Bridge	Appointment of contractor not done yet.	BTO to fast track appointment of service provider	Tender Advert.		

R	Qumbu Street Surfacing Phase 2(2.78km), Road clearing and construction of underlying layers.	R 15 275 909.66	Qumbu Street Surfacing Phase 2(2.78km), Road clearing and construction of underlying layers.	 Not-Achieved	Excavation for storm-water pipes, Construction of underlying layer for 1.2km.	N/A	N/A	Monthly progress report.
	Tsolo Street Surfacing Phase 2(3.90km + 3600m side walk, parking areas 800m2	R 16 567 477.85	Tsolo Street Surfacing Phase 2(3.90km + 3600m side walk, parking areas 800m2) to base course layer.	 Not-Achieved	Construction of storm water system and road underlying layers for 1.30km	N/A	N/A	Monthly progress report..
	Maintenance of access roads and urban internal roads	R 1 400 000.0	Maintenance of 50km rural and urban roads	 Achieved	Maintenance of 50km rural and urban roads	N/A	N/A	Monthly progress report..
	Facilitate connection of Amachwera phase 2B house holds	R 22 275 369.72	Inspection with Eskom and energise the 389 house holds	 Achieved	Inspection with Eskom and energise the 389 house holds	N/A	N/A	Monthly progress report..
Energy	To ensure that 3000 Mhlontlo Households have access to electricity by 2017	R23 135 401.24	Connection of 1200 households in aMacwerha Phase 2B area. Planting of poles for 1200households	 Achieved	Connection of 1200 households in aMacwerha Phase 2B area. Planting of poles for 1200households	N/A	N/A	Monthly progress report...
		R 20 302 311.68						
		R36 269 980.54						





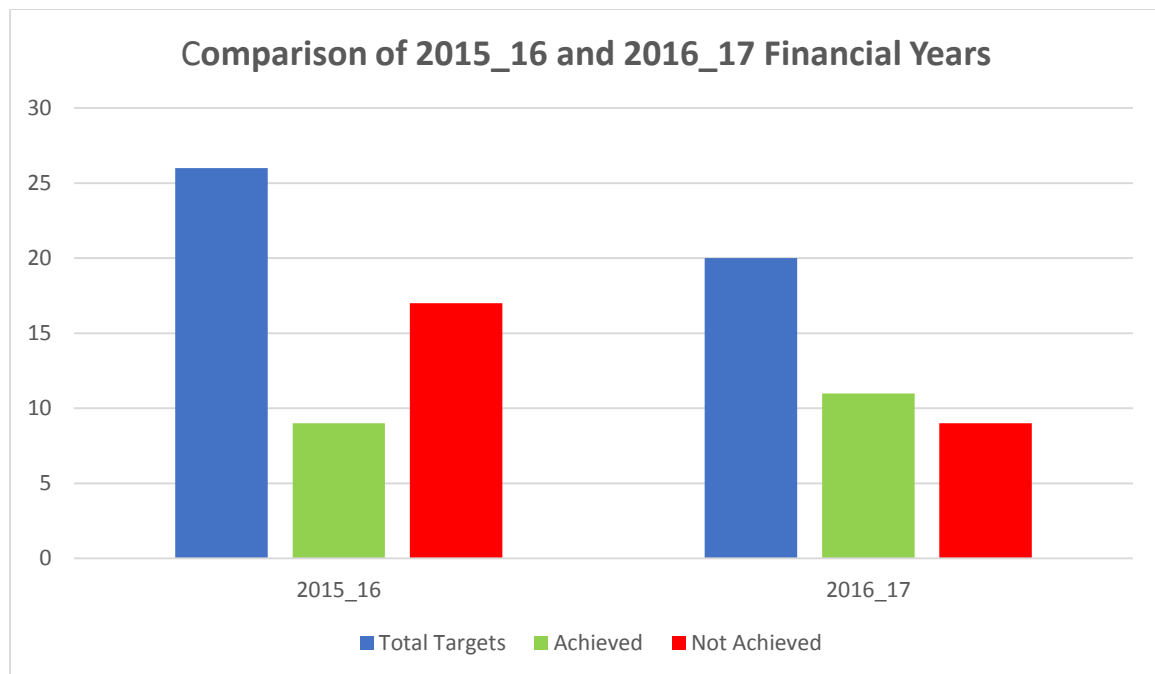
Social Infrastructure	Ensure the enhancement of social Capital by providing social infrastructure	Facilitate the development and construction of Qumbu town hall and offices	Enhanced Social Capital social capital	R 30 789 996.72	R 29 176 087.16	Construction of Qumbu town hall and municipal offices	 Not achieved	Construction of parking is not done	Cash flow needs to be upgraded.	Insufficient funding to be rectified.	Monthly progress report..
	To ensure provision of office space for workers	Facilitate the development and construction of Tsolo Offices	Enhanced Social Capital social capital	N/A	N/A	Develop business plan for Tsolo municipal offices and submit to MIG/ other government grants for funding	N/A	N/A	N/A	N/A	N/A
Sporting facilities	To ensure the provision of sport fields by 2017	Facilitate the Construction of 4 and rehabilitate 3 sport facilities for communities	Enhancement of Social Capital	R 1 236 900.00	R 456 000.00	Rehabilitation of Tsolo Sport Field	N/A	N/A	N/A	N/A	N/A
		Facilitate the Construction of 4 and rehabilitate 3 sport facilities for communities		R 1 962 200.00	R 706 434.28	Rehabilitation of Qumbu Sport Field	N/A	N/A	N/A	N/A	N/A
		Facilitate the Construction of 4 and rehabilitate 3 sport facilities for communities		R 2 190 000.00	R 1 140 000.00	Rehabilitation of Mvumelwano Sports field Complete platform, ablation facilities,	 Not-achieved	Rehabilitation of Mvumelwano Sports field	Appointment of contractor	BTO to fast track appointment of contractor	Advert







## Infrastructure Services Development





For the year under review, twenty (20) targets were set in the department of Infrastructure Development Services. The department managed to achieve thirteen (11) of those, whilst seven (9) were not achieved due to various reasons that are ascribed and attributed on the quarterly reports.






The departments overall performance reflected a significant improvement in 2016/17 financial year as it was at 55 % when compared to 34.6% achievement in 2015/16. However, most of those indicators that were not achieved are regarded as work in progress, and it is anticipated that it will be completed in the 2017/18 financial year.




**BTO**

KPA Key Performance/Focus Area	Departmental Objectives	Project Name	Outcome Indicator	Budget	Expenditure to Date	Annual Target		Annual Reporting		Remedial action	Portfolio of Evidence
						Original target	Amended target	Achieved or not achieved	Reasons for variance		
Revenue Management	Ensure effective revenue management and debt collection	Development of Revenue enhancement strategy	Increased Debt Collection Percentage	N/A		1 Revenue enhancement Strategy	50% collection on billed amount (R3 117 833 .06 of R35 047 09 9.11)	 Not Achieved	Ratepayers not servicing the accounts		N/A
	Ensure effective revenue management and debt collection	Data Cleansing	Increased Debt Collection Percentage	R300 000	Nil	Confirmation of addresses and contacts for 50% of debtors	N/A	 Achieved	N/A	N/A	Contact's Register
	Ensure effective revenue management and debt collection	Enforcement of bylaws	Increased Debt Collection Percentage	R 150 000	R23 520	Circulation of flyers and reminders in the Mhlontlo Area	Circulation of reminders to all debtor in Mhlontlo area	 Achieved	N/A	N/A	Delivery book
Free Basic Services	To increase collection rate by 40% more of previous year's collection	Update indigent Register	Credible indigent Register	R2 525 077		Collection of data in 26 wards	N/A	 Achieved	N/A	N/A	Indigent Register

Expenditure Management	To improve on expenditure patterns and compliance with the approved budget thereof	Payment of municipal creditors within 30 days on receipt of invoice	Satisfied suppliers	N/A	N/A	N/A	Pay creditors within 30 days upon receipt of invoice and monitor trends	N/A	 Achieved	N/A	N/A	Invoice Register
Budgeting Management	To produce accurate and timeous budgets in line with NT regulations and guidelines	Development of credible budget in line with relevant legislation	2016-2017 adjustment and annual budgets adopted within the stipulated timeframes	N/A	N/A	N/A	Preparation of the Annual Budget	N/A	 Achieved	N/A	N/A	Draft Budget, Council Resolution
Financial Management and Reporting	<ul style="list-style-type: none"> <li>Enhanced financial controls.</li> <li>Financial Accountability and transparency.</li> <li>Reduce risk of financial maladministration.</li> </ul>	In-year accounting processes and reconciliations	Improved audit reports	N/A	N/A	N/A	Preparation of 10 Reconciliations	N/A	 Achieved	N/A	N/A	Reconciliations
	<ul style="list-style-type: none"> <li>Enhanced financial controls.</li> <li>Financial Accountability and transparency.</li> <li>Reduce risk of financial maladministration.</li> </ul>	Prepare Annual Financial Statements	Improved audit reports	R 2 571 200	N/A	N/A	Preparation of the 2nd Quarter Financial Statements	N/A	 Not Achieved	New business reform Mscoa consuming a lot of time	N/A	N/A

	<ul style="list-style-type: none"> <li>Enhanced financial controls.</li> <li>Financial Accountability and transparency.</li> <li>Reduce risk of financial maladministration.</li> </ul>	Compliance with statutory reporting as per MIFMA stipulations	Improved reporting	N/A	N/A	Preparation of Monthly Section 71, Section 52d, and NT Reports	N/A	 Achieved	N/A	Reports
Supply Chain Management	Effective demand management	Demand Management	Satisfied municipal HoDs	N/A	N/A	Development of the Draft Demand Management Plan	N/A	 Achieved	N/A	Procurement Plan
	Effective acquisitions management	Acquisitions Management	<ul style="list-style-type: none"> <li>Goods/services procured within the stipulated time in the APP</li> </ul>	N/A	N/A	Development of the Draft Procurement Plan	N/A	 Achieved	N/A	Contracts Register
	Effective logistics management	Strengthening of Fleet management controls	Reduced misuse of municipal vehicles	N/A	N/A	Costing report for each municipal vehicle produced and analysed	N/A	 Achieved	N/A	Asset Management Report
	To maintain an accurate GRAP compliant fixed asset register	Update Asset Register to comply with GRAP standards and other relevant legislation	All municipal assets properly accounted for in the asset register	R1 800 000	Nil	Development of the Draft Asset Management Plan	N/A	 Achieved	N/A	FAR

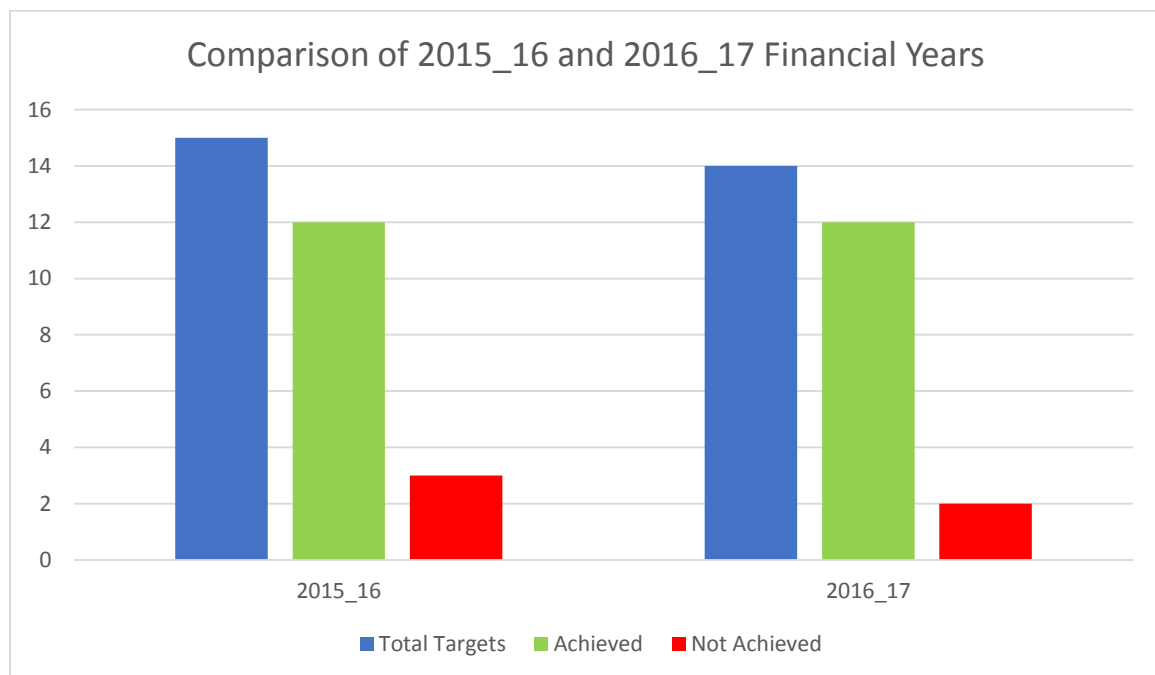
Financial Management	To improve capacity on financial management within the department	Financial Management Grant	Improved financial management	N/A	N/A	Employment and Training of Financial Management Interns	To be removed	 Achieved	N/A	N/A	Miscoa Budget
Municipal Standard Chart of Accounts	To ensure that municipality is compliant with the mSCOA regulation by 01 July 2017	mSCOA	Full compliance with mSCOA regulations by 01 July 2017	R 1500 000	R 678 950	3rd Quarterly report on the implementation of the mSCOA Finance work stream implementation plan	Preparation of Miscoa budget				






## Budget and Treasury Office




For the year under review, fourteen (14) targets were set in the department of Budget and Treasury. The department managed to achieve twelve (12) of those, whilst seven (2) were not achieved due to various reasons that are ascribed and attributed on the annual performance report.




The departments overall performance reflected a significant improvement in 2016/17 financial year as it was at 85.7% when compared to 80% achievement in 2015/16. However, revenue enhancement strategy remains a worrying factor as collection mostly depends on it being achieved.








**LOCAL ECONOMIC DEVELOPMENT RURAL DEVELOPMENT AND PLANNING**

Strategic focus area	5 year objectives	Projects Name	Outcome indicator	Budget	Expenditure	Annual Target		Annual Reporting				
						Original	Revised per 2017 Jan	Achieved or not achieved	Actual Performance	Reasons for variance	Remedial action	Portfolio of Evidence
<b>Tourism</b>	Mhlonlto Tourism Programme (MTOURP)	To promote growth and development of the tourism sector as one of the anchor industries for the economy of Mhlonlto by 2020	Responsible Tourism	R0.00	00	Develop concept and model for the operation of the lodge and the sign SLA with a private investor	Develop Concept and Model for the operation of the Lodge	 Achieved	Concept and model for the operation of the lodge has been developed	N/A	N/A	Resolutions of the meetings between DEDEAT, ECPTA & the Municipality.
						Put 6 tourism signs	-	 Achieved	Installation of signs have been done from Maclear to Tsolo, Mam Spaulding sign.	N/A	N/A	Pictures of installed signs
						Host one eco-tourism event.		 Achieved	Hosting of Canoeing event	The Canoeing event could not be held due to water	N/A	Photos of the Fun Run

SMMF Mhlontlo Enterprise Development Programme (MEDEP)	To promote enterprise development and opportunities in prioritised sectors (agriculture, tourism, forestry, trade, manufacturing and mining by 2020	The Hosted 2 annual tourism Event	Responsible Tourism	R339 604.27	R107850.00	Host 2 annual tourism events	Train 5 SMME's in product development and hospitality ( <b>Lodging</b> )	R00		 Achieved	Tourism Month	N/A	levels in the river and it was changed to Fun-Run in the Mhlontlo Nature Reserve.	N/A	Attendanc e Register of the Launch,
			Capacitate SMME's in tourism and related product development such as crafters, artists etc	R29 000	00	Capacitate SMME's in product development and hospitality ( <b>Lodging</b> )	R00	 Not Achieved	All 10 SMME's were training	N/A	Attendanc e register				
			Engage SETA's and other stakeholders for training 50 SMME's and Cooperatives.	R90 275.00	R28 200.00	Engage SETA's and other stakeholders for training 50 SMME's and Cooperatives.		 Not Achieved	Only 9 Trained	N/A	Attendanc e registers and CSD Reports				

SME Mhlontlo Enterprise Development Programme (MEDEP)	To promote enterprise development and opportunities in prioritized sectors (agriculture, tourism, forestry, trade and mining by 2020)	Purchase and placing of rental Market Stalls (Modular houses)	Formalised Informal Trading	R2 670 000.00		Purchased modular structures	 Achieved	The Service Provider was appointed in June 2017 for the purchase of Modular Structures	N/A		Proof of memo. Copy of the Letter Appointment
TRADE AND INVEST MHLONTLO	Creation of an environment conducive to Trade & Investment in Mhlontlo through government intervention, strategic alliances and partnerships thus increasing growth in the economy	Develop Trade & Investment strategy	Well-co-ordinated investment activities	R 345,600.00	R00	Develop Trade and Investment Strategy	 Not Achieved	Memo requesting services of a service provider was done and approved. Tender was advertised	The department under budgeted the strategy that transpired when tenders were submitted	Project will continue in the new financial year 2017/2018 with the required budget	Report
		Training and mentoring of Cooperatives, LED SMMEs, staff, Councillors on Trade and	Capacitated SMME's and Co-operatives	R213,551.00	R134 802.00	Training and mentoring of Cooperatives, SMMEs, LED staff, Councillors on Trade and	 Achieved	Trainings have been done to councillors, LEDPARD Official, Traditional	N/A	N/A	Report



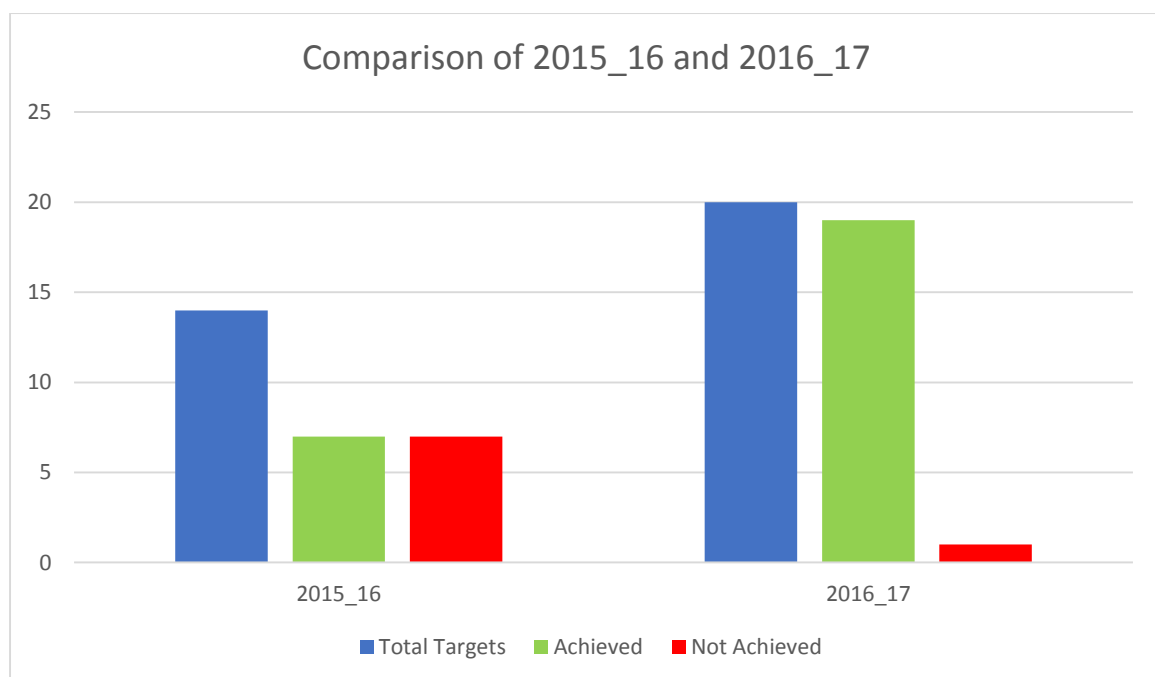
	Ensure sustainable Spatial Planning	line with SPLUMA	Develop LSDF for identified Nodal Points in line with SDF (Tsolo Junction LSDF)	Sustainable spatial Planning	R 450,000.00	R445 000.00	Completed Tsolo Junction LSDF		 Achieved	The Tsolo Junction LSDF has been completed and submitted	N/A	N/A	nt Framework Copy of Tsolo Junction LSDF
Land Use Management and urban Control		Development of Qumbu Zoning Scheme	Sustainable spatial Planning	Sustainable spatial Planning	R 250,000.00	R491370.00	Completed Qumbu Zoning Scheme		 Achieved	Qumbu and Tsolo Land Use Management Framework done	N/A	N/A	Qumbu and Tsolo Land Use Management Framework
							Completed Tsolo Zoning Scheme		 Achieved	Qumbu and Tsolo Land Use Management Framework done	N/A	N/A	Documentation (terms of reference, memo)
Land Use Management and urban Control		Conduct Land Use Survey for Tsolo Commonage erf 42	Sustainable Land Use Management	Sustainable Land Use Management	R 180,000.00	R176 000.00	Completed Tsolo Land Use survey		 Achieved	Land use survey was done and Land Use report was submitted	N/A	N/A	Land Use Report Tsolo Town
							Completed Qumbu Land Use survey		 Achieved	Land use survey was done	N/A	N/A	Land Use Report



## Local Economic Development, Planning and Rural Development

For the year under review, twenty (20) targets were set in the department of Local Economic Development, Planning and Rural Development. The department managed to achieve nineteen (17) of those, whilst one (3) was not achieved.

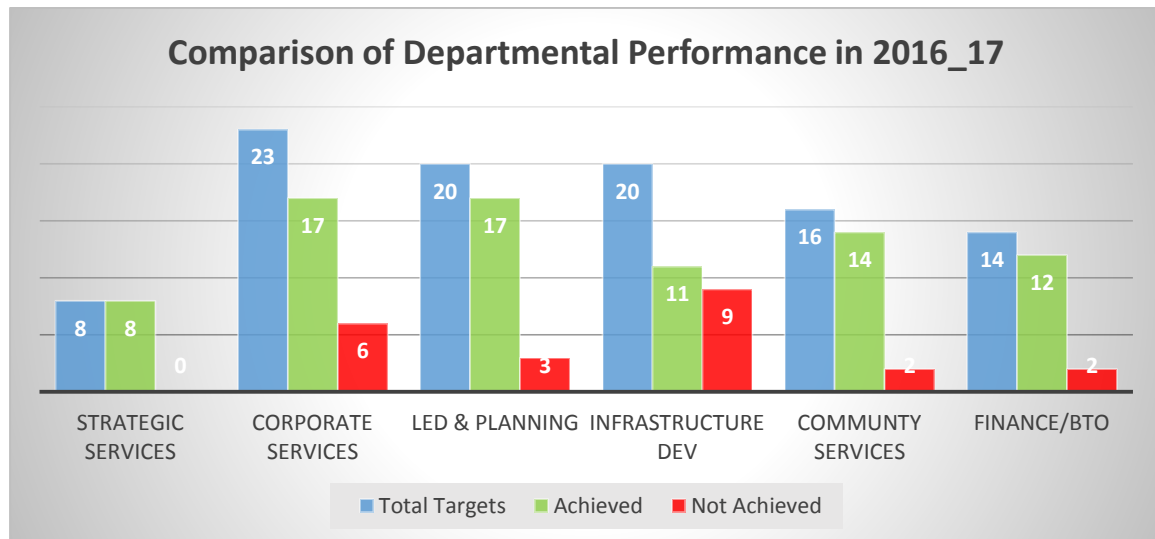
The departments overall performance reflected a significant improvement in 2016/17 financial year as it was at 85 % when compared to 50% achievement in 2015/16.





### Section 3

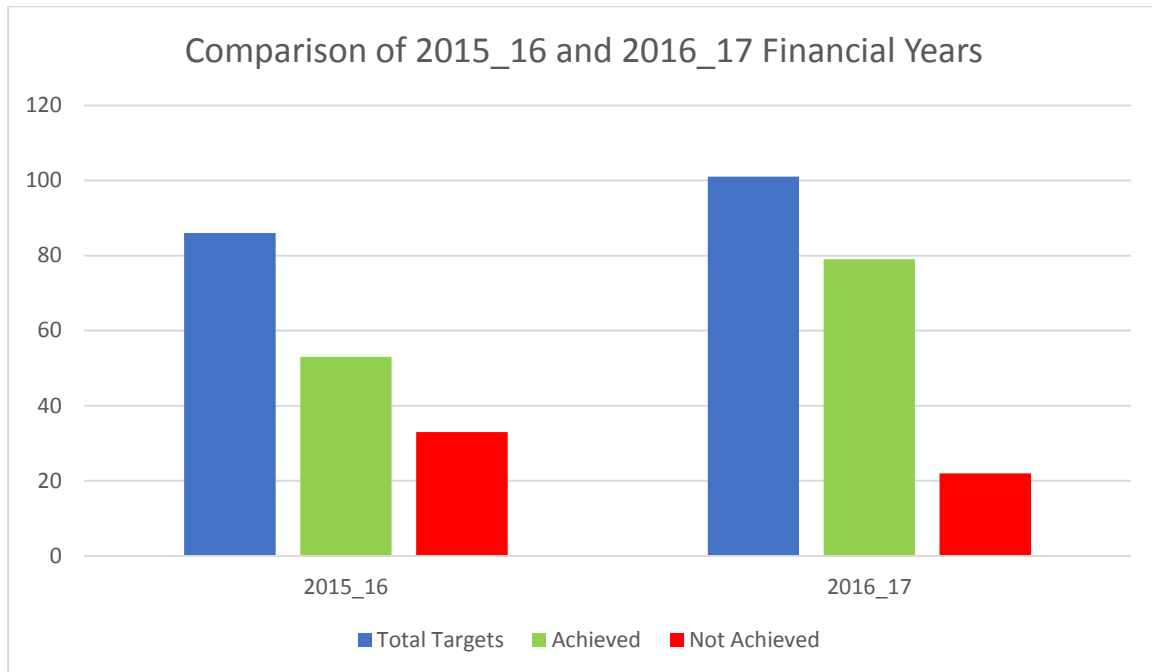
Annual performance of all departments in the 2016/17 financial year can be summarised as follows;



The institutions overall performance was at 78 %, this is a significant improvement when compared to 61 % achievement of the previous year i.e. 2015\_16 financial year and can be summarized as follows;

**This document represents the Mhlontlo Local Municipality’s detailed report back to citizens and stakeholders on the municipality’s performance** for the 2016/17 financial year. Moreover, it provides a lens through which scrutiny of the progress and performance of the municipality can be made in terms of assessing achievements in efforts to realize the objectives as set by Council. As such, this report not only reflects on milestones and challenges experienced, but also on ongoing commitment to progressively deepen accountability to citizens of the whole Mhlontlo Municipal Area.

Out of 101 targets set, the institution managed to achieve 79 and failed to meet 22 which translates to 78 %. This points a good signal compared to 61.6 % obtained in 2015/16 financial year and can be summarized as follows;



It is also worth mentioning that no huge amounts were paid to litigations as compared to the previous financial year where the municipality had to spend some of its budget in defence against litigation that had a negative impact on service delivery. This improvement was mainly as a result of management which carried out its responsibilities diligently and with enthusiasm. The willingness of the council to provide political leadership would never go unnoticed. SISONKE SOPHUMELELA.

MHLONTLO LOCAL  
MUNICIPALITY



# ANNUAL FINANCIAL STATEMENTS

2016-2017



**Mhlontlo Local Municipality**  
Financial statements  
for the year ended 30 June 2017

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## General Information

---

### Nature of business and principal activities

Mhlontlo Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations

### Grading of local authority

Medium capacity municipality

### Accounting Officer

S G Sotshongaye

### Registered office

96 LG Mabindla Avenue  
Qumbu

## MEMBERS OF COUNCIL

### 11 August 2016- 30 June 2017

Mayor	Cllr. N.Dywili
Speaker	Cllr. M.G.Jara
Chief Whip	Cllr. N.M. Mvanyashe
Exco Councillor	Cllr. N.P.B. Ludidi
Exco Councillor	Cllr. S.S. Mbangata
Exco Councillor	Cllr. N.E. Sigwili
Exco Councillor	Cllr. E.Pula
Exco Councillor	Cllr. V. Mnyanda
Exco Councillor	Cllr. M. Lingela
Exco Councillor	Cllr. N. Zikolo
Exco Councillor	Cllr. G. Mazitshana
Exco Councillor	Cllr. M.Mabono

### 1 July 2016 - 10 August 2016

Mayor	Cllr. R. M. Gyose
Speaker	Cllr. X.D. Nkompela
Chief Whip	Cllr. N.M. Mvanyashe
Exco Councillor	Cllr. N.Mtwazi
Exco Councillor	Cllr. N.Konza
Exco Councillor	Cllr. M.Mabono
Exco Councillor	Cllr. E.Pula
Exco Councillor	Cllr. N.Magodla
Exco Councillor	Cllr. X.Mpatane
Exco Councillor	Cllr. N.Dywili
Exco Councillor	Cllr. M.G.Jara
Exco Councillor	Cllr. Z.Nondaka

### 2015-2017

Councillor	M. Ncokotwana	Councillor	M. S. Mathe
Councillor	S.N. Matanzima	Councillor	N. Nodlela
Councillor	L.L. Mkhondwena	Councillor	Z. Feni
Councillor	N. Qhezu	Councillor	N.C. Ncalo
Councillor	X.B. Ngoma	Councillor	N.V. Masangwana
Councillor	V. Mnyanda	Councillor	S.T. Msongelwa
Councillor	L. Hlabiso	Councillor	M.C. Socikwa
Councillor	N. Gcaba	Councillor	N. Songca
Councillor	Y.H. Guqa	Councillor	R. N. Mvamveki
Councillor	Z. Ngoni	Councillor	S. N. Salaze
Councillor	Z.I. Tshungwana	Councillor	N.R. Matomane
Councillor	N.E. Sigwili	Councillor	N.P. Mkontwana

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## General Information

---

Councillor	Z.W. Nondaka	Councillor	J.M. Jikijela
Councillor	A.M. Dawedi	Councillor	M. Macingwane
Councillor	X. Mswelanto	Councillor	N.T. Ngquke
Councillor	S. Sogxakanxa	Councillor	S.S. Mbangata
Councillor	M. Soyekwa	Councillor	N.R. Ngewu
Councillor	L.H. Ludidi	Councillor	Cllr.Y. Yaso
Councillor	G. Kiviet	Councillor	Cllr.N.Mdwayi
Councillor	M. Mfamela	Councillor	Cllr.Z.Songca
Councillor	E.L. Xwayi	Councillor	N.T. Ngquke
Councillor	A.L. Tono	Councillor	D Guqa
Councillor	B.S. Mbewu	Councillor	G. Matyeni
Councillor	P. Ntobongwana	Councillor	K. Mpula
Councillor	Z. Nondaka	Councillor	N. Zikolo
Councillor	S. Qangani	Councillor	M. Ncaphayi
Councillor	M.D. Manzi	Councillor	T. Mgaweni
Councillor	S.S. Sopangisa	Councillor	M. Lingela
Councillor	Z. Botya	Councillor	Cllr. Z. Ntshiba
Councillor	B. Honono	Councillor	P. Mdinwa
Councillor	L.P. Dlova	Councillor	S. Ntukuntezi
Councillor	Z. Makinana	Councillor	Z. Renene
Councillor	B.B. Mthitshane	Councillor	M.N. Mpheleli
Councillor	M.S. Ngewu	Councillor	M.S. Mathe
Councillor	P.N. Mdemka	Councillor	Q. Mandleni
Councillor	S. Maham	Councillor	N.V. Ncapayi
Councillor	E.N. Sikwatsha		

## TRADITIONAL LEADERS

Nkosinathi Matshanda	Maqakambeni T/C
Luyanda Mditshwa	Khethani T/C
Sizwe Siyoyo	Amacwera T/C
Busisiwe Gloria Mcothshana	Masizakhe T/C
Victor Loyiso Majeke	Bhele T/C
Siyanda Madolo	Ngqubusini T/C
Vuyani Ephriam Ludidi	Hlubi T/C
Siviwe Mcelu	Ebhotwe T/C
Linda Ngudle	Khambi 20 T/C
K.Hanyisa Ngoni	Mbalisweni T/C

## Bankers

FNB - QUMBU

## Auditors

Auditor General South Africa

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## General Information

---

### Relevant Legislation

Municipal Finance Management Act (Act no,56 of 2003)  
Division of Revenue Act  
Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no, 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulation  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Skills Development Act (Act no. 9 of 1999)  
Employment Equity Act (Act no, 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no. 75 of 1997)  
Supply Chain Management Regulations, 2011  
Collective Agreements  
SALGBC Leave Regulations

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Index

---

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Accounting Policies	15 - 36
Notes to the Financial Statements	37 - 72

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
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
MIG	Municipal Infrastructure Grant (Previously CMIP)



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with (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 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 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 72.

The financial statements set out on pages 6 to 72, which have been prepared on the going concern basis, were approved by the on 31 August 2017 and were signed on its behalf by:

Signature:

  
S G Sotshongaye  
Municipal Manager

Qumbu

# **Mhlontlo Local Municipality**

Financial Statements for the year ended 30 June 2017

## **Accounting Officer's Report**

---

The accounting officer submits his report for the year ended 30 June 2017.

### **1. Review of activities**

#### **Main business and operations**

The municipality is engaged in Mhlontlo Local Municipality is a South African Category B municipality (local municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality's operations are governed by:- Municipal Finance Management Act 56 of 2003- Municipal Structures Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations and operates principally in South Africa.

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

### **2. Going concern**

We draw attention to the fact that at 30 June 2017, the municipality had accumulated deficits of 45 685 464 and that the municipality's total assets exceed its liabilities by 629 944 997. The deficit is mainly due to non-cash year end adjustments such as depreciation, amortisation and provision for debt impairments.

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.

### **3. Subsequent events**

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

	Notes	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	5 228 800	5 228 800
Receivables from exchange transactions	3	482 320	39 193
Receivables from non-exchange transactions	4	28 522 475	19 753 921
VAT receivable	5	6 568 072	2 855 705
Cash and cash equivalents	6	36 997 413	25 925 715
		<b>77 799 080</b>	<b>53 803 334</b>
<b>Non-Current Assets</b>			
Investment property	7	13 188 906	13 188 906
Property, plant and equipment	8	572 494 280	634 446 569
Intangible assets	9	349 453	490 991
Heritage assets	10	210 810	210 810
		<b>586 243 449</b>	<b>648 337 276</b>
Current Assets		586 243 449	648 337 276
Non - Current Assets		77 799 080	53 803 334
<b>Total Assets</b>		<b>664 042 529</b>	<b>702 140 610</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	6 044 448	7 818 928
Employee benefit obligation	12	10 417 414	7 842 898
Unspent conditional grants and receipts	13	2 255 533	1 631 277
Provisions	14	9 420 777	3 550 000
		<b>28 138 172</b>	<b>20 843 103</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	12	4 213 000	4 017 000
Provisions	14	1 746 360	1 666 890
		<b>5 959 360</b>	<b>5 683 890</b>
Non-Current Liabilities		5 959 360	5 683 890
Current Liabilities		28 138 172	20 843 103
<b>Total Liabilities</b>		<b>34 097 532</b>	<b>26 526 993</b>
Assets		664 042 529	702 140 610
Liabilities		(34 097 532)	(26 526 993)
<b>Net Assets</b>		<b>629 944 997</b>	<b>675 613 617</b>
Accumulated surplus		629 944 997	675 613 617

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

	Notes	2017	2016
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	15	1 278 064	1 157 510
Rental of facilities and equipment		48 707	46 161
Agency services		1 033 693	853 904
Licences and permits		1 429 644	1 488 639
Actuarial gain		558 000	(352 000)
Other income	16	1 434 779	1 430 121
Interest received	17	4 694 214	4 397 033
<b>Total revenue from exchange transactions</b>		<b>10 477 101</b>	<b>9 021 368</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	18	33 561 153	31 807 393
<b>Transfer revenue</b>			
Government grants and subsidies	19	228 288 299	220 462 609
Fines, Penalties and Forfeits		255 900	476 921
Commission received		182 090	173 337
<b>Total revenue from non-exchange transactions</b>		<b>262 287 442</b>	<b>252 920 260</b>
		<b>10 477 101</b>	<b>9 021 368</b>
		<b>262 287 442</b>	<b>252 920 260</b>
<b>Total revenue</b>		<b>272 764 543</b>	<b>261 941 628</b>
<b>Expenditure</b>			
Employee related costs	20	(78 868 799)	(75 937 580)
Remuneration of councillors	21	(16 363 831)	(16 410 543)
Depreciation and amortisation	22	(114 387 690)	(96 373 226)
Finance costs	23	(357 000)	(258 000)
Lease rentals on operating lease		(923 258)	(640 222)
Debt Impairment	24	(19 348 018)	(12 393 000)
Repairs and maintenance	25	(3 253 735)	(2 984 709)
Contracted services	26	(4 768 058)	(3 525 469)
Operating grant expenditure	27	(21 682 581)	(25 877 127)
Loss on disposal of assets and liabilities	28	(2 065 505)	(407 101)
General Expenses	29	(56 335 215)	(46 954 601)
Interest on landfill	14	(79 470)	(153 874)
<b>Total expenditure</b>		<b>(318 433 160)</b>	<b>(281 915 452)</b>
		-	-
Total revenue		272 764 543	261 941 628
Total expenditure		(318 433 160)	(281 915 452)
Operating surplus/deficit		-	-
Deficit before taxation		(45 668 617)	(19 973 824)
Taxation		-	-
<b>Deficit for the year</b>		<b>(45 668 617)</b>	<b>(19 973 824)</b>

## Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

### Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	705 453 084	705 453 084
Adjustments		
Correction of errors (Refer to note 37)	(9 865 643)	(9 865 643)
<b>Balance at 01 July 2015 as restated*</b>	<b>695 587 441</b>	<b>695 587 441</b>
Changes in net assets		
Deficit for the year	(19 973 824)	(19 973 824)
Total changes	(19 973 824)	(19 973 824)
<b>Balance at 01 July 2016</b>	<b>675 613 614</b>	<b>675 613 614</b>
Changes in net assets		
Deficit for the year	(45 668 617)	(45 668 617)
Total changes	(45 668 617)	(45 668 617)
<b>Balance at 30 June 2017</b>	<b>629 944 997</b>	<b>629 944 997</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

	Notes	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rates and service charges		2 578 404	3 349 927
Grants		228 039 551	220 462 609
Interest income		4 694 214	4 397 033
Other receipts		4 942 812	4 145 003
		<u>240 254 981</u>	<u>232 354 572</u>
<b>Payments</b>			
Employee costs		(87 585 975)	(92 403 688)
Suppliers		(86 880 939)	(81 682 933)
Finance costs		(357 000)	(258 000)
		<u>(174 823 914)</u>	<u>(174 344 621)</u>
Total receipts		240 254 981	232 354 572
Total payments		(174 823 914)	(174 344 621)
<b>Net cash flows from operating activities</b>	31	<u><b>65 431 067</b></u>	<u><b>58 009 951</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(54 248 385)	(47 489 080)
Proceeds from sale of property, plant and equipment	8	-	27 920
Purchase of other intangible assets	9	(110 984)	-
<b>Net cash flows from investing activities</b>		<u><b>(54 359 369)</b></u>	<u><b>(47 461 160)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11 071 698</b>	<b>10 548 791</b>
Cash and cash equivalents at the beginning of the year		25 925 715	15 376 924
<b>Cash and cash equivalents at the end of the year</b>	6	<u><b>36 997 413</b></u>	<u><b>25 925 715</b></u>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1 220 294	(48 755)	1 171 539	1 278 064	106 525	47.1
Rendering of services	-	-	-	-	-	
Rental of facilities and equipment	45 892	2 815	48 707	48 707	-	
Agency services	825 599	332 516	1 158 115	1 033 693	(124 422)	47.2
Licences and permits	1 515 606	(87 813)	1 427 793	1 429 644	1 851	47.1
Actuarial gain	-	-	-	558 000	558 000	47.3
Other income	14 191 881	-	14 191 881	1 434 779	(12 757 102)	47.4
Interest received	4 694 214	-	4 694 214	4 694 214	-	
<b>Total revenue from exchange transactions</b>	<b>22 493 486</b>	<b>198 763</b>	<b>22 692 249</b>	<b>10 477 101</b>	<b>(12 215 148)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	15 662 648	18 109 631	33 772 279	33 561 153	(211 126)	47.1
<b>Transfer revenue</b>						
Government grants & subsidies	228 288 299	-	228 288 299	228 288 299	-	
Fines	255 900	-	255 900	255 900	-	
Commission received	182 090	-	182 090	182 090	-	
<b>Total revenue from non-exchange transactions</b>	<b>244 388 937</b>	<b>18 109 631</b>	<b>262 498 568</b>	<b>262 287 442</b>	<b>(211 126)</b>	
'Total revenue from exchange transactions'	22 493 486	198 763	22 692 249	10 477 101	(12 215 148)	
'Total revenue from non-exchange transactions'	244 388 937	18 109 631	262 498 568	262 287 442	(211 126)	
<b>Total revenue</b>	<b>266 882 423</b>	<b>18 308 394</b>	<b>285 190 817</b>	<b>272 764 543</b>	<b>(12 426 274)</b>	
<b>Expenditure</b>						
Personnel	(88 267 313)	288 460	(87 978 853)	(78 868 799)	9 110 054	47.1
Remuneration of councillors	(17 292 705)	1 715 586	(15 577 119)	(16 363 831)	(786 712)	47.1
Depreciation and amortisation	(3 735 195)	(96 257 868)	(99 993 063)	(114 387 690)	(14 394 627)	47.5
Finance costs	-	-	-	(357 000)	(357 000)	47.6
Lease rentals on operating lease	-	(923 258)	(923 258)	(923 258)	-	
Debt Impairment	(19 876 150)	(4 958 313)	(24 834 463)	(19 348 018)	5 486 445	47.7
Bad debts written off	-	-	-	-	-	
Repairs and maintenance	-	(3 253 735)	(3 253 735)	(3 253 735)	-	

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Contracted Services	-	(4 768 058)	<b>(4 768 058)</b>	(4 768 058)	-	
Operating grant expenditure	(21 682 581)	-	<b>(21 682 581)</b>	(21 682 581)	-	
Cost of housing sold	-	-	-	-	-	
General Expenses	(64 615 023)	13 777 493	<b>(50 837 530)</b>	(55 340 579)	<b>(4 503 049)</b>	47.8
<b>Total expenditure</b>	<b>(215 468 967)</b>	<b>(94 379 693)</b>	<b>(309 848 660)</b>	<b>(315 293 549)</b>	<b>(5 444 889)</b>	
	266 882 423	18 308 394	<b>285 190 817</b>	272 764 543	<b>(12 426 274)</b>	
	(215 468 967)	(94 379 693)	<b>(309 848 660)</b>	(315 293 549)	<b>(5 444 889)</b>	
<b>Operating deficit</b>	<b>51 413 456</b>	<b>(76 071 299)</b>	<b>(24 657 843)</b>	<b>(42 529 006)</b>	<b>(17 871 163)</b>	
Loss on disposal of assets	-	-	-	(2 065 505)	<b>(2 065 505)</b>	47.9
	51 413 456	(76 071 299)	<b>(24 657 843)</b>	(42 529 006)	<b>(17 871 163)</b>	
	-	-	-	(2 065 505)	<b>(2 065 505)</b>	
<b>Deficit</b>	<b>51 413 456</b>	<b>(76 071 299)</b>	<b>(24 657 843)</b>	<b>(44 594 511)</b>	<b>(19 936 668)</b>	
Deficit	51 413 456	(76 071 299)	<b>(24 657 843)</b>	(44 594 511)	<b>(19 936 668)</b>	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>51 413 456</b>	<b>(76 071 299)</b>	<b>(24 657 843)</b>	<b>(44 594 511)</b>	<b>(19 936 668)</b>	



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	16 273 742	(10 704 097)	<b>5 569 645</b>	5 228 800	<b>(340 845)</b>	47.1
Receivables from exchange transactions	482 320	-	<b>482 320</b>	482 320	-	
Receivables from non-exchange transactions	27 214 342	18 720 948	<b>45 935 290</b>	28 522 475	<b>(17 412 815)</b>	47.10
VAT receivable	2 036 197	2 966 761	<b>5 002 958</b>	6 568 072	<b>1 565 114</b>	47.11
Cash and cash equivalents	15 585 365	25 176 848	<b>40 762 213</b>	36 997 413	<b>(3 764 800)</b>	47.1
	<b>61 591 966</b>	<b>36 160 460</b>	<b>97 752 426</b>	<b>77 799 080</b>	<b>(19 953 346)</b>	
<b>Non-Current Assets</b>						
Investment property	27 111 835	(8 026 198)	<b>19 085 637</b>	13 188 906	<b>(5 896 731)</b>	47.12
Property, plant and equipment	215 990 613	378 515 504	<b>594 506 117</b>	572 494 280	<b>(22 011 837)</b>	47.13
Intangible assets	627 631	22 513	<b>650 144</b>	349 453	<b>(300 691)</b>	47.14
Heritage assets	119 400	(119 400)	-	210 810	<b>210 810</b>	47.15
	<b>243 849 479</b>	<b>370 392 419</b>	<b>614 241 898</b>	<b>586 243 449</b>	<b>(27 998 449)</b>	
Current Assets	61 591 966	36 160 460	<b>97 752 426</b>	77 799 080	<b>(19 953 346)</b>	
Non - Current Assets	243 849 479	370 392 419	<b>614 241 898</b>	586 243 449	<b>(27 998 449)</b>	
<b>Total Assets</b>	<b>305 441 445</b>	<b>406 552 879</b>	<b>711 994 324</b>	<b>664 042 529</b>	<b>(47 951 795)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	2 132 821	(1 870 601)	<b>262 220</b>	6 044 449	<b>5 782 229</b>	47.16
Employee benefit obligation	-	10 000 000	<b>10 000 000</b>	10 417 414	<b>417 414</b>	47.1
Unspent conditional grants and receipts	-	-	-	2 255 533	<b>2 255 533</b>	47.17
Provisions	-	9 000 000	<b>9 000 000</b>	9 420 777	<b>420 777</b>	47.1
	<b>2 132 821</b>	<b>17 129 399</b>	<b>19 262 220</b>	<b>28 138 173</b>	<b>8 875 953</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	383 467	<b>383 467</b>	4 213 000	<b>3 829 533</b>	47.18
Provisions	-	1 746 000	<b>1 746 000</b>	1 746 360	<b>360</b>	
	-	<b>2 129 467</b>	<b>2 129 467</b>	<b>5 959 360</b>	<b>3 829 893</b>	
	2 132 821	17 129 399	<b>19 262 220</b>	28 138 173	<b>8 875 953</b>	
	-	2 129 467	<b>2 129 467</b>	5 959 360	<b>3 829 893</b>	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>2 132 821</b>	<b>19 258 866</b>	<b>21 391 687</b>	<b>34 097 533</b>	<b>12 705 846</b>	
Assets	305 441 445	406 552 879	<b>711 994 324</b>	664 042 529	<b>(47 951 795)</b>	
Liabilities	(2 132 821)	(19 258 866)	<b>(21 391 687)</b>	(34 097 533)	<b>(12 705 846)</b>	

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Net Assets</b>	<b>303 308 624</b>	<b>387 294 013</b>	<b>690 602 637</b>	<b>629 944 996</b>	<b>(60 657 641)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
Accumulated surplus	303 308 624	387 294 013	<b>690 602 637</b>	629 944 996	<b>(60 657 641)</b>	

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## 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.

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

A summary of the significant accounting policies, which have been consistently applied (except where specified) in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period (except where specified).

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the 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:

##### Trade receivables and Loans and receivables

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

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

##### Impairment testing

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

##### 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 14 - Provisions.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

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

#### Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note 35 on entity combinations.

#### Post retirement and other benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Basis for determination of debt impairment

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables were assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the debtors impairment.

### 1.4 Investment property

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

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.4 Investment property (continued)

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

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

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

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

#### Fair value

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

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

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

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment 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 assets, or a combination of assets 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.

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.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.5 Investment property (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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:

Item	Average useful life
Infrastructure	
• Roads and pavings	10 - 50 years
• Pedestrian malls	10 - 15 years
• Sewerage	10 - 15 years
Community	
• Buildings	30 years
• Recreational facilities	30 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	30 years
Other property, plant and equipment	
• Specialist vehicles	2 - 15 years
• Other vehicles	2 - 15 years
• Office equipment	2 - 15 years
• Furniture and fittings	2 - 15 years
• Bins and containers	2 - 15 years
• Computer equipment	2 - 15 years
• Other plant and equipment	2 - 15 years
Landfill sites	30 years

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

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

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

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

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.5 Investment property (continued)

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.6 Intangible assets (continued)

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	Depreciation method	Average useful life
Computer software, other	Straight line	3-6 years

---

### 1.7 Heritage assets

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

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

#### Transfers

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

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

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

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



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.8 Financial instruments

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

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

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

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

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

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.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.8 Financial instruments (continued)

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.8 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

<b>Class</b>	<b>Category</b>
Consumer debtors	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at at fair value

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

<b>Class</b>	<b>Category</b>
Payables from non-exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

### 1.9 Tax

#### Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### 1.10 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 - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### 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.

### 1.11 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.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.11 Inventories (continued)

The cost of inventories is assigned using the specific identification formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

### 1.12 Impairment of cash-generating assets

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

#### Identification

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

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

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

#### Value in use

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

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

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

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

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

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

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

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

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.12 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

### 1.13 Impairment of non-cash-generating assets

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

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

#### Identification

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

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.13 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

### 1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.14 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.14 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

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

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

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### 1.15 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.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.15 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

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.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

### 1.16 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.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.16 Revenue from exchange transactions (continued)

#### Service charges

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 .

#### Interest income

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.17 Property rates and Government grants - Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.17 Property rates and Government grants - Revenue from non-exchange transactions (continued)

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.17 Property rates and Government grants - Revenue from non-exchange transactions (continued)

#### Fines

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

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

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

### 1.18 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years, except as otherwise indicated.

The nature and reasons for the reclassifications and restatements are disclosed in note 37 to the financial statements.

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.20 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.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.21 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

### 1.22 Budget information

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.

### 1.23 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 national 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.

# **Mhlontlo Local Municipality**

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.23 Related parties (continued)**

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.

### **1.24 Commitments**

Capital commitments disclosed in the financial statements in accordance with GRAP 17.80 (c) represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

	2017	2016
<hr/>		
<b>2. Inventories</b>		
Residential houses	5 228 800	5 228 800
<hr/>		
Inventories relate to residential houses.		
<b>3. Receivables from exchange transactions</b>		
Refuse Removal	6 555 804	5 505 932
Allowance for Impairment	(6 073 484)	(5 466 739)
	<b>482 320</b>	<b>39 193</b>
<hr/>		

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

	2017	2016
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Refuse</b>		
Current (0-30 days)	304 042	59 456
31 - 60 days	98 504	86 337
61 - 90 days	97 218	85 677
91 - 120 days	96 563	85 560
121 - 365 days	5 959 477	5 188 902
Impairment	(6 073 484)	(5 466 739)
	<b>482 320</b>	<b>39 193</b>
Summary of debtors by customer classification		
<b>Consumers</b>		
Current (0 - 30 days)	191 982	57 801
31 - 60 days	62 919	57 150
61- 90 days	62 301	56 790
91 - 120 days	61 850	56 674
121 - 365 days	4 585 371	4 011 550
	<b>4 964 423</b>	<b>4 239 965</b>
<b>Industrial/ commercial</b>		
Current (0 - 30 days)	82 396	21 498
31 - 60 days	26 172	21 301
61- 90 days	25 866	21 301
91 - 120 days	25 807	21 301
121 - 365 days	1 048 749	891 890
	<b>1 208 990</b>	<b>977 291</b>
<b>National and provincial government</b>		
Current (0 - 30 days)	29 664	1 376
31 - 60 days	9 413	7 886
61- 90 days	9 052	7 586
91 - 120 days	8 905	7 586
121 - 365 days	325 357	264 242
	<b>382 391</b>	<b>288 676</b>
<b>Total</b>		
Current (0 - 30 days)	304 042	59 456
31 - 60 days	98 504	86 337
61- 90 days	97 218	85 677
91 - 120 days	96 563	85 560
121 - 365 days	5 959 477	5 188 902
Subtotal	6 555 804	5 505 932
Less: Allowance for impairment	(6 073 484)	(5 466 739)
	<b>482 320</b>	<b>39 193</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at the beginning of the year	(5 466 739)	(21 546 864)
Contributions to allowance	(606 745)	(5 466 739)
Reversal of allowance	-	21 546 864
	<b>(6 073 484)</b>	<b>(5 466 739)</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

	2017	2016
<b>4. Receivables from non-exchange transactions</b>		
Sundry Customers	1 015 644	992 721
Rates	46 919 986	17 864 260
OR Tambo Security Services Debt	-	1 568 822
Allowance for impairment	(19 413 155)	(671 882)
	<b>28 522 475</b>	<b>19 753 921</b>
<b>Rates</b>		
Current (0 - 30 days)	3 410 995	16 988 114
31 - 60 days	1 124 808	16 966
61 - 90 days	1 122 783	16 900
91 -120 days	1 116 775	16 882
121 - 365 days	40 144 625	986 971
Impairment	(18 762 532)	-
	<b>28 157 454</b>	<b>18 025 833</b>
Summary of debtors by customer classification		
<b>Consumers</b>		
Current (0 - 30 days)	1 045 040	725 259
31 - 60 days	336 157	5 612
61 -90 days	334 131	5 546
91 -120 days	328 123	5 528
121 - 365 days	4 888 856	420 221
	<b>6 932 307</b>	<b>1 162 166</b>
<b>Industrial / commercial</b>		
Current (0 - 30 days)	289 338	435 400
31 - 60 days	96 446	11 354
61 -90 days	96 446	11 354
91 -120 days	96 446	11 354
121 - 365 days	1 226 337	513 591
	<b>1 805 013</b>	<b>983 053</b>
<b>National and provincial government</b>		
Current (0 - 30 days)	2 076 616	15 827 485
31 - 60 days	692 205	-
61 -90 days	692 205	-
91 -120 days	692 205	-
121 - 365 days	34 029 435	53 159
	<b>38 182 666</b>	<b>15 880 644</b>
<b>Total</b>		
Current (0 - 30 days)	3 410 995	16 988 144
31 - 60 days	1 124 808	16 966
61 -90 days	1 122 783	16 900
91 -120 days	1 116 775	16 882
121 - 365 days	40 144 625	986 971
Subtotal	46 919 986	18 025 863
Less: Allowance for impairment	(18 762 532)	-
	<b>28 157 454</b>	<b>18 025 863</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 4. Receivables from non-exchange transactions (continued)

#### Reconciliation of allowance for impairment

Opening balance	-	(11 915 214)
Contributions to allowance	18 762 532	-
Less: Impairment	-	11 915 214
	<b>18 762 532</b>	<b>-</b>

#### Sundry Customers

Traffic fines	906 643	974 707
Payroll debtors	100 749	18 014
Less: Impairment	(650 623)	(671 882)
	<b>356 769</b>	<b>320 839</b>

### 5. VAT

VAT	6 568 072	2 855 705
-----	-----------	-----------

Vat receivable balance includes the monies due from SARS for the VAT periods May 2017 and June 2017 as well as the VAT on trade debtors' and trade creditors' balances at year end.

An amount of R 8 660 310 has been received in the current year and therefore recoverability of the amount receivable from SARS is not remote.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 484	257
Bank balances	5 425 575	3 358 406
Short-term deposits	31 569 354	22 567 052
	<b>36 997 413</b>	<b>25 925 715</b>

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

### Credit rating

Other	-	23 925 458
-------	---	------------

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB - Business Call Account: Revolving Fund - 61399068117	22 963 143	17 423 520	7 201 916	22 963 143	17 423 519	7 201 916
FNB - Commercial Fixed Maturity Notice: Electrification Prog - 74231136926	55 472	-	532 178	55 472	-	532 178
FNB - Business NSTD Call: Equitable Share - 62027945809	6 672 776	3 156 246	282 622	6 672 776	3 156 246	282 622
FNB - Public Sector Cheque Account: Gqunu Lots - 62020395390	571 251	699 208	701 546	571 251	699 208	701 546
FNB - Public Sector Cheque Account: MIG - 62170844221	134 905	134 911	134 916	134 905	134 911	134 916
FNB - Commercial Money Market Investment: FMG - 62280641244	9 985	(14)	10 000	9 985	(14)	10 000
FNB - Commercial Call Account: Local Economic Dev - 62075571713	396 304	396 304	395 403	396 304	396 304	395 403
FNB - Commercial Call Account: Municipal IDP - 62075570137	10 000	1 000	1 000	10 000	1 000	1 000
FNB - 7 Day Interest Plus: 7 Day Notice - 7466814934	10 000	10 000	10 000	10 000	10 000	10 000
FNB - Commercial Money Market Investment: Housing Project - 62280645345	735 713	735 893	736 061	735 713	735 893	736 061
Market Investment - MSIG	9 806	9 986	56 181	9 806	9 986	56 181
Public Sector Cheque Account -FNB	5 321 696	3 358 406	5 290 491	5 425 575	3 358 407	5 314 740
<b>Total</b>	<b>36 891 051</b>	<b>25 925 460</b>	<b>15 352 314</b>	<b>36 994 930</b>	<b>25 925 460</b>	<b>15 376 563</b>

In line with GRAP 2 paragraph 46 for the purposes of the statement of financial position and the cash flow statement : cash and cash equivalents include cash-on-hand, cash in banks and investments in Money Market instruments net of outstanding bank overdrafts.

In line with GRAP 2 paragraph 49, the municipality did not pledge any of its Cash and Cash Equivalent as collateral for its financial liabilities & there are no restrictions that have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 7. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	13 188 906	-	13 188 906	13 188 906	-	13 188 906

#### Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	13 188 906	13 188 906

#### Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	13 188 906	13 188 906

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

#### Details of valuation

The effective date of the revaluations was 30 June 2017. Revaluations were performed by an independent valuer, not connected to the municipality and have recent experience in location and category of the investment property being valued

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year.

**Mhlontlo Local Municipality**  
 Financial Statements for the year ended 30 June 2017  
**Notes to the Financial Statements**

**8. Property, plant and equipment**

	2017		2016		Carrying value
	Cost/ Valuation	Accumulated depreciation and impairment	Carrying value	Cost/ Valuation	
Land	12 813 541	-	12 813 541	12 813 541	12 813 541
Buildings	27 077 783	(11 389 767)	15 688 016	25 251 840	14 515 463
Infrastructure	1 172 148 599	(759 172 743)	412 975 856	1 147 482 835	496 029 518
Community assets	55 859 953	(18 497 569)	37 362 384	40 085 859	22 627 094
Other assets	28 798 405	(7 423 962)	21 374 443	28 561 245	22 276 338
Work-in-progress	67 026 797	-	67 026 797	60 360 522	60 360 522
Landfill site	7 895 223	(2 641 980)	5 253 243	8 050 524	5 824 093
<b>Total</b>	<b>371 620 301</b>	<b>(799 126 021)</b>	<b>572 494 280</b>	<b>322 606 366</b>	<b>(688 159 797) 634 446 569</b>

**Reconciliation of property, plant and equipment - 2017**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	12 813 541	-	-	-	-	-	12 813 541
Buildings	14 515 463	-	(4 613)	1 883 605	(704 209)	(2 230)	15 688 016
Infrastructure	496 029 518	-	(1 285 919)	28 154 173	(94 574 522)	(15 357 394)	412 875 856
Community assets	22 627 094	162 000	(39 663)	15 896 312	(1 154 737)	(128 622)	37 362 384
Other assets	22 276 338	3 011 780	(2 200 429)	-	(1 623 831)	(89 415)	21 374 443
Work-in-progress	60 360 522	52 610 365	-	(45 944 090)	-	-	67 026 797
Landfill site	5 824 093	89 915	(149 998)	-	(204 148)	(306 619)	5 253 243
<b>Total</b>	<b>634 446 569</b>	<b>55 874 060</b>	<b>(3 680 622)</b>	<b>-</b>	<b>(98 261 447)</b>	<b>(15 884 280)</b>	<b>572 494 280</b>

## Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

### Notes to the Financial Statements

#### 8. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	12 813 541	-	-	-	-	-	12 813 541
Buildings	15 142 954	-	-	-	(627 491)	-	14 515 463
Infrastructure	573 764 593	-	-	14 669 437	(92 404 512)	-	496 029 518
Community assets	23 589 794	-	-	-	(962 700)	-	22 627 094
Other assets	18 229 293	7 155 941	(1 295 021)	-	(1 644 773)	(169 102)	22 276 338
Work-in-progress	33 864 744	41 165 215	-	(14 669 437)	-	-	60 360 522
Landfill site	6 028 105	-	-	-	(204 013)	-	5 824 093
	<b>683 433 025</b>	<b>48 321 156</b>	<b>(1 295 021)</b>	<b>-</b>	<b>(95 843 489)</b>	<b>(169 102)</b>	<b>634 446 569</b>

#### \* - Prior period restatement

Refer to Note 38 for detailed breakdown of opening balance adjustments.

The municipality did not pledge any of its assets as security for any liabilities.

#### Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

In line with GRAP 17 paragraph 91, there was no change in the estimated useful life of various assets of the municipality for the reporting period.

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.



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 9. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 853 954	(1 504 501)	349 453	1 861 704	(1 370 713)	490 991

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	490 991	110 984	(10 561)	(241 961)	349 453

#### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	851 626	(360 635)	490 991

Intangible Assets are stated at cost and where there is no cost it will be reflected at replacement values. The amortisation expense has been included in the line item "Depreciation & Amortisation" in the Statement of Financial Performance.

Amortisation is charged on a straight-line basis over the Intangible Assets useful lives. Computer Software are issued under licence and are restricted to all conditions under which each licence is issued.

All of the municipality's Intangible Assets are held under freehold and no Intangible Assets had been pledged as security for any liabilities of the municipality.

### 10. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	210 810	-	210 810	210 810	-	210 810

#### Reconciliation of heritage assets 2017

	Opening balance	Total
Heritage assets	210 810	210 810

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Heritage assets	210 810	210 810

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 10. Heritage assets (continued)

#### Age and/or condition of heritage assets

The municipality owns the following heritage asset:

The mayoral chain.

### 11. Payables from exchange transactions

Trade payables	2 516 756	3 540 783
Payments received in advanced - Consumer debtors	1 915 367	1 626 215
Unallocated Deposits	167 353	235 412
Payroll control	247 954	75 009
Creditors accruals	1 197 018	2 340 423
Debtors suspense	-	1 086
	<b>6 044 448</b>	<b>7 818 928</b>

### 12. Employee benefit obligation

#### Bonuses

Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic salary.

#### Defined Benefit Plan

#### Long service awards

The obligation in respect of the long service awards is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2016 by One Pangaea Financial using the Projected Unit Credit Method.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 4% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 8% of Basic Annual Salary and 20 days accumulative leave
- After 20 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 25 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 30 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 35 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 40 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave
- After 45 Continuous Years of Service - 12% of Basic Annual Salary and 30 days accumulative leave

The estimated contributions for the next financial year:

Current service cost	555 000	468 000
----------------------	---------	---------

---

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 12. Employee benefit obligation (continued)

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

<b>Carrying value</b>		
Bonus accrual	1 662 368	1 504 619
Leave pay accrual	8 755 046	6 338 279
Long service awards	4 213 000	4 017 000
	<b>14 630 414</b>	<b>11 859 898</b>
Non-current liabilities	4 213 000	4 017 000
Current liabilities	10 417 414	7 842 898
	<b>14 630 414</b>	<b>11 859 898</b>

<b>Reconciliation of employee benefits - 2017</b>	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 504 619	-	157 749	1 662 368
Leave pay accrual	6 338 279	8 755 046	(6 338 279)	8 755 046
	<b>7 842 898</b>	<b>8 755 046</b>	<b>(6 180 530)</b>	<b>10 417 414</b>

<b>Reconciliation of employee benefits - 2016</b>	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 213 873	1 504 619	(1 213 873)	1 504 619
Leave pay accrual	5 363 449	6 415 639	(5 440 809)	6 338 279
	<b>6 577 322</b>	<b>7 920 258</b>	<b>(6 654 682)</b>	<b>7 842 898</b>

Long service awards

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

Opening balance	4 017 000	3 132 000
Benefits paid	(158 000)	(193 000)
Net expense recognised in the statement of financial performance	354 000	1 078 000
	<b>4 213 000</b>	<b>4 017 000</b>

Net expense recognised in the statement of financial performance

Current service cost	555 000	468 000
Interest cost	357 000	258 000
Actuarial (gains) losses	(558 000)	352 000
	<b>354 000</b>	<b>1 078 000</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 12. Employee benefit obligation (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,67 %	9,06 %
Expected rate of return on assets	5,47 %	6,68 %
Expected rate of return on reimbursement rights	6,47 %	7,68 %
Actual return on reimbursement rights	2,07 %	1,28 %

The SA85-90 mortality table was used.

The normal retirement age is assumed to be 65.

The basis on which the discount rate has been determined is as follows:

Accounting Standard GRAP 25 defines the determination of the investment return assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."

Due to guidance received from the auditing profession, the methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2016 the duration of liabilities was 9.32 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2017 is 8.67% per annum. The assumed discount rate used at the previous valuation, 30 June 2016, was 9.06% per annum.

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Example at stated age	Withdrawal rates %
20	20,00
25	15,00
30	12,50
35	9,00
40	6,00
45	4,00
50	2,00
55+	0,00

#### Other assumptions

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.0% more than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	907 000	758 000
Effect on defined benefit obligation	4 584 000	3 885 000

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

	2017	2016	2015	2014	2013
Defined benefit obligation	4 213 000	4 017 000	3 132 000	2 807 000	2 353 000

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Gqunu lots	926 756	1 053 752
Qumbu Pilot Housing	62 525	62 525
LED	15 000	15 000
Tsitsa Falls Fire Management	500 000	500 000
EPWP - DEDEAT	751 252	-
	<b>2 255 533</b>	<b>1 631 277</b>

#### Movement during the year

Balance at the beginning of the year	1 631 277	1 662 192
Additions during the year	73 752 000	58 498 000
Income recognition during the year	(73 127 744)	(58 528 915)
	<b>2 255 533</b>	<b>1 631 277</b>

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 19 for reconciliation of grants from National/Provincial Government.

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

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 14. Provisions

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	1 666 890	-	-	79 470	1 746 360
Legal proceedings	3 550 000	9 420 777	(3 550 000)	-	9 420 777
	<b>5 216 890</b>	<b>9 420 777</b>	<b>(3 550 000)</b>	<b>79 470</b>	<b>11 167 137</b>

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	1 513 016	-	-	153 874	1 666 890
Legal proceedings	5 000 000	3 550 000	(5 000 000)	-	3 550 000
	<b>6 513 016</b>	<b>3 550 000</b>	<b>(5 000 000)</b>	<b>153 874</b>	<b>5 216 890</b>

Non-current liabilities				1 746 360	1 666 890
Current liabilities				9 420 777	3 550 000
				<b>11 167 137</b>	<b>5 216 890</b>

In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs of R 1 746 360 to restore the sites at the end of its useful lives. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

It must be noted that the values are estimates only, based on previous works by the engineers who undertook the valuation and escalated to current values. The estimated values are based on the best current information available.

#### Environmental rehabilitation provision

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The sites is expected to be closed in 2043, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The landfill sites valuation was performed by DB Grobler. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

The landfill sites are nearing the end of their useful lives and the ground and ground water on the entire site are thus considered to be contaminated and not just the portions in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portions used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

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

The DWAF Minimum Requirements do not specify the timeframe in which the landfill sites must be rehabilitated after closure.

### 15. Service charges

Industrial / Commercial	365 394	322 500
Consumers	799 238	748 690
National and provincial government	113 432	86 320
	<b>1 278 064</b>	<b>1 157 510</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 16. Other income

Advertising bill boards	59 683	61 416
Overdeposit / banking	1	-
Sundry income	400	6 601
Clearance certificate	933	1 252
Cemetery fee - burials	18 075	15 560
Pound fees	148 211	171 560
Pound sales	867 897	973 129
Tender fees	211 829	112 438
Sale of wood	-	123
Business Licence	122 571	38 786
Refund	1	46 587
Plan fees	4 228	2 669
Photocopy and faxes	950	-
	<b>1 434 779</b>	<b>1 430 121</b>

### 17. Interest received

#### Interest revenue

Interest from investments	3 918 122	3 559 343
Interest charged on trade and other receivables	776 092	837 690
	<b>4 694 214</b>	<b>4 397 033</b>

### 18. Property rates

#### Rates received

Consumers	2 485 601	2 485 601
Industrial / Commercial	5 115 379	5 115 379
National and provincial government	26 004 164	24 250 404
Small holdings and farms	167 135	167 135
Less: Income forgone - rebates	(211 126)	(211 126)
	<b>33 561 153</b>	<b>31 807 393</b>

### Valuations

Valuations on land and buildings are performed every 4 years. The next general valuation will come into effect on 1 July 2018, based on exemption applied for and approved. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 19. Government grants and subsidies

#### Operating grants

Equitable share	154 313 000	159 404 000
Training - LGSETA	848 465	1 359 694
	<u>155 161 465</u>	<u>160 763 694</u>

#### Conditional grants

EPWP - Casual workers	1 231 090	1 000 000
FMG	2 010 000	1 875 000
Electrification program	12 500 000	13 530 915
Library Assistance	350 000	170 000
MIG grant	3 040 022	3 914 891
Gqunu Lots	126 996	-
MSIG grant	-	930 000
EPWP - DEDEAT	248 748	-
	<u>19 506 856</u>	<u>21 420 806</u>
MIG Grant	53 619 978	38 278 109
	<u>174 668 321</u>	<u>182 184 500</u>

#### Equitable Share

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

#### MIG grant

Current-year receipts	56 660 000	42 193 000
Conditions met - transferred to revenue	(56 660 000)	(42 193 000)
	<u>-</u>	<u>-</u>

All the conditions have been met and all funds have been spent, overspending has been financed through equitable share.

The municipality was advanced R15 000 000 on the 26th March 2017 from the 2016/17 allocation.

#### Gqunu lots

Balance unspent at beginning of year	1 053 752	1 053 752
Conditions met - transferred to revenue	(126 996)	-
	<u>926 756</u>	<u>1 053 752</u>

This is a grant that is actually for community projects, all its expenditure depends on their activities which are also in phases.

#### Qumbu Pilot Housing

Balance unspent at beginning of year	62 525	62 525
--------------------------------------	--------	--------

#### LED

Balance unspent at beginning of year	15 000	15 000
--------------------------------------	--------	--------

Unspent amount relates to Sinakho coffin manufacture project. Prior period figures have been restated.



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 19. Government grants and subsidies (continued)

#### FMG

Current-year receipts	2 010 000	1 875 000
Conditions met - transferred to revenue	(2 010 000)	(1 875 000)
	<u>-</u>	<u>-</u>

All the conditions have been met and all funds have been spent.

#### MSIG

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	<u>-</u>	<u>-</u>

All the conditions have been met and all funds have been spent, overspending has been financed through equitable share.

The MSIG was not received for the year ended 2017 as per the DORA Act.

#### Library Assistance

Current-year receipts	350 000	170 000
Conditions met - transferred to revenue	(350 000)	(170 000)
	<u>-</u>	<u>-</u>

All the conditions have been met and all funds have been spent.

#### EPWP - Casual workers

Current-year receipts	1 232 000	1 000 000
Conditions met - transferred to revenue	(1 232 000)	(1 000 000)
	<u>-</u>	<u>-</u>

All the conditions have been met and all funds have been spent.

#### INEP Electrification

Balance unspent at beginning of year	-	530 915
Current-year receipts	12 500 000	13 000 000
Conditions met - transferred to revenue	(12 500 000)	(13 530 915)
	<u>-</u>	<u>-</u>

All the conditions have been met and all funds have been spent.

#### Tsitsa Falls Fire Management

Balance unspent at beginning of year	<u>500 000</u>	<u>500 000</u>
--------------------------------------	----------------	----------------

Conditions still to be met - remain liabilities (see note 13).

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 19. Government grants and subsidies (continued)

#### EPWP - DEDEAT

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(248 748)	-
	<b>751 252</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

### 20. Employee related costs

Basic	40 173 719	39 595 751
Back pay	129 763	570 217
Bonus	3 113 174	3 096 340
Medical aid - employer contribution	4 885 092	4 904 455
UIF	422 948	333 243
SDL	653 457	720 509
Other payroll levies	17 177	15 839
Contribution to leave pay provision charge	2 416 767	974 830
Pension Fund - employer contribution	5 510 502	5 278 165
Travel, motor car, accommodation, subsistence and other allowances	6 970 446	5 991 091
Overtime payments	2 394 381	2 084 184
WCA	-	441 242
Contribution provision for bonus	157 749	290 745
Casual Workers	124 055	168 765
Housing benefits and allowances	2 358 732	2 203 573
Long term leave contribution	397 000	275 000
Leave encashment	959 352	756 724
Standby allowance	673 094	608 145
Cellphone allowance	698 087	668 554
	<b>72 055 495</b>	<b>68 977 372</b>

### Remuneration of Municipal Manager - S G Sotshongaye

Annual Remuneration	806 936	746 649
Car Allowance	290 187	291 748
Contributions to UIF, Medical and Pension Funds	1 870	1 785
Back pay	85 571	85 132
Re-imbursive travel allowance	-	88 240
Skills Development Levy	11 247	-
Leave encashment	-	111 666
	<b>1 195 811</b>	<b>1 325 220</b>

### Remuneration of Chief Finance Officer - N Boti

Annual Remuneration	820 424	830 656
Car Allowance	194 243	177 814
Contributions to UIF, Medical and Pension Funds	1 870	1 785
Housing Allowance	40 509	34 718
Back pay	20 775	76 299
Cellphone Allowance	30 000	30 000
Re-imbursive travel allowance	9 040	7 304
Skills Development Levy	11 313	-
	<b>1 128 174</b>	<b>1 158 576</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 20. Employee related costs (continued)

#### Remuneration of the Community Manager - Y M Yilo

Annual Remuneration	756 196	709 470
Car Allowance	194 243	196 889
Contributions to UIF, Medical and Pension Funds	1 870	1 785
Housing Allowance	135 035	127 010
Back pay	20 775	76 299
Skills Development Levy	10 674	-
	<b>1 118 793</b>	<b>1 111 453</b>

#### Remuneration of the Technical Manager - TP Mase

Annual Remuneration	700 330	758 009
Car Allowance	252 387	209 299
Contributions to UIF, Medical and Pension Funds	1 870	1 785
Cellphone Allowance	134 834	46 986
Back pay	20 775	76 299
Re-imbursive travel allowance	-	24 476
Skills Development Levy	10 578	-
	<b>1 120 774</b>	<b>1 116 854</b>

#### Remuneration of the Corporate Services Manager - L Matiwane

Annual Remuneration	756 196	709 470
Car Allowance	271 940	248 939
Contributions to UIF, Medical and Pension Funds	1 870	1 785
Housing Allowance	59 415	55 884
Skills Development Levy	10 539	-
Back pay	20 775	76 299
Re-imbursive travel allowance	4 138	34 169
	<b>1 124 873</b>	<b>1 126 546</b>

#### Remuneration of the Local Economic and Rural Development Manager - Z Zipete

Annual Remuneration	756 196	709 470
Car Allowance	271 940	248 939
Contributions to UIF, Medical and Pension Funds	1 870	1 785
Housing Allowance	20 631	20 332
Back pay	20 775	76 299
Re-imbursive travel allowance	42 928	64 734
Skills Development Levy	10 539	-
	<b>1 124 879</b>	<b>1 121 559</b>

### 21. Remuneration of councillors

Mayor	740 443	803 432
Councillors	15 623 388	15 607 111
	<b>16 363 831</b>	<b>16 410 543</b>

### 22. Depreciation and amortisation

Property, plant and equipment	114 145 729	96 012 591
Intangible assets	241 961	360 635
	<b>114 387 690</b>	<b>96 373 226</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 23. Finance costs

Interest on long service awards	357 000	258 000
---------------------------------	---------	---------

---

### 24. Debt impairment

Consumer debtors	19 348 018	12 393 000
------------------	------------	------------

---

The prior period payment history has been applied to the outstanding debtors as at year end and this indicated that payment rates have deteriorated in the last year due to economic downturn. Consumer debtors provided for impairment in prior years have been written off during the current year per the council resolution.

### 25. Repairs and maintainence

Buildings	528 282	1 037 644
Plant and Equipment	700 588	464 702
Network and hardware support	94 220	294 807
Public safety	246 981	36 840
Streets lights and access roads	1 260 642	815 777
Motor vehicle repairs	423 022	334 939
	<b>3 253 735</b>	<b>2 984 709</b>

---

### 26. Contracted services

Security services	4 768 058	3 525 469
-------------------	-----------	-----------

---

### 27. Operating grant expenditure

#### Other subsidies

Electrification program	14 927 553	12 299 570
EPWP Program	3 399 917	2 423 513
Indigent subsidy	2 686 579	9 711 808
FMG interns	214 737	1 269 202
SETA	-	173 034
EPWP - DEDEAT	29 500	-
Tsitsa Falls Fire Management	424 295	-
	<b>21 682 581</b>	<b>25 877 127</b>

---

### 28. Loss on disposal of assets

Net book value of assets disposed of	(2 065 505)	(407 101)
--------------------------------------	-------------	-----------

---

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 29. General expenses

Accounting fees	-	167 750
Advertising	486 634	469 475
Audit Fees	3 525 598	2 886 281
Bank charges	110 760	154 931
Burials and memorial services	66 866	-
Consulting and professional fees	4 086 353	148 898
Consumables	746 511	365 712
Entertainment	1 829 071	891 450
Interest and penalties	345 287	23 452
Animal Feed	168 398	86 432
Hiring charges	1 252 860	1 576 383
Insurance - general	188 182	334 429
Community development and training	590 125	318 892
Conferences and Seminars	19 136	249 700
Incorporation costs	-	2 920
Medical expenses	500	45 322
Motor vehicle expenses	254 505	207 707
Pest control	7 310	37 977
Fuel and Oil	1 744 840	1 777 606
Postage and courier	1 196	2 060
Printing and stationery	1 711 065	2 070 210
Protective clothing	356 192	810 823
Project maintenance costs	7 502 886	3 623 418
Software expenses	701 859	977 751
Subscriptions and membership fees	955 659	840 408
Telephone and fax	3 910 662	2 896 794
Training	2 404 272	2 388 490
Travel - local	5 748 226	3 720 268
Office expenses	27 847	14 866
Electricity purchase	1 012 272	1 178 259
Audit committee expenses	199 576	47 679
Crime prevention	-	4 950
Disaster costs	354 000	-
Public participation	1 254 746	2 288 499
Ward committee stipend	4 581 976	6 082 209
Underdeposit banking	125	-
Contribution for legal fees	9 993 520	6 776 602
Survey and planning	196 200	3 485 998
	<b>56 335 215</b>	<b>46 954 601</b>

### 30. Auditors' remuneration

Fees	3 525 598	2 886 281
------	-----------	-----------

### 31. Cash generated from operations

(Deficit) / surplus	(45 668 617)	(19 973 824)
<b>Adjustments for:</b>		
Depreciation and amortisation	114 387 690	96 373 226
Gain on sale of assets and liabilities	2 065 505	435 021
Debt impairment	19 348 018	12 393 000
Increase in employment benefit obligations	2 770 516	2 150 575
Increase in provisions	5 950 247	(1 296 126)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(174 870)	(185 547)
Receivables from non-exchange transactions	(29 953 650)	(27 673 807)
Other receivables from non-exchange transactions	1 568 823	(1 568 822)
Payables from exchange transactions	(1 774 484)	(2 426 031)
VAT	(3 712 367)	(186 799)
Unspent conditional grants and receipts	624 256	(30 915)
	<b>65 431 067</b>	<b>58 009 951</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 32. Risk management

#### Financial risk management

A municipality's activities are generally exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Below follows a summary of each of the risks and the effect on the municipality.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

#### Credit risk

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

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to receivables are considered to be high due the remote nature and high uncollectability of rates within the geographical and socio economic area. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges and interest", "demand for payment", and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

Financial instrument	2017	2016
Short term deposits	31 569 354	22 567 052
Receivables from exchange transactions	482 320	39 193
Receivables from non-exchange transactions	28 522 475	19 753 921

#### 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.

##### Price risk

The municipality is not exposed to price risk as it does not hold commodities on an open market platform.

### 33. Unauthorised expenditure

Opening balance	79 286 295	61 045 087
Unauthorised expenditure in the current year	15 484 810	18 241 208
	<b>94 771 105</b>	<b>79 286 295</b>

The opening balance of unauthorised expenditure has been investigated as per section 32 of MFMA and tabled to the council. The municipality is awaiting for a response from treasury for condonment.

This was due to depreciation calculations that were only accounted for after budget was adopted. The reconstruction of asset registers was only completed after the 30th of June 2017.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 33. Unauthorised expenditure (continued)

Recoverability of all unauthorised expenditure will be evaluated by council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

Detailed breakdown of unauthorised expenditure per Vote - Operating	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	Unauthorised
Executive and Council	50 020 338	49 368 756	(651 582)	651 582
Finance and Administration	73 803 516	80 796 360	6 992 844	-
Planning and Development	17 904 029	17 139 644	(764 385)	764 385
Public Safety	19 493 014	19 202 556	(290 458)	290 458
Waste Management	1 536 044	15 696 929	14 160 885	-
Road Transport	141 982 215	128 203 830	(13 778 385)	13 778 385
	<b>304 739 156</b>	<b>310 408 075</b>	<b>5 668 919</b>	<b>15 484 810</b>

The unauthorised expenditure incurred on the Executive and Council vote is due to the raising of a provision at year end for the estimated legal fees to be incurred on existing legal matters.

The unauthorised expenditure incurred on Road Transport, Finance and Administration as well as Planning and Development is due to incorrect budget allocation of depreciation. Depreciation on roads infrastructure was budgeted for under the Finance and Administration vote and the actual expenditure was recorded under the Roads Transport vote and the same error was also performed on Planning and Development Department as the actual expenditure was recorded under the departmental votes but it was budgeted under Finance and Administration.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 34. Financial instruments disclosure

#### Categories of financial instruments

2017

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	28 522 485	28 522 485
Receivables from exchange transactions	-	482 320	482 320
Bank balances	5 428 059	-	5 428 059
Short term deposits	31 569 355	-	31 569 355
	<b>36 997 414</b>	<b>29 004 805</b>	<b>66 002 219</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	6 044 447	6 044 447

2016

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	19 753 921	19 753 921
Receivables from exchange transactions	-	39 193	39 193
Bank balances	3 358 662	-	3 358 662
Short term deposits	22 567 052	-	22 567 052
	<b>25 925 714</b>	<b>19 793 114</b>	<b>45 718 828</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	7 818 929	7 818 929



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 35. Contingent liabilities

Bank guarantees	135 000	135 000
Pending legal claims	8 400 000	3 250 000
	<b>8 535 000</b>	<b>3 385 000</b>

#### Bank guarantees

Guarantees to the value of R135 000 have been obtained from First National Bank on the FNB Revolving Deposit account 61399068117 concerning the responsibility in terms of the Minerals and Petroleum Resources Development Act of 2002 which is incumbent on Mhlontlo Municipality to execute the environmental management plan in terms of the provisions of the said Act for the rehabilitation of Borrow Pit 1 - Mangezimeni Access Road, Eastern Province. The guarantee is payable to the municipality upon the submission of a claim in writing.

#### Legal proceedings

##### Ntantana Nokhitha and 3 others vs Mhlontlo Local Municipality Case Number 3412/2014

An interdict application that was brought on urgent basis interdicting the building of low cost houses at Tsolo under ERF 42.

The municipality won this application against Nomkhitha Ntantana and 3 Others and applicants lodged an appeal to Supreme Court of Appeals wherein they were granted the interim relief and the matter is still pending for the main application before high court

An amount of R600 000 (Six Hundred Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

##### Gqesha Nozolile and 4 others vs Mhlontlo Local Municipality Case Number 3424/2014

An interdict application that was brought on urgent basis interdicting the building of low cost houses at Tsolo under ERF 42.

The municipality won this application against Gqesha Nozolile and 4 Others and applicants lodged an appeal to Supreme Court of Appeals wherein they were granted the interim relief and the matter is still pending for the main application before high court. An amount of R600 000 (Six Hundred Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

##### Mavuso Kholiswa vs Mhlontlo Local Municipality Case Number 3434/2014

This is an application that was brought by Kholiswa Mavuso and two others seeking an interim relief against municipality for the building of low cost houses at Tsolo under ERF 42. The municipality opposed the granting of interim relief successfully but Mavuso Kholiswa appealed and the matter is still pending before Supreme Court of Appeals in Bloemfontein.

An amount of R600 000 (Six Hundred Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

##### Sojada Nomalunge and other vs Mhlontlo Local Municipality Case Number 3407/2014

This is an application that was brought by Sojada Nomalunge and two others seeking an interim relief against municipality for the building of low cost houses at Tsolo under ERF 42. The municipality opposed the granting of interim relief successfully but Siseko Landule appealed and the matter is still pending before Supreme Court of Appeals in Bloemfontein.

An amount of R700 000 (Seven Hundred Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

##### Makaziwe Mgobozi vs Mhlontlo Local Municipality Case Number 70/2017

This is an urgent application that was brought on urgent basis by the applicants seeking that Mhlontlo Local Municipality must attend to the leakage of water in a particular area in town.

The municipality opposed this application and the matter is still pending before high court Mthatha. We are still waiting for trial Date to be allocated by the Register.

In this matter the municipality lose this matter in court court costs that maybe incurred to pay the attorneys that are against the municipality is an approximately amount of R800 000.00(Eight Hundred Thousand Rand).

##### Gwele Sinethemba vs Mhlontlo Local Municipality case Number 988/2016

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 35. Contingent liabilities (continued)

This is an application that was brought on agent basis by Mhlontlo Local Municipality against Sinethemba Gwele and 8 others who were erracting site at Qumbu ERF 102. The municipality successfully got an interim interdict that all applicants or whoever whose is erracting structure at erf 102 Qumbu is hereby interdicted .  
An amount of R600 000.00 (Six Hundred Thousand Rand Only) may be incurred by paying the applicants legal team if the Municipality may lose the case.

#### **Chief Mzwamandla Horatius Njikelana & another vs Mhlontlo Local Municipality case number. 3456/2016**

This is an applicant that was brought on urgent basis by chief Mzwamandla horatius Njikelana & another against Mhlontlo local municipality claiming demolition their structures at commonage of erf 102 Qumbu.  
In this matter the Municipality will incure approximately R 1 200 000.00 (one million two hundred thousand only) including fees of application for attorneys.  
An amount of R700 000.00 (Seven Hundred Thousand Rand Only) may be incurred by paying the applicants legal team if the Municipality may lose the case.

#### **Vokon African PTY (LTD) VS Mhlontlo local municipality case number 227/2015**

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 35. Contingent liabilities (continued)

This is an application that was brought against Mhlontlo local by applicants attorneys in respect of work which was not finished by applicants who were demanding payments. The Municipality opposed their application and the matter is still pending before court and waiting a date in an opposed.

In this matter the Municipality will incur approximately R 1 200 000.00 (One million two hundred thousand rand only) it include fees for application for attorneys.

An amount of R800 000.00 (Eight Hundred Thousand Rand Only) may be incurred by paying the applicants legal team if the Municipality may lose the case.

#### TDH Tsolo Junction

This is an application that was brought against Mhlontlo local by applicants attorneys in respect of failed developments of ERF 42 Tsolo. The Municipality opposed their application and the matter is still pending before court and waiting a date in an opposed.

In this matter the Municipality will incur approximately R 720 777.04 (Seven hundred and twenty thousand rand and seven hundred and seventy seven rand four cent only) it include fees for application for attorneys.

An amount of R 3 000 000.00 (Three million rand only) may be incurred by paying the applicants legal team if the Municipality may lose the case.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 35. Contingent liabilities (continued)

2016

#### **Ntantana Nokhitha and 3 others vs Mhlontlo Local Municipality Case Number 3412/2014**

An interdict application that was brought on urgent basis interdicting the building of low cost houses at Tsolo under ERF 42. The municipality won this application against Nomkhitha Ntantana and 3 Others and applicants lodged an appeal to Supreme Court of Appeals wherein they were granted the interim relief and the matter is still pending for the main application before high court

An amount of R700 000 (Seven Hundred Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

#### **Gqesha Nozolile and 4 others vs Mhlontlo Local Municipality Case Number 3424/2014**

An interdict application that was brought on urgent basis interdicting the building of low cost houses at Tsolo under ERF 42.

The municipality won this application against Gqesha Nozolile and 4 Others and applicants lodged an appeal to Supreme Court of Appeals wherein they were granted the interim relief and the matter is still pending for the main application before high court. An amount of R750 000 (Seven Hundred and Fifty Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

#### **Mavuso Kholiswa vs Mhlontlo Local Municipality Case Number 3434/2014**

This is an application that was brought by Kholiswa Mavuso and two others seeking an interim relief against municipality for the building of low cost houses at Tsolo under ERF 42. The municipality opposed the granting of interim relief successfully but Mavuso Kholiswa appealed and the matter is still pending before Supreme Court of Appeals in Bloemfontein.

An amount of R950 000 (Nine Hundred and Fifty Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

#### **Sojada Nomalunge and other vs Mhlontlo Local Municipality Case Number 3407/2014**

This is an application that was brought by Sojada Nomalunge and two others seeking an interim relief against municipality for the building of low cost houses at Tsolo under ERF 42. The municipality opposed the granting of interim relief successfully but Siseko Landule appealed and the matter is still pending before Supreme Court of Appeals in Bloemfontein.

An amount of R850 000 (Eight Hundred and Fifty Thousand Rand) may be incurred by paying applicant's legal team if the municipality does not win the case.

This report was sought by client as an update in all the above matters which are proceeding in the aforesaid mentioned courts.

There is no possibility of re-imbusement for the above amounts.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 36. Related parties

#### Relationships

1 July 2016 - 10 August 2016

Mayor  
Speaker  
Chief Whip  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor

o

R M Giyose  
X D Nkompela  
N M Mvanyashe  
N Mtwazi  
N Konza  
M Mabono  
E Pula  
N Magodla  
X Mpatane  
N Dywili  
M G Jara  
Z Nondaka

11 August 2016- 30 June 2017

Mayor  
Speaker  
Chief Whip  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Exco Councillor  
Other councillors 1 July 2015- 30 June 2017

N.Dywili  
Cllr. M.G.Jara  
Cllr. N.M. Mvanyashe  
Cllr. N.P.B. Ludidi  
Cllr. S.S. Mbangata  
Cllr. N.E. Sigwili  
Cllr. E.Pula  
Cllr. V. Mnyanda  
Cllr. M. Lingela  
Cllr. N. Zikofo  
Cllr. G. Mazitshana  
Cllr. M.Mabono

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 36. Related parties (continued)

Councillor M. Ncokotwana  
Councillor S.N. Matanzima  
Councillor L.L. Mkhondweni  
Councillor N. Qhezu  
Councillor X.B. Ngoma  
Councillor V. Mnyanda  
Councillor L. Hlabiso  
Councillor N. Gcaba  
Councillor Y.H. Guqa  
Councillor Z. Ngoni  
Councillor Z.I. Tshungwana  
Councillor N.E. Sigwilli  
Councillor Z.W. Nondaka  
Councillor A.M. Dawedi  
Councillor X. Mswelanto  
Councillor S. Sogxakanxa  
Councillor M. Soyekwa  
Councillor L.H. Ludidi  
Councillor G. Kiviet  
Councillor M. Mfamela  
Councillor E.L. Xwayi  
Councillor A.L. Tono  
Councillor B.S. Mbewu  
Councillor P. Ntobongwana  
Councillor Z. Nondaka  
Councillor S. Qangani  
Councillor M.D. Manzi  
Councillor S.S. Sopangisa  
Councillor Z. Botya  
Councillor B. Honono  
Councillor L.P. Dlova  
Councillor Z. Makinana  
Councillor B.B. Mthitshane  
Councillor M.S. Ngewu  
Councillor P.N. Mdemka  
Councillor S. Maham

Councillor M. S. Mathe  
Councillor N. Nodlela  
Councillor Z. Feni  
Councillor N.C. Ncalo  
Councillor N.V. Masangwana  
Councillor S.T. Msongelwa  
Councillor M.C. Socikwa  
Councillor N. Songca  
Councillor R. N. Mvamveki  
Councillor S. N. Salaze  
Councillor N.R. Matomane  
Councillor N.P. Mkontwana  
Councillor J.M. Jikijela  
Councillor M. Macingwane  
Councillor N.T. Ngquke  
Councillor S.S. Mbangata  
Councillor N.R. Ngewu  
Councillor Cllr.Y. Yaso  
Councillor Cllr.N.Mdwayi  
Councillor Z. Songca  
Councillor N.T. Ngquke  
Councillor D Guqa  
Councillor G. Matyeni  
Councillor K. Mpula  
Councillor N. Zikolo  
Councillor M. Ncaphayi  
Councillor T. Mgaweni  
Councillor M. Lingela  
Councillor Cllr. Z. Ntshiba  
Councillor P. Mdinwa  
Councillor S. Ntunkunzezi  
Councillor Z. Renene  
Councillor M.N. Mpheleli  
Councillor M.S. Mathe  
Councillor Q. Mandieni  
Councillor N.V. Ncapayi

Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Traditional leaders to participate in Mhlontlo Municipality Council  
Chief Financial Officer  
Municipal Manager  
Community Manager  
Technical Manager  
Corporate Services Manager  
Local Economic and Rural Development Manager  
District Municipality that Mhlontlo forms part of  
Close family member of key management

N Matshanda  
L Mditshwa  
S Siyoyo  
B G Mcothshana  
V L Majeke  
S Madolo  
V E Ludidi  
S Mcelu  
L Ngudle  
K H Ngoni  
N Boti  
S G Sotshongaye  
Y M Yilo  
T P Mase  
L Matiwane  
Z Zipete  
O R Tambo District Municipality  
None

Transactions with related parties were concluded at arm's length

Apart from remuneration, no further transactions occurred with councillors and section 57 managers.

Refer to note 21 for a breakdown of councillors' remuneration.

Refer to note 20 for a breakdown of amounts paid to section 57 managers.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

### 37. Prior period errors

2016

#### Opening balances

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Property, Plant and Equipment	687 180 647	(3 747 623)	683 433 024	A1
Investment property	19 102 483	(5 634 277)	13 468 206	A2
Payables from exchange transactions	9 761 221	(483 743)	9 277 478	A3
	-	-	-	
Accumulated surplus	(705 732 384)	9 865 643	(695 866 741)	
	<b>10 311 967</b>	<b>-</b>	<b>10 311 967</b>	

The opening balances for 2016 have been restated as follows:

A1. The restatement is as result of New cadastral in Tsolo Maps and this is a derecognition of old everns that was registered at the surveyor general and included in the investment register and a recognition of new registered everns.

A2. This restatement is as a result of removal of duplicates in movable and Infrastructure registers and also correction of error on infrastructure due to a project in progress erroneously included in the infrastructure register as completed when performing physical verification.

A3. This is a SALGA levy that was processed in an incorrect period.

#### Current year comparatives

Statement of Financial Performance	Previously Stated	Adjustments	Restated 2016	Reference
<b>Income</b>				
<b>Expenditure</b>				
Depreciation and amortisation	97 707 746	(1 317 674)	96 390 072	4
Contracted services	5 094 291	(1 568 822)	3 525 469	5
Loss on disposal of assets	368 505	66 516	435 021	6
	<b>103 170 542</b>	<b>(2 819 980)</b>	<b>100 350 562</b>	

Statement of Financial Position	Previously stated	Adjustments	Restated 2016	Reference
<b>Assets</b>				
Receivables from non-exchange transactions	-	1 568 822	1 568 822	A5
Investment property	19 085 637	(5 634 277)	13 451 360	A7
Property, plant and equipment	637 504 367	(3 057 799)	634 446 568	A8
<b>Liabilities</b>				
Payables from exchange transactions	-	105 507	105 507	A9
Accumulated surplus	(193 018 771)	7 017 747	(186 001 024)	10
	<b>463 571 233</b>	<b>-</b>	<b>463 571 233</b>	

The comparative figures for 2016 have been restated as a result of -

#### Depreciation and amortisation

A4. This restatement is as a result of removal of duplicates in movable and Infrastructure registers and also correction of error on infrastructure due to a project in progress erroneously included in the infrastructure register as completed when performing physical verification.

#### Contracted services

A5. This is an OR Tambo District Municipality Debt that was for Security Services to the previous Municipal Speaker which was not raised in the prior year.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 37. Prior period errors (continued)

#### Loss on disposal of assets

A6. Bng movable assets that were inaccurately disposed prior year. Please see note 4 above.

#### Investment property

A7. Please refer to Note 1 above on restatement on investment property.

#### Property, plant and equipment

A8. This restatement is as a result of removal of duplicates in movable and Infrastructure registers and also correction of error on infrastructure due to a project in progress erroneously included in the infrastructure register as completed when performing physical verification.

#### Payables from exchange transactions

A9. This is a SALGA levy that was processed in an incorrect period and also the adjustment on provision to retention and surety.

#### Accumulated Surplus

A10. This is the cumulative effect of the errors in the opening balance as well as the corrections during 2015.

### 38. Fruitless and wasteful expenditure

Opening balance	915 619	858 741
Fruitless and wasteful expenditure - current year	345 656	56 878
	<b>1 261 275</b>	<b>915 619</b>

The opening balance of Fruitless and wasteful expenditure has been investigated as per section 32 of MFMA and tabled to the council. The municipality is awaiting for a response from treasury for condonment.

Fruitless and wasteful expenditure in the current year is as result of interest and penalties on overdue suppliers' accounts.

Recoverability of all fruitless and wasteful expenditure incurred in the current year will be evaluated by council in terms of section 32 of MFMA. No Steps have been taken at this stage to recover any monies.

### 39. Irregular expenditure

Opening balance	182 597 247	130 723 444
Add: Irregular Expenditure - current year	35 898 844	51 873 803
	<b>218 496 091</b>	<b>182 597 247</b>

The opening balance of irregular expenditure has been investigated as per section 32 of MFMA and tabled to the council. The municipality is awaiting for a response from treasury for condonment.

Irregular expenditure was incurred due to the non-compliance with Supply management principles.

Irrecoverability of all irregular expenditure was evaluated by council in terms of section 32 of MFMA. No Steps have been taken at this stage to recover any monies.

### 40. Expenditure under investigation

Opening balance	82 097 043	82 097 043
Incurred - current year	-	-
	<b>82 097 043</b>	<b>82 097 043</b>



# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 40. Expenditure under investigation (continued)

This item has not been included in the irregular expense calculation because it is impractical in terms of GRAP 1 to determine whether the tender files are indeed Irregular or Regular as described below.

These payments were considered to be a limitation of scope because they relate to old tender files from 2011/12 - 2013/14 year where contract files or documentation could not be found or had incomplete information. This is due to the fact that there is no proper filing space in the institution and documents are currently be searched for.

### 41. Deviation from supply chain management regulations

Goods and services to the value of R34,950 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 council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

A register containing the details of the deviations is available for inspection.

### 42. Arrear debts for councillors - MFMA S124 (b)

The councillors do not have any arrear debts in 2017. This disclosure is for comparative purposes only.

### 43. Operating lease

This committed expenditure relates to capital and operational expenditure and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

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

- Due within one year	1 258 269	238 116
- Due within 2 to 5 years	2 201 970	-
	<b>3 460 239</b>	<b>238 116</b>

Operating lease payments represent rentals payable by the municipality for certain office equipment.

Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

### 44. Commitments

#### Already contracted for but not provided for

• Infrastructure Assets	39 059 590	36 813 220
• Other Assets	178 518	-
• Community Assets	89 915	-
	<b>39 328 023</b>	<b>36 813 220</b>

#### Capital expenditure

• Goods and services	3 253 036	1 477 862
• Operating leases	3 622 583	238 116
	<b>6 875 619</b>	<b>1 715 978</b>

This committed expenditure relates to roads and other infrastructure developments, building of town halls and other goods and services and will be financed by available bank facilities, retained surpluses, as well as Grant funding and existing cash resources.

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	-	(483 743)
Current year subscription / fee	871 650	1 281 303
Amount paid - current year	(871 650)	(797 560)
	-	-

#### Audit fees

Current year subscription / fee	3 525 598	2 886 281
Amount paid - current year	(3 525 598)	(2 886 281)
	-	-

#### PAYE and UIF

Opening balance	-	3 081 709
Current year subscription / fee	14 452 076	15 278 028
Amount paid - current year	(14 452 076)	(19 019 384)
	-	(659 647)

#### Pension and Medical Aid Contributions

Current year subscription / fee	10 393 363	16 454 122
Amount paid - current year	(10 393 363)	(16 454 122)
	-	-

#### VAT

VAT receivable	6 568 072	2 855 705
----------------	-----------	-----------

All VAT returns have been submitted by the due date throughout the year.

### 46. Other revenue

Actuarial gain / (Loss)	558 000	(352 000)
Other income	1 434 779	1 430 121
	<b>1 992 779</b>	<b>1 078 121</b>

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 47. Material variances - Budget vs actual and Approved vs Adjusted Budget

#### Explanation of material variances

#### STATEMENT OF FINANCIAL PERFORMANCE

##### REVENUE

###### 47.1

The variance is trivial and immaterial

###### 47.2 – Agency Fees

This was an over estimation on agency in the budget

###### 47.3 – Acturial Gain

This was not budgeted due to the fact this is non cash item that is estimated by actuaries at year end.

###### 47.4 – Other Income

This is due to internal reserves.

##### EXPENDITURE

###### 47.5 – Depreciation and amortisation

This is due to prior year restatement on assets and this was not budgeted for in the approved budget.

###### 47.6 – Finance Costs

This was not budgeted due to the fact this is non cash item that is estimated by actuaries at year end

###### 47.7 – Debt Impairment

Budget was over stated.

###### 47.8– General Expenses

This due to under budgeting and also a provision for legal expenses raised at year end.

###### 47.9 - Loss on disposal

The asset registers were completed at year end and probable budget amounts could not be determined.

#### STATEMENT OF FINANCIAL POSITION

##### CURRENT ASSETS

###### 47.10 - Receivables from non-exchange transactions

Under estimation on impairment of rates in the budget.

###### 47.11 – VAT Receivable

Budget understated

###### 47.1- Cash & Cash Equivalents

The variance is trivial and immaterial

##### NON CURRENT ASSETS

###### 47.12– Investment Properties

This is due to prior year restatement on assets and this was not budgeted for in the approved budget.

###### 47.13 - Property, plant and equipment

This is due to prior year restatement on assets and this was not budgeted for in the approved budget.

###### 47.14 – Intangible assets

Budget overstated

###### 47.15 – Heritage assets

Budget understated

# Mhlontlo Local Municipality

Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

---

### 47. Material variances - Budget vs actual and Approved vs Adjusted Budget (continued)

47.16 – Payables from exchange transactions

Over estimation in the budget.

47.17 - Employee Benefit Obligation

Under estimation on budget

47.18 - Unspent Conditional Grants

Under estimation on budget

### Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement

The municipality has the deficit of R- 45 688 617, There are two major factors that had an impact on this. The was a huge debt impairment to the amount of R19 348 018 and also the restatement of property plant and equipment which led to an increase in the depreciation amount to the value of R114 387 690 (2015: R96 373 226) and also the municipality is constantly receiving the refunds from SARS. These two form part of the current assets and have a bearing on the surplus for the previous year. In order for the municipality to be able to utilise the funds the operating expenditure to be funded by these current assets has to be budgeted for in the statement of financial performance. It should also be noted that even though the operating expenditure is provided for in the statement of financial performance, corresponding revenue cannot be included in the statement of financial performance as per GRAP statements. This is simply because the revenue was already recognised so its part of the surplus for that year the current assets relates to. Therefore the operating expenditure incurred funded by those current assets is mostly the cause of the deficit, not that there was no cash available.

### 48. Events after the reporting date

No significant events have occurred after the reporting date

### 49. Changes in accounting policy

During the financial year ended 30 June 2017, management took a decision to change the accounting policy for the subsequent of investment property from the cost to fair value. The change in accounting policy was mainly due to the fact that the cost model was not resulting to fair presentation for the following reasons:

1. Value of the property changes every year subject to Market conditions.
2. Values of the property changes due to re zoning or sub-divisions.
3. Rezoning and sub-divisions results into the property changing the title deed number, resulting to an old title deed having to be disposed and new title deed recognised. No provision made on GRAP.

The Change in policy was applied prospectively in line with GRAP 3. Management was of the opinion that it was impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods.

MHLONTLO LOCAL  
MUNICIPALITY



**AUDIT**  
**REPORT**  
**2016-2017**

# Report of the auditor-general to the Eastern Cape Provincial Legislature and the Council on Mhlontlo Local Municipality

## Report on the audit of the financial statements

### Unqualified opinion

1. I have audited the financial statements of the Mhlontlo Local Municipality set out on pages xx to xx which comprise statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mhlontlo Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with applicable financial reporting framework and the requirements of the South African Standards of Generally Recognised Account Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

### Context for the opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of Mhlontlo Local Municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

### Emphasis of matter

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

## **Debt impairment – Receivables from exchange and non-exchange transactions**

7. As disclosed in notes 3 and 4 to the financial statements, material debt impairment allowances of R6,1 million (2016: R 5,5 million) and R19,4 million (2016: R671 882) were raised against receivables from exchange and non-exchange transactions respectively.

## **Unauthorised expenditure**

8. As disclosed in note 33 to the financial statements, unauthorised expenditure of R15,5 million (2016: R18,2 million) was incurred in the year under review due to the inadequate budgeting for the provision of legal fees and depreciation.

## **Irregular expenditure**

9. As disclosed in note 39 to the financial statements, irregular expenditure of R35,9 million (2016: R51,9 million) was incurred in the year under review as proper procurement processes had not been followed.

## **Restatement of corresponding figures**

10. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2017.

## **Other matters**

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

## **Unaudited disclosure notes**

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

## **Responsibilities of the accounting officer for the financial statements**

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with applicable financial reporting framework and the requirements of the SA standards of GRAP and the requirements of the MFMA and the DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the Mhlontlo Local Municipality ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of

accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

## **Report on the audit of the annual performance report**

### **Introduction and scope**

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priority presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
18. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2017:

<b>Development priorities</b>	<b>Pages in the annual performance report</b>
Development priority 1 – Infrastructure Service Development	x – x
Development priority 2 – Local Economic Development	x – x



20. I performed procedures to determine whether the reported performance information was properly presented and whether performance was—consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

### **Development priority 1 – Infrastructure Service Development**

#### **Performance targets are not specific and measurable**

##### **Easy Access by communities to socio economic services**

22. The target “Maintenance of 50km rural and urban roads” as determined during planning for this indicator was not specific in clearly identifying the nature and required level of performance, and measurable, as required by the Framework for Managing Programme Performance Information (FMPPI).

#### **Performance indicators and targets are not consistent and reliable**

##### **All household will have access to electricity**

23. The indicator and target were reported as “All household will have access to electricity” and “Inspection with Eskom and energise the 389 households” respectively while the indicator and target were approved as “Universal Access to electricity” and “Connection of 389 households in Amachwera phase 2B area and energise the villages” respectively. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
24. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target “Maintenance of streets and high mast lights, as per need”. This was due to a lack of technical indicator descriptions and proper performance management systems and processes and formal standard operating procedures or documented systems descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the FMPPI. I was unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of maintenance of streets and high mast lights, as per need.

## **Development priority 2 – Local Economic Development**

### **Performance indicators and targets are not reliable**

#### **Host one eco - tourism event**

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target "Host one eco-tourism event". This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of one event.

### **Performance targets are not specific**

#### **Capacitated SMME's**

26. The target "Engage SETA's and other stakeholders for training 50 SMME's and Cooperatives" as determined during planning for this indicator was not specific in clearly identifying the nature and required level of performance and measurable, as required by the FMPPI.

### **Performance indicators are not well-defined and reliable**

#### **Various indicators**

27. The systems and processes to enable reliable reporting of actual service delivery against the indicator were not adequately designed, as management could not provide the source information, including the processes used for reporting on and measuring the following material indicators, as required by the FMPPI:

- Formalise informal trading
- Capacitated SMME's and Co-operatives
- High income generated by wool growers.

28. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the following material indicators relating to the programme:

- Formalise informal trading with a reported achievement of "The Service Provider was appointed in June 2017 for the purchase of Modular Structures."
- Capacitated SMME's and Co-operatives with a reported achievement of "Trainings have been done to councillors, LEDPARD Official, Traditional Leaders and SMME'S"
- High income generated by wool growers with a reported achievement of "Inputs to wool growers production have been supplied to beneficiaries".

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

## **Achievement of planned targets**

30. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x of this report.

## **Adjustment of material misstatements**

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of "Inspection with Eskom and energise the 389 households", "Connection of 1200 in Amachwera Phase 2B area", "Engage SETA's and other stakeholders for training 50 SMME's and Cooperatives" and "Train 5 SMME's in product development and hospitality". As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified opinion paragraphs.

## **Report on audit of compliance with legislation**

### **Introduction and scope**

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

### **Annual financial statements and annual reports**

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### **Budgets**

35. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R15,5 million as disclosed in note 33 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure arose due to depreciation expenditure that was not budgeted for accordingly.

## **Expenditure management**

36. Effective steps were not taken to prevent irregular expenditure amounting to R35,9 million as disclosed in note 39 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-adherence to procurement processes and prescripts.
37. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R345 656, as disclosed in note 38 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on overdue accounts.

## **Asset management**

38. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
39. An effective system of internal control for assets was not in place, as required by section 63(2)(c).

## **Human resource management**

40. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the MSA.

## **Procurement and contract management**

41. Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) and did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).
42. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of supply chain management (SCM) regulation 43.
43. The preference point system was not applied to some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act no. 5 of 2000) and Treasury Regulations 16A6.3(b).
44. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

## Other information

45. The Mhlontlo Local Municipality accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report, mayor's foreword and executive summary, municipal manager overview etc. The other information does not include the separate financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in the auditor's report.
46. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
47. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
48. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

## Internal control deficiencies

49. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and compliance with legislation included in this report.
- Management did not fully implement a process to prepare regular and accurate financial and performance information reports, including monthly management accounts, with key reconciliations and supporting schedules. This resulted in material adjustments at year end and during the audit process. As the leadership did not insist on the planned reporting structure, their monitoring and oversight were not effective in the year under review. This resulted in the stagnation of the control environment.
  - Daily, weekly and monthly disciplines were not properly implemented and monitored. Non-compliance with legislation was repeated in the year under review. There was a lack of accountability with respect to upholding the policies, procedures and internal control activities of the municipality, with limited corrective action taken when deviations were identified.

- The municipality's IT strategy was still in a draft format, allowing for deficiencies in the IT control environment. This should be addressed to provide comprehensive guidelines for IT decision making, especially with the anticipated changes that the Municipal Standard Chart of Accounts (mSCoA) will bring to the municipality.
- Internal audit was understaffed in the year under review, given the municipality's size and operations. The audit committee met their legislative responsibilities in the year under review, but as management was slow to respond to addressing the previous year's external audit, internal audit, and audit committee recommendations, they were not effective in ensuring proper accountability in financial and performance reporting.

Auditor-General.

East London

30 November 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

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

### Financial statements

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

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.



MHLONTLO LOCAL  
MUNICIPALITY



# AUDIT ACTION PLAN

2016-2017

NO	Component	Finding	Action Plan	Municipal Official	Deadline	Completion Stage
	Employee costs	COAF 005: Planning – Performance appraisals not done for all municipal employees. During the audit, it was noted that performance appraisal are not performed for all employees of the municipality other than sec 56&57 employees.	Performance agreements to be cascaded and policy to be implemented as is.	Mr L Matiwane	Ongoing - 30 June 2018	Not started
1	Employee costs	COAF 023 : Employee Cost: S& T Incorrectly Classified as Employee Costs It was established that the subsistence allowance for the accounts mentioned below was incorrectly classified as employee costs.	No Action Required as this was amended and submitted to the auditor general as it was only a matter of rectifying mapping. Management must develop a checklist for which item in the financial statements is assessed against the GRAP requirements.	Mr A Lwana	31-Jul-18	Not started
2	Employee costs	COAF 025 Execution: Employee Cost: Payroll Payments made via the cashbook During the audit of payroll it was noted that there are amount for salaries and bonuses paid via the cashbook. PAYE was not accounted for and thus could not establish the amount the PAYE was understated.	Ensure that all employees are billed and included in the payroll reports before salary payments are made and if there are employees omitted the payroll staff should ensure they re-submitted for costing. Alos ensure that the payroll reconciliation are prepared on a monthly basis.	Mr L Matiwane	Ongoing	In progress
3	Employee costs	COAF 025: HR Compliance- No evaluation panel for the Municipal Manager During the audit it was noted that no evaluation panel was established to perform the annual performance of the municipal manager.	Management should ensure that the approved PMS Policy is being implemented and cascaded down to all employee levels	Mr L Matiwane	Ongoing - 30 June 2018	Not started
4	Employee costs	COAF 025: Employee Benefits-Leave accrual discrepancies Per the Leave accrual calculation noted that there discrepancies identified in the following employees:	Obtain the leave provision schedule and perform recalculations on leave and ensure that the leave has been restated accordingly	Mr L Matiwane	30-Jun-18	Not started
5	Employee costs	COAF 010: Employee costs- Discrepancies identified in allowances Recalculated the overtime/standby allowance payments made to the employees and noted that there were differences; Recalculated the shift allowance and the following differences were identified;	When preparing for allowance payments ensure that the approval forms are signed by the HOD and also the HR Manager and CFO as to ensure that the calculations are paid in accordance	Mr L Matiwane	Ongoing	In progress
6	General IT controls	COAF 006: Entity level controls – weaknesses identified The following weaknesses were identified on the municipality's ICT environment: Finding 1: There is no approved IT Governance framework. Finding 2: There is no approved IT Strategic plan. Finding 3: The following responsibilities are not formally delegated: <input checked="" type="checkbox"/> Information security and <input checked="" type="checkbox"/> Corporate Governance of ICT Finding 4: There is no SLA contract for the application system Cibecs. Finding 5: The ICT steering committee in place is not effective as it has not set for meetings from the start of the financial year to date. Finding 6: There are no progress reports or action plans for IT service providers' SLAs, therefore no evidence of monitoring of their performance against agree terms. Finding 7: There is no patch management system in place. Finding 8: There are no processes in place to ensure that users' access and privileges on all financial systems are periodically reviewed to confirm that such privileges are still commensurate to their duties. Finding 9: There are no processes in place for the independent review of activities of the person granting users access to the network, application systems and performance reporting	Management should ensure that there is Review of the standard operating procedures and allocate responsibilities.	Mr L Matiwane	Ongoing	Not started
7						

<p>8 Unauthorised , irregular and fruitless and wasteful expenditure</p>	<p>COAF 025: Municipality incurred unauthorised expenditure and F&amp;W It was established during testing that the following procedures were not met as the municipality incurred irregular expenditure, unauthorised and fruitless and wasteful expenditure in the current year:</p>	<p>Management should obtain a schedule of Unauthorized, Fruitless and Wasteful Expenditure and confirm that for the current year incurred expenditure and reported is investigated as per legislative prescripts.</p>	<p>Mr SG Sotshongaye</p>	<p>In progress</p>
<p>Internal Audit</p>	<p>COAF 006: Internal audit unit not adequately staffed. While obtaining understanding of the municipality's internal controls, it was noted that the internal audit unit of the municipality is not adequately staffed as it is only capacitated with the Chief Audit Executive, one intern and one student.</p>	<p>Municipality must ensure that all the critical positions are funded and filled as to capacitate the units.</p>	<p>Ms L Mdingi ASAP</p>	<p>Not started</p>
<p>9 Budget Disclosure</p>	<p>IDC COAF 019: Budget: Differences between the AFS and final budget It was noted that there is a difference of R 559 418 between the amount recorded in the Statement of Comparison of Budget and Actual Amounts and the amount recalculated by the auditor.</p>	<p>Obtain the schedule and also the budget workings supporting the financial statements and confirm that these two documents agree and restate the amounts</p>	<p>Mrs N Boti</p>	<p>30-Jun-18 In progress</p>
<p>10 Immovable assets</p>	<p>COAF 005: Capital assets - Fixed asset register not updated and no reconciliations performed. During the walkthroughs of capital assets there following control deficiencies were noted: 1) There is no reconciliation of assets to asset register for the following capital assets: <input type="checkbox"/> Heritage assets <input type="checkbox"/> Intangible Assets <input type="checkbox"/> Investment Property <input type="checkbox"/> Property, Plant and equipment 2) The asset register is not up to date for the following assets: <input type="checkbox"/> Heritage assets <input type="checkbox"/> Intangible Assets <input type="checkbox"/> Investment Property <input type="checkbox"/> Property, Plant and equipment</p>	<p>Perform reconciliations for fixed asset registers as per the asset management policy on a monthly basis by ensuring that the Fixed Asset Register agrees to the General Ledger</p>	<p>Mr S Notununu</p>	<p>30-Jun-18 In progress</p>
<p>11 Immovable assets</p>	<p>COAF 017: Execution: PPE: Accounting Policy on the AFS is incorrect Per inspection of Annual Financial Statements (AFS) noted that the accounting policy of useful life of PPE is not consistent with Fixed Asset Register (FAR) and Asset Management Policy (AMP) For example the roads and paving is stated as 10 - 15 years per AFS but as per FAR and AMP is up to 50 years.</p>	<p>No Action Required this was amended in the Final Adjusted AFS Submitted for Audit Purposes and BUT the management needs to confirm that the disclosure description in the financial statements does agree to the approved municipal policies.</p>	<p>Mr A Lwana</p>	<p>31-Jul-18 Not started</p>
<p>12 Immovable assets</p>	<p>COAF 015: Execution: PPE: Errors on Financial Statements During the performance of our work on property, plant and equipment we noted the following: <input type="checkbox"/> Cost for Infrastructure per the TB does not agree to AFS (Note 8). Landfill site transfer from WIP was disclosed under additions instead of transfers on PPE note. <input type="checkbox"/> Impairments not separately presented in the Financial Statements <input type="checkbox"/> Accounting policy 1.4 Investment properties is referred to as Property, plant and equipment (continued) on page 17 of AFS. <input type="checkbox"/> The below paragraph of GRAP as per AFS (page 45) is not correct, change in accounting policy is par 83 not 87. <input type="checkbox"/> "Change in Estimate - Useful Life of Property, Plant and Equipment reviewed <input type="checkbox"/> In line with GRAP 17 paragraph 87, there was no change in the estimated useful life of various assets of the municipality for the reporting period."</p>	<p>No Action Required this was amended in the Final Adjusted AFS Submitted for Audit Purposes BUT the management needs to ensure that the financial statements to be submitted to AG are submitted for independent review as the AFS preparers might oversee some of the casting errors and also omitted accounting policies.</p>	<p>Mr A Lwana</p>	<p>31-Jul-18 Not started</p>

<p>Investment property</p> <p>COAF 017: Execution: Investment Property: Change in accounting policy Per inspection of Annual Financial Statements (AFS) noted that:  <input checked="" type="checkbox"/> the accounting policy for investment property is not consistent with Fixed Asset Register (FAR) and Asset Management Policy (AMP).  <input checked="" type="checkbox"/> change in accounting policy note was not included the note to the financial statements as required by GRAP 3.</p>	<p>No Action Required this was amended in the Final Adjusted AFS Submitted for Audit Purposes <b>BUT the management needs to ensure that the financial statements to be submitted to AG are submitted for independent review as the AFS preparers might oversee some of the casting errors and also omitted accounting policies.</b></p>	<p>Mr A Lwana</p>	<p>Not started</p>
<p>14 Operating expenditure</p> <p>COAF 23: Subsistence Allowance - Amount per claim form does not agree with recalculated amount</p>	<p>When preparing for Subsistence allowance payments ensure that the approval forms are signed by the HOD and also the HR Manager and CFO as to ensure that the calculations are paid in accordance to the policy</p>	<p>Mr L Matiwane</p>	<p>In progress</p>
<p>15 Payable from exchange</p> <p>COAF 025: Unrecorded liability  During the audit work performed, it has been identified that payment which was made on the 11 July 2017 for an invoice that was received on the 27 June 2017 was not raised as liability at year end.</p>	<p>Management should ensure that the a cut off procedure is performed to ensure that all liabilities for the year have been raised and paid within the prescribed period. Also extract the GL and scrutinise that all payments after year end are of the subsequent year.</p>	<p>Mr M Msutu</p>	<p>In progress</p>
<p>16 Predetermined objectives</p> <p>COAF 013: IFRASTRUCTURE &amp; LED: Actual performance not compared to prior year performance in the APR  During the performance of our work it was noted that there is no comparison made of the prior year actual performance (2015/16) to the current year actual performance (2016/17) for all the Municipal Key Performance Areas (KPA) per the IDP review and SDBIP 2016/17.</p>	<p>Develop a template that will ensure that prior year comparative information is included in the Annual Performance Report</p>	<p>Mr P Mhloli</p>	<p>In progress</p>
<p>17 Predetermined objectives</p> <p>COAF 013: IFRASTRUCTURE: Targets not specific and measurable  During the audit, it was noted that performance appraisal are not performed for all employees of the municipality other than sec 56&amp;57 employees.</p>	<p>The SDBIP and the IDP needs to be reviewed to ensure that it does meet the SMART criteria</p>	<p>Mr M Mcinga</p>	<p>In progress</p>
<p>18 Predetermined objectives</p> <p>COAF 013 : INFRASTRUCTURE: Inconsistencies identified  During the audit of predetermined objectives inconsistencies between the plan and reported objectives, indicators and targets were identified</p>	<p>Management should ensure that after submission of quarterly reports to the Chief Operating officer the POEs are submitted as corroborative evidence of the achieved targets and also for audit evidence</p>	<p>Mr M Mcinga</p>	<p>In progress</p>
<p>19 Predetermined objectives</p> <p>COAF 013: LED- Performance indicator is not well defined  During the performance of our work on predetermined objectives we identified indicator and/or targets that were not well defined. Detailed information is as follows:</p>	<p>The SDBIP and the IDP needs to be reviewed to ensure that it does meet the SMART criteria</p>	<p>Mr Z Zipete</p>	<p>In progress</p>
<p>20 Predetermined objectives</p> <p>COAF 012: INFRASTRUCTURE: APR results reported not accurate  municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it.  We evaluated audit evidence for the performance indicators listed below and noted that the actual reported results were not recorded accurately in the annual performance report.</p>	<p>Management should ensure that after submission of quarterly reports to the Chief Operating officer the POEs are submitted as corroborative evidence of the achieved targets and also for audit evidence</p>	<p>Mr M Mcinga</p>	<p>In progress</p>
<p>21 Predetermined objectives</p> <p>COAF 014: LED: Reported information does not agree to audited information</p>	<p>Management should ensure that after submission of quarterly reports to the Chief Operating officer the POEs are submitted as corroborative evidence of the achieved targets and also for audit evidence</p>	<p>Mr Z Zipete</p>	<p>In progress</p>

Predetermined objectives	<p>COAF 014: LED: Information submitted insufficient</p> <p>The POE information submitted per RFI 42 is insufficient to provide evidence for reported information for the following indicators:</p> <ul style="list-style-type: none"> <li>• Hosted Eco tourism event</li> <li>• Supported wool growers</li> </ul>	<p>Management should ensure that after submission of quarterly reports to the Chief Operating officer the POEs are submitted as corroborative evidence of the achieved targets and also for audit evidence</p>	Mr Z Zipete	Quarterly and Annually	In progress
23	<p>COAF 014: LED: Expenditure amount per target not included in the APR</p> <p>During the performance of our work on audit of predetermined objectives it was noted that LOCAL ECONOMIC DEVELOPMENT RURAL DEVELOPMENT AND PLANNING did not included actual expenditure per target as required on annual performance report submitted for audit</p>	<p>Develop a template that will ensure that prior year comparative information is included in the Annual Performance Report</p>	Mr P Mhloli	Quarterly and Annually	In progress
24	<p>COAF 014: INFRASTRUCTURE: Reported information does not agree to audited information</p> <p>During the performance of our work we noted differences between reported and audited information for the following indicator</p>	<p>Management should ensure that after submission of quarterly reports to the Chief Operating officer the POEs are submitted as corroborative evidence of the achieved targets and also for audit evidence</p>	Mr M Mcinga	Quarterly and Annually	In progress
25	<p>COAF 005: SCM: Non-compliance - adverts not placed for 30 days, non-submission of certificate of good standing.</p> <p>During the records review assessment, the following issues were noted:</p> <ol style="list-style-type: none"> <li>1. Adverts were not placed for a period of 30 days as per the SCM requirements for these contracts, with adverts placed on 29 July 2016, with closing date 24 August 2016, resulting in the advert being placed for 24 days: <ul style="list-style-type: none"> <li>• MIG/EC/R/12337/15/18 Construction of Qumbu Streets awarded to Nomantombi Trading JV Sirobi Civils.</li> <li>• MIG/EC/R/230160 Construction of Tsolo Streets surfacing phase 2 awarded to Batabile Construction CC.</li> </ul> </li> <li>2. There was no advert attached for the following contract: <ul style="list-style-type: none"> <li>• AMACPH2/MHL/DOE/16/17 Completion of Amacwerha phase 2 Additional awarded to Mothapo Consulting CC and it could therefore not be confirmed whether the advert was placed for the required period.</li> </ul> </li> <li>3. There was no certificate of good standing attached for the following contracts: <ul style="list-style-type: none"> <li>• MIG/EC/R/12337/15/18 Construction of Qumbu Streets awarded to Nomantombi Trading JV Sirobi Civils</li> <li>• AMACPH2/MHL/DOE/16/17 Completion of Amacwerha phase 2 Additional awarded to Mothapo Consulting CC</li> </ul> </li> </ol>	<p>No Action Required as the information was submitted to the auditors and this test was performed as at planning stage and at execution the auditors didn't receive the management that was submitted to the auditors during planning phase and this was subsequently RESOLVED</p>	Ms N Budaza-Mditshwa	N/A	Completed
Procurement and Contract	<p>COAF 025: Supplier failed to declare this interest</p> <p>The following suppliers failed to declare interest and as they were noted to be state employees</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> All round protection</li> <li><input checked="" type="checkbox"/> Oyakwa 1414</li> <li><input checked="" type="checkbox"/> Bakoena it services</li> <li><input checked="" type="checkbox"/> Silver solutions 2021</li> </ul>	<p>No Action Required as the information was submitted to the auditors and management is of the view that the finding was RESOLVED BUT Management should continue to review the interest of the suppliers through declarations and also the CSD and also obtain a list of employee declaration to ensure that all those are added to restricted suppliers.</p>	Ms N Budaza-Mditshwa	Ongoing	Completed
26 Management					In progress
Procurement and Contract					
27 Management					

<p>Procurement and Contract 28 Management</p>	<p>COAF 21: Non-compliance Preferential Procurement Regulations It was established during testing of the procurement that the following contract listed below was advertised at 80/20 however all the tenders received were above R 1 million and the municipality did not cancel and re-advertise the tenders</p>	<p>Obtain a list of tenders procured and confirm that all applicable legal prescripts have been followed and subsequently update the irregular registers. Also ensure that all SCM personnel and Bid Committees are offered training.</p>	<p>Ms N Budaza-Mditshwa</p>	<p>In progress In progress</p>
<p>Procurement and Contract 29 Management</p>	<p>COAF 22: Contract Management Not performed for the leasing of machine contract. It was established during testing that the following contract listed below was not monitored on a monthly basis and the performance measures were not defined. LM/SP/01/MHLM2016/17- Nashua Leasing of Machines</p>	<p>Budget &amp; Treasury Office to email contracts management template on a monthly basis for HoDs to complete and monitor. Discuss projects monthly at management meetings. Ensure that progress reports are tabled quarterly to council, and monthly on standing committee meetings. Deadline 01 March 2018</p>	<p>Ms N Budaza-Mditshwa</p>	<p>Ongoing</p>
<p>Procurement and Contract 30 Management</p>	<p>COAF 023: Quotations were accepted without tax clearance certificate The following goods and services with a transaction value of above R30 000 were procured on a quotations basis from suppliers who did not have tax clearance from SARS confirming that their tax matters are in order. IPDMLM2017/2022: KDBS Consulting R 198 132 COAF 020: CIDB Requirements not considered for construction contracts It was noted that the tender for the following projects did not specify the CIDB grading that the contractor must be registered for in order to be considered for the tender.</p>	<p>No Action Required as the information was submitted to the auditors and management is of the view that the finding was RESOLVED and also Management now uses SARS oin and also CSD to confirm the tax status</p>	<p>Ms N Budaza-Mditshwa</p>	<p>In progress</p>
<p>Procurement and Contract 31 Management</p>	<p>COAF 009: Revenue: Internal control deficiencies on July Tariffs We evaluated revenue items and noted the discrepancies as listed in the table below;</p>	<p>Ensure that for all procurement of goods and services that includes the term construction "CIDB" grading is included in the advert inviting bidders. Also ensure that all SCM personnel and Bid Committees are offered training.</p>	<p>Ms N Budaza-Mditshwa</p>	<p>In progress</p>
<p>32 Revenue</p>				<p>31-Jul-18 In progress</p>

MHLONTLO LOCAL  
MUNICIPALITY



# ORGANISATIONAL STRUCTURE

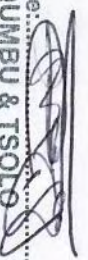
2016-2017

# MHLONTLO MUNICIPALITY REVIEW 2016/2017 ORGANOGRAM



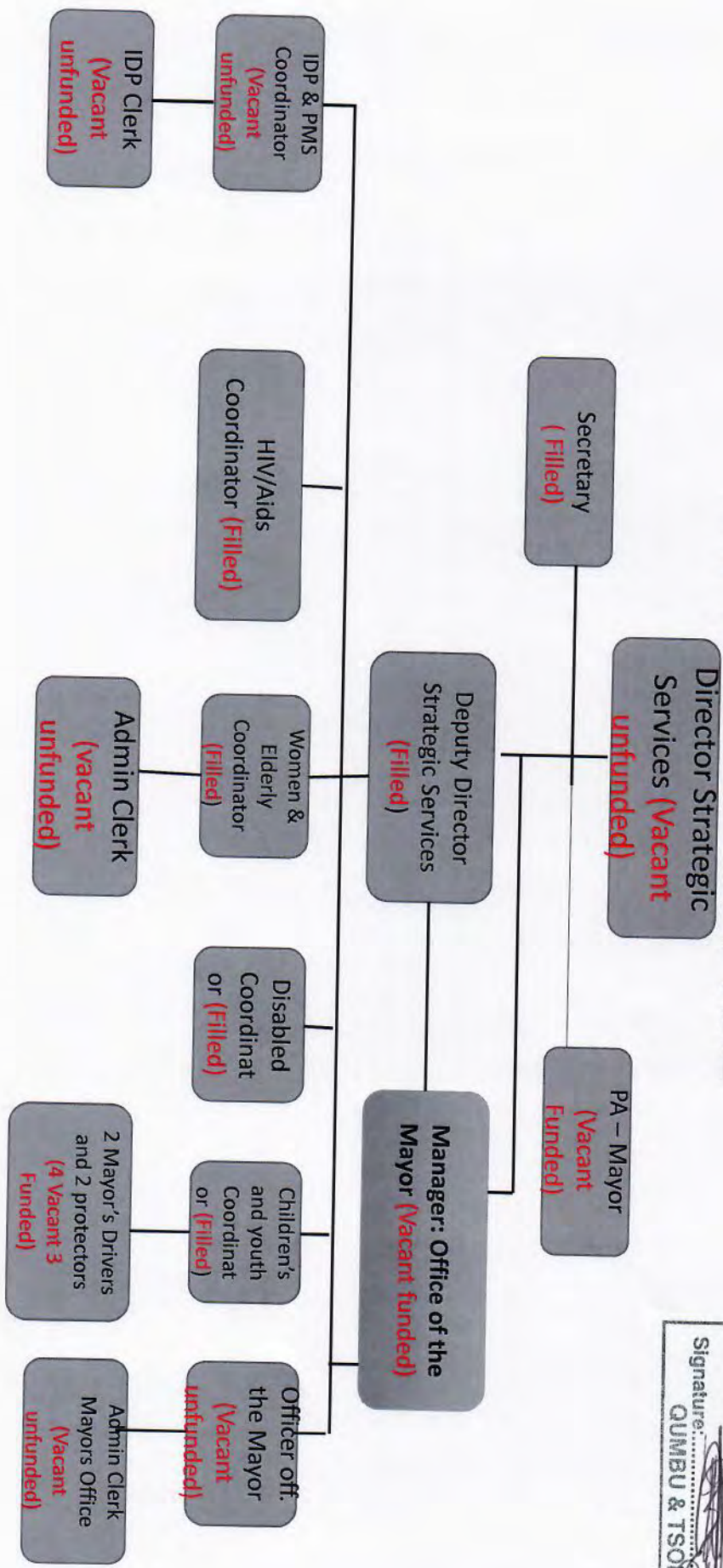
MHLONTLO MUNICIPALITY  
MUNICIPAL MANAGER

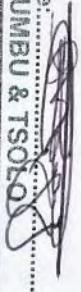
2016 -10- 28

Signature:   
GUMBU & TSOFO

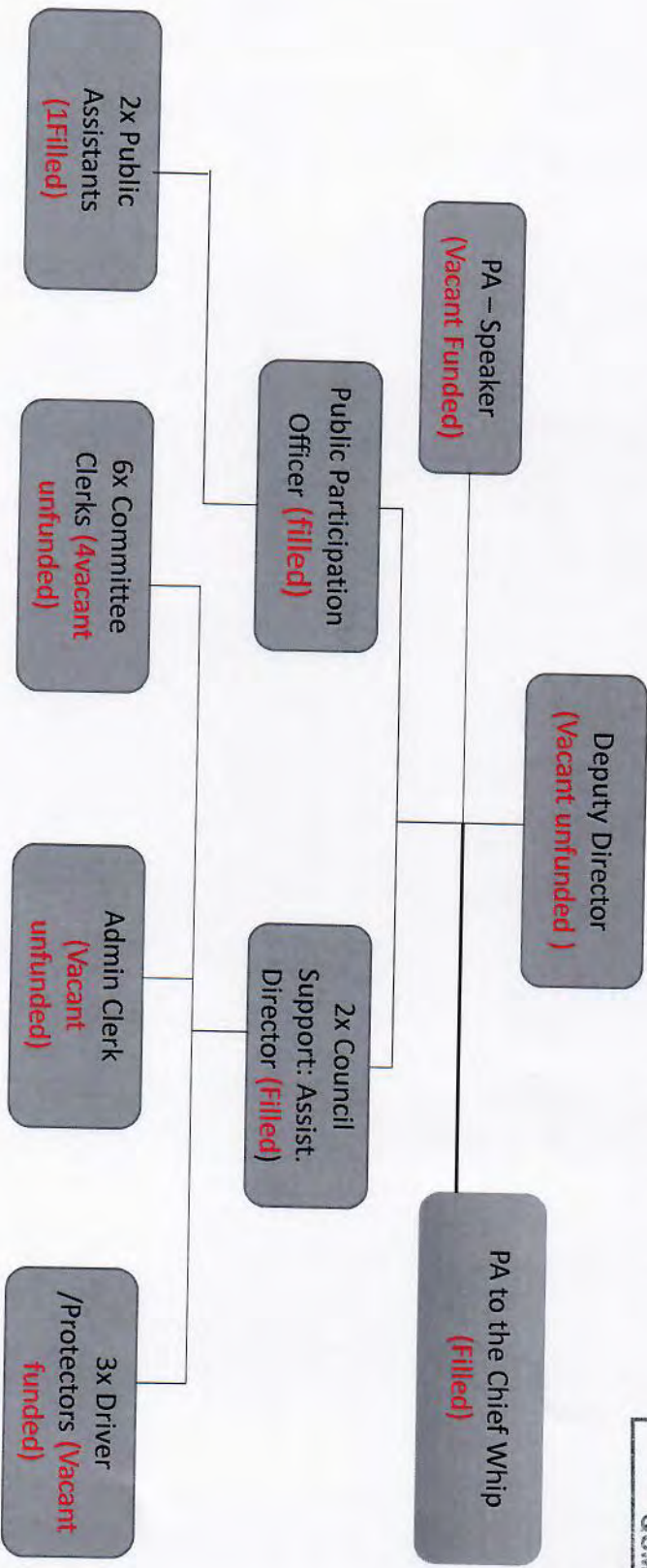


# MAYOR'S OFFICE



MHLONTLO MUNICIPALITY  
 MUNICIPAL MANAGER  
 2016 -10- 28  
 Signature:   
 QUMBU & TSOFO

# Speaker's Office 2016/2017

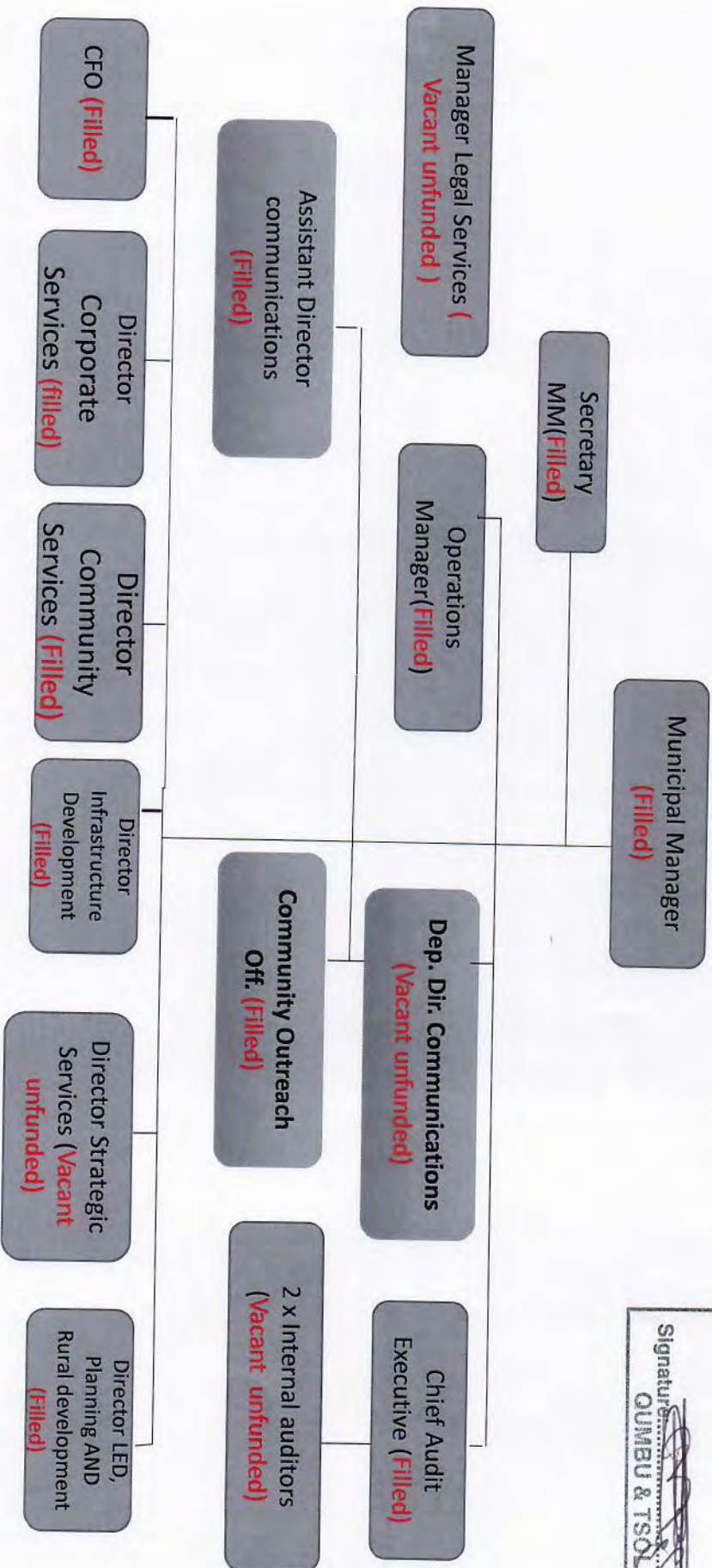


MHLONTLO MUNICIPALITY  
MUNICIPAL MANAGER

2016 -10 - 28

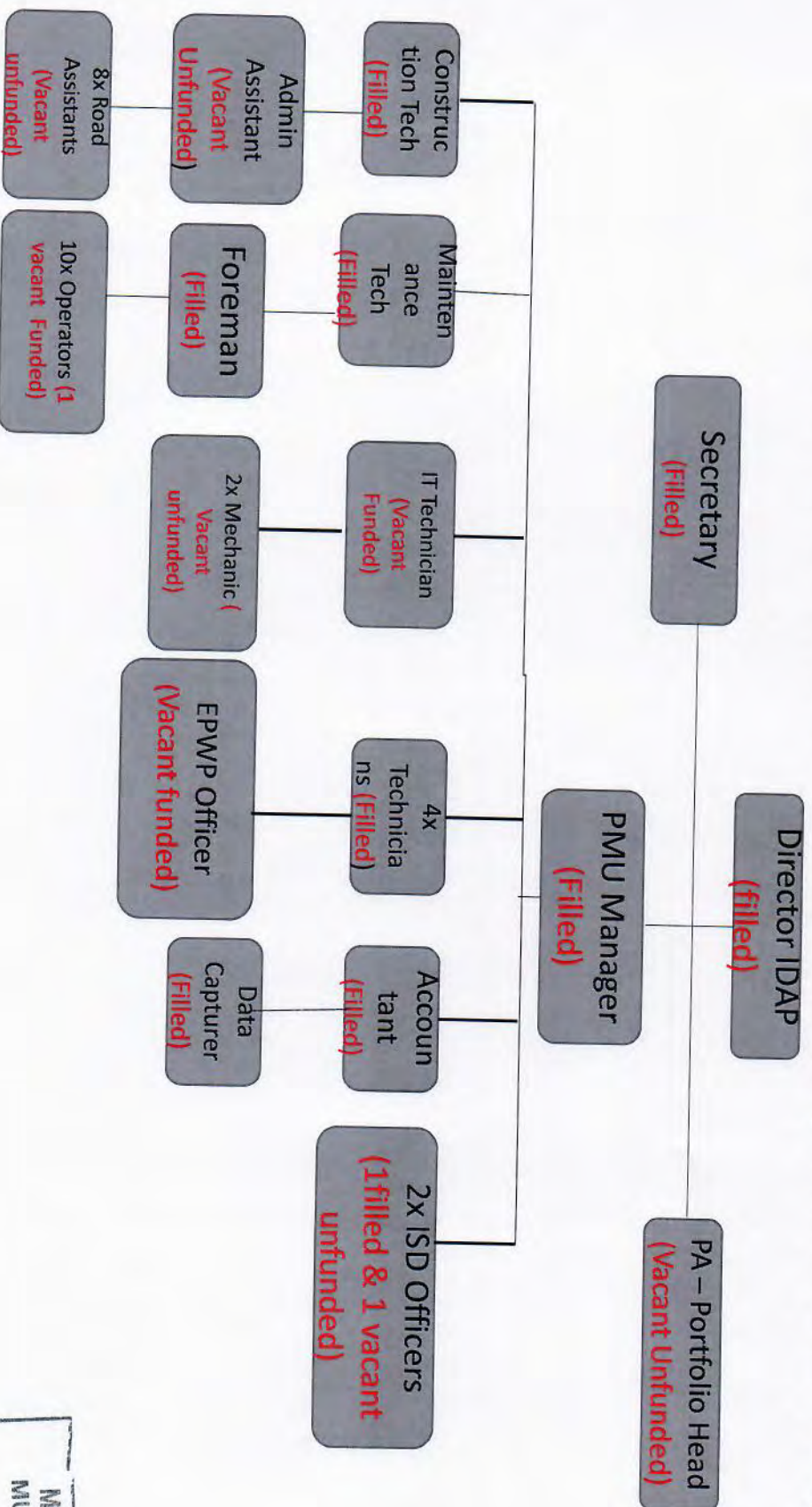
Signature:   
QUMBU & TSOLO

# Management 2016/2017



MHLONTLO MUNICIPALITY  
MUNICIPAL MANAGER  
2016 -10- 28  
Signature:   
QUMBU & TSOLO

# Infrastructure Services Development 2016/2017



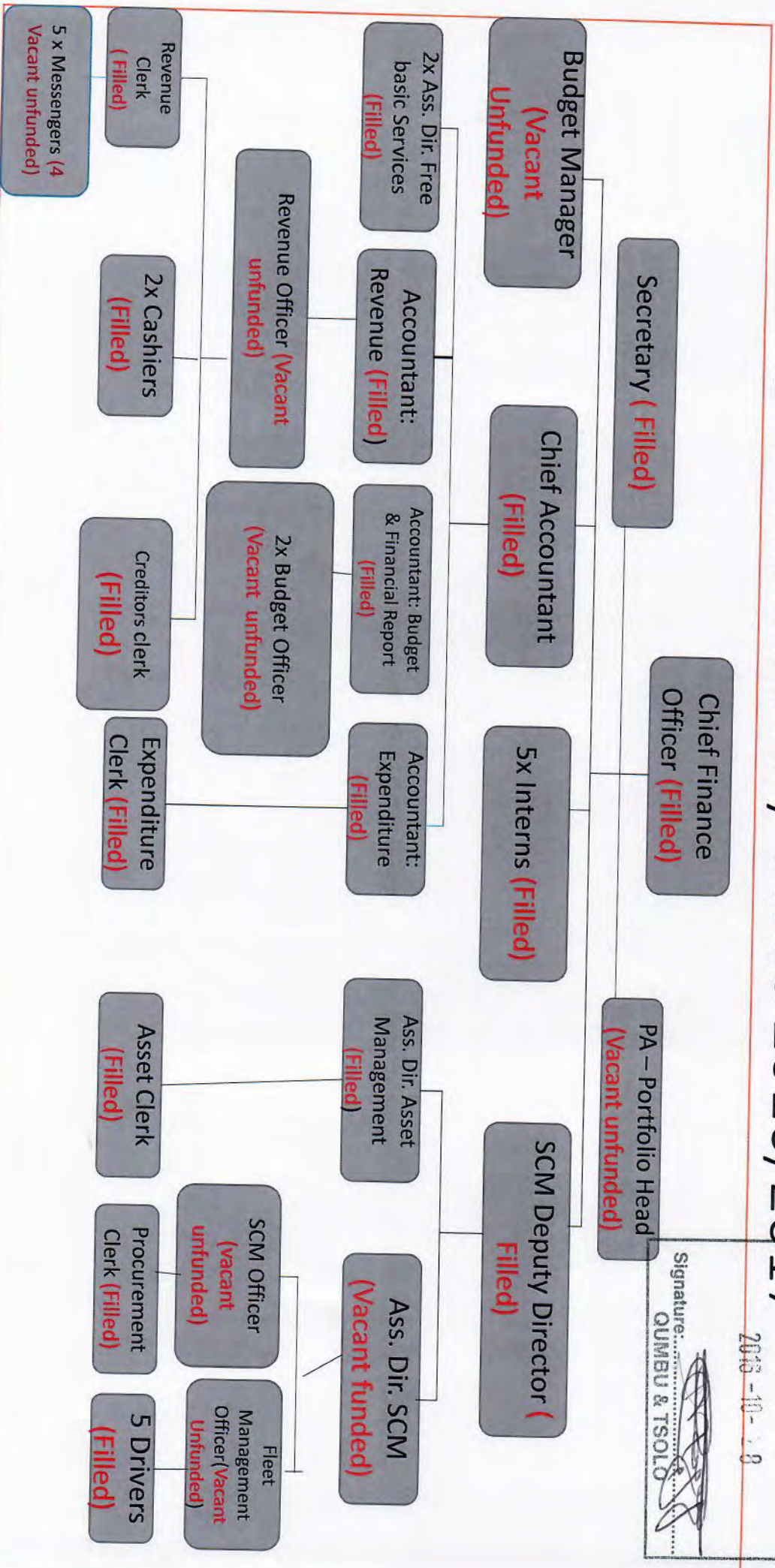
MHLONTLO MUNICIPALITY  
 MUNICIPAL MANAGER  
 2016-10-28  
 Signature:   
 QUMBU & TSOLO

# Budget and Treasury Office 2016/2017

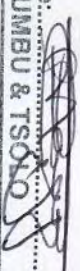
MHLONTLO MUNICIPALITY  
MUNICIPAL MANAGER

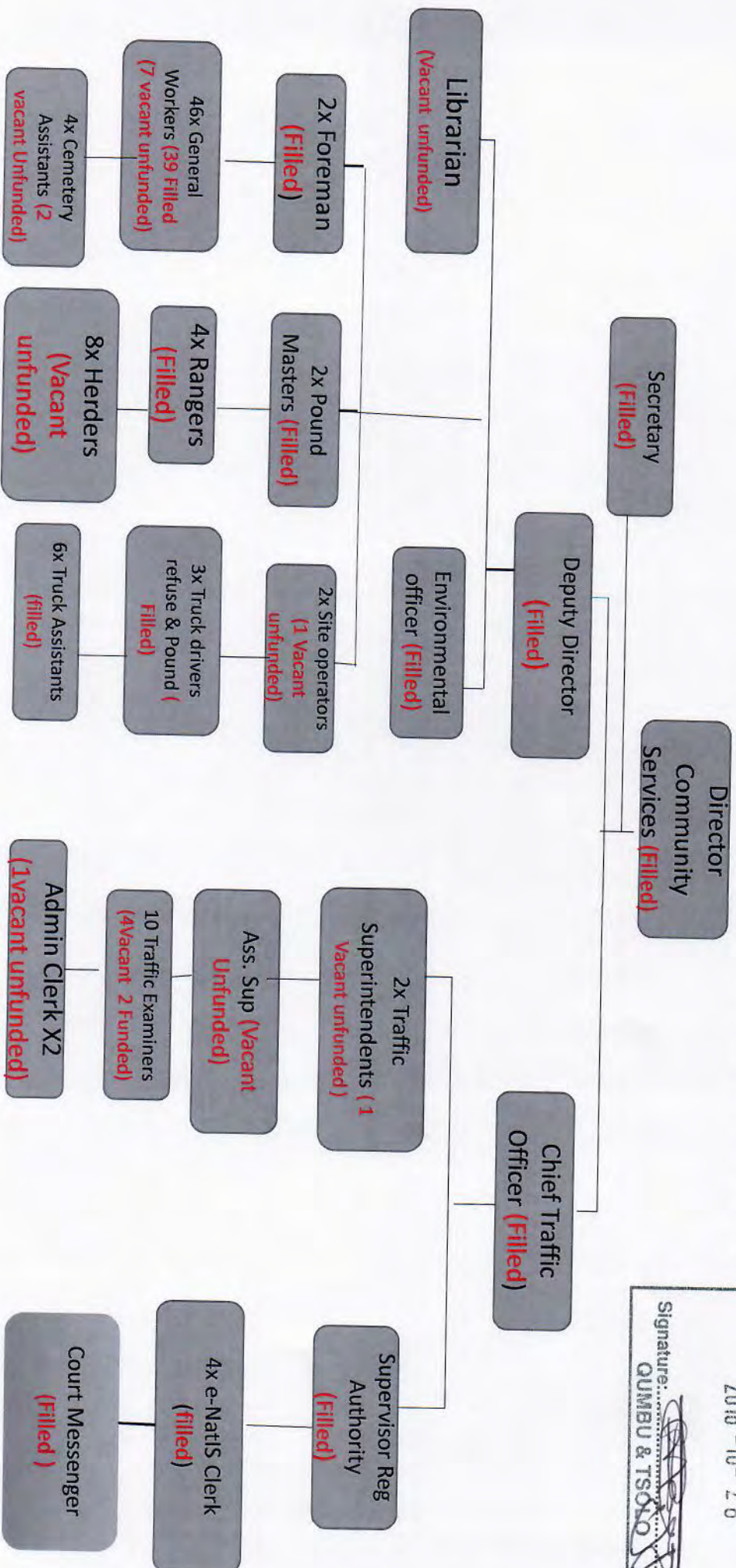
2016 -10 - 18

Signature:   
QUMBU & TSOLO



# Community Services 2016/2017


MHLONTLO MUNICIPALITY  
MUNICIPAL MANAGER  
2016 -10- 28  
Signature:   
GUMBU & TSOHO

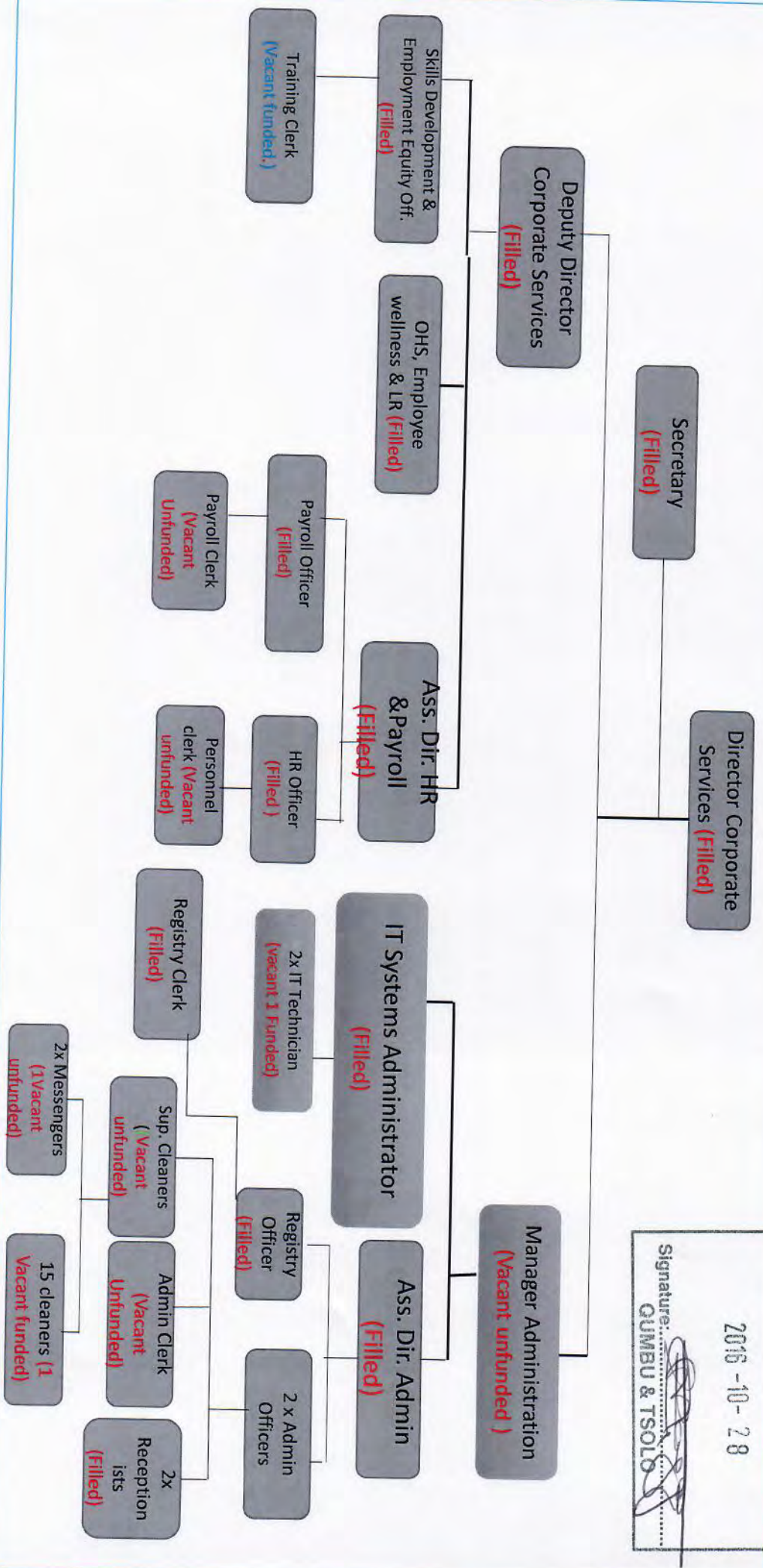


# Corporate Services 2016/2017

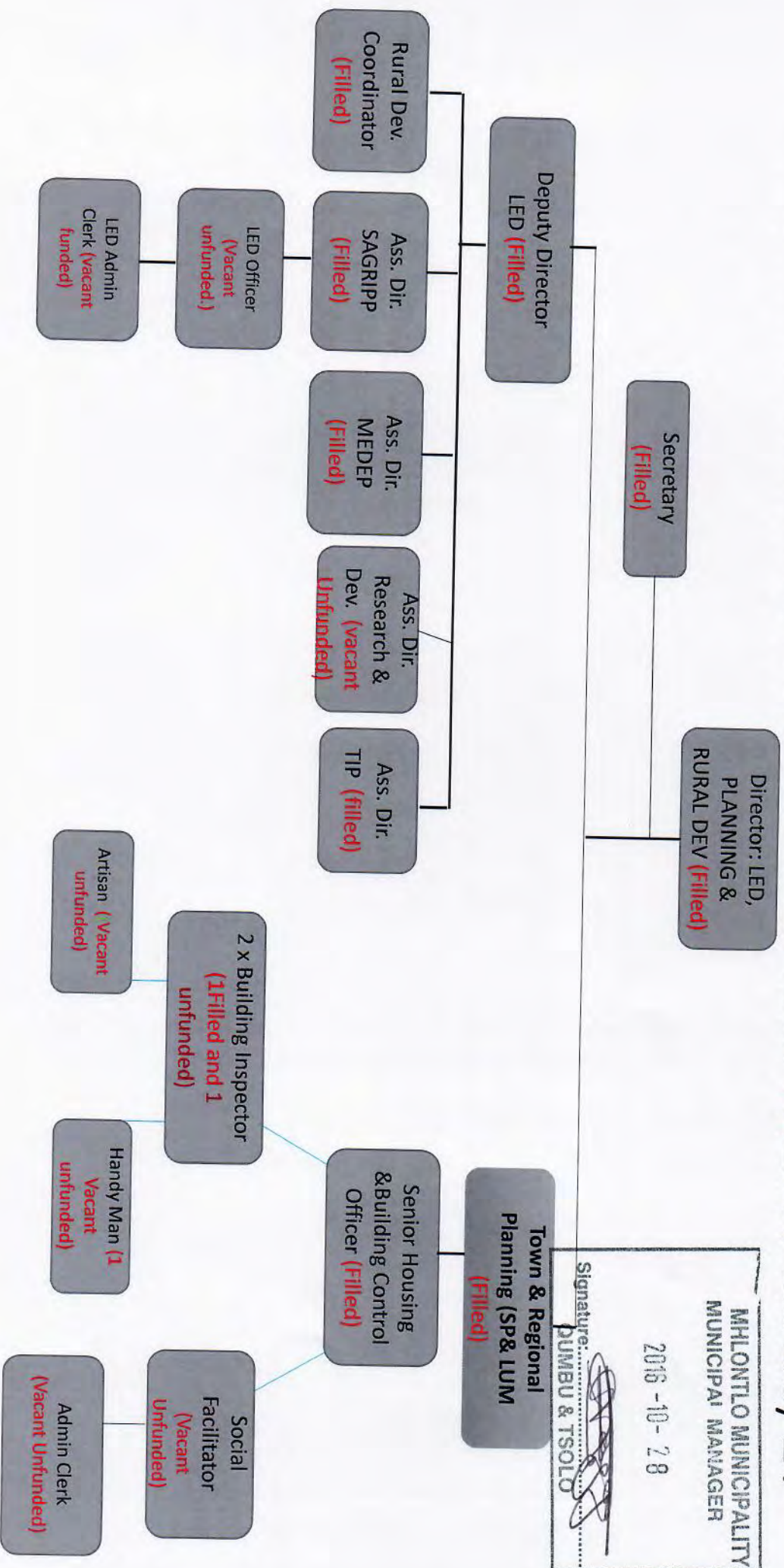
MHLANTLO MUNICIPALITY  
MUNICIPAL MANAGER

2016 -10 - 28

Signature:   
QUMBU & TSOLO



# LED, PLANNING & RURAL DEVELOPMENT 2016/17





MHLONTLO LOCAL  
MUNICIPALITY



# AUDIT COMMITTEE REPORT

2016-2017

## **Mhlontlo Local Municipality**

Annual Financial Statements for the year ended 30 June 2017.

### **Audit Committee Report**

We are pleased to present the annual report of the audit committee for the 2016/17 financial year ending 30 June 2017.

#### **Audit committee members and attendance**

The Audit Committee (the Committee) is a sub-committee of Council. The responsibilities of the Committee are detailed in the Audit Committee Charter. This charter was developed by the committee, presented to management and was approved by the council and it is reviewed on an annual basis.

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference.

During the current year 6 audit committee meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
1) Mr. L. Galada	7
2) Mr. P.H. Songo	4
3) Mrs. N. Hlongwane	5

In all the audit committee meetings there is a standing invitation to the following:-

- Management
- Internal audit
- Auditor General South Africa
- Provincial Treasury
- Department of Co-operative Governance and Traditional Affairs
- OR Tambo District Municipality – Internal Audit

#### **Audit committee responsibility**

The Audit Committee is an independent advisory body which must advise the municipal council, political office-bearers, the accounting officer and the management staff of the municipality on matters relating to (i) internal financial controls and internal audits; (ii) risk management; (iii) accounting policies; (iv) the adequacy, reliability and accuracy of financial reporting and information; (v) performance management; (vi) effective governance; (vii) compliance with MFMA, annual Division of Revenue Act and any other applicable legislation; (viii) performance evaluation; and (ix) any other issues referred to it by the municipality.

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

The terms of reference were adopted by the Council.

The audit committee also performs the responsibilities of the performance audit committee.

The Committee has no executive function and its primary objective is to review and conduct oversight rather than assume responsibility for any matters within its remit.

During this period the Committee conducted the following business and made recommendations for improvement in the relevant areas:

- Approval of the internal audit coverage plan
- Reviewed the Annual Financial Statement for 2016/17 financial year
- Reviewed the municipalities financial and performance reports
- Reviewed the risk management framework of the municipality
- Considered litigation matters facing the municipality
- Reviewed Internal Audit quarterly reports
- Reviewed External and Internal Audit recommendations, monitoring and tracking thereof
- Concluded on issues that were raised on the previous years
- Strengthening of oversight, deviation register, creditors system
- Human resources management
- SDBIP and alignment of management contracts

### **The effectiveness of internal control**

Significant weaknesses of internal control have been reported by the internal audit function and the Auditor General. The audit committee was given assurance by management that most of the significant issues raised by the Auditor-General were within the means of management to rectify, and they outlined the challenges that resulted in the weaknesses. Management has developed an action plan, with responsible individuals and dates, and the audit committee will be informed regularly of the progress made on the matters raised.

In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

### **Evaluation of financial statements**

The audit committee has:

- reviewed and discussed the unaudited financial statements to be included in the annual report, with the Auditor General and the Accounting Officer;
- reviewed changes in accounting practices;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments.

The audit committee welcomes the annual financial statements, as presented, are a fair presentation of the financial affairs and financial position of the municipality.

The audit committee accepts the Auditor-General's conclusions on the annual financial statements, and would like to congratulate management for all the hard work that has resulted in the municipality obtaining the opinion.

### **Annual audit**

The annual audit of Mhlontlo Local Municipality by the Auditor-General SA has been finalised, and the audit committee reviewed the audit findings and the resultant audit report for the year ended 30 June 2017. The audit committee accepts the findings, and is appreciative to the Auditor-General and management for co-operation and openness that prevailed in the conduct of the annual audit.

The unqualified opinion on the accompanying financials was discussed with management and the Auditor General.

The management report from the Auditor General SA has highlighted some issues that are significant but do not affect the audit opinion, they include: Debt impairment, Irregular expenditure and Unauthorised expenditure.

The causes of these findings were discussed in detail, together with the responses of management detailing corrective measures to address the identified significant weaknesses.

The audit committee was given assurance by management that most of the significant issues raised by the Auditor-General were within the means of management to rectify, and they outlined the challenges that resulted in the findings. Management has developed an action plan, with responsible individuals and dates, and the audit committee will be informed regularly of the progress made on the matters raised.

### **Internal audit**

The Audit Committee concerned that the internal audit unit did not effectively carry out its responsibilities as a result of capacity constraints experienced by the unit. The effectiveness of the unit has been also affected by inability of O.R Tambo District Municipality to continue with the support it has previously provided to the unit.



.....  
L Galada

**Chairperson of the Audit Committee**

**MHLONTLO LOCAL  
MUNICIPALITY**



**EXTRACT RESOLUTION**  
**TABLING OF DRAFT ANNUAL REPORT**

POSTAL ADDRESS  
P.O. Box 31  
Qumbu  
5180



PHYSICAL ADDRESS  
96 Lungile General  
Mabindla Street  
Qumbu  
5180

Ifoni/Tel: 047-5537000  
E-mail: speaker\_mhlontlo@yahoo.com  
Imibuzo/Enquiries: M.Mpofu  
Date: 31 January 2018

Ifax/Fax: 047-5530189

**EXTRACT COUNCIL RESOLUTION OF ORDINARY MEETING OF COUNCIL  
HELD ON 31 JANUARY 2018**


**OFFICE OF THE SPEAKER**

**Notice:** is hereby given in terms of Section 29(1) of the Local Government; Municipal Structures Act, (Act 117 of 1998) that, the Speaker hereby convenes an Ordinary Council Meeting of Mhlontlo Municipality Council to be held on Wednesday day the 31 January 2018 in the Mhlontlo Municipal Council Chambers, Qumbu at 10H00 to discuss the Agenda underneath:

**1. Draft Annual Report 2016/2017**

**Resolution: CON-252-17/18**

- (a) The Council resolved to accept for noting the Draft Annual Report for 2016/17 financial Year.
- (b) That the Draft Annual Report 2016/17 should be referred to Municipal Public Accounts Committee for further consideration.
- (c) That the Draft Annual Report 2016/17 be advertised and all stakeholders and communities be invited to comment on the report.
- (d) The report be submitted to all organs of state as per the dictates of the MFMA.

Signature: 

**MHLONTLO LOCAL MUNICIPALITY**  
Council Speaker  
Mhlontlo Local Municipal  
2018 -01- 31  
SIGNATURE:.....  
**QUMBU - TSOLO**

