

LETSEMENG LOCAL MUNICIPALITY



Final Annual Report



2016/ 2017 Financial Year

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2 CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

2.1 COMPONENT A: MAYOR’S FOREWORD



It is a great pleasure and honour for me, to once more present the annual report to the community of Letsemeng. The report covers the work done during 2016/17 financial year, which started in July 2016 to June 2017.

It is noteworthy to remember that 2016 was the election year for the local governments. Ordinarily, I expected that the elections would be held before the end of the financial. The proclamation by the Minister of Cooperative Governance and Traditional Affairs, Mr. D Van Rooyen MP, that local government elections was to be held on the 3rd of August 2016, led to an overlap of the new financial year with the term of the outgoing councils by a month.

The global changing weather patterns led to the shortage water as early as in December 2015 countrywide. This has not only disrupted water supply in communities, but has negatively affected the rural agricultural economy and raised the alarm of food security looking into the future. Water is life; we must use it sparingly and with care to preserve it for future generations.

I am not oblivious to the social ills resulting from poor performance of our economy in general and the struggling micro-economy in particular. This has continued to erode the revenue base of our municipality resulting in large numbers of indigent families, thus weighing heavily on the equitable share of the institution. Nonetheless this did not, and should not, deter us from keeping our commitments and the “oath of office” to serve our communities to the best of our abilities.

I am bound by our fledgling democracy to be accountable and responsive to the needs of our communities. I am also guided by the vision of the municipality in giving political direction and ensure sustainable quality service delivery.

Formulation of policies and strategies will ensure sustainability and quality service delivery equitably in all communities in Letsemeng. I will ensure that each year assessment of the previous targets set and performance thereof is rigorously done. Annually, the councillors and management hold a strategy workshop at which we revise, realign and adopt new strategies that the Council ultimately adopts.

The municipality guarantees a firm commitment towards good governance, accountability and efforts to extend to our people the benefits accruing from the resources of this municipality.

I am pleased to present the Letsemeng Local Municipality's Annual Report for the 2016/17 financial year. The report outlines our achievements and challenges for the past financial year, reflecting our vision and plans for the communities' future. Democratization of our beloved country imposed imperatives that compel us to communicate and inform both internal and External role players who strengthen accountability to the people and deepening democracy in the quest for a developmental state.

2.1 Vision

Maximised quality service to local communities

2.2 Mission

Informed by NDP, Provincial Growth Strategy and Back-to-Basic programme our mission to provide the best resource management capability at our disposal will be done through;

- ❖ a prosperous municipality that creates an enabling environment for shared economic growth and development
- ❖ achieving effective and equitable service delivery
- ❖ Serving the community of Letsemeng as a well-governed and effectively run administration.
- ❖ contributing actively to the development of the towns environmental, human and social capital
- ❖ offering high-quality services to all who live in, or do business in Letsemeng and
- ❖ An efficient, effective and caring staff.

2.3 Values

- ❖ Commitment
- ❖ Innovativeness
- ❖ Creativity

❖ Integrity

2.4 Key Policy Developments

Although the municipality is still facing challenges with the developmental agenda as espoused in the IDP and the Free State Growth and Development Strategy, there is progress in achieving some of the goals we have set for ourselves. This has made us to be more resolute in proceeding with the developmental agenda and build the municipality that is responsive to the plight of the communities, accountable and better managed to bring a better life to all.

During the course of the year under review the following was achieved:

The municipality entered into a twenty year land lease agreement with Blue Wave Capital, A long term lease agreement was signed with a solar energy investor. The Council will, after its strategic meeting, lay out the key strategic issues it will pursue in the coming five years in line with the major policy positions and developmental objections as set out in the IDP, FSGDP and the NDP.

I believe that Letsemeng Local Municipality will continue putting people first in its endeavours to fulfil its adopted motto that “We Sparkle in Pursuit of Service Excellence”.

2.5 Key Service Delivery Improvements

The focus in the previous year was to tirelessly work towards the improvement of the audit opinion, which we did not achieved. The municipality regressed to a disclaimer audit opinion.

Further strides are being made in addressing unemployment, poverty and inequality. The long awaited project of a crusher plant and brick making has moved a step farther. Risk Assessment to determine the safety of the mine dump if the material to make bricks was used from it was completed and found to be safe if closely monitored. Petra Diamond Mine is currently conducting an environmental impact assessment (EIA), to determine the suitability of setting up a brick factory and the solar plant. These two projects will go a long way in addressing the skills levels in the community and reduce unemployment, especially from the youth.

The devastating drought has led to water restrictions throughout Letsemeng. Earlier in the year the municipality was requested to impose a further 15% restriction on the supply of water by Oranje Riet. It is currently the sole bulk supplier of water as Kalkfontein Dam has almost dried out. The silver lining in the cloud is the completion of the Jacobsdal clean water reservoir that was recently completed. This, we believe, will permanently eliminate the water problem we have at Jacobsdal once the building of the new water treatment plant is completed by the end of the next financial year.

All capital projects we embarked upon in during the course of the year are either complete or are about to be completed. A few of our local contractors have also benefited from these projects, including refurbishment projects sponsored by Petra Diamonds.

Part of the successes during the year under review is the installation of a bulk water pipeline at Ratanang to cater for the 202 sites that do not have piped water in the yards. This will also address the bucket system that is still in use at the area.

Challenges still remain. Crime has set us back through stealing of cables and vandalism of an electric panel at the Alpha pump station. This is the cause of unending sewer spillage into the Riet River and the leaking manholes in Dithake. A permanent solution to the problem is being looked at.

2.6 Public Participation

Public Participation is the cornerstone of deepening the relationship between the communities and the municipality through improved community engagement mechanisms. Thus the functionality of the Ward Committees and regular ward meetings are imperative. The municipality did not do well in this field and it remains a challenge that the incoming Council should look at some of the issues below for effective strategy to be developed in addressing the failures;

- ❖ Public communication systems;
- ❖ Complaints management system;
- ❖ Feedback to communities.
- ❖ Service Delivery Satisfaction Survey for 16/17 Financial Year.
- ❖ Proper documentation of Public Participation meeting held during the 16/17 Financial Year.

Capacity building of the incoming Ward Committees will also be the main key in ensuring that our communities participate fully in the democratic processes and strengthening of the municipality.

2.7 Future Actions

I need to point out that this is the end of term of the Council elected in 2011. Plans we had to implement in the previous year have been alluded to and some are reported in detail in the chapters below. Suffice to say the incoming Council will make its future plans known to the communities once it has had its strategic session to map out its course of action for the next five years.

2.8 Agreements / Partnerships

The municipality entered into a twenty year land lease agreement with Blue Wave Capital, a company that will be bidding to the Department of Energy to build a solar plant at Kalkaar No.14 farm. The farm is a vacant municipal land. This is line with the national policy of making use of vacant municipal land for the economic development and empowerment of local communities.

2.9 Conclusion

It has been a difficult year to render uninterrupted and quality service to our communities in Letsemeng. However, we have under trying circumstances, delivered services to the majority of our communities.

We recognise the important role played by our citizens at the municipality. It is therefore fundamental that they collaborate and cultivate harmonious relations with the municipality to advance development and service delivery.

I must say that we remain committed to the principle of a responsive and accountable local government, a local government by the people, for the people.

Thank you

.....
Cllr. Thandiwe I. Reachable
Mayor / Speaker

3 COMPONENT B: EXECUTIVE SUMMARY

3.1 MUNICIPAL MANAGER'S OVERVIEW

Our motto “we sparkle in pursuit of service delivery” compels administration in general, and management in particular, to perform to our utmost best in ensuring that service delivery is rendered in an efficient and effective manner at all our communities irrespective of socio-economic status, colour or creed.

In pursuance of the motto, minor changes were effected in the technical department to accommodate the electrical manager in the organogram. Further staff placement and re-assignment of duties in the technical and community services departments were made in order to minimise escalating overtime costs and improve efficiencies. Some improvement is starting to show through the downward trend of overtime costs at one of our units and slight improvement of refuse removal at the other unit.

The following specific activities highlight where there has been either improvement or under performance.

Year after year the municipality seem to be facing the same challenges. The situation can only change if the municipality and the supporting economic sector cluster can bring about a radical economic transformation in the area. **The key challenges are;**

- ❖ Attracting economic investment opportunities to improve the economy of the municipal area;
- ❖ Professionalizing the institution so as to enable it to render efficient government services to the people as per the electoral mandate;
- ❖ Creating adequate job opportunities in attempting to alleviate poverty;
- ❖ Empowerment of the SMMEs and entrepreneurs to create job opportunities and increase economic activity in the area;
- ❖ Provide alternative means of support to rural / informal population in order to decrease dependencies on the grants
- ❖ Improvement of the road networks (internal and external roads);

Council, management and staff strongly believe that challenges can be effectively addressed only if we maintain and continue to build partnerships that include all spheres of government, organizations of civil society, communities and the private sector.

The Municipality has now an internal audit unit in place. The risk management unit has also been established and headed by an officer.

The municipality used to have a shared Audit committee , unfortunately it was dissolved in the third quarter of the year under review.

Appreciation

I record my thanks and appreciation to the political leadership for support and guidance. The appreciation is also extended to the management and administration team who selflessly devoted so much time and effort in the execution of their mandates.

.....
Mr. BA Mnguni
Municipal Manager

4 MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW

4.1 INTRODUCTION TO BACKGROUND DATA

Our Municipality is situated in the South Western part of the Free State Province and forms part of the smallest district namely Xhariep District Municipality, a rich agricultural area with natural economic resources. The local municipality area measures 10 192 square kilometres in extend and comprises of five towns; Koffiefontein (which is the head office), Petrusburg, Jacobsdal, Oppermansgronde and Luckhoff. The figure below shows the Letsemeng area with its main towns and neighbouring municipalities of the Xhariep District.



Figure 1: Letsemeng Municipal Area

It borders the Northern (through Jacobsdal) and Western Cape Provinces and is renowned for diamond, salt and slate mining as well as irrigation farming along the Orange Riet Canal and Van der Kloof Dam.

The N8 route transgresses the area to the North West and links Kimberley and Bloemfontein via Petrusburg.

The five towns are connected with tarred road infrastructure via Koffiefontein. The R705 links Jacobsdal with Koffiefontein while the R48 links Petrusburg, Koffiefontein and Luckhoff in a north-south direction. The R704 links Koffiefontein, Fauresmith and Jagersfontein with one another.

The municipal area also accommodates Oppermansgronde, just west of Koffiefontein, which is part of a land restitution project. Several pans occur in the area while the Van der Kloof dam, Kalkfontein Dam and Wuras Resort are some of the more prominent water sources available near the area. The Riet River drains through the area in a Westerly direction while the Orange River is the border west of the area. Although there are ample water sources available near the area, access to potable water in some of the towns remain problematic.

The Northern parts of the municipal area surrounding Petrusburg are good cultivated agricultural land while the southern area is renowned for livestock farming.

Table 1: Overview of Neighbourhoods within Letsemeng Municipality

Overview of Neighbourhoods within Letsemeng	
Settlement Type	Households
Towns	
Jacobsdal	1003
Koffiefontein	3203
Petrusburg	2639
Luckhoff	1007
Sub-Total	7852
Townships	
Ratanang	1112
Sub-Total	112
Rural settlements	1717
Oppermansgronde	230
Sub-Total	1947
Informal settlements	202
Sub-Total	202
Total	11113
	<i>T 1.2.6</i>

4.2 DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE

The population figures are based on the census conducted in 2011 and the recent 2015 household survey. Migration tends to be voluntary, in most cases it is in search of better economic opportunities and a quality of life. A case in point is foreign nationals. Thus migration patterns are difficult to measure, keep track and get the exact reasons for migrating.

According to the 2015 survey, there is a negative growth of -1.04% in Letsemeng. It is an indication that more and more people are moving out of the municipality for various reasons. The population in Letsemeng currently stands at 38 628. This is according to the latest STATSSA figures.

Unemployment has marginally increased from 22.8% to 22.30%. Suffice to say the effect of drought and decreasing job opportunities might have a direct effect on migration out of the Letsemeng jurisdiction. Youth unemployment stands at 27.7%, which poses another challenge to the municipality and all Sector Departments to pay special attention to the youth in terms of both employment and economic empowerment.

2.10 Table 2: Census Key Statistics

Census Key Statistics	
Population	38 628
Age Structure	
Population under 15	29.70%
Population 15 to 64	64.80%
Population over 65	5.40%
Dependency Ratio	
Per 100 (15-64)	54.20
Sex Ratio	
Males per 100 females	105.70
Population Growth	
Per annum	-1.04%
Labour Market	
Unemployment rate (official)	22.30%
Youth unemployment rate (official) 15-34	27.70%
Education (aged 20 +)	
No schooling	17.70%
Higher education	4.80%
Matric	18.70%
Household Dynamics	
Households	11 242
Average household size	3.30
Female headed households	33.50%
Formal dwellings	83.20%

Census Key Statistics	
Housing owned	54.00%
Household Services	
Flush toilet connected to sewerage	72.80%
Weekly refuse removal	68.00%
Piped water inside dwelling	49.80%
Electricity for lighting	92.80%

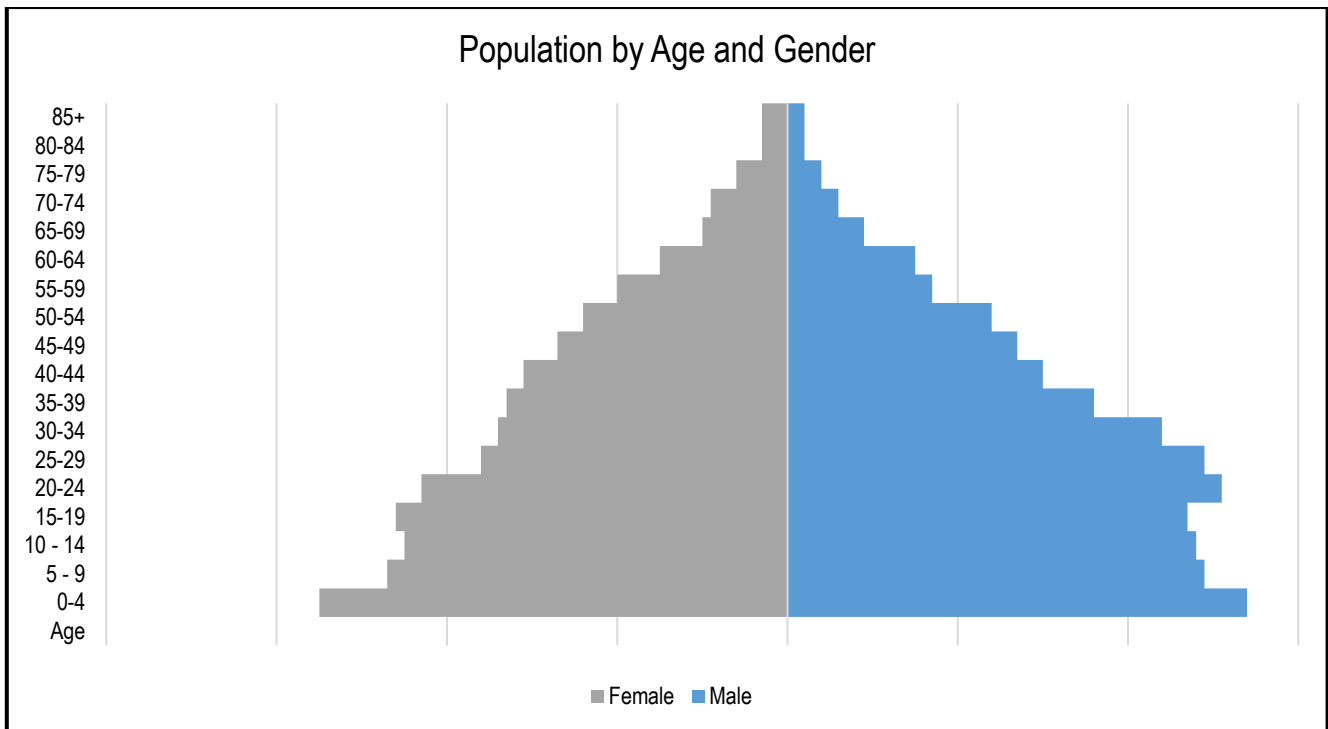


Figure 2: Population by Age and Gender

Table 3: Distribution of Population by Population Group

	Census 2011
Black African	67.80%
Coloured	23.40%
Indian/Asian	0.30%
White	8.10%

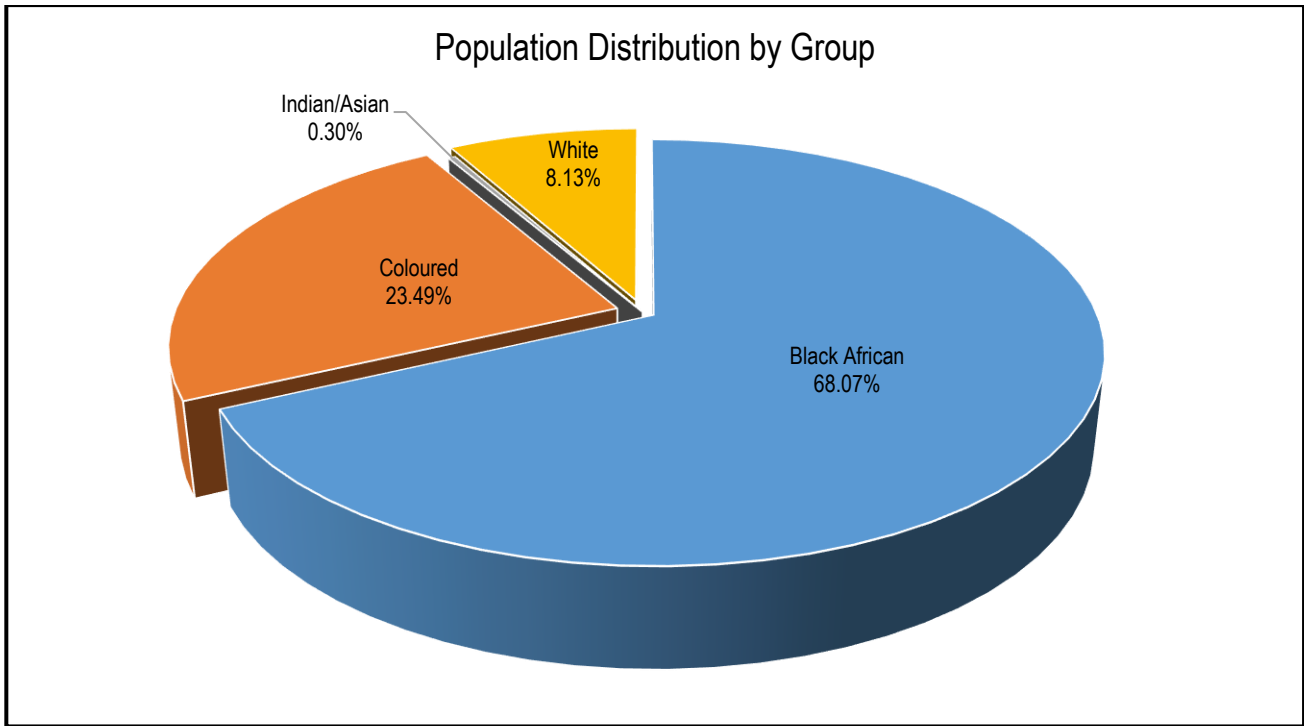


Figure 3: Distribution of Population by Population Group

Households

There are 11 242 households in the municipality according to Stats SA. The technical department conducted a physical count of households at all five towns and found that there are 8 369 houses with an average household size of 3, 3 persons per household. 90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

The figures above are according to the 2011 census, and they are still official statistics. The view might slightly change following the physical count done by the municipality.

Table 4: Settlement Type

Area	Percentage
Urban	83,3%
Tribal/Traditional	0%
Farm	16,7%

2.11 Housing and dwellings

All urban areas are composed of various residential components varying from formal housing units to informal dwellings units as indicated in the table below. Within the Local Municipality, 83.2% of the population live in formal housing, 16.1% in informal housing and only 0.5% in traditional housing. This reflects that the housing backlog is not that huge but will increase with the new development patterns in the municipality.

The following issues were highlighted regarding the housing delivery:

- ❖ Lack of funding for housing development;
- ❖ Access to land for sustainable human development;
- ❖ Construction of more RDP houses;
- ❖ Provision of services to new residential sites;
- ❖ Fast tracking land availability and transfer of land;
- ❖ Slow delivery of housing development;
- ❖ Lack of capacity at local municipal level;

2.12 Socio- economic Status

The socio-economic growth of the municipality is centred on agriculture. The municipality area also has mining activities that are taking place with diamond minerals being the major natural resource which helps with employment creation. The municipality's effort is to create an environment that will be conducive for investment and entrepreneurs to do business.

The LED division at the municipality is making effort to empower local small business and individuals to take advantage of local procurement, organize workshops business skills and making comply with relevant pieces of legislation.

However, the challenge is the sustainability thereof due to limited financial resources and lack of skills by various people to run their own projects. Whilst the trend is worldwide in that about 96% of businesses / projects fail within the first five years, the municipality will make an effort to reduce the failure rate.

Letsemeng Municipals economy is characterized by the following:

- ❖ Mining and agricultural sector are the largest contributor to the local economy;
- ❖ The decline in the agricultural sector over the recent years has had an adverse effect on the employment potential of the rural areas;
- ❖ Luckhoff has the highest unemployment rate;
- ❖ De Beers Mines contributed a major part to the local economy before it was closed;

By virtue of its geographic location the Municipality prides itself as a natural transportation route for people travelling to destinations such as Bloemfontein since one of the major national roads, namely N8 passes through the municipal area.

2.13 Income distribution

In order to determine the people's living standards, as well as their ability to pay for basic services, such as water and sanitation, the income levels of the local population are analysed.

Household Income

Household income is a parameter which is, amongst others, also indicative of poverty levels within a community. A financially healthy community's household income usually displays a so-called "normal" income distribution pattern where the income is spread over a fairly wide range of income categories, and the income of the bulk of the community is situated more or less within the first half to two thirds of the income category range.

Females are more likely to be unemployed and looking for work than males. Poor communities are sometimes highly dependent on the environment for survival and, in this regard, almost always over-exploit the environment.

Only 10.2% of households in the Letsemeng Municipal fall within the “No income” category. Of concern is that 7.4% of the households in Letsemeng have an annual income of less than R 10 000 and 23.9% of the households have an annual income of less than R19 601.00.

Table 5: Income profile

Income	Percentage
None income	10,2%
R1 - R4,800	4,2%
R4,801 - R9,600	7,4%
R9,601 - R19,600	23,9%
R19,601 - R38,200	24,6%
R38,201 - R76,4000	14,1%
R76,401 - R153,800	8%
R153,801 - R307,600	4,5%
R307,601 - R614,400	2,3%
R614,001 - R1,228,800	0,5%
R1,228,801 - R2,457,600	0,2%
R2,457,601+	0,1%

2.14 Education and skills

11 788 people are economically active (employed or unemployed but looking for work), and of these 22, 3% are unemployed. Of the 6 058 economically active youth (15 – 34 years) in the area, 27, 7% are unemployed. The level of skills within an area is important to determine the level of potential employment.

Using the expanded definition, on average 22.3% of the population in Letsemeng is unemployed, with the highest rate of unemployment being in rural areas.

This high unemployment rate has serious repercussions on the ability of the residents of Letsemeng to pay for their daily needs. Unemployment is more than 21% in all of the areas and the highest is in Luckhoff at 32%.

Table 6: Employment Status:

Employment Status	Number
Employed	9164
Unemployed	2624
Discouraged Work Seeker	1745
Not Economically Active	11518

Table 7: Educations and skills profile

Group	Percentage
No Schooling	4,4%
Some Primary	45,4%
Completed Primary	8%
Some Secondary	29,9%
Completed Secondary	8,6%
Higher Education	0,6%
Not Applicable	3,1%

Table 8: Distribution of population aged 20 years and older by level of education attained

Group	%
No Schooling	4,4%
Some Primary	45,4%
Completed Primary	8%
Some Secondary	29,9%
Completed Secondary	8,6%
Higher Education	0,6%
Not Applicable	3,1%

5 SERVICE DELIVERY OVERVIEW

5.1 WATER

The Municipality's objective remains that of ensuring at least 100% of its inhabitants have access to portable water. Measures are being implemented on a regular and on-going basis to ensure that this objective is achieved. We will continue to ensure that this is met, and clean water is delivered to our communities. Where necessary and required, the municipality will engage the Provincial/National Government as well as other key stakeholders. Projects such as the Petrusburg one undertaken in the previous year is an example of such coordinated and joint efforts.

90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

Table 9: Distribution of households with access to piped (tap) water by geography

Geography	Households				Percentages			
	Piped (tap) inside dwelling/yard	Piped (tap) water on community stand	No access to piped (tap) water	Total	Piped (tap) inside dwelling/yard	Piped (tap) water on community stand	No access to piped (tap) water	Total
FS161: Letsemeng	10211	788	243	11242	90.8	7.0	2.2	100.0
Koffiefontein	3180	8	15	3203	99.3	0.3	0.5	100.0
Ratanang	1105	1	6	1112	99.3	0.1	0.5	100.0
Jacobsdal	646	354	3	1003	64.4	35.3	0.3	100.0
Riet River	224	78	30	332	67.6	23.5	8.9	100.0
Petrusburg	2400	154	85	2639	91.0	5.8	3.2	100.0
Oppermans	230	-	-	230	100.0	-	-	100.0
Luckhoff	987	17	3	1007	98.0	1.6	0.3	100.0

5.2 SANITATION

The Municipality's continues to provide proper sanitation facilities to all communities. The municipality managed to reduce the number of bucket toilets. To date there are two hundred households who are still using a bucket system. Plans are afoot to totally eradicate the system.

Table 10: Toilet Facility

Toilet Facility	Percentage
None	5%
Flush toilet (connected to sewerage system)	72,8%
Flush toilet (with septic tank)	2,7%

Chemical toilet	0,5%
Pit toilet with ventilation	10,5%
Pit toilet without ventilation	5,3%
Bucket toilet	2,3%
Other	0,8%

5.3 ELECTRICITY

Electricity provision in the Municipality is jointly supplied by ESKOM and the Municipality. The Municipality is servicing four of the five towns under its jurisdiction, which are Koffiefontein, Petrusburg, Oppermansgronde and Luckhoff. The municipality also sells prepaid electricity to some Koffiefontein and Luckhoff residents. In Jacobsdal, Ratanang and Bolokanang distribution is done by ESKOM.

Table 11: Distribution of households with access to electricity for lighting by geography

Geography	Households				Percentages			
	Electricity	Other	None	Total	Electricity	Other	None	Total
FS161: Letsemeng	10430	796	17	11242	92.8	7.1	0.1	100.0
Koffiefontein	3157	41	5	3203	98.6	1.3	0.2	100.0
Ratanang	1068	44	-	1112	96.0	4.0	-	100.0
Jacobsdal	809	187	7	1003	80.6	18.7	0.7	100.0
Riet Rivier	258	74	-	332	77.7	22.3	-	100.0
Petrusburg	2524	112	2	2639	95.7	4.3	0.1	100.0
Oppermans	227	2	-	230	98.9	1.1	-	100.0
Luckhoff	919	88	-	1007	91.3	8.7	-	100.0

5.4 REFUSE REMOVAL

Waste Removal Services are provided to all the towns Koffiefontein, Petrusburg, Luckhoff, Oppermansgronde and Jacobsdal. These land fill sites with the exception of Jacobsdal and Petrusburg, are currently used as transfer stations and will be registered accordingly and be used fully as land fill sites.

Table 12: Distribution of households by type of refuse removal and geography

Geography	Households					Percentages				
	Formal Dwelling	Informal	Traditional	Other	Total	Formal Dwelling	Informal	Traditional	Other	Total
FS161: Letsemeng	9358	1812	17	55	11242	83.2	16.1	0.1	0.5	100.0
Koffiefontein	2659	538	1	5	3203	83.0	16.8	0.0	0.2	100.0
Ratanang	861	240	2	10	1112	77.4	21.6	0.2	0.9	100.0
Jacobsdal	598	395	-	10	1003	59.6	39.4	-	1.0	100.0
Riet River	251	76	5	-	332	75.6	23.0	1.4	-	100.0
Petrusburg	2181	450	1	7	2639	82.6	17.1	0.0	0.3	100.0

Geography	Households					Percentages				
	Formal Dwelling	Informal	Traditional	Other	Total	Formal Dwelling	Informal	Traditional	Other	Total
Oppermans	229	1	-	-	230	99.5	0.5	0	0	100.0
Luckhoff	937	60	1	8	1007	93.1	6.0	0.1	0.8	100.0

5.5 HOUSING

The objective of the Municipality is to facilitate provision of adequate and affordable housing structures to the communities in its area of jurisdiction. Provision for houses is not the core competency of the Municipality; this objective is undertaken in partnership with the Provincial Department of Human Settlement which continues to allocate houses to residents on an on-going basis. This is mainly due to the fact that demand for housing remains a big challenge but we remain committed to facilitate the provision of shelter to the communities we serve.

5.6 ROADS AND STORM WATER

Another aim of the municipality is to facilitate the adequate and constant maintenance of access roads and to ensure regular maintenance of all internal roads. Every year, a lot more kilometres of internal roads have been repaired. Furthermore, there is an annual allocation to ensure that roads are maintained.

The proportion of households with access to the minimum level of services is shown in the table below:

Table 13: Proportion of Households with minimum level of Basic Services

Proportion of Households with minimum level of Basic services				
	2013/14	2014/15	2015/16	2016/17
Electricity service connections	100%	100%	100%	100%
Water - available within 200 m from dwelling	98%	99%	99%	99%
Sanitation - Households with at least VIP service	99%	99%	99%	99%
Waste collection - Kerbside collection once a week	100%	100%	100%	100%

5.7 FINANCIAL OVERVIEW

This overview sets out highlights of the municipality's financial performance in the past year. Full details appear in the annual financial statements.

Table 14: Financial Overview – 2016/17

Details	2015/16			2016/17		
	Original budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget	Actual
Income:						
Grants	53 514	53 514	78 071	50 227	50 227	105 756
Taxes, Levies and tariffs	65 269	56 886	54 424	54 864	64 832	63 850
Other	14 143	5 143	8 961	5 484	4 559	13 868
Sub Total	132 926	115 543	141 456	110 575	120 840	183 473
Less: Expenditure	132,637	115 543	136 195	147 889	-147 017	-183 937
Net Total*	289	0	5 261	-37 314	-26 177	-464 618
<i>* Note: surplus/(deficit)</i>						

Table 15: Operating Ratios

Detail	Operating Ratios		
	2014/15	2015/16	2016/2017
	%	%	%
Employee Cost	27.3%	28.1%	43%
Repairs & Maintenance	2.6%	1%	3%
Finance Charges	0.7%	1%	0.1%

Table 16: Total Capital Expenditure

Detail	Total Capital Expenditure: '2014/15 to '2016/17		
	2014/15	2015/16	2016/17
Original Budget	16,245	66,807	71,635
Adjustment Budget	32 454	74,140	74,140
Actual	8 395	(36 836)	22 526
			T 1.4.4

5.8 COMMENT ON CAPITAL EXPENDITURE

The municipality's property, plant and equipment for the financial year under review amounted to R 593 524 941 compared to R 568 867 826 for the previous year.

Capital commitments as at 30 June 2017 amounted to R 17 985 888 (2016: R 5 808 821).

The fixed assets were financed from government grants.

5.9 ORGANISATIONAL DEVELOPMENT OVERVIEW

Staffing

The vacancy rate at senior management level has been drastically reduced. The post of the technical director which has been vacant from 11 February 2015 will also be filled soon. The post of the CFO was filled in January 2016 after nineteen months being vacant unfortunately he resigned in February 2017 and post is still vacant. The Community Director's post has also been filled.

There are still some key posts at lower levels of the organogram that need to be filled with urgency. The challenge the institution will forever battle with is the retention of skilled personnel. The geographical location and the financial position of the municipality are major deterrents to potential candidates.

5.10 AUDITOR GENERAL REPORT

5.10.1.1 AUDITOR-GENERAL REPORT: 2015-16- 2016/17

The municipality received a qualified audit opinion for the financial year 2015/2016.

The municipality regressed for the financial year 2016-17 to a disclaimer opinion. (detailed audit report attached in chapter 6) is for disclaimer opinion.

5.11 STATUTORY ANNUAL REPORT PROCESS

According to legislation the Annual Report of a municipality must be tabled in the municipal council on or before 31 January each year. In order to enhance Councils oversight function the municipality should submit their Annual Reports as soon as possible after the financial year end, ideally this ought to be the end of August. The Annual Financial Statements and Annual Performance Report were submitted on 13 September 2017 to the Auditor-General. Management is currently developing processes and systems in order to ensure that the remaining sections be in place for the 2016/17 Annual Report process. It is expected

that the entire process should be concluded by the end of January. The legislative process for the creation, submission, review and approval of the 2016/17 Annual Report is set out in the table below.

6 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July 2017
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 2016/17 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August 2017
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October 2017
12	Municipalities receive and start to address the Auditor General's comments	January 2018
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	
14	Audited Annual Report is made public and representation is invited	February 2018
15	Oversight Committee assesses Annual Report	March 2018
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	April 2018
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	March 2018

7 CHAPTER 2 – GOVERNANCE

7.1 INTRODUCTION TO GOVERNANCE

Good governance has eight (8) major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the communities are heard in decision-making. It is also responsive to the present and future needs of society.

The Letsemeng Local Municipality is an organ of state within the local sphere of government. It was established by means of Provincial Notice No 181, published in the Free State Provincial Gazette of 28 September 2000. The Municipality is a municipality with plenary executive system determined by the Determination of Types of Municipality Act, 2000 (Act No. of 2000).

In terms of section 151(3) of the Constitution of the Republic of South Africa the municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to the national and provincial legislation, as provided for in the Constitution.

7.2 COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

7.2.1.1 INTRODUCTION TO POLITICAL GOVERNANCE

Section 151 of the Constitution 1996 states that, the executive and legislative authority of a municipality is vested in its municipal council. This is complemented by the Municipal Structures Act and Municipal Systems Act. In terms of section 160(2) of the Constitution, 1996, the following powers may not be delegated by a municipal council and must therefore be exercised by council: passing of by-laws, approval of budgets, imposition of rates and taxes, levies and duties and the raising of loans. The Speaker is appointed by Council and performs her functions in terms of section 37 of the Municipal Structures Act, such as presiding at council meetings and overseeing the work of council committees.

The Municipal Council uses a governance system that applies plenary executive type system. It is consisted of eleven (11) Councillors with a Speaker/Mayor being a member who has been designated as full time councillor. In terms of section 36(5) of the Local Government: Municipal Structures Act, No. 117 of 1998, the speaker must be called mayor as the Letsemeng Municipal Council is plenary executive type system.

The main obligations of the Municipal Council is to formulate and endorse or pass by – laws, policies, most importantly the Integrated Development Plan and the Medium term revenue and expenditure framework (Budget)

The Speaker presides over Ordinary as well as Special Council meetings. The administration dispatch notices and agendas to Councillors forty eight (48) hours before the commencement of the council meetings as determined in the Standard Rule and Orders.

The Mayor as a political head of the Municipal Council attends to day to day obligations of the Municipal Council by playing oversight role over the administration and represents the meeting at the district and provincial intergovernmental relation forums as well as at the, South African Local Government Association. The Mayor provides general guidance over the fiscal and financial affairs of the municipality as well as the Integrated Development Plan.

The Council has established five (5) Section 79 Committees in terms of the Municipal Structures Act and the Municipal Finance Management Act to process items before they could be forwarded to the Municipal Council and i.e. Planning and Development, Corporate Services, Budget and Treasury, Technical Services, Community Services and Health Committee. These Committees process items before they could be forwarded to the Council.

The different Departments of the Municipality prepare reports that are then submitted to the Council for consideration and approval. Important to note is that the Section 79 Committees and Municipal Council sit as per schedule of Council meetings that was adopted by the Council.

The Municipal Council has established an Oversight Committee, which is composed of three members, one community member and two Council members; and the Council by playing an Oversight role in the activities that are performed by the Municipality.

The Annual Report is prepared by the Performance Management Unit in collaboration with other departments. When the management is satisfied with this report it is then submitted to the Council for noting before the 25th of January of each year. Subsequent to this process it is forwarded to the Oversight Committee before the 31st March of each year for assessment and thereafter it is presented before the Council with the Committee comments and recommendations. The Annual Report and the Oversight Committee report are submitted to Departments of Treasury, Cooperative Governance and Traditional Affairs for comments. Furthermore, these reports are separately published to the community for comments.

The Internal Audit Unit conducts audit throughout the year in terms of their audit plan and prepares Audit packs/reports that are then submitted to the Internal Audit Committee. After consideration of these reports the Audit Committee forwards its recommendations to Council for considerations and approval

The Municipality has appointed the Municipal Manager who is the head of the administration. He is responsible for day to day operations of the organization and accounts to the Mayor in between Council meetings. Other senior managers who have been appointed in terms of section 56 of the Local Government: Municipal Systems Act, 2000 reports directly to the Municipal Manager. It is important to highlight that the Municipality is composed of four (4) departments that are headed by departmental heads, section 56 managers, excluding the office of the Municipal Manager i.e. Corporate Services, Budget and Treasury, Community Services and Technical Services. .

7.2.1.2 POLITICAL STRUCTURE

	Function
MAYOR Cllr TI Reachable	<i>Preside over Municipal Council meetings and attend to day to day obligations of the Council by playing oversight role over the administration.</i>
Section 79 Committee Chairpersons Cllr TI Reachable Cllr TM Rens Cllr MC Ntemane Cllr XW Nqelani Cllr SJ Bahumi	Chairperson for Planning and Development, LED and Finance Committee Chairperson for Corporate Services Committee and Local Labour Forum Chairperson for Community Services Committee Chairperson for Technical and Infrastructure Committee Chairperson for Good Governance

7.2.1.3 COUNCILLORS

The Municipal Council of Letsemeng Local Municipality comprises of eleven (11) Councillors. Six of them were elected to represent wards and five (5) were proportional representative. The Council was represented of three political parties as follows:

African National Congress (ANC) : Eight (8)

Democratic Alliance (DA) : Two (2)

Economic Freedom Fighter (EFF) : One (1)

Five (5) members of Council, including the Mayor were designated as Chairpersons of Section 79 Committees. Each Committee is composed of three members which includes the Chairperson of the Committee. Furthermore, it has established an oversight committee which is composed of two Council members **and one Community member**, The Ward Councillors are Chairpersons of Ward Committees, and the Ward Committee serves as an advisory committee to the wards councillors.

7.3 ADMINISTRATIVE GOVERNANCE

7.3.1.1 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the municipality and the head of the administration and reports directly to the Mayor and Council. Directors (section 56 managers') report directly to the Municipal Manager and their performance is managed by the Municipal Managers in terms of the annually signed performance agreements and plans.

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

The Municipal Manager ensures accountability by departments through weekly and monthly management meetings and quarterly performance reviews of Directors.

7.3.1.2 TOP ADMINISTRATIVE STRUCTURE

	POST DESIGNATION	FUNCTION	PERFORMANCE AGREEMENT SIGNED YES/NO
1.	MUNICIPAL MANAGER Mr. BA Mnguni	Accounting Officer/Head of Administration	Yes
2.	DIRECTOR: CORPORATE SERVICES Mr. T Deeuw	<i>Human Resources, Auxiliary and Legal Services, Council Support</i>	Yes
3.	CHIEF FINANCIAL OFFICER Mr. MK Khoabane – 11 January 2016 – 20 February 2017 Acting CFO, MJ Mazinyo - 1 March – 30 June 2017	<i>Expenditure, Revenue, Assets & Liability Management, Budgeting & Reporting</i>	Yes
4.	DIRECTOR: COMMUNITY SERVICES Mr. CJ Makhoba	<i>Waste Management, Sport & Recreation, Arts & Culture, Public Safety and Parks</i>	Yes

POST DESIGNATION		FUNCTION	PERFORMANCE AGREEMENT SIGNED YES/NO
5.	DIRECTOR: TECHNICAL SERVICES Acting Director – Mr R Bapela and Mr KS Tsikane	<i>Water, Sanitation, Electricity, Roads & Storm water, Urban Planning and PMU</i>	Yes

7.4 COMPONENT B: INTERGOVERNMENTAL RELATIONS

7.4.1.1 INTRODUCTION TO COOPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Letsemeng Municipality through the 2016/17 financial year participated in a number of intergovernmental forums. This ensures that the Municipality is kept up to date on key developments in strategic areas of its responsibilities.

Through active participation in these forums and the available platform created the Municipality exchanges ideas and interact with other spheres of government.

7.5 INTERGOVERNMENTAL RELATIONS

7.5.1.1 NATIONAL INTERGOVERNMENTAL STRUCTURES

The Municipality participate in the National South African Local Government Association Members Assembly which is held once annually. The municipalities converge annually at the assembly to discuss matters that affects the municipality and resolved how to tackle the challenges faced by the municipalities

7.5.1.2 PROVINCIAL INTERGOVERNMENTAL STRUCTURES

The Municipality is part of the Provincial Coordinating Forum which is used to facilitate intergovernmental relations between the province and local government in the province. The Municipality also participates in Provincial Forums which include Provincial IDP Forum, Provincial Energy Forum, Provincial AIDS Forum as well as South African Local Government Association (SALGA).

7.5.1.3 DISTRICT INTERGOVERNMENTAL STRUCTURES

Meetings are been held once in a quarter, whereby the District Municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district. District Coordinating Forum consists of the Executive Mayor of the District and three other local municipalities' Mayors who are primary members of this structure.

7.5.1.4 TECHNICAL SUPPORT COMMITTEE

This Committee consists of the District Municipal Manager and other three Local Municipal Manager who are primary members of the structure. The Committee must meet at least once per quarter with other stakeholders to process issues in preparation of the political District Forum.

7.6 COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

7.6.1.1 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality improved on the responsibilities mentioned above as indicated in the 2016/17 IDP by:

- Providing feedback to different communities on issues people raised during the first round of public engagements.
- Providing progress report on funded projects implemented in the different Wards.
- Providing opportunity for communities to making input to the 2016/2017 IDP process.
- Providing Ward Committee an opportunity to prioritise inputs received from the different wards.
- Encouraging Ward Councillors and Ward Committees to do further consultation about communities service delivery priorities.
- Encouraging communities, Stakeholders and individual members of society to make use of the opportunity to do submission regarding the IDP review and budget of the municipality.

The staff is allocated wards to work with and report on their activities. There are also members of ward committees responsible for different sections in their wards. These measures have helped as members of community reports issues related to service delivery at their earliest occurrence.

7.7 PUBLIC MEETINGS

7.7.1.1 KEY PURPOSES OF WARD COMMITTEES

- Create formal unbiased communication channels and co-operative partnerships between the Municipality and the community within a ward.
- Ensure contact between the Municipality and the community through the relevant feedback mechanisms.
- Act as an advisory body on council policies and matters affecting communities in the ward as requested.
- Make recommendations on matters affecting the ward to the ward councillor.
- Serve as a constructive mobilizing agent for positive community action.

7.7.1.2 COMMUNICATION, PARTICIPATION AND FORUMS

The municipality uses loud hailing, print media, posters, as well as physical delivery of invitation such as IDP/budget which are on semester interval. These meetings are inclusive of representative from Safety, Business and CBO's.

Table 17: 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
IDP, Budget Consultation meeting at Oppermansgronde	11/05/2017	3	10	64	Yes	Agreed on projects to be implemented.
IDP and Budget Consultation at Petrusburg	11/05/2017	2	5	101	Yes	Agreed on projects to be implemented.
IDP and Budget Consultation at Koffiefontein (Ward 5)	09/05/2017	4	7	85	Yes	Agreed on projects to be implemented.

7.7.1.3 COMMENT ON THE EFFECTIVENESS OF PUBLIC MEETINGS HELD

Meetings have succeeded and the community have reported improvement as can be seen on infrastructure requested by communities.

7.8 IDP PARTICIPATION AND ALIGNMENT

Table 18: IDP Participation and Alignment Criteria

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

7.9 COMPONENT D: CORPORATE GOVERNANCE

7.9.1.1 OVERVIEW OF CORPORATE GOVERNANCE

The municipality endeavours to comply with the regulatory frameworks and best practices regarding corporate governance. This includes the establishment of a risk management function, internal audit unit and independent audit committee and the implementation of fraud and anti-corruption policies and measures.

In addition, Letsemeng Municipality follows a comprehensive system of rules and processes that are designed to sustain and enhance optimal end to effective organizational management.

7.10 RISK MANAGEMENT

Risk Management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows the municipality to measure and prioritise them and take the appropriate actions to reduce possible losses.

The Municipality implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the municipality to achieve its service delivery outcomes and enhance organisational performance. The risks are managed formally and periodically by means of a factual and realistic approach. This promotes the achievement of objectives and further avoids these risks from impacting negatively on the organizational efficiency

The average risks in developing the Internal Audit Coverage Plan was extracted from the risk assessment report, considering the impact and likelihood of critical issues/risks within each of the identified activities.

7.11 ANTI-CORRUPTION AND FRAUD

The actions that constitute corruption can be classified as follows:

- Any dishonest, fraudulent or corrupt act,
- Theft of funds, supplies and other assets,
- Maladministration or financial misconduct in handling or reporting of money,

- Making profit from insider knowledge,
- Disclosing confidential information to outside parties,
- Deliberately refusing or omitting to report or act upon reports of irregular or dishonest conduct

The strategies in place to prevent corruption, fraud and theft are the application of policies approved by council such as the supply chain management policy, the cashiers' policy and the segregation of duties to approval of transactions within the municipality.

Key risk areas susceptible to corruption and fraud are the procurement, cash collection and payments as well as unauthorized distribution of information from the institution. Policies such the cashiers' policy was approved by council. The code of conduct in terms of the Municipal Systems Act was communicated to all employees to highlight the importance of proper employee behaviour and conduct.

A previous challenge that is now overcome was the lack of important structures to effectively deal with the occurrence of corruption and fraud within the municipality. A lack of capacity at the Internal Audit and Supply Chain and the ineffective functioning of the Audit Committee were some of the challenges the municipality faced to effectively eliminate the occurrence of fraud and corruption. These challenges have now been resolved and a functional internal audit, supply chain management. The term of the District Shared Audit and Performance Committee expired in March 2017 and the Municipality was in the process of recruitment and selection of members of the Audit Committee that will serve only the Letsemeng Local Municipality.

7.12 BY-LAWS LITIGATION

Table 19: By-laws introduced

By-laws Introduced during 2016/17					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
None	-	-	-	-	-
<i>*Note: See MSA section 13.</i>					

7.12.1.1 COMMENT ON BY-LAWS

An extensive public participation process was followed. Both Councillors as well as officials from the user departments attended the public participation sessions. The process of developing additional by-laws has been commenced with.

7.12.1.2 WEBSITE

A municipal website <http://www.letsemeng.gov.za> is a key communication mechanism in terms of service offering, information sharing and public participation and should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets and budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Table 20: Municipal Website: Content and Currency of Material

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (2015/16)	Yes
The annual report (2016/17) to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2016/17) and resulting scorecards	Yes
All service delivery agreements (2016/17)	Yes
All long-term borrowing contracts (2016/17)	No
All supply chain management contracts above a prescribed value (give value) for 2016/17	No
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 2016/17 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in 2016/17	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2016/17	Yes
	<i>T 2.10.1</i>

7.12.1.3 COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

The municipality's website is managed and maintained by the ICT section. ICT has greatly improved in terms of managing and compliance of the municipality's website.

Delays and challenges were experienced with the timely receipt of documents from the user departments.

8 CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

8.1 INTRODUCTION

The municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The Technical Department is responsible for operation and maintenance of infrastructure which include electricity, water services, roads and storm water. The Technical Department also provides support services such as the mechanical workshop.

The Technical Department plays a pivotal role in terms of facilitation and coordination of services provided by Provincial and National Departments. The municipality has adopted a five-year IDP Plan which is a strategic document aiding in the developments within the municipality. Sector plans are also included which gives effect to the strategies and objectives in the IDP. The IDP is further informed by both the National and Provincial development strategies.

The purpose of the report is to provide information in respect of the core responsibilities, objectives, achievements as well as challenges faced by the Technical Department during the 2016/17 financial year.

8.2 COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services. Previously the municipality accepted that the number of households within the municipal area is 45 661 as provided by Statistics South Africa. The municipality however created a new valuation roll and based on the data received from the door to door survey it was found that the municipality only have 37 294 households. Accordingly the data in the annual report was amended to reflect the correct figures.

8.2.1.1 INTRODUCTION TO BASIC SERVICES

Technical Services Department is responsible for the following services:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishing/rehabilitation of existing infrastructure.

- Provision of basic services such as water, electricity and roads.

This is done as a basic service delivery aspect in the following areas:

A. Water and waste water services

- Water purification
- Sewerage treatment
- Storage dams
- Water reservoirs
- Water and sewage reticulation networks

B. Roads, storm water, railways and public works

- Roads design, construction and maintenance
- Storm water drainage system
- Railway sidings and maintenance
- Bridges and culverts
- Landfill site management

C. Electricity

- Electricity Distribution
- Electricity network maintenance and upgrading
- Electricity Consumption Care
- Public lighting

D. Buildings survey

- Approval of building plans, construction and inspections thereof

Objectives and Achievements

Strategic objectives are set out in planning and budgeting tools such as IDP and SDBIP in order to properly plan and achieve targets. Priority areas regarding basic service delivery are as follows:

- Access to water,
- Water loss,
- Water quality,
- Access to sanitation,
- Access to electricity,
- Energy efficiency,
- Access to municipal surfaced roads

Departmental Challenges

- Institutional and organizational development:
 - Inadequate attraction and retention of skilled competent personnel,
 - Prolonged recruitment processes,
 - Inadequate training and development of staff

- Infrastructure maintenance and development:
 - Outdated technology and aged infrastructure,
 - Lack of infrastructure master plans and maintenance plans,
 - Inadequate infrastructure capacity to meet supply demand,
 - Increasing theft and vandalism of infrastructure,
 - Limited preventative maintenance,
 - Decaying infrastructure,
 - Heavy motor vehicular movement through and around CBD,
 - High distribution losses (water and electricity)

- Machinery, equipment and fleet:
 - Shortage of machinery, equipment and fleet,
 - High average age of municipal fleet,
 - Most fleet out of useful lifespan,
 - Prolonged turnaround time in terms of repairs and continued breakages,

- Limited maintenance equipment,
 - Delayed processing time of purchase request in terms of maintenance and repairs,
 - Shortage of vehicles and machinery causing low productivity and low morale of staff cascading into serious delays in service delivery.
- Financial Constraints:
 - Insufficient maintenance budget,
 - Insufficient capital budget appropriated (own funding),
 - Lack of consumables and sundry items,
 - Supplier / municipal relations dented,
 - Long processing period of purchase orders.
- Natural Hazards:
 - rainfall and flooding causes delay in project implementation and flooding of residential areas,
 - Drought, leading to inadequate raw water supply and thereby negatively affecting the Municipality's mandate of providing basic water service to its communities.
 - Extensive damage to infrastructure (decaying roads surfaces and potholes) and facilities / property.
- Compliance to Regulations:
 - Inadequate monitoring and measuring equipment and processes to facilitate compliance.
- Bulk Supply Services:
 - Inadequate bulk raw water supply in Petrusburg and Koffiefontein.
 - Rapidly deteriorating condition of roads network including main roads.

8.2.1.2 WATER PROVISION

Water needs are determined via the consumer base on the ground. Figures used to determine this includes provision for registered indigents according to the municipal policy. Supply and disruptions are monitored and future needs are based on results. Further inputs from the community and political offices are compared with departmentally identified issues and included in the IDP as needed. National government targets are also included in future planning.

For blue drop purposes the water quality is monitored continuously and uploaded on the BDS site and water provision to the community is done in accordance with the Water Services Act 1997.

The top three priorities are:

1. Sufficient water supply for communities.
2. Connections to individual stands with provision for indigents.
3. Provision of water within legal requirements (Water within Blue drop and SANS 241 standards)

The challenge in water supply remains the balance between the available raw water and demand from the community.

The blue drop status have increased to 48% and it is expected to improve with a bigger percentage the next financial year due to the appointment of process controllers that are in line with regulation 16. The Koffiefontein and Luckhoff water treatment works were recently refurbished and there is construction of a Water Treatment Works in progress at the Jacobsdal water treatment plant. This will improve the quality of water supply and water quality in general from both the works as well and also contribute to an increase in the bluedrop status.

All formal areas of Letsemeng available for occupation are provided with water networks with pre installed connections and consumers moving onto unconnected stands are connected on application.

Letsemeng Local Municipality (LLM) is a Water Service Provider (WSP) and a Water Service Authority (WSA), all this functions are currently operated by the Municipality. Letsemeng Local Municipality has through the Development Bank of South Africa (DBSA) prepared a Water Service Development Plan (WSDP) which focused on the 2015 water and sanitation prospects.

LLM is struggling to meet the water demand from three towns namely Jacobsdal, Luckhoff and Petrusburg. This is due to the low capacity of the Water treatment Works (WTW) and availability of surface water, the demand is higher than the available supply, this is in some cases compromising the quality of water since the plans would be pushed to the maximum capacity or even be exeded resulting in turbidity increasing. LLM has through the Department of Water & Sanitation (DWS) been upgrading all the WTW to bigger capacities to be able to meet the demand, this project will be vissible under the capital project table. Due to the availability of funds, all the projects are multy-phased projects which run in different financial years. The biggest project recorded in LLM is the Construction of 4.15MI Jacobsdal Conventional WTW with a budget of R66 million.

Unavailability of surface water poses a high risk to the community of Petrusburg because they rely on ground water, most of the boreholes have already started showing reduced capacity while there is no alternatice sources. Improvement of water supply in Ratanang 202 sites has been completed with water reticulation and yard connections.

8.3 COMMENT ON WATER USE BY SECTOR:

As indicated earlier, LLM did not have enough metering points to be able to gather the water balancing statistics, it is only recently when Oppermansgronde has been declared ready for water balancing. The above graph will not be able to show different categories and their usage.

Table 21: Water Service Delivery Levels

Water Service Delivery Levels					Households
Description	Ref	2013/14	2014/15	2015/16	2016/17
		Actual No.	Actual No.	Actual 0-Jan-00	Actual No.
Water: (above min level)					
Piped water inside dwelling		8 134	8 134	8 134	8 336
Piped water inside yard (but not in dwelling)		0	0	0	0
Using public tap (within 200m from dwelling)	2	202	202	693	693
Other water supply (within 200m)	4	493	493	493	493
<i>Minimum Service Level and Above sub-total</i>		8 829	8 829	9 320	9 522
<i>Minimum Service Level and Above Percentage</i>		95%	95%	100%	100%
Water: (below min level)					
Using public tap (more than 200m from dwelling)	3	490	490	0	0
Other water supply (more than 200m from dwelling)	4	0	0	0	0
No water supply		0	0	0	0
<i>Below Minimum Service Level sub-total</i>		490	490	0	0
<i>Below Minimum Service Level Percentage</i>		5%	5%	0%	0%

Total number of households*	5	9 319	9 319	9 320	9 522
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Table 22: Households - Water Service Delivery Levels

Households - Water Service Delivery Levels below the minimum					Households
Description	2012/13	2013/14	2014/15	2015/16	2016/17
	Actual No.	Actual No.	Actual No.	Actual No.	Actual No.
Formal Settlements					
Total households	8134	8 134	8 134	8 134	8 369
Households below minimum service level	493	493	493	0	0
Proportion of households below minimum service level	0%	6%	6%	0%	0%
Informal Settlements					
Total households	493	493	493	493	493
Households below minimum service level	493	493	493	0	0
Proportion of households below minimum service level	100%	100%	100%	0%	0%

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery and Infrastructure Investment

IDP Priority: Water provision

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL1	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of households with access to basic level of water service standard	No. of HH with access to basic water divided by total No. of HH	Director: Technical Services	97%	Technical Report	100%	99.37 %	No information provided for the fourth quarter to make calculation possible	The information reflected in this annual result is based on the first three quarters of the financial year. Ensure that monthly reports are completed timeously by the acting HOD	Technical Report
Council	TL5	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of households which are billed for water or have pre paid meters as at 30 June 2016	No. of households which are billed for water or have pre paid meters as at 30 June 2016	Director Finance	8369	Debtors Accrual Report extracted from Financial System	8369	9 814	Achieved	NA	Extract from FMS
Technical Services	TL76	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	To reduce water loss in distribution to 20%. (MFMA Circular 71)	(No. of Kiloliters Water Purchased or Purified - No. of Kiloliters Water Sold) / No. of Kiloliters Water Purchased or Purified × 100	Director: Technical Services	Not known	Billing and Purchase info from Financial System	<20%	9.30%	Based on the first three quarters information the target was achieved	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Billing and purchase information from Financial System

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL9	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of HH registered as indigent receiving free basic water	No. of HH that are registered as indigent receiving free basic water divided by the total No. of HH	Director Finance	1	Indigent Register	≥25%	16.85 %	Achieved	NA	Extract from FMS, Indigent Register June 2016
Technical Services	TL77	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of HH in formal areas meet the minimum water service standards (Stand pipe 200m & better)	No. HH with access to water within 200m	Director: Technical Services	8369	Technical Reports	8369	8370	Based on the first three quarters information the target was achieved	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Technical Reports
Technical Services	TL78	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of HH without access to minimum water standards	No. of HH without access to minimum water services	Director: Technical Services	New KPI	Technical Reports	0	0	No information provided to make calculation possible	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Technical Reports

Table 23: Employees Water Service

Employees: Water Services					
Job Level	2016/17	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	1	0%
7 - 9	0	0	0	0	0%
10 - 12	18	19	18	1	5,5%
Total	19	20	19	2	10,5%

Table 24: Financial Performance Water Service

Financial Performance : Water Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	8 107	6 301	8 332	8 107	2.7%
Expenditure:					
Employees	5 560	530	530	1 635	-208%
Repairs and Maintenance	1 575	3 504	3 343	1 575	53%
Other	1 643	5 023	4 559	2 300	50%
Total Operational Expenditure	8 778	9 057	8 432	5 510	35%
Net Operational Expenditure	(671)	(2 756)	(100)	2 597	-2497%

Table 25: Capital Expenditure Water Service

Capital Expenditure 2015/16 Water Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	600	600	11000	0	
Project A	600	600	11000	0	

T 3.1.9

Capital Expenditure 2016/17: Water Services						R' 000
Capital Projects	2016/17					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Total All						
Name of project:						
					T 3.1.9	

8.3.1.1 COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The Department of Water & Sanitation has been the main source of upgrading the WTW's, even though progress has been made, it has not yet made an immediate impact to communities due to projects being implemented in phases. Setting wrong priorities led to construction of the 5Ml Reservoir instead of upgrading the WTW, this delayed the upgrading of the WTW and pushed it back by a year. Another setback was prioritizing the refurbishments instead of upgrading the plants, this set back some of the project by a year or two while the cost of refurbishment could not be recovered.

All the future projects will be based on upgrading and looking for alternative surface water from other available sources. This will be a long term solution since Petrusburg does not have any alternative except the ground water.

8.4 WASTE WATER (SANITATION) PROVISION

8.4.1.1 INTRODUCTION TO SANITATION PROVISION

LLM is a Water Service Authority (WSA) and a Water Service Provider, this means that LLM has a responsibility to authorise water & sanitation usage and also provide the services, it is the role of the Municipality to provide acceptable form of sanitation. Through programmes like Accelerated Community Infrastructure Programme (ACIP), Municipal Infrastructure Grant (MIG) and Municipal Water Infrastructure Grant (MWIG), LLM has been engaged in a number of projects upgrading and refurbishing the WWTW and the Sewer pump stations.

There is however prolonged challenges within the municipality that requires long term redress like the bucket toilets and the vandalism & theft of pump and cables in the pump stations. This problem persisted for more than 5 years without a proper redress, the LLM always fixed the stolen and damaged goods out of its own funds. In some cases there would be spillages in to the river for months because of the above said challenge. The Koffiefontein WWTW has not been fully operational due to lack of maintenance and the stolen pumps & motors. A project for refurbishment was registered with ACIP and it was able to get the plant to 90% operational.

One of the major challenges as outlined in the WSDP is the location of the plant. It is indicated that the plant requires 80% of the sewer to be pumped upstream where the current plant is. A new conventional plant should be located at an area lower than the existing and the future planned settlements, which will eliminate all the current pump stations from the system.

Table 26: Sanitation Service Delivery

*Households				
Description	2013/14	2014/15	2015/16	2016/17
	Outcome No.	Outcome No.	Outcome No.	Actual No.
<u>Sanitation/sewerage: (above minimum level)</u>				
Flush toilet (connected to sewerage)	8 021	8 021	8 021	8021
Flush toilet (with septic tank)	250	250	250	250
Chemical toilet	0	0	0	0
Pit toilet (ventilated)	354	354	354	354
Other toilet provisions (above min. service level)				
<i>Minimum Service Level and Above sub-total</i>	8 625	8 625	8 625	8 625
<i>Minimum Service Level and Above Percentage</i>	90.6%	90.6%	90.6%	90.6%
<u>Sanitation/sewerage: (below minimum level)</u>				
Bucket toilet	452	452	452	452
Other toilet provisions (below min. service level)	443	443	443	443
No toilet provisions				
<i>Below Minimum Service Level sub-total</i>	895	895	895	895
<i>Below Minimum Service Level Percentage</i>	9.4%	9.4%	9.4%	9.4%
Total households	9 520	9 520	9 520	9 520
*Total number of households including informal settlements				<i>T 3.2.3</i>

Table 27: Sanitation Service Delivery Levels below the minimum

Households - Sanitation Service Delivery Levels below the minimum				Households
Description	2013/14	2014/15	2015/16	2016/17
	Actual No.	Actual No.	Actual No.	Actual No.
Formal Settlements				
Total households	8 625	8 625	8 625	8 625
Households below minimum service level	202	202	202	202
Proportion of households below minimum service level	2%	2%	2%	2%
Informal Settlements				
Total households	400	450	480	493
Households below minimum service level	400	450	480	493
Proportion of households below minimum service level	100%	100%	100%	100%
				T 3.2.4

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery and Infrastructure Investment

IDP Priority 2: Waste Water management

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL2	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of households with access to basic sanitation service standard	No. of HH with access to basic sanitation divided by total No. of HH	Director: Technical Services	83%	Technical Report	96%	97.03%	No information provided for the fourth quarter to make calculation possible	The information reflected in this annual result is based on the first three quarters of the financial year. Ensure that monthly reports are completed timeously by the acting HOD	Technical Report
Council	TL7	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of households which are billed for sewerage at 30 June 2016	No. of households which are billed for sewerage at 30 June 2016	Director Finance	8369	Debtors Accrual Report extracted from Financial System	8369	9 558	Achieved	NA	Extract from FMS
Council	TL10	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of HH registered as indigent receiving free basic sanitation	No. of HH that are registered as indigent receiving free basic sanitation divided by the total No. of HH	Director Finance	1	Indigent Register	≥25%	16.85%	Achieved	NA	Extract from FMS, Indigent Register June 2016
Technical Services	TL79	BSD	Eradicate backlogs in order to	No. of HH in formal areas meet the	Sum of HH with access to basic sanitation	Director: Technical	8021	Technical Reports	8021	8378	Based on the first three quarters information the	Ensure that information required from the directorate	Technical Reports

			improve access to services and ensure proper operations and maintenance	minimum sanitation service standards (VIP)		al Services						target was achieved	is timeously presented to make proper evaluation of performance possible.		
Technical Services	TL80	BSD		No. of HH in formal areas without access to minimum sanitation standards	Sum of HH without access to minimum sanitation services	Director: Technical Services	348	Technical Reports	202	202		Based on the first three quarters information the target was not achieved	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Technical Reports	

Table 28: Employees: Sanitation Service

Employees: Sanitation Services					
Job Level	2016/17				
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
7 - 9	0	0	0	0	0%
10 - 12	16	16	16	0	0%
Total	17	17	17	0	0%
					T 3.2.7

Table 29: Financial Performance 2016/17: Sanitation Service

Financial Performance : Sanitation Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	8637	8632	9668	8 637	-0.05%
Expenditure:					
Employees		105	105	459	0
Repairs and Maintenance		670	670		0
Other					0
Total Operational Expenditure	0	670	670	459	31%
Net Operational Expenditure	0	-7962	-8998	0	0
					T 3.2.8

Table 30: Capital Expenditure 2016/17: Sanitation Service

Capital Expenditure 2016/17: Sanitation Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	7 114	10 361	-	0	
Project A	-	3 586	1935	46%	
Project B	5 309	5 834	5 0 49	13.46%	
Project C	1 805	941	1 023	-8.71%	
					T 3.2.9

8.4.1.2 COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

LLM has not being compliant with the required legislative Water Acts in various reasons, continuous spillages into the river, in-compliant final effluent from plants and many other more areas. Ensuring availability of Security at all the WWTW will at least guarantee a continued reliable sanitation to the LLM constituencies and also ensure compliance to the required laws and acts.

Inadequate operation and maintenance budget also impact on the poor service experience, this result in pump stations not having attendants at all times, shortage of process controllers at WWTW. If this aspect can be addressed or prioritized, then the municipality can experience change in attitude by the consumers in terms of revenue collection and other positive outcomes.

8.5 ELECTRICITY

8.5.1.1 INTRODUCTION TO ELECTRICITY

LLM is sharing the supply of electricity with Eskom within the municipality, there is about 50% for LLM and 50% for Eskom, LLM has struggled to secure and retain qualified electrical personnel. LLM does not have any strategic documents like the Electrical Master Plan and any Operations & Maintenance (O&M) manuals and plans. LLM is challenged with a serious problem of retaining qualified electricians or better, after appointment, they only last for about a year or less, then they resign. The current operational personnel are skilled electrical personnel, there are plans to upgrade their skills to enable them to get a Red seal or better. In a nutshell, LLM does not comply with the NERSA due to the shortage of a qualified electrician.

One biggest challenge in the LLM supply area is the aged infrastructure which require maintenance from time to time. A request for funding was sent to the Department of Energy for the upgrading of the main substation, the application was rejected with a reason that it will not benefit any households. Even though LLM is struggling with aged infrastructure, it always makes sure that there is electricity available at all times. There were shutdowns that were experienced during this year, however they were attended to immediately.

Challenges are experienced with meters that are being tampered with or unavailability of meters. The shortage of vehicles is also a challenge in this regard. The frequent theft and vandalism of equipment and cables also impacted negatively on the financial and operational effectiveness of the section due to the fact that materials and equipment stolen must be replaced as soon as possible.

In addition the damage to the network extends much further than only the piece of cable or equipment that was damaged and in some cases requires specialized repairs. In addition vandalism and cable theft further poses a danger to the community as well as the culprits stealing the equipment due to exposed live conductor and consequent dangerous situations created.

The above mentioned constraints all impacted negatively on service delivery due to additional work load, unproductive standing time, long waiting period for spares and equipment, limited preventative maintenance hence unnecessary and avoidable damage to the infrastructure.

Table 31: Electricity Service Delivery Levels

Electricity Service Delivery Levels					Households
Description	2012/13 Actual No.	2013/14 Actual No.	2014/15 Actual No.	2015/16 Actual No.	2016/17 Actual No.
Energy: (above minimum level)					
Electricity (at least min.service level)	8 040	8 040	8 040	8 040	8369
Electricity - prepaid (min.service level)					
<i>Minimum Service Level and Above sub-total</i>	8 040	8 040	8 040	8 040	8 369
<i>Minimum Service Level and Above Percentage</i>	100.0%	100.0%	100.0%	100.0%	100.0%
Energy: (below minimum level)					
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%	0.0%
Total number of households	8 040	8 040	8 040	8 040	8 369
					T 3.3.3

Table 32: Households - Electricity Service Delivery Levels below the minimum

Households - Electricity Service Delivery Levels below the minimum				
Description	2013/14	2014/15	2015/16	Households
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Formal Settlements				
Total households	8 040	8 040	8 040	8369
Households below minimum service level	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%
Informal Settlements				
Total households	0	0	0	0
Households below minimum service level	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%
				T 3.3.4

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery and Infrastructure Investment

IDP Priority 4: Electricity and Energy

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL3	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of households with access to basic electricity service standard	No. of HH with access to basic electricity service divided by total No. of HH	Director: Technical Services	92,8%	Technical Report	100%	99.36%	No information provided for the fourth quarter to make calculation possible	The information reflected in this annual result is based on the first three quarters of the financial year. Ensure that monthly reports are completed timeously by the acting HOD	Technical Report
Council	TL6	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of households which are billed for electricity or have pre paid meters (Excluding Eskom areas) at 30 June 2016	No. of households which are billed for electricity or have pre paid meters (Excluding Eskom areas) at 30 June 2016	Director Finance	650	Debtors Accrual Report extracted from Financial System	650	526	Not Achieved	NA	Debtors Accrual Report extracted from Financial System
Council	TL11	BSD	Eradicate backlogs in order to improve access to services and ensure proper	% of HH registered as indigent receiving free basic electricity.	No. of HH that are registered as indigent receiving free basic electricity divided by	Director Finance	1	Indigent Register	≥25%	16.85%	Achieved	NA	Extract from FMS, Indigent Register June 2016

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
			operations and maintenance		the total No. of HH								
Technical Services	TL82	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of HH in municipal supply area meet agreed electricity service standards (connected to the national grid)	Sum of HH with access to electricity (connected to the National Grid)	Director: Technical Services	329	Technical Reports	8040	8040	Based on the first three quarters information the target was achieved	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Technical Reports
Technical Services	TL83	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of HH without access to minimum electricity standards	Sum of HH without access to minimum electricity services	Director: Technical Services	New KPI	Technical Reports	40	0	No information provided to make calculation possible	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Technical Reports
Technical Services	TL84	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate	% Electricity distribution losses.(KWH billed/KWH acquired) (MFMA Circular 71)	(No. of Electricity Units Purchased and / or Generated - No. of Electricity Units Sold) / No. of Electricity	Director: Technical Services	36%	Billing and Purchase info from Financial System	<27%	39.70%	Based on the first three quarters information the target was not achieved	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Billing and Purchase info from Financial System

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
			financial management policies, procedures and systems.		Units Purchased and / or Generated) × 100								

Table 33: Employees: Electricity Services

Employees: Electricity Services					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100%
4 - 6	0	0	0	0	0%
7 - 9	3	3	3	0	0%
10 - 12	7	7	7	0	0%
Total	10	11	10	1	10%
					T 3.3.6

Table 34: Financial Performance: Electricity Services

Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	15 106	18 827	20 203	15 106	20%
Expenditure:					
Employees					
Repairs and Maintenance		5040	3343	1 575	53%
Other		3 970	4559	730	84%
Total Operational Expenditure	0	9 010	7 902	2 305	71%
Net Operational Expenditure	0	9 817	12 301	12 801	-4%
					T 3.3.7

Table 35: Capital Expenditure: Electricity Services

Capital Expenditure 2015/16:					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	4 349	4 349	-	0	
Project A	4 349	4 349	3 691	0.15%	
					T 3.3.8

Capital Expenditure 2016/17:					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	890114	350 000	-	0	
10 High Mass light project	890114	350 000	890 114	0	4660 320,00
					T 3.3.8

8.5.1.2 COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL

LLM have prioritized the Upgrading of Koffiefontein Substation, training of skilled personnel and appointment of one electrician. Long term plans will be included in the next IDP for the implementation of these projects. An application for the electrification of new developments and upgrading of the substation has been submitted to DOE for the financial year 17/18.

The projects intended for the next FY are:

- ❖ Electrification of 252 sites in Koffiefontein
- ❖ Electrify the new developments and avoid baglogs
- ❖ Upgrading of the substation & Replace delapidated existing bulk power lines
- ❖ Enhance power supply and increase capacity
- ❖ Replacement of existing meters with smart meters revenue enhancement and reduction of loses

8.6 WASTE MANAGEMENT

8.6.1.1 INTRODUCTION TO WASTE MANAGEMENT

Waste Management is a core function of local government and a basic service delivered by Letsemeng Municipality. It is also a major generator of revenue for the municipality and therefore the Municipality has to put mechanisms in place to deliver this service on a sustainable basis in the most cost-effective way. Section 11.4 of the Waste Act (59 of 2008) requires local municipalities to Develop Integrated Waste Management Plans. The IWMP of Letsemeng Municipality was adopted in 2015 and serves as an effective institutional framework for the following purpose:

- Pollution and waste minimization;
- Impact management and remediation;
- Holistic and integrated planning with the intention to develop mechanisms to ensure that integrated pollution and waste management considerations are integrated into the development of government policies, strategies and programmes; and

Table 36: Solid Waste Service Delivery Levels

Solid Waste Service Delivery Levels				Households
Description	2013/14	2014/15	2015/16	2016/17
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Solid Waste Removal: (Minimum level)</u>				
Removed at least once a week	9 319	9 319	9 319	8369
<i>Minimum Service Level and Above sub-total</i>	9 319	9 319	9 319	8369
<i>Minimum Service Level and Above percentage</i>	100.0%	100.0%	100.0%	
<u>Solid Waste Removal: (Below minimum level)</u>				
Removed less frequently than once a week	0	0	0	
Using communal refuse dump	0	0	0	
Using own refuse dump	0	0	0	
Other rubbish disposal	0	0	0	
No rubbish disposal	0	0	0	
<i>Below Minimum Service Level sub-total</i>	0	0	0	
<i>Below Minimum Service Level percentage</i>	0.0%	0.0%	0.0%	
Total number of households	9 319	9 319	9 319	8369
				T 3.4.2

Table 37: Households - Solid Waste Service Delivery Levels

Households - Solid Waste Service Delivery Levels below the minimum	Households
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Description	2013/14	2014/15	2015/16	2016/17
	Actual No.	Actual No.	Actual No.	Actual No.
Formal Settlements				
Total households	9319	9319	9319	8369
Households below minimum service level	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%
Informal Settlements				
Total households	0	0	0	0
Households below minimum service level	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%
				<i>T 3.4.3</i>

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery and Infrastructure Investment

IDP Priority: Solid Waste Management

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL4	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of households with access to basic refuse service standard	No. of HH with access to basic refuse service divided by total No. of HH	Director Community Services	100%	Technical Report	100%	100.01%	Achieved	NA	N/A
Council	TL8	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of households which are billed for refuse removal at 30 June 2016	No. of households which are billed for refuse removal at 30 June 2016	Director Finance	8369	Debtors Accrual Report extracted from Financial System	8369	9 414	Achieved	NA	Extract from FMS
Council	TL12	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of HH registered as indigent receiving free basic Refuse	No. of HH that are registered as indigent receiving free basic refuse divided by the total No. of HH	Director Finance	1	Indigent Register	≥25%	16.85%	Achieved	NA	Extract from FMS, Indigent Register June 2016
Community Services	TL86	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of HH in formal areas meet minimum refuse removal standards (at least once a week)	Sum of HH with access to refuse	Director Community Services	100%	Technical Reports	8369	8369	Achieved	NA	Program and Refuse collection photos

Table 38: Employee: Waste Management Services

Employees: Waste Management Services					
Job Level	2016/17	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	0	1	0	1	100%
10 - 12	6	7	6	1	%
13 - 15	5	5	5	0	0%
Total	11	13	11	2	15%
T 3.4.5					

Table 39: Employee: Waste Disposal and other services

Employees: Waste Management Services					
Job Level	2016/17	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	1	0	1	100%
13 - 15	34	34	34	0	0%
Total	34	35	34	1	2.9%
T 3.4.5					

Table 40: Financial Performance 2016/17: Waste Management Services

Financial Performance 2016/17: Waste Management Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	8 496	10 862	9 500	9 485	0.16%
Expenditure:					
Employees	2 154	1035	1035	2 267	-119%
Repairs and Maintenance	280	210	110	294	-167%
Other	422		100	443	-343%
Total Operational Expenditure	2 856	1 245	1245	3 004	-141%
Net Operational Expenditure	5 640	9 917	8 255	6 481	21%
T 3.4.7					

Table 41: Capital Expenditure: Waste Management Services

Capital Expenditure 2016/17: Waste Management Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No projects for the financial year					

8.6.1.2 COMMENT ON THE OVERALL PERFORMANCE OF WASTE MANAGEMENT SERVICES

The municipality is having a shortage of waste management personnel and equipment

8.7 HOUSING

8.7.1.1 INTRODUCTION TO HOUSING

The biggest challenge is that the demand for housing grows annually out of proportion in correlation with the funding resources that are available. With budgetary constraints it is difficult to install bulk services and infrastructure for housing development and the construction of top structures.

Some of the other fundamental challenges that influence housing delivery in Letsemeng Municipality include:

- Inadequate funding allocations for human settlement development;
- Limited availability of suitable land;
- Inadequate capacity of existing bulk infrastructure;
- Lengthy environmental and other statutory approval processes; and
- Alignment of identified pipeline projects

Table 42: Capital Expenditure: Waste Management Services

Capital Expenditure 2016/17: Waste Management Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No projects for the financial year					

Table 43: Households - Access to basic housing

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2016/17	8917	8369	93.9%
			T 3.5.2

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery and Infrastructure Investment

IDP Priority: Housing

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Community Services	TL89	MTID	To create an efficient, effective and accountable administration	Develop an Integrated Human Settlement Plan (Housing Strategy) and submit draft to Council by end June 2017	Date strategy approved	Director Community Services	New KPI	Plan developed and approved and council minutes approving plan	30 Jun 17	8-Dec-16	Achieved in Second Quarter	NA	Policy in file and Minutes

Table 44: Employees: Housing

Employees: Housing					
Job Level	2016/17	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	100%
4 - 6	1	1	1	0	0%
7 - 9	0	0	0	0	0%
10 - 12	2	7	2	5	29%
Total	3	8	3	5	
					T 3.5.4

Table 45: Financial Performance: Housing

Financial Performance 2016/17: Housing					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	0	0	0	0	0%
Repairs and Maintenance	0	0	0	0	0%
Other	0	0	0	0	0%
Total Operational Expenditure	0	0	0	0	0%
Net Operational Expenditure	0	0	0	0	0%
					T 3.5.5

Table 46: Capital Expenditure: Housing

Capital Expenditure 2016/17: Housing					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects for the financial year.					

8.8 FREE BASIC SERVICES AND INDIGENT SUPPORT

8.8.1.1 INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 97(1)(c) of the Municipal Systems Act requires municipalities to formulate an Indigent Policy that is consistent with Council's rate and tariff policies and also meets the requirements of S152 of the Constitution. The policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Adequate provision has to be made in the budget for provision of bad debts based on assumptions on collection rates. The municipality has an indigent register with 1410 approved indigent households at the end of 2016/2017 financial year. The municipality provides indigent households with free 6kl of water per month, free sanitation and refuse removal per month, 50 units of electricity per indigent household per month and exemption on Property Rates for properties valued at R70 000.

Table 47: Free Basic Services

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
2013/14	11 242	6 053	2 500	41%	2 500	41%	2 500	41%	2 500	41%
2014/15	11 242	6 053	2 503	41%	2 503	41%	2 503	41%	2 503	41%
2015/16	11 242	6 053	2 550	42%	2 550	42%	2 550	42%	2 550	42%
2016/17	8369	8369	1410	16.85%	1410	16.85%	1410	16.85%	1410	16.85%
										T 3.6.3

Table 48: Financial Performance: Free Basic Services

Financial Performance 2015/16: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2015/16		2016/17		
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	462	3 920	3 920	1 410	2 510
Waste Water (Sanitation)	211	7 090	7 090	1 410	5 680
Electricity	77	2 663	2 663	1 410	1 253
Waste Management (Solid Waste)	204	6 763	6 763	1 410	5 353
Total	954	20 436	20 436	5 640	14 796
					T 3.6.4

8.8.1.2 COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality allocates free basic water to all households including indigents households only in terms of the national norms.

8.8.1.3 COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

The objective of Indigent Support is to ensure the following:

- The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council;
- To provide procedures and guidelines for the subsidisation of rates and basic service charges to its indigent households, using the Council's budgetary provisions received from National Government, according to prescribed policy guidelines;
- That Council recognises that many of the residents can simply not afford the cost of full provision and for this reason Council will endeavour to ensure affordability through:
- To set rates and tariffs in terms of the Council's Rates and Tariff Policy, which will balance the economic viability of continued service delivery; and
- To determine appropriate service levels.

8.9 COMPONENT B: ROAD TRANSPORT

8.9.1.1 INTRODUCTION TO ROADS

Letsemeng Local Municipality has about 189km of roads or streets in five (5) towns. The table below shows the length of the existing roads per Town. Out of the 58km paved roads, 70% of them are in a poor condition if not very poor. This is as a result of poor or no maintenance at all. The condition is deteriorating in a fast pace since the existing potholes and cracks are not being attended as soon as they surfaces.

TOWN	PAVED ROADS (KM'S)	GRAVEL ROADS (KM'S)
Jacobsdal	9.539	22.6
Luckhoff	3.536	20.6
Petrusburg	10.942	47,249
Oppermans	4.306	16.2
Koffiefontein	24.365	24.1
TOTALS	52.688	130.7
Koffiefontein	23.7	24.1

8.10 ROADS

Table 49: Gravel Road Infrastructure

Gravel Road Infrastructure				
				Kilometres
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2013/14	130	0	1	0
2014/15	130	0	1	0
2015/16	130	0	1	10
2016/17	130	0	0	0
				T 3.7.2

Table 50: Tarred Road Infrastructure

Tarred Road Infrastructure					
					Kilometres
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2013/14	52.6	0.9	0	0	25
2014/15	54	0.85	0	0	15
2015/16	54	0.65	0	0	3
2016/17					
					T 3.7.3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery
KPA: Basic Service Delivery and Infrastructure Investment
IDP Priority: Roads and storm water

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Technical Services	TL81	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	% of the roads and storm water maintenance budget spent by the end of June	Actual expenditure on maintenance divided by the total approved maintenance budget	Director: Technical Services	New KPI	Expenditure reports on Financial System	>95%	29.68%	Based on the first three quarters information the target was not achieved	Ensure that information required from the directorate is timeously presented to make proper evaluation of performance possible.	Expenditure reports on Financial System

Table 51: Employees: Road Services

Employees: Road Services					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	0	1	0	1	100%
13 - 15	0	5	0	5	100%
Total	0	6	0	6	100%

Table 52: Financial Performance: Road Services

Financial Performance 2016/17: Road Services					
					R'000
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	6 123	6 123	34	99%
Expenditure:		0	0	0	
Employees	7 897	5 562	5 562	8 312	-49%
Repairs and Maintenance	66	1 404	1 404	1 315	6%
Other	144	363	363	272	25%
Total Operational Expenditure	0	7 329	7 329	9 899	35%
Net Operational Expenditure		-1 206	-1 206	-9 865	-718%
					T 3.7.8

Table 53: Capital Expenditure: Road Services

Capital Expenditure 2015/16: Road Services						R' 000
Capital Projects	2015/16					Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		
Total All	1 513	1 513	1 140	25%		
Project A	1 513	1 513	1 140	25%		
						T 3.7.9

Capital Expenditure 2016/17: Road Services						R' 000
Capital Projects	2016/17					Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		
Total All						
Project A						
						T 3.7.9

8.10.1.1 COMMENT ON THE PERFORMANCE OF ROADS OVERALL

A rehabilitation of the roads in Koffiefontein is planned for the next financial year with a value of **R12million** this project will rehabilitate 2.2km of the existing tarred roads which were in a very poor condition. Koffiefontein has been prioritised for this first phase of rehabilitation; this is due to the amount of roads that were collapsing due to poor or non-maintenance. This project will be replacing the tarred roads with a block paving that is durable and has a low maintenance.

LLM does not have any dedicated roads maintenance teams in place, a new organogram clearly indicates that there must be a maintenance team, no additional employees were appointed to address this matter. LLM has little road maintenance equipment available, this will assist the new team to **Start and Go**; the only obstacle will be their Vehicle, PPE and minor tools.

8.11 TRANSPORT

The municipality does not perform this function.

8.12 WASTE WATER (STORMWATER DRAINAGE)

8.12.1.1 INTRODUCTION TO STORMWATER DRAINAGE

The storm water of LLM is also one of the infrastructure that is neglected. This is due to the unavailability of staff, the above team mentioned in Roads section will also be tasked with maintaining the storm water drainage and unblocking them. Currently most of the storm water V-drains and canals are filled with debris if not blocked, this is a challenge during heavy rains because people housed get flooded where as they are not supposed to.

LLM is faced with a paramount challenge of controlling storm water in the entire municipality, areas like Petrusburg, Jacobsdal and Koffiefontein get flooded by occasional floods which affects the streets in Bolokanang. There is also historical records of floods in these areas, and the matter has been neglected for years. A Storm Water Wasterplan, O&M manuals and plans are the highest priority in this case. As LLM is likely a flat area, a full study must be made to control this storm water, all the aforesaid flags require budget which can be able to address them one at a time for a period of 5 years.

Table 54: Storm water Infrastructure

Storm water Infrastructure				
	Total Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
2013/14	10	1	0	10
2014/15	11	1	0	10
2015/16	12	1	0	5
2016/17				
				T 3.9.2

Table 55: Employees: Storm water Services

Employees: Road Services					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	7	7	7	0	0%
13 - 15	3	6	3	3	50%
Total	10	13	10	3	23%
					T3.7.7

Table 56: Financial Performance: Storm water Services

Financial Performance 2016/17: Storm water Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Included in roads table above				
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure					
Net Operational Expenditure					
					<i>T 3.9.7</i>

8.12.1.2 COMMENT ON PERFORMANCE OF STORMWATER DRAINAGE OVERALL

LLM currently does not have any sector plans for Storm water, it is however part of the procurement plan to appoint service providers to develop a Master plan for the entire municipality. The priorities of Storm water projects are as the list below:

- ❖ Petrusburg Bolokanang – the entire Bolokanang require an urgent attention with regards to storm water flooding from the N8 National Road to the Bolokanang area, the road is collecting water from downstream (Bloemfontein), acting as a barrier, it channels water to the Bolokanang houses and streets.
- ❖ Jacobsdal – Occasional floods has been recorded, this Storm water does not have any channelling, internal streets get flooded as and when it rains heavy.
- ❖ Koffiefontein – no proper Storm water channels, the elevation of Koffiefontein is close to a flat surface, some of the houses in Khayelitsha get flooded as and when it heavily rains.

8.13 COMPONENT C: PLANNING AND DEVELOPMENT

8.13.1.1 INTRODUCTION TO PLANNING AND DEVELOPMENT

This component includes planning and local economic development.

8.14 PLANNING

8.14.1.1 INTRODUCTION TO PLANNING

Table 57: Applications for Land Use Development

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Planning application received	0	0	0	0	0	0
Determination made in year of receipt	0	0	0	0	0	0
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	0	0	0
						T 3.10.2

Municipal Scorecard Perspective: Service Delivery
KPA: Basic Service Delivery and Infrastructure Investment
IDP Priority: Housing

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Community Services	TL89	MTID	To create an efficient, effective and accountable administration	Develop an Integrated Human Settlement Plan (Housing Strategy) and submit draft to Council by end June 2017	Date strategy approved	Director Community Services	New KPI	Plan developed and approved and council minutes approving plan	30 Jun 17	8-Dec-16	Achieved in Second Quarter	NA	Policy in file and Minutes

Table 58: Employees: Urban Planning & Property Management

Employees: Urban Planning & Property Management					
Job Level	2015/16		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
Total	0	0	0	0	0

T 3.10.4

Table 59: Financial Performance: Urban Planning & Property Management

Financial Performance 2016/17: Urban Planning & Property Management					
					R'000
Details	15/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1000	1000	1000	1000	100%
Expenditure:					
Employees		600	600	525	13%
Repairs and Maintenance		400	400	475	-19%
Other		0	1990	0	0%
Total Operational Expenditure		2315	2990	1 000	67%
Net Operational Expenditure		-1315	-1315	0	0%

T 3.10.5

Table 60: Capital Expenditure 2016/17: Urban Planning & Property Management

Capital Expenditure 2016/17: Urban Planning					
					R' 000
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No projects for the financial year					

8.15 LOCAL ECONOMIC DEVELOPMENT

8.15.1.1 INTRODUCTION TO ECONOMIC DEVELOPMENT

The growth of our local economy remains key priority to unlocking the employment opportunities for our people, thereby fighting head-on the socio-economic challenges facing our communities. The municipality is duty bound to create an environment that promotes the development of the local economy and create jobs.

In this regard, we should continue to strive to maximise our natural resources with the aim of attracting investors that will unlock employment opportunities for our community and thereby helping to tackle the socio economic challenges faced by our communities.

We remain positive and hopeful that due to our stable political environment and our rich natural resources we will attract positive investment which will benefit our community in the long term.

The development of local SMME's also remains our responsibility to ensure that they are developed and assisted to grow into self-sustainable businesses that will continue to invest and contribute to the local economic growth.

Expanded Public Works Programme and Community Works Programme have contributed positively in keeping our towns clean and also created jobs.

8.15.1.2 COMMENT ON LOCAL JOB OPPORTUNITIES:

Creation of long term sustainable jobs remains a key challenge, majority of jobs created are short term and only in the main alleviate key challenges such as unemployment for a short period. There is a much broader need to identify and source funding for bigger projects with the aim of creating long term sustainable employment opportunities for our people.

The majority of our youth are unemployed due to shortage of skills in order to qualify for some of the identified opportunities that end up being sourced elsewhere. To curb this, the municipality has partnered with the key local stakeholders such as Motheo and Petra Mine to ensure that some of the youth are given opportunities to be skilled in order to access better employment opportunities as they become available.

Table 61: Jobs Created during 2016/17 by LED Initiatives

Jobs Created during 2016/17 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created	Jobs lost/displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	
Total (all initiatives)	11		11	
Top initiatives				
Contractor Development through subcontracting In projects implemented	162	-	162	MIG non-financial report.

Table 62: Jobs Created through EPWP projects

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2014/15	1	73
2015/16	2	81
2016/17	3	91

* - *Extended Public Works Programme*

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: LED

IDP Priority: LED

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL13	LED	Create an environment that promotes development of the local economy and facilitate job creation.	No. of jobs created through the municipality's LED, EPWP and other initiatives (Reg 796)	Sum of jobs created per year	Municipal Manager	76	EPWP Reports & Employment Contracts	90	91	Target achieved	None	Employment Contracts

Table 63: Employees: LED Services

Employees: Local Economic Development Services					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
Total	1	1	1	0	0%
					T 3.11.8

Table 64: Financial Performance 2016/17: LED Services

Financial Performance 2016/17: Local Economic Development Services						R'000
Details	2015/16	2016/17				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	1000	1000	1000	1000	100%	
Expenditure:						
Employees		1000	1000	1000	100%	
Repairs and Maintenance						
Other						
Total Operational Expenditure						
Net Operational Expenditure						
					T 3.11.9	

Table 65: Capital Expenditure 2016/17: LED Services

Capital Expenditure 2016/17 Economic Development Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects					
					T 3.11.10

8.15.1.3 COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

Growth of the local economy remains the priority key to unlocking the employment opportunities, thereby fighting head on the socio-economic challenges facing our communities. The municipality is duty bound to create an environment that promotes the development of the local economy and create jobs.

For the year under review, the LED unit has implemented the following successfully:

- Conducted quarterly SMMEs workshops/training in application for funding, Skills development, and Supply Chain regulations and tendering, by various stakeholders such SEDA, DESTEA, Department of Agriculture, Rural Development and Land Reform, Provincial Treasury in all our towns.
- Received a complete business plan of Brickmaking factory and crusher plant and submitted for funding to the funding agencies
- Successful registration of 5 new cooperatives in Luckhoff and Petrusburg with the assistance of DESTEA.
- Allocation of a site in Koffiefontein for the establishment of the ostrich feed processing plant wholly funded by the Department of Agriculture
- Empowerment of a women cooperative in Oppermansgronde in allocation a municipal shop building for their use.
- Assistance of 10 youth entrepreneurs to attend the Free State Youth Chamber of Commerce and Industry's Youth Enterprise Summit in Zastron.
- Hosted a farmer's day event for the emerging farmers to get information from various Departments on how to access assistance.

The municipality is in the process of finalising the key policies which will assist with the direction the municipality should take in tackling the economic development challenges. These policies are;

- Comprehensive LED Strategy
- Emerging Contractor Development Strategy
- Commonage Management Policy

These policies are expected to be finalised during the coming financial year.

8.16 COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

8.16.1.1 INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

The libraries function has been transferred to the Provincial Government.

8.17 LIBRARIES, ARTS AND CULTURE

8.17.1.1 INTRODUCTION TO CIVIC THEATRE, ARTS AND CULTURE

The municipality does not perform this function.

8.18 PARKS AND CEMETERIES

8.18.1.1 INTRODUCTION TO PARKS AND CEMETERIES

OVERVIEW

It is the responsibility of the Community services division to provide a healthy and aesthetical environment to the public, to upgrade the current developed parks and to develop new parks for informal recreation. It is of aesthetical importance to maintain cemeteries and to provide graves for funerals.

CORE AREAS OF RESPONSIBILITY

- Public Parks and open spaces
- Cemeteries

LOCAL JOB OPPORTUNITIES

The municipality is making use of EPWP and CWP employees for the cleaning of the cemeteries.

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery

IDP Priority: Parks and Cemeteries

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Community Services	TL87	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of cemeteries maintained in all 4 towns	No. of cemeteries maintained	Director Community Services	5	Monthly and quarterly reports	5	2	Target not achieved	Adjust program with CWP and ensure implementation for the fourth quarter	Photos

Table 66: Employees: Parks and Cemeteries

Employees: Parks and Cemeteries					
Job Level	2015/16		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
Total	0	0	0	0	0
					T 3.13.4

Table 67: Financial Performance: Parks and Cemeteries

Financial Performance 2016/17: Parks and Cemeteries					
					R'000
Details	2015/16	2016/17			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue		0	0	31	0%
Expenditure:					
Employees		0	0	0	0%
Repairs and Maintenance					
Other	28		87	39	61%
Total Operational Expenditure			87	39	55%
Net Operational Expenditure			87	-8	91%
					T 3.13.5

Table 68: Capital Expenditure: Parks and Cemeteries

Capital Expenditure 2016/17: Parks and Cemeteries					
					R' 000
Capital Projects	2016/17				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All					
					T 3.13.6

SPECIAL PROGRAMMES

8.18.1.2 INTRODUCTION TO SPECIAL PROGRAMMES

Special programmes are located in the Office of the Mayor and include the youth, women, disabled, aged, children and HIV/AIDS. The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

8.18.1.2.1 COMMENT ON THE PERFORMANCE OF SPECIAL PROGRAMMES OVERALL

The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

8.19 COMPONENT E: ENVIRONMENTAL PROTECTION

8.19.1.1 INTRODUCTION TO ENVIRONMENTAL PROTECTION

Top priority of the municipality is to formulate policies and procedures aimed at conserving the natural resources, preserving the current state of natural environment and where possible, reversing its degradation.

8.19.1.2 SERVICE STATISTICS FOR ENVIRONMENTAL PROTECTION

Environmental master plan to be submitted to council before the implementation takes place.

8.20 OTHER (DISASTER MANAGEMENT & OTHER)

8.20.1.1 INTRODUCTION TO DISASTER MANAGEMENT

As per Section 53 (1) of the Disaster Management Act, 57 of 2005 each municipality must:

- prepare a disaster management plan for its area according to the circumstances prevailing in the area;
- co-ordinate and align the implementation of its plan with those of other organs of state and institutional role-players; and
- regularly review and update its plan; and through appropriate mechanisms, processes and procedures established in terms of Chapter 4 of the Local Government Systems Act, 2000 (Act No. 32 of 2000), consult the local community on the preparation or amendment of its plan.

Letsemeng Municipality has mostly partnered with the Xhariep District Municipality to develop a disaster management plan for its area of jurisdiction since. Disaster management function is not functional due lack of equipment. LLM has developed a Disaster Management Plan locally and it was approved by Council for the year under review.

8.21 SPORT AND RECREATION

8.21.1.1 INTRODUCTION TO SPORT AND RECREATION

The Municipality's core function is to maintain all sport and recreation facilities within its jurisdiction. The municipality also supports sports programmes such as the O.R Tambo regional games by assisting with transport through the office of Mayor.

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Municipal Development

KPA: Basic Service Delivery

IDP Priority: Sport and Recreation and Community Facilities

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Community Services	TL88	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of sport and recreation facilities maintained	No. of facilities maintained	Director Community Services	2	Monthly and quarterly reports	2	1	Target not achieved	Ensure that targeted facilities are maintained before end of each quarter	Photos

Table 69: Employees: Sport and Recreation

Employees: Sport and Recreation					
Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	
Total	0	0	0	0	
					T 3.23.3

Table 70: Financial Performance: Sport and Recreation

Financial Performance 2016/17: Sport and Recreation					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	0	1 416	1 416	830	41%
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
Total Operational Expenditure	0	0	0	0	0
Net Operational Expenditure	0	0	0	0	0

Table 71: Capital Expenditure: Sport and Recreation

Capital Expenditure 2016/17: Sport and Recreation					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No project for sports and recreation	0	0	0	0%	0
2016/17					
					T 3.23.5

8.22 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councillors; and municipal manager). LLM is a plenary municipality and this has already being reported in Chapter 2

Municipal Scorecard Perspective: Governance

KPA: Good Governance and Community Participation

IDP Priority 28: Corporate and Democratic Governance

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL18	GGPP	Promote a culture of participatory and good governance	No. of community report back meetings convened by Councilors for improved communication on service delivery including IDPs, SDBIP, etc.	No. of community report back meetings held	Director Corporate Services	2	Agenda and attendance registers	2	7	Achieved	None	Attendance registers
Council	TL22	MTID	To create an efficient, effective and accountable administration	No. of Ward level improvement plans that include basic ward level issues (potholes, Non-functioning traffic lights, service interruptions, billing queries, etc.) to be addressed	No. of plans submitted before 30 March 2017 for inclusion in IDP	Director Corporate Services	New KPI	Ward level improvement plans received	6	0	Not achieved	Ward Committees to development ward improvement plans assisted by PPO	NA
Council	TL23	GGPP	Promote a culture of participatory	No. of ward committees provided with quarterly	No. of reports submitted	Municipal Manager	New KPI	Agenda and quarterly reports	4	1	Target not achieved, report was submitted to	NA	Proof of submission to PPO in

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
			and good governance	SDBIP performance reports							PPO on 5 May 2017		Mayors office

8.23 INTRODUCTION TO THE OFFICE OF THE MUNICIPAL MANAGER

The Municipal Manager is the Accounting Officer of the Municipality. As Accounting Officer he/she may delegate certain duties to the Chief Financial Officer, who will be accountable to him. The Municipal Manager is therefore accountable for all transactions entered into by his designates.

The Office of the Municipal Manager consists of the following administrative units:

- Internal Audit and Risk Management
- Integrated Development Planning and PMS
- Intergovernmental Relations and Customer Care
- Communications
- ICT
- LED

The Municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The top three service delivery priorities are as follows:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishment/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads

8.23.1.1 SERVICE STATISTICS FOR THE OFFICE OF THE MUNICIPAL MANAGER

Table 72: Service Statistics: Office of the Municipal Manager

Service Activity	Service Results
Number of senior management meetings held:	
Number of management meetings held:	
Number of quarterly stakeholder meetings convened:	

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Governance

KPA: Good Governance and Community Participation

IDP Priority: Corporate and Democratic Governance

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Office of the MM	TL24	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Monthly submit the Back to Basics report to take part in the provincial intergovernmental programs	No. of reports submitted by the 15th of each month	Municipal Manager	12	B2B Reports & Proof of submission	12	12	Target achieved	None	Proof submission
Office of the MM	TL25	GGPP	Promote a culture of participatory and good governance	Annual Report tabled in council on or before 26 Jan 2017	Date annual report tabled	Municipal Manager	1	Council resolution and annual report	1	31-Jan-17	Target achieved	None	Council Resolution
Office of the MM	TL26	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Annual review of IDP completed before the end of May 2017	Date annual review completed	Municipal Manager	6/1	Council resolution and IDP	1	27-Jun-17	Target not achieved	None	Council Resolution

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Office of the MM	TL27	GGPP	Promote a culture of participatory and good governance	Achieve a qualified audit (2015/16 FY)	AG report determine audit results	Municipal Manager	qualified	AG Report	1	1	Target achieved	None	AG Report
Office of the MM	TL28	GGPP	Promote a culture of participatory and good governance	% of Council Resolutions implemented within prescribed timeframe stipulated on resolution register	No. of council resolutions implemented within time frame divided by total No. of resolutions	Municipal Manager	0.95	Execution list and reports submitted to council	≥85% of resolutions taken in each quarter	48.15%	Target not achieved	None	Execution list
Office of the MM	TL29	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	Develop a risk based audit plan with an internal audit plan (RBAP) (MFMA - Section 165(2)(a)) and submit to the Audit Committee by 15 June 2017	RBAP with internal audit program submitted to the Audit Committee by 30 June 2017	Municipal Manager	4	RBAP and IAP submitted to MPY	1	0	Not achieved	None	None
Office of the MM	TL30	MFVM		No. of audit committees held per annum	Sum of audit committees held	Municipal Manager	4	Audit Committee agenda and minutes	4 [per annum]	4	Target achieved	Audit Committee to be Head Hunted	None

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Office of the MM	TL31	MTID	To create an efficient, effective and accountable administration	No of internal audits done in compliance with the plan	Internal audits planned/divided by audits done	Municipal Manager	New KPI	Internal audit reports	90%	80.00%	Target not achieved	Consequential management	Letter of warning
Office of the MM	TL32	MTID	To create an efficient, effective and accountable administration	% of management comments on Internal audit queries received within 14 days.	No. of IA Queries/No. of management comments received within 14 days	Municipal Manager	New KPI	IA Queries produced and management Responses	1	0.00%	Target not achieved	Consequential management	Letter of warning
Office of the MM	TL33	MTID		No. of performance audits undertaken	Sum of performance audits	Municipal Manager	New KPI	Reports and queries	4 [per annum]	2	Target not achieved	Consequential management	Letter of warning
Office of the MM	TL34	MTID	To create an efficient, effective and accountable administration	Submit quarterly reports to council on the actual performance in terms of the Top Layer SDBIP	No. of SDBIP Top Layer performance reports submitted to council	Municipal Manager	3	Quarterly SDBIP performance reports and council minutes	4	4	Target achieved	None	Council Resolution
Office of the MM	TL35	GGPP	Promote a culture of participatory and good governance	Submit the previous financial year annual report at the end of Aug annually	Annual Report	Municipal Manager	1	Annual report and council minutes	1	Target not achieved	Not Achieved	None	None
Office of the MM	TL36	GGPP		Annual Review of PMS by the	PMS Framework	Municipal Manager	1	Reviewed	1	Target not achieved	Target not achieved	Counselling of PMS Officer	None

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance	
				end of 30 May annually				Framework						
Office of the MM	TL37	GGPP	Promote a culture of participatory and good governance	Risk register compiled and updated quarterly and approved by MM	Sum of Risk register quarterly updates	Municipal Manager	New KPI	Risk register and quarterly updates	4 Reports submitted	4	Target Achieved	NA	Signed Risk Register	
Office of the MM	TL38	GGPP	Promote a culture of participatory and good governance	No. of RMC meetings held	Sum of RMC meetings held	Municipal Manager	New KPI	RMC meetings minutes and agendas	4 [per annum]	0	Target not achieved	RMC members to be head hunted	None	
Office of the MM	TL39	GGPP	Promote a culture of participatory and good governance	Risk management strategy, that includes fraud prevention plan, and policy reviewed and approved on or before 30 September annually	Date risk register approved	Municipal Manager	New KPI	Risk Management Strategy & Council Resolution	1	1	Target achieved in the first quarter	None	Council Resolution	

Table 73: Employees: Office of the Municipal Manager

Employees: Executive and Council					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	1	0	1	100%
7 - 9	1	1	1	0	0%
10 - 12	4	5	4	1	
13-15	2	2	2	0	
Total	7	9	7	2	
					T 3.24.4

Table 74: Financial performance: Office of the MM

Financial Performance 2016/17: Office of the MM					
					R'000
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	3 198	3 825	3 825	3 420	11%
Repairs and Maintenance		0	0		
Other		3 600	3 600	3 457	4%
Total Operational Expenditure		7 425	7 425	6 877	7%
Net Operational Expenditure		-7 425	-7 425	-6 877	7%
					T 3.24.5

Table 75: Capital Expenditure: Office of the MM

Capital Expenditure 2016/17: Office of the MM					
					R' 000
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

8.24 FINANCIAL SERVICES

8.24.1.1 INTRODUCTION TO FINANCIAL SERVICES

Debt recovery has been a serious concern over the past years. The municipality struggles to collect 100% of what is billed on monthly basis. The arrears are not really serviced. Write-offs have been implemented on irrecoverable inactive accounts older than 3 years and cut offs are performed regularly. The municipality has put its focus on debt collection supporting Revenue Division.

There is a challenge of low revenue collection due to non-payment of accounts. . Cut-off processes are performed on regular basis to address revenue losses from electricity, water services and other services. Faulty meters both water and electrical are being replaced as much as the supply of manpower allows to improve the collection rate.

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Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Financial Management

KPA: Financial Viability and Financial Management

IDP Priority: Financial accountability and compliance

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL15	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	Financial Viability: Cost coverage (Reg 796)	Where - "A" represents cost coverage "B" represents all available cash at a particular time "C" represents investments "D" represents monthly fixed operating expenditure $A=(B+C)/D$	Director Finance	N/A	AFS & Report extracted from Financial System	>3	0.86	Target not achieved	Cost Coverage explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants. The norm is more than three months and the municipality dropped below the norm. The result achieved by the municipality means that the municipality cannot even cover one month's expenditure.	Sec 71 reports

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL16	MFVM		Financial Viability: Debt coverage (Reg 796)	Where - "A" represents debt coverage "B" represents total operating revenue received "C" represents operating grants "D" represents debt service payments (i.e. interest + redemption) due within the financial year; $A=(B-C)/D$	Director Finance	N/A	AFS & Report extracted from Financial System	>1	0.43	Not Achieved	Improvement of Revenue Collection	Report extracted from FMS
Council	TL17	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	Financial Viability: Service debtors to revenue (Reg 796)	Where - "A" represents outstanding service debtors to revenue "B" represents total outstanding service debtors "C" represents annual revenue actually received for	Director Finance	12,04 %	AFS & Report extracted from Financial System	11%	4856.97 %	Target not achieved.	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	Sec 71 reports

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
					services; A=(B/C)							total annual revenue. A low percentage is better. The municipality is far below the norm and should increase debt collection to ensure that the municipality remains viable.	
Financial Services	TL56	MTID	To create an efficient, effective and accountable administration	Audit action plan developed to address AG Findings and submitted to council for approval on or before 26 Jan 2017	Date Audit action plan submitted to council for approval	Director Finance	New KPI	Council resolution and Audit Action Plan	1	31-Jan-17	Target Achieved. Plan submitted on 31 March 2017	N/A	N/A
Financial Services	TL57	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	Compliant annual budget (MTREF) compiled and approved by end of May each year	Actual date budget approved	Director Finance	17-Jun-16	Council Resolution	30 June 2017	27-Jun-17	Target achieved	N/A	N/A

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Financial Services	TL58	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	No. of monthly budget statements (s71 of MFMA) are compiled and submitted to the Mayor by No. later than 10 working days after the end of each month	Working days taken to submit sec 71 report after end of month	Director Finance	12	Monthly reports and proof of submission	12	12	Target achieved	N/A	N/A
Financial Services	TL59	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	No. of monthly National Treasury returns submitted on time	Sum of returns submitted	Director Finance	12	Submissions emailed	12	12	Target achieved	N/A	N/A
Financial Services	TL60	MFVM		No. of quarterly National Treasury returns submitted on time	Sum of returns submitted	Director Finance	1	Submissions emailed	4	4	Target achieved	N/A	N/A
Financial Services	TL61	MFVM	To improve overall financial management in municipalities by developing and	Mid-year budget assessment and budget adjustments report submitted on or	Date Mid-year assessment submitted	Director Finance	25-Jan-16	Council resolution	1	19-Jan-17	Target achieved	N/A	N/A

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
			implementing appropriate financial management policies, procedures and systems.	before 25 January each year (s72 of MFMA)									
Financial Services	TL62	MFVM		% of Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Director Finance	New KPI	Sec 71 Reports	≥95%	65.42%	Not Achieved	NA	Extract from FMS
Financial Services	TL63	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	% of Operating Revenue Budget Implementation Indicator	Actual Operating Revenue [excel Capital Grant Revenue] / Budgeted Operating Revenue x 100	Director Finance	New KPI	Sec 71 Reports	≥95%	51.83%	Not Achieved	NA	Extract from FMS
Financial Services	TL64	MFVM		Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and	Director Finance	New KPI	Sec 71 Reports	≥75%	50.23%	Not Achieved	NA	Extract from FMS

Chapter 3

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
					Property Rates Revenue x 100								
Financial Services	TL65	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	Annual Financial Statement submitted to the Auditor-General by the end of August each year	Date annual financial statements submitted to the AG	Director Finance	31-Aug-15	Proof of submission	1	1	AFS submitted in Q1	NA	Proof of submission
Financial Services	TL66	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	% internal audit recommendations implemented within specified time frames	No. of internal audit recommendations received/No. of recommendations implemented within time-frame	Director Finance	New KPI	IA Recommendations implemented	95%	00.00%	Target not achieved	NA	None
Financial Services	TL67	BSD	Eradicate backlogs in order to improve access to services and ensure proper	% actual expenditure on repairs and maintenance as a percentage of the	Total Repairs and Maintenance Expenditure /Total amount budgeted for	Director Finance	97%	Sec 71 Reports	98%	67.75%	Not Achieved	NA	Extract from FMS

Chapter 3

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
			operations and maintenance	approved/adjusted budget	repairs and maintenance x 100								
Financial Services	TL68	LED	Create an environment that promotes development of the local economy and facilitate job creation.	Creditors Payment period	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) × 365	Director Finance	New KPI	Sec 71 Reports	>30 days	60	payments could not be effected on time due to cash flow crises	The payment will be effected within 30 working days going forward.	Creditors listing for June has been attached
Financial Services	TL69	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	No. of SCM reports submitted to council	Sum of reports submitted	Director Finance	New KPI	Reports and council agenda	4	4	Achieved	N/A	SCM Report
Financial Services	TL70	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of tenders awarded within 60 days of tender closing date	No. tenders awarded/Tenders awarded within 60 days	Director Finance	New KPI	Tenders and date tenders awarded; appointment letters	>90%	100.00%	Achieved (3 tenders advertised and appointed within 90 days)	N/A	Appointment Letters and Advert has been attached for the month of June
Financial Services	TL71	MFVM	To improve overall financial management in	Net Operating Surplus Margin	(Total Operating Revenue –	Director Finance	New KPI	Sec 71 Reports	<0%	9.09%	Not Achieved	N/A	Extract from FMS

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
			municipalities by developing and implementing appropriate financial management policies, procedures and systems.	(MFMA Circular 71)	Total Operating Expenditure)/ Total Operating Revenue x 100%								
Financial Services	TL72	MFVM		% payment of municipal accounts by municipal employees	No. of municipal employees/divided by No. of employees paying accounts	Director Finance	New KPI	Payment list	100%	46.52%	Not Achieved, only 89 employees do pay for their services	N/A	Excel spreadsheet
Financial Services	TL73	MFVM		% payment of municipal accounts by councilors	No. of councilors/divided by No. of councilors paying accounts	Director Finance	New KPI	Payment list	100%	65.91%	Not achieved only 4 Councilors pay for services	N/A	Excel spreadsheet
Financial Services	TL74	MFVM	To improve overall financial management in municipalities by developing and implementing appropriate financial management policies, procedures and systems.	Own Source Revenue to Total Operating Revenue (MFMA Circular 71)	Own Source Revenue (Total Revenue - Government Grants and Subsidies – Public Contribution and Donations)/ Total	Director Finance	New KPI	Sec 71 Reports	55%	31.24%	Not Achieved	N/A	FMS report

Chapter 3

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
					Operating Revenue (Including Agency Services) x 100								
Financial Services	TL75	MTID	To create an efficient, effective and accountable administration	% of Council Resolutions implemented within prescribed timeframe stipulated on resolution register	No. of council resolutions implemented within time frame divided by total No. of resolutions	Director Finance	95%	Execution list and reports submitted to council	≥85% of resolutions taken in each quarter	100.00%	Achieved	N/A	Execution List

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Table 76: Employees: Financial Services

Employees: Financial Services					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	0	0%
4 - 6	4	5	4	1	20%
7 - 9	3	3	3	0	0%
10 - 12	12	12	12	0	0%
13 - 15	17	18	17	1	5,5%
Total	39	41	39	1	15%

T 3.25.4

Table 77: Financial Performance: Financial Services

Financial Performance 2016/17: Financial Services R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees		1 389	1 389		
Repairs and Maintenance		0	0	0	0
Other		3 428	2 338	1 395	40%
Total Operational Expenditure					
Net Operational Expenditure					

T 3.25.5

Table 78: Capital expenditure: Financial Services

Capital Expenditure 2016/17: Financial Services R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

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8.25 HUMAN RESOURCE SERVICES

8.25.1.1 INTRODUCTION TO HUMAN RESOURCE SERVICES

Human Resources is one of the supporting function in Corporate Services Department, its main functions are as follows: Leave Administration, Recruitment, Benefits and Terminations.

Priority: Institutional Performance Capacity and staff provision

To improve performance the Council approved Performance Management Policy and the Institutional Performance Management Framework that will provide guidance in measuring, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

8.25.1.2 SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The Municipality is currently standing with a total staff component of 200 employees as at end June 2017. The Municipality filled a total number of 17 positions, during the financial year 2016/2017. A total of 11 terminations were recorded due to different types of terminations e.g. Death, retirement, ill health and resignations.

A total number of 6 training interventions were implemented with 34 employees being trained. Other main service statistics are included in Chapter 4 of the Annual Report.

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Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Institutional Development

KPA: Municipal Transformation and Institutional Development

IDP Priority: Human Resources

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Council	TL21	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	% of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	No. of employees from designated groups in three highest levels of management divided by total No. of employees in three highest levels of management	Municipal Manager	85%	Report from HR	85%	90.91%	Target achieved	None	AP Letters and Employment Contracts
Corporate Services	TL45	MTID		WSP, annual training report (ATR) & PIVOTAL report compiled and submitted to LGSETA on 30 April each year.	Date annual training report and WSP submitted to the LGSETA	Director Corporate Services	1	Proof of Submission	1 Report submitted by 30 Apr 2017	28-Apr-17	Achieved	NA	Acknowledgment of receipt from LGSETA
Corporate Services	TL46	MFVM		No. of Senior & Finance officials trained on MFMP competency levels	Sum of students enrolled	Director Corporate Services	New KPI	No. employees enrolled	4	6	Achieved 4 interns registered for MFMP program	NA	Invoice from SUMMAT Institute
Corporate Services	TL47	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Structure reviewed and approved before 30 Jun 2017	Date structure approved	Director Corporate Services	5	Agenda and Minutes	1 Structure reviewed	0	Not Achieved	Management to ensure structure is reviewed same time when IDP and Budget	NA

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
												are reviewed	
Corporate Services	TL48	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	No. of employees undergoing medical tests annually as required by OHSA	Sum of employees undergoing medical tests	Director Corporate Services	New KPI	List of employees and expenditure list	Actual No of employees eligible for testing	94	Achieved, 94 Employees went for OH examination	NA	Invoice from the Doctor and list employees who went for checkup
Corporate Services	TL49	MTID		No. of EE Reports submitted to DoL by 15 January each year [EEA2 and EEA4]	Sum of reports submitted	Director Corporate Services	2	Proof of submission received from DoL	1	1	Achieved	NA	Acknowledgement from DOL
Corporate Services	TL50	MTID	To create an efficient, effective and accountable administration	Review of EE Plan and numerical goals and targets by 31 Dec 2016	Revised Employment Equity Plan and Council Resolution	Director Corporate Services	1	Agendas and Minutes of LLF Meetings	1	0	Not achieved was reportable in Q2	Director to ensure that EEPlan be reviewed for new financial year	NA
Corporate Services	TL51	MTID	To create an efficient, effective and accountable administration	% of Full Time Equivalent posts on the organogram vacant	No. of vacant posts divided by Total No. of posts	Director Corporate Services	New KPI	Organogram and budget report	<12%	19.49%	Not Achieved	Review structure and take positions off which will not be filled within a period of six months to reduce vacancy rate	Organogram
Corporate Services	TL52	MFVM		Total overtime hours as a	Overtime hours worked divided	Director Corporate Services	New KPI	Payroll report on	<15%	59.09%	Not Achieved	Department Heads implements	Payroll report on overtime

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance	
				percentage of all work hours	by total hours worked			overtime hours paid				measures to curtail the cost of overtime		
Corporate Services	TL53	MTID		No. of LLF meetings held per annum	Sum of LLF meetings held per year	Director Corporate Services	8	LLF Agenda and minutes	8	3	Not achieved	Ensure that LLF meetings take place as scheduled	Attendance Register	
Corporate Services	TL54	MTID	To create an efficient, effective and accountable administration	% implementation of LLF resolutions taken (including monitoring of SALGBC collective agreements)	No. of LLF resolutions taken/No. of resolutions implemented	Director Corporate Services	New KPI	Execution list	>80%	76.19%	Almost achieved	Resolutions will be implemented over a longer period due to the time required to implement	LLF Execution list	

Chapter 3

Table 79: Employees: Human Resource Services

Employees: Human Resource Services					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	0	1	0	1	67%
7 - 9	5	6	5	1	50%
10 - 12					
Total	7	9	7	2	24%
					T3.26.4

Table 80: Financial Performance: Human Resource Services

Financial Performance 2016/17: Human Resource Services					
					R'000
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		0	0	0	0
Expenditure:	0				
Employees		7400	7400	6 084	1 316
Repairs and Maintenance	0	0	0	0	
Other		6300	5 100	4 951	149
Total Operational Expenditure		13 700	12 500	11 035	1 465
Net Operational Expenditure					
					T 3.26.5

Table 81: Capital Expenditure: Human Resource Services

Capital Expenditure 2016/17: Human Resource Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No projects for the financial year					

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8.26 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

8.26.1.1 INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Our 3 primary objectives in ICT are:

- To minimize IT downtime of the network to less than 5% of the time;
- To ensure that our data is backed-up on a regular basis; and
- To ensure all IT queries are addressed within 5 working days.

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Institutional Development
KPA: Municipal Transformation and Institutional Development
IDP Priority 25: ICT

No top layer KPI's were set for the financial year due to the fact that the ICT Master plan and Disaster Recovery Plan was approved in March 2015 and the focus moved to the implementation of these plans.

Table 82: Employees: ICT Services

Employees: ICT Services					
Job Level	2016/17		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	50%
7 - 9	1	1	1	0	0%
Total	1	2	1	1	50%
					T3.27.4

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Table 83: Financial Performance: ICT Services

Financial Performance 2016/17: ICT Services R'000					
Details	2016/17	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	
Expenditure:					
Employees					
Repairs and Maintenance					
Other	0	0	0	0	
Total Operational Expenditure					
Net Operational Expenditure					
					<i>T 3.27.5</i>

Table 84: Capital Expenditure: ICT Services

Capital Expenditure 2016/17: ICT Services R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					0
No capital project for this year					

8.27 LEGAL AND COUNCIL SUPPORT SERVICES

8.27.1.1 INTRODUCTION TO LEGAL AND COUNCIL SUPPORT SERVICES

The primary function of this division is to:

- Provide administrative support to Council.
- To attend to all legal related matters on behalf of the Municipality.
- To provide auxiliary services to the administration.
- To spearhead Batho Pele Principles and Back to Basics.
- To attend to all customer care related issues.

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Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Institutional Development

KPA: Municipal Transformation and Institutional Development

IDP Priority: Legal Services

Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Corporate Services	TL40	GGPP	Promote the culture of good Governance and Public participation	% of agendas for scheduled meetings distributed to Councilors and officials at least 48 hours before the meeting	No. of agendas distributed 48 hours before the meeting divided by the total No. of agendas distributed	Director Corporate Services	90%	Distribution list	98%	100%	Achieved	NA	Acknowledgement of receipt of agendas
Corporate Services	TL41	GGPP	Promote the culture of good Governance and Public participation	% of Council resolutions distributed within 7 working days after each meeting	No. of council resolutions distributed within 7 days after each council meeting divided by No. of council resolutions taken	Director Corporate Services	100%	Distribution list	100%	100%	Achieved	NA	Acknowledgement by MM and Director
Corporate Services	TL42	GGPP		Annual council schedule compiled and approved by end of June each year	Annual Schedule provided on or before due date	Director Corporate Services	1	Schedule and Council resolution	1	Aug-16	Achieved in the first quarter	NA	Schedule of Council Meetings and Council minutes
Corporate Services	TL43	MTID		% of Council Resolutions implemented	No. of council resolutions	Director Corporate Services	0	Execution list	≥85% of resolutions taken in	89%	Achieved	NA	Execution Lists

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
				within prescribed timeframe stipulated on resolution register	implemented within time frame divided by total No. of resolutions				each quarter				
Corporate Services	TL44	MTID	To create efficient, effective and accountable administration	No. of quarterly reports to Council on the tracking of council resolutions (submitted at the end of each quarter - Sept, Dec, Mar & Apr)	No. of reports submitted.	Director Corporate Services	0	Reports submitted and council agenda	4	4	Achieved	NA	Execution Lists
Corporate Services	TL47	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Structure reviewed and approved before 30 Jun 2017	Date structure approved	Director Corporate Services	5	Agenda and Minutes	1 Structure reviewed	0	Not Achieved	Management to ensure structure is reviewed same time when IDP and Budget are reviewed	NA
Corporate Services	TL51	MTID	To create efficient, effective and accountable administration	% of Full Time Equivalent posts on the organogram vacant	No. of vacant posts divided by Total No. of posts	Director Corporate Services	New KPI	Organogram and budget report	<12%	19.49%	Not Achieved	Review structure and take positions off which will not be filled within a period of six months to reduce vacancy rate	Organogram

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Directorate	TL Ref	KPA	Strategic Objective	KPI	Calculation	KPI Owner	Baseline	POE	Annual Target	Annual Results	Performance Comment	Corrective Measures	Evidence in Support of Performance
Corporate Services	TL55	BSD	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Complete a customer satisfaction survey by end of May and submit report with recommendations to Council	No. of surveys conducted and No. of reports submitted to council	Director Corporate Services	1	Report with recommendations submitted to council on or before 30 April 2016	1	0	Not achieved	Use the method of calling clients who came to lay complaints and enquire from them about the quality of our services.	NA

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Table 85: Employees: Legal and Council Support Services

Employees: Legal and Council Support Services					
Job Level	2015/16		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	1	0	1	50%
10 - 12	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	2	3	2	1	0%
					T 3.28.4

Table 86: Financial Performance: Legal and Council Support Services

Financial Performance 2016/17: Legal and Council Support Services					
R'000					
Details	2016/17				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees		0	0		
Repairs and Maintenance					
Other					
Total Operational Expenditure		0	0		
Net Operational Expenditure					
					T 3.28.5

Table 87: Capital Expenditure: Legal and Council Support Services

Capital Expenditure 2016/17: Legal and Council Support Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital project for this year					
Polishers					
Space saving cabinets					
					T 3.28.6

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8.27.1.2 COMMENT ON LEGAL AND COUNCIL SUPPORT SERVICE PERFORMANCE OVERALL

The Legal and Support Services Division perform exceptionally well for the period in review. It ensured that the Municipal Council sits as required by the Municipal Systems Act and the Standard Rules and Orders and make necessary preparations for community consultation. It further provided administrative support to the entire institution.

8.28 COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

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, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

The constitution of S.A (1996) section 152 states that, dealing with the objectives of local government paves the way for performance management with the requirements for 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 of resources,
- 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 (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the

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municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.”

Section 57 makes the employment of the Municipal Manager and Managers directly accountable to him subject to a separate performance agreement concluded annually before the end of July each year. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively. Performance Management, therefore, is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities.

9 CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

9.1.1.1 INTRODUCTION

9.1 COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Table 88: Total Number of Employees

Description	Employees				
	2015/16	Approved Posts No.	2016/17		
	Employees No.		Employees No.	Vacancies No.	Vacancies %
Water	19	20	19	1	5%
Waste Water (Sanitation)	17	17	17	0	00%
Electricity	10	11	10	1	0.0%
Waste Management	6	7	6	1	15%
Housing	3	8	3	5	60%
Waste Water (Storm water Drainage)	0	0	0	0	0.0%
Roads	0	0	0	0	0.0%
Transport	0	0	0	0	0.0%
Planning	0	0	0	0	0.0%
Local Economic Development	1	1	1	0	0.0%
Planning (Strategic & Regulatory)	0	0	0	0	0.0%
Community & Social Services	34	45	34	9	26%
Environmental Protection	0	0	0	0	0.0%
Health	0	0	0	0	0.0%
Security and Safety	0	0	0	0	0.0%
Sport and Recreation	0	0	0	0	0.0%
Corporate Policy Offices and Other	0	0	0	0	0.0%
Totals	90	108	90	17	18%

T 4.1.1

Chapter 4

Table 89: Vacancy Rate

Vacancy Rate: 2016/17			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0%
CFO	1	1	100%
Other S57 Managers (excluding Finance Posts)	3	1	33,33
Other S57 Managers (Finance posts)	0	0	0%
Police officers	0	0	0%
Fire fighters	0	0	0%
Senior management: Levels 13-15 (excluding Finance Posts)	7	4	57,14
Senior management: Levels 13-15 (Finance posts)	3	3	100%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	4	3	25%
Highly skilled supervision: levels 9-12 (Finance posts)	2	2	100%
Total	20	14	

T 4.1.2

A high turnover rate may be costly to a Municipality and might negatively affect productivity, service delivery and institutional memory/Organisational knowledge. Below is a table that shows the turnover rate within the Municipality.

The table below indicates the turn-over rate over the last three years:

Table 90: Turn-over rate

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2013/14			
2014/15	6	8	7%
2015/16	17	11	14%
2016/17	11	13	

T 4.1.3

Chapter 4

9.1.1.1 COMMENT ON VACANCIES AND TURNOVER:

Since Council approved the organizational structure in May 2015 and reviewed structure is in process of being tabled before the Municipal Council. Some critical and compliance positions that needed to be filled have been filled and recruitment is in process for other crucial position.

During the 2016/17 financial year a total number of 16 positions were advertised both internally and externally. Currently there are two vacant positions of Section 57 Managers (Director: Technical Services and the Chief Financial Officer) and recruitment for these positions is on process.

Council also embarked on the process of reviewing HR Policies which will be submitted to relevant committees for consultation. Turnover is mainly as a result of terminations e.g. death, resignation, retirements and ending of fixed term contracts.

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9.2 COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

9.2.1.1 INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality is constituted of five departments, Office of the Municipal Manager, Department of Corporate Services, Department of Finance, Department of Community Services and the Department of Technical Services of which each head of department is responsible for the management of the workforce in its department. Furthermore, each department is divided into divisions that are headed by managers who responsible for the discipline and work of employees in their divisions.

9.3 POLICIES

Table 91: HR Policies and Plans

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action		95.0%	Referred back to the section 79 Committee to further refinement.
2	Attraction and Retention		95.0%	Referred back to the section 79 Committee to further refinement.
3	Code of Conduct for employees		100.0%	Collective Bargaining Council matter
4	Delegations, Authorisation & Responsibility		95.0%	Referred back to the section 79 Committee to further refinement.
5	Disciplinary Code and Procedures		100.0%	Collective Bargaining Council
6	Essential Services		95.0%	Discussed at the level of the Local Labour Forum
7	Employee Assistance / Wellness		95.0%	Referred back to the section 79 Committee to further refinement.
8	Employment Equity		95.0%	Referred back to the section 79 Committee to further refinement.
9	Exit Management		00.0%	Policy not yet developed
10	Grievance Procedures		100.0%	Collective Bargaining Council matter
11	HIV/Aids		95.0%	Referred back to the section 79 Committee to further refinement.
12	Human Resource and Development		95.0%	Referred back to the section 79 Committee to further refinement.
13	Information Technology		95.0%	In the process of developing IT policies
14	Job Evaluation		95.0%	In the process of conducting job evaluation
15	Leave		95.0%	Referred back to the section 79 Committee to further refinement.
16	Occupational Health and Safety		95.0%	Referred back to the section 79 Committee to further refinement.

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HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
17	Official Housing		95.0%	Referred back to the section 79 Committee to further refinement.
18	Official Journeys		95.0%	Referred back to the section 79 Committee to further refinement.
19	Official transport to attend Funerals		95.0%	A draft has been developed, still to be tabled before the LLF.
20	Official Working Hours and Overtime		95.0%	Referred back to the section 79 Committee to further refinement.
21	Organisational Rights		95.0%	
22	Payroll Deductions		95.0%	Referred back to the section 79 Committee to further refinement.
23	Performance Management and Development			
24	Recruitment, Selection and Appointments		95.0%	Referred back to the section 79 Committee to further refinement.
25	Remuneration Scales and Allowances		95.0%	
26	Resettlement		95.0%	Referred back to the section 79 Committee to further refinement.
27	Sexual Harassment		95.0%	Referred back to the section 79 Committee to further refinement.
28	Skills Development		95.0%	Referred back to the section 79 Committee to further refinement.

T 4.2.1

9.3.1.1 COMMENT ON WORKFORCE POLICY DEVELOPMENT:

During the financial year 2016/17, the Human Resource Policies Manual was reviewed and will be workshopped to Councillors and submitted to Council for approval in 2017/18 financial year.

9.4 INJURIES, SICKNESS AND SUSPENSIONS

Table 92: Number and Cost of Injuries on Duty

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

Chapter 4

The majority of Managers (Directors) appointed in terms of Section 56 of the MSA are on fixed-term performance contracts. The Individual Performance Management System has not yet been cascaded down to the second reporting line of managers. Currently no performance bonus system or policy exists to pay bonus to non-section 57 employees. This will be put in place once the organisation achieves the necessary performance management maturity level.

The table below sets out the total number and cost of annual bonuses paid out to senior managers and fixed term contract employees for the 2016/17 financial year:

Table 95: Performance Rewards by Gender

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2016/17 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	0	0	0	0
	Male	0	0	0	0
Skilled (Levels 3-5)	Female	0	0	0	0
	Male	0	0	0	0
Highly skilled production (levels 6-8)	Female	0	0	0	0
	Male	0	0	0	0
Highly skilled supervision (levels 9-12)	Female	0	0	0	0
	Male	0	0	0	0
Senior management (Levels 13-15)	Female	0	0	0	0
	Male	0	0	0	0
MM and S57	Female	0	0	0	0
	Male	0	0	0	0
Total					
					N/A

9.5.1.1.1 COMMENT ON PERFORMANCE REWARDS

There were no performances rewards issued to employees during the period under review.

9.6 COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states, that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the

Chapter 4

human resource capacity of a Municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

9.6.1.1 INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The local sphere of government falls under Local Government Sector Education and Training Authority and is required to conduct skill audit and thereafter develop Workplace Skill Plan (WSP) which is accompanied by Training Plan. This Training Plan outlines the trainings that would be undertaken in a particular financial year. The employees are being sent to different training courses based on the skills identified in the WSP.

Chapter 4

9.7 SKILLS DEVELOPMENT AND TRAINING

Table 96: Skills Matrix

Skills Matrix														
Management level	Gender	Employees in post as at 30 June 2016/17	Number of skilled employees required and actual as at 30 June 2016/17											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			Actual: End of 2016/17	Actual: End of 2016/17	2016/17 Target	Actual: End of 2016/17	Actual: End of 2016/17	2016/17 Target	Actual: End of 2016/17	Actual: End of 2016/17	2016/17 Target	Actual: End of 2016/17	Actual: End of 2016/17	2016/17 Target
MM and s57	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	4	0	0	0	0	2	2	0	2	0	0	2	2
Councillors, senior officials and managers	Female	3	0	0	0	0	0	0	0	3	3	3	3	3
	Male	8	0	0	0	0	0	0	0	8	8	8	8	8
Technicians and associate professionals*	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Professionals	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Sub total	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		15	0	0	0	0	2	2	0	13	11	11	13	13

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

T 4.5.1

Table 97: Financial Competency Development: Progress Report

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	0	0	0	0	0	0
<i>Accounting officer</i>	1	0	1	0	1	0
<i>Chief financial officer</i>	1	0	1	0	1	0
<i>Senior managers</i>	2	0	2	0	2	0
<i>Any other financial officials</i>	34	0	34	0	0	0
Supply Chain Management Officials	0	0	0	0	0	0
<i>Heads of supply chain management units</i>	1	0	1	0	1	0
<i>Supply chain management senior managers</i>	0	0	0	0		
TOTAL	39	0	39	0	0	0

9.8 COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

9.8.1.1 INTRODUCTION TO WORKFORCE EXPENDITURE

Section 66 of the MSA states that the Accounting Officer of a Municipality must report to the Council on all expenditure incurred by the Municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

9.9 EMPLOYEE EXPENDITURE

The success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the caliber of staff working for the municipality.

Although sound financial governance is perceived to be most important, without proper personnel management, municipalities are likely to experience difficulty. This has become increasingly evident in a number of large municipalities that have recently found themselves in precarious financial situations, and is certainly true of many smaller municipalities. An analysis of municipal finances suggests that personnel issues lie at the heart of many of the financial problems experienced by municipalities.

At an aggregate level, about 33 per cent of the total municipal operating budget gets spent on the remuneration of personnel.

Municipalities are required to carry out quality services in an effective, efficient and financially sound manner by supporting the principles of ensuring cost-effective and affordable service delivery. Accountability and transparency are, therefore, important when managing workforce expenditure. If the Municipality wants to be effective, it is important to ensure that the Municipality plan properly. To ensure that the Municipality adhere to legislation, only approved and budgeted posts on the structure are advertised. The training and development of internal staff are aimed at ensuring that they are able to perform their duties better.

As can be seen from the graph below the workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

9.9.1.1 COMMENT ON WORKFORCE EXPENDITURE:

The Municipal workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

Table 98: Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
There were no salary increases due to upgrading of employee's position on the period under review.		
<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>		

Table 99: Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None.				

Table 100: Employees appointed to posts not approved

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
No appointments were made to posts not approved on the structure.				

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

There was no upgrade of positions due to job evaluation for the financial year 2016/17. Some variances are legacy issues that occurred as a result of previous amalgamation.

10 CHAPTER 5 – FINANCIAL PERFORMANCE

10.1.1.1 INTRODUCTION

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

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

10.2 COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

10.2.1.1 INTRODUCTION TO FINANCIAL STATEMENTS

The municipality's performance during the year under review has been unsatisfactory, due to financial constraints, municipality experienced decline in revenue.

With the GRAP 24 (Presentation of Budget Information in Financial Statements) now effective, detailed analysis and comments for comparatives of Actual against Budgeted Amounts are shown in the financial statement, which forms part of this report.

STATEMENTS OF FINANCIAL PERFORMANCE

10.2.1.2 INTRODUCTION TO FINANCIAL STATEMENTS

The following sections provide an overview of the financial results of the Municipality for the year under review per economic classification compared to the prior year audited results, the original and final adjustments budget.

Table 101: Financial Summary

Financial Summary R'000						
Description	2015/16	Current:2016/17		2016/17 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	13 228	17 129	17 129	14 917	17 129	17 129
Service charges	37 747	37 735	47 703	48 932	37 735	47 703
Investment revenue	231	936	749	579	936	749
Transfers recognized-operational	52 780	50 227	50 227	47 402	50 227	50 227
Other own revenue	743	4 548	4 559	13 288	4 548	5 032
Total Revenue (excluding capital transfers and contributions)	104 498	110 575	120 367	125943	110 575	120 840

Financial Summary R'000						
Description	2015/16	Current:2016/17			2016/17 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Employee costs	45 410	44 929	45 829	46 643	44 929	45 829
Remuneration of Councilor's	3 644	3 378	3 500	3 348	3 378	3 500
Depreciation & asset impairment	29 836	30 000	30 000	32	30 000	30 000
Finance charges	1 522	53	120	866	53	120
Materials and bulk purchases	24 219	26 991	24 419	3 010	26 991	24 419
				26 844		
Transfers and grants	0	0	0	0	0	0
Other expenditure	39 161	0	23 487	(31 374)	(7 887)	0
Total Expenditure	143 792	672	(147 016)	(183 937)	128 838	(36 921)
Surplus/(Deficit)	(35 850)	10 660	(26 176)	(3 650)	(36 836)	22 526
Transfers recognised - capital	17 925	71 636	74 140	56 529	71 636	74 140
Contributions recognised - capital & contributed assets						
Surplus/(Deficit) after capital transfers & contributions	(51 367)	52 795	68 163	(465)	52 795	68 163
Share of surplus/ (deficit) of associate					0	
Surplus/(Deficit) for the year	(51 367)	52 795	68 163	(465)	52 795	68 163
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised - capital	17 925	71 636	74 140	56 994	71 636	74 140
Public contributions & donations	0		0	0		
Borrowing	0		0	0		
Internally generated funds	0	0	461	0	0	461
Total sources of capital funds	17 925	71 636	74 601		71 636	74 601
Financial position						
Total current assets	55 709	41 608	63 407	69 904	41 608	63 407
Total non-current assets	569 476	77 860	634 360	594 936	77 860	634 360
Total current liabilities	17 431	1 597	12 597	55 705	1 597	12 597
Total non-current liabilities	16 818	0	0	21 850	0	0
Community wealth/Equity	590 934	76 263	621 763	587 285	76 263	621 763
Cash flows						
Net cash from (used) operating	123 257	63 920	76 263	55 450	63 920	76 263
Net cash from (used) investing	(126 733)	(71 636)	(74 140)	55 424	(66 607)	(74 140)
Net cash from (used) financing	2 344	(0)	(0)	(293)	(0)	(0)
Cash/cash equivalents at the year end	2 064	(5 716)	4 123	513	(18 695)	4 123
Cash backing/surplus reconciliation						
Cash and investments available		24,109	9 362		24,109	9 362
Application of cash and investments		(19 898)	6 084		(19 898)	6 084
Balance - surplus (shortfall)		44 007	15 446		44 007	15 446
Asset management						
Asset register summary (WDV)	568 868	664 731	570 700	593 525	664 731	570 700
Depreciation & asset impairment	30 000	30 000	30 000	32 866	30 000	30 000
Renewal of Existing Assets						
Repairs and Maintenance		5 040	3 343	2 651	5 040	3 343
Free services						
Cost of Free Basic Services provided	17 885	17 885	17 885	18 534	17 885	17 885
Revenue cost of free services provided	15	15	15	15	15	15
Households below minimum service level						
Water:						
Sanitation/sewerage:						
Energy:						
Refuse:						

T 5.1.1

Table 102: Financial Performance of Operational Services

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
Operating Cost						

Water	8 107	8 089	8 332	5 510	8 089	8 332
Waste Water (Sanitation)	6 737	8 632	9 668	459	8 632	9 668
Electricity	15 107	18 827	20 203	2 305	18 827	20 203
Waste Management	7 796	2 187	9 500	3 004	2 187	9 500
Housing						
Component A: sub-total	37 747	37 735	47 703	11 278	37 735	47 703
Waste Water (Storm water Drainage)						
Roads		-	3 267	9 899	-	3 267
Transport						
Component B: sub-total	-	-	3 267	9 899		3 267
Planning						
Local Economic Development		-	1 990	1 000		1 990
Component B: sub-total	-	-	1 990	1 000		-
Planning (Strategic & Regulatory)						
Local Economic Development						
Component C: sub-total	-	-	-	-		
Community & Social Services			1 416	830		1 416
Environmental Protection						
Health						
Security and Safety						
Sport and Recreation						
Corporate Policy Offices and Other						
Component D: sub-total	-	-	1 416	830	-	1 416
Total Expenditure	37 747	37 735	52 386		37 735	52 386
						T 5.1.2

Total recognised revenue was **R183 472 812** the amount is over the budgeted figure of **R120 840 000**. The highlights of income recognised are as follows:

- ❖ Actual service charges amounts to **R48 932 367 against a budget amount of R47 703 000**. Part of the variance was due to free basic services being budgeted for in service charges while the funding of these services is from equitable share.
- ❖ Management anticipated that rebates for indigent consumers would not be significant , hence the decrease in budget amount, to **R14 917 157 against a budget of R17 129 000**.
- ❖ The decrease is as a result of reduced investments during the year thereby leading to less investment income and compared to the budget amount .
- ❖ Treasury withheld funds to repay unspent grants on MIG and WSIG.
- ❖ Total expenditure incurred amounted to **R183 937 430** and the budgeted expenditure was **R147 016 000**. The variance is above 26%. The highlights of the municipality's expenditures are:
- ❖ Depreciation amounted to **R32 865 634** and debt impairment amounted to **R36 734 605**.

STATEMENT OF FINANCIAL POSITION

Municipality continues to employ prudent measures. Though the revenue collection is low and we cannot fund our own project, our cash flow is still being managed efficiently.

GRANTS

Table 103: Grant Performance

Grant Performance R' 000						
Description	2015/16	2016/17		2016/17 Variance		
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants					0%	
National Government:	78 071	121 862	121 862	105 756	87%	87%
Equitable share	49 784	47 402	47 402	47 402	0.00%	0.00%
Municipal Systems Improvement	930	0	0	0	0.00%	0.00%
Department of Water Affairs	9 255	55 000	55 000	39 459		
Levy replacement	-	-	-	-	0.00%	0.00%
Other transfers/grants [insert description]	20 243	19 460	19 460	18 895	97%	97%
Provincial Government:				-	0.00%	0.00%
Health subsidy	-	-	-	-	0.00%	0.00%
Housing	-	-	-	-	0.00%	0.00%
Ambulance subsidy	-	-	-	-	0.00%	0.00%
Sports and Recreation	-	-	-	-	0.00%	0.00%
Other transfers/grants [insert description]	0		0	-	0.00%	0.00%
District Municipality:					0.00%	0.00%
[insert description]					0.00%	0.00%
Other grant providers:					0.00%	0.00%
[insert description]					0.00%	0.00%
Total Operating Transfers and Grants	70 705	121 862	121 862	-		
						T 5.2.1

Table 104: Grants received from sources other than Division of Revenue Act (DoRA)

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2014/15	Actual Grant 2015/16	2015/16 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
Parastatals – No grants received						
Foreign Governments/Development Aid Agencies – No grants received						
Private Sector / Organisations – No grants received						
						T 5.2.3

10.2.1.3 COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality did not receive any conditional grants from sources other than the DoRA.

ASSET MANAGEMENT

10.2.1.4 INTRODUCTION TO ASSET MANAGEMENT

Table 105: Treatment of the three largest assets acquired

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED '2016/17				
Asset 1				
Name	Luckhoff waste water treatment works			
Description	Upgrading of Luckhoff waste water treatment works			
Asset Type	Infrastructure asset			
Key Staff Involved	Mpho Tsoene			
Staff Responsibilities	Project Management			
	2012/13	2013/14	2014/15	2015/16
Asset Value				5 568 490
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Improved Sanitation services			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Letsemeng: Provision of 10 High-Mast Lights			
Description	Provision of Community Lighting in all Towns			
Asset Type	Infrastructure asset (Electrical)			
Key Staff Involved	Mpho Tsoene			
Staff Responsibilities	Project Management			
				2016/17
Asset Value				4 600 000
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Service delivery (electrical)			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Asset 3				
Name	Evolution server			
Description	Dell server			
Asset Type	Other asset			
Key Staff Involved	Chrisinah Moloi			
Staff Responsibilities	Asset management			
				2016/17
Asset Value				276 909
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Improved sport facilities			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			

10.2.1.5 COMMENT ON ASSET MANAGEMENT:

Movable asset acquisitions for the 2016/17 financial year amounted to R472 711 and the additions on immovable assets amount to R16 million work in progress including project completed in the financial year amount to R54 million. Additions to the intangible assets amounted to R1 028 612 There were no additions to heritage assets.

Table 106: Repairs and Maintenance Expenditure

Repair and Maintenance Expenditure: 2016/17				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	5 040	3 343	3 118	93%
				T 5.3.4

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

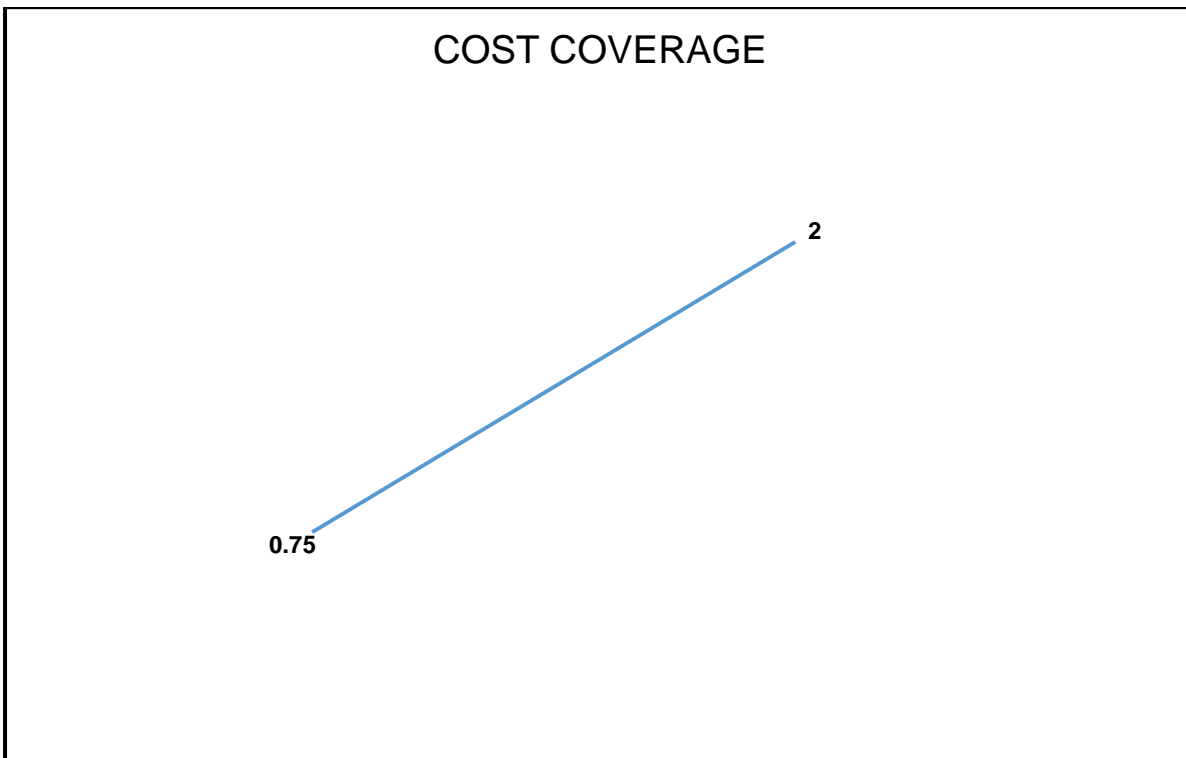


Figure 4: Ratio Cost Coverage

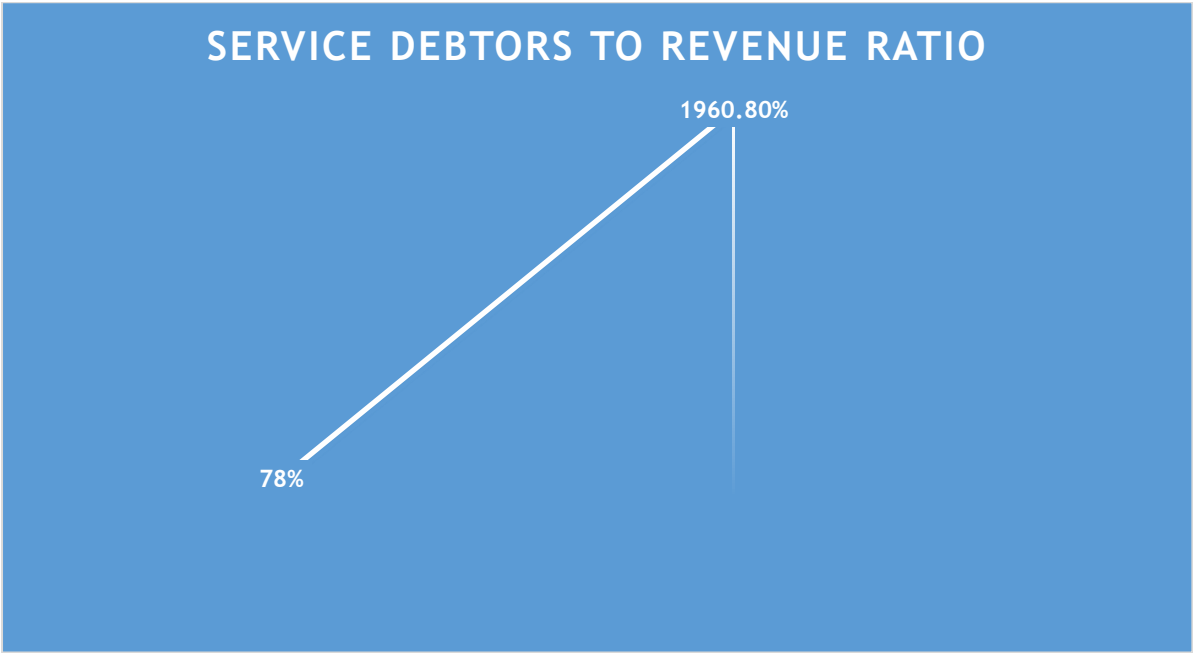


Figure 5: Service Debtors to Revenue Ratio

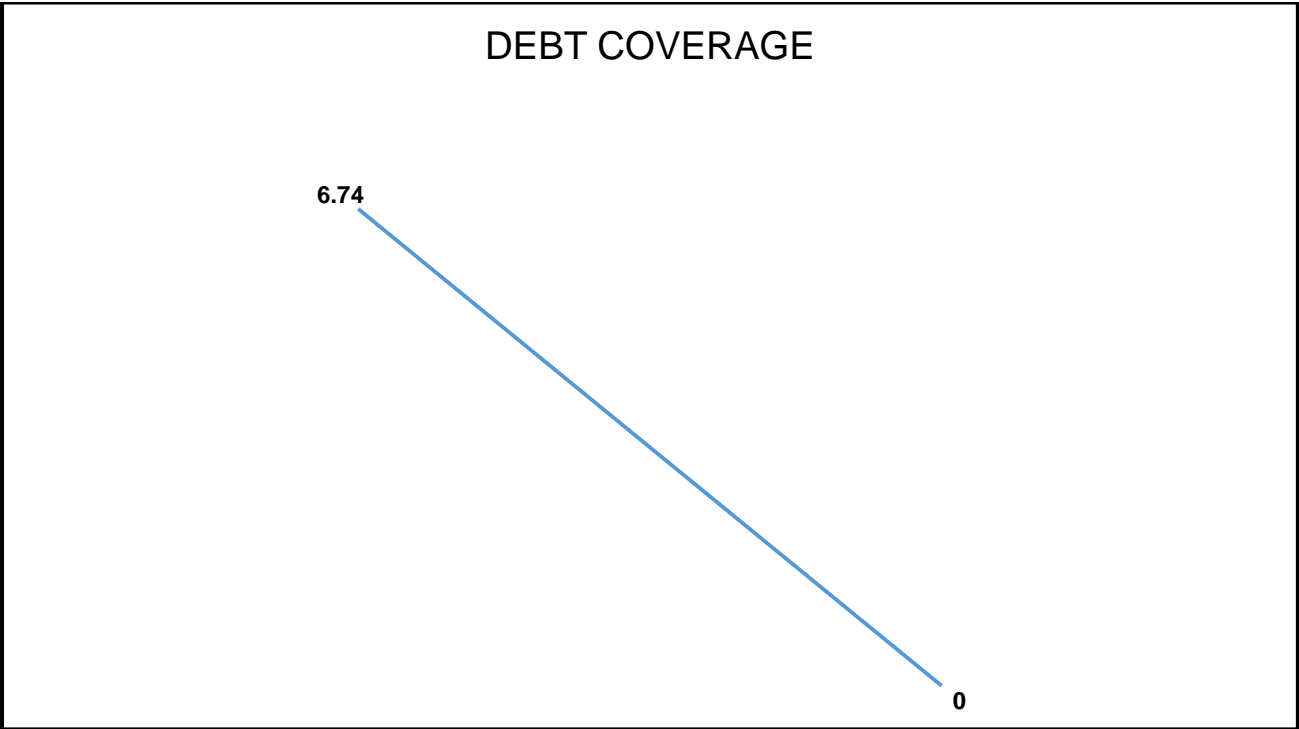


Figure 6: Debt Coverage Ratio

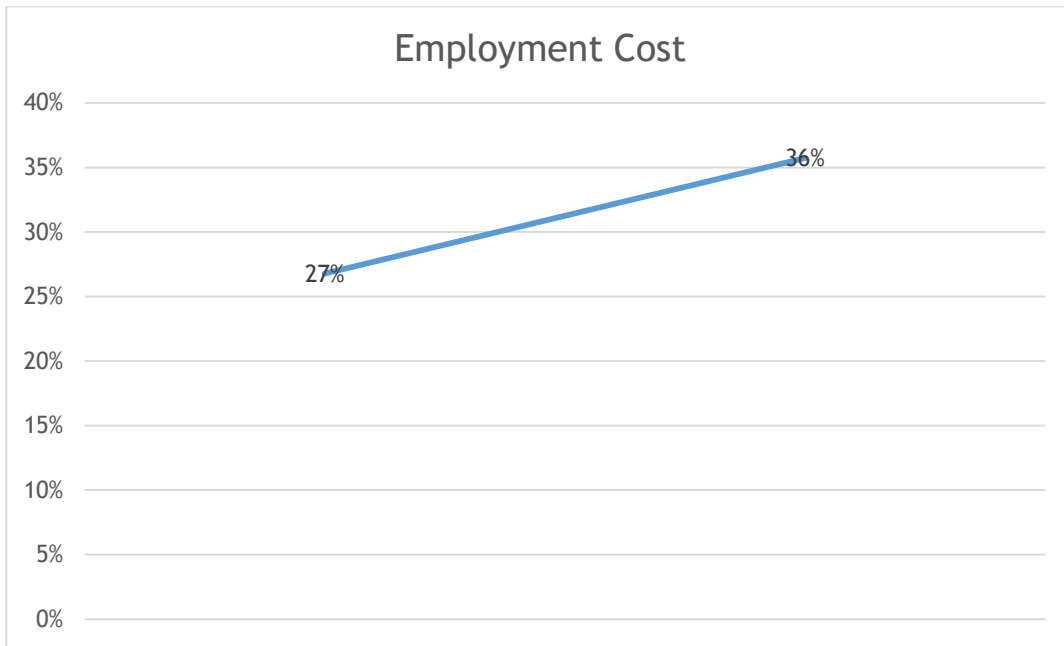


Figure 7: Employee Cost

10.3 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

10.3.1.1 INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend.

CAPITAL EXPENDITURE

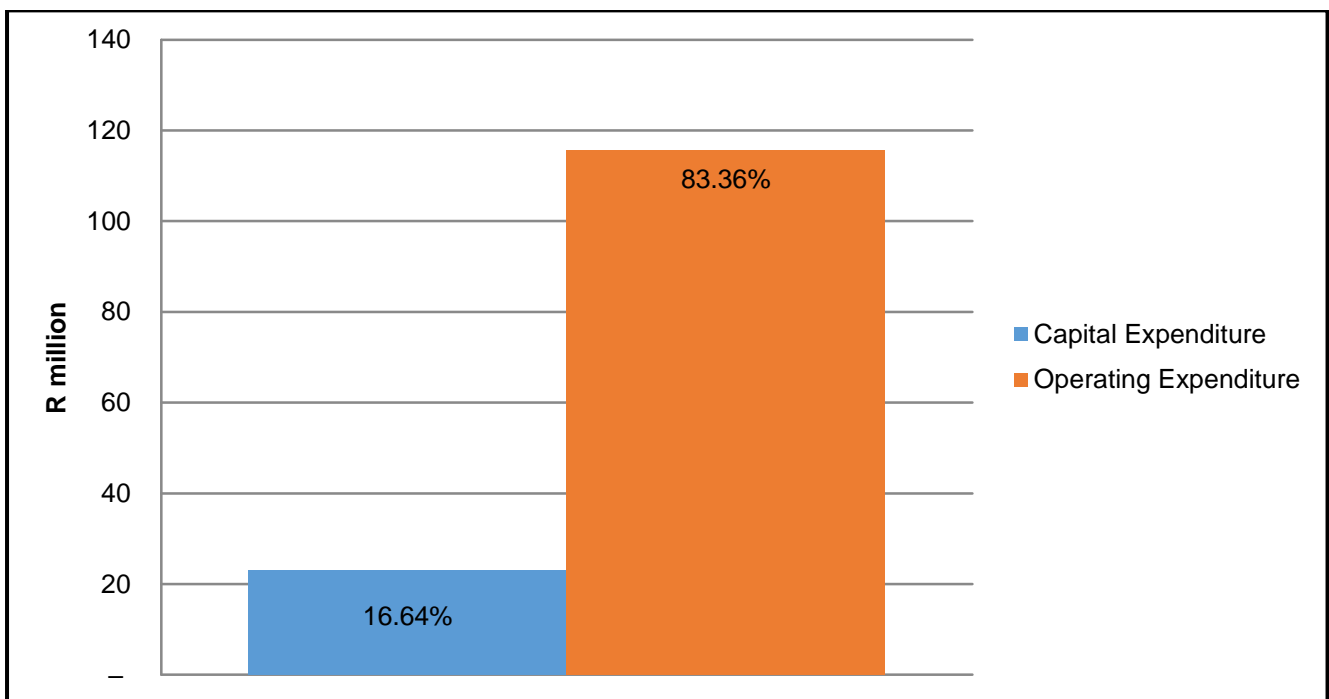


Figure 8: Capital Expenditure

SOURCES OF FINANCE

Table 107: Capital Expenditure

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							
External loans							
Public contributions and donations							
Grants and subsidies	70 705	71 635	74 140	76 635	-3.5%	7.74%	
Other		-	461	0	0%	0%	
Total	0	71 635	74 601	0			
<i>Percentage of finance</i>							
External loans		0.0%		0	0%	0%	
Public contributions and donations		0.0%	0.0%	0	0%	0%	
Grants and subsidies	87.1%	100%	83.9%	93.5%	16.1%	6.4%	
Other							
Capital expenditure							
Water and sanitation	10 241	54 061	54 061	35 557	77.6%	34.2%	
Electricity	3 770	5 432	6 020	890	-10.8%	83.6%	
Housing	-	-	-	-	-	-	
Roads and storm water	1 140	899	483	9 806	46.3%	-990.8%	
Other	8 358	6 415	3 589	3 923	44.1%	38.9%	
Total	0	66807	22219	0			
<i>Percentage of expenditure</i>							
Water and sanitation		34.2%	34.2%	0	0	0	
Electricity		83.6%	85.2%	0	0	0	
Housing		0.0%	0.0%	0	0	0	
Roads and storm water		-990.8%	-1930.2%	0	0	0	
Other		38.9%	-9.3%	0	0	0	

T 5.6.1

10.3.1.2 INDIGENTS HOUSEHOLDS

The municipality embarked on an indigent registration for the period under review. At the end of June 2017 the number was standing at 1410.

10.3.1.3 OTHER INCOME

The approved annual budget for other income was budgeted at R110 million. Subsequent to the mid-year budget assessment other income was adjusted to R128 million. The year to date collection is at 45% of the revenue budget.

Table 108: Other Income CFA SEC71 REPORT

OTHER INCOME AS AT 31 June 2017								
Revenue Source	Adjustment Budget	April 17	May 17	June 17	Total		Year-to-date	Total
					R	%	R	%
Rent of facilities and equipment	408,000	12,759	13,448	19,418	45,625	11%	224,130	55%
Interest earned - external investments	748,800	-	-	-	-	0%	262,746	35%
Dividends received	30,000	-	-	-	-	0%	26,680	89%
Fines	32,480	1,300	2,550	850	4,700	14%	9,050	28%
Licenses and permits	3,500	-	-	-	-	0%	-	0%
Grants and subsidies received - operating	50,227,000	-	-	-	-	0%	44,980,000	90%
Other revenue	4,558,510	66,448	50,183	47,217	163,848	4%	735,540	16%
Total	56,008,290	80,507	66,181	67,485	214,173	0%	46,238,146	83%

Rental of facilities and equipment is at 11% for the period under review and 55% year-to-date which is still not satisfactory, the renting of equipment and facilities did not incur as expected, there were few rentals made for the period under review.

Interest earned- external investment is at 35% for the period under review.

Dividends received are at 89%- Dividends received from OVK at the beginning of the year.

Licenses and permits are at 0% - there were no licenses and permits paid for the period under review, people did not apply for licenses and permits as it is not a function of the Municipality.

Fines are at 28% of the budgeted amount and the low rate can be attributed to few fines being issued. Grants and subsidies received are at 90%, this is due to the INEG grant that was not received.

10.3.1.4 DEBTORS AGE ANALYSIS

The debtors of the municipality arise from the households, government, business and other. These debtors arise from the following services, water, electricity, sewerage and refuse removal.

DEBTORS PER SERVICE

The table below shows the total outstanding debtors of the municipality as at 30 June 2017 which was standing at R134 million. As much as the municipality has not accounted for write-offs, the amount is quite significant.

Table 109: Debtors Age Analysis by Income Source

Debtors Age Analysis By Income Source as at 31 June 2017										
Details	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total	%
Rates	1,392,635	1,209,393	1,073,122	1,000,480	939,001	891,034	4,632,556	21,386,148	32,524,369	24%
Electricity	418,202	240,935	180,293	280,887	147,369	127,148	896,454	1,936,005	4,227,293	3%
Water	2,254,663	3,452,798	2,255,134	885,512	889,137	961,171	4,327,905	18,373,990	33,400,310	25%
Sewerage	1,201,152	1,088,779	1,062,160	1,002,809	972,736	1,103,927	5,104,017	19,321,626	30,857,206	23%
Refuse	1,133,592	1,044,040	1,018,135	961,399	934,251	1,076,786	4,910,950	18,898,224	29,977,377	22%
Housing	44,522	39,950	38,214	37,215	33,891	243,438	1,414,312	1,072,333	2,923,875	2%
	30,915	19,581	8,956	7,798	7,357	3,967	7,384	14,972	100,930	
Total	6,444,766	7,075,895	5,627,058	4,168,302	3,916,385	4,403,504	21,286,194	80,988,326	134,011,360	100%

DEBTORS PER CUSTOMER GROUP

Table 110: Debtors Age analysis by Customer Group

Debtors Age Analysis By Customer Group as at 31 June 2017										
Details	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total	%
Government	708,700	696,573	657,832	596,778	582,198	502,714	2,776,908	9,350,379	15,872,082	12%
Business	903,959	726,603	577,726	543,591	497,822	796,696	3,856,266	14,000,787	21,903,450	16%
Households	4,863,022	5,672,300	4,400,456	3,035,731	2,843,722	3,108,061	14,660,404	57,652,132	96,235,828	72%
Total	6,475,681	7,095,476	5,636,014	4,176,100	3,923,742	4,407,471	21,293,578	81,003,298	134,011,360	100%

10.3.1.5 OPERATING EXPENDITURE

The municipality approved an operating expenditure budget of R148 million which was adjusted to R147 million after mid-year assessment was done in January 2017. The year-to-date expenditure amounts to R183 937 million.

EXPENDITURE	Notes	2017	2016
Employee related costs	25	(46 643 301)	(40 897 554)
Remuneration of councillors	26	(3 348 214)	(3 395 189)
Depreciation and amortisation	27	(32 865 634)	(27 589 030)
Impairment loss	28	-	(269 531)
Finance costs	29	(3 010 152)	(1 552 213)
Debt impairment	30	(36 734 605)	(5 476 775)
Repairs and maintenance		(3 117 530)	(1 575 660)
Bulk purchases	31	(26 844 034)	(21 611 373)
General expenses	32	(31 373 960)	(33 827 809)
Total expenditure		(183 937 430)	(136 195 134)
Operating (deficit) surplus		(464 618)	5 260 380

Loss on disposal of assets and liabilities		(1 538 752)	-
Fair value adjustments	33	(1 160)	975 490
Actuarial gains	15	(264 772)	136 494
Inventories losses/write-downs		(1 380 910)	-
		(3 185 594)	1 111 984
(Deficit) surplus for the year		(3 650 212)	6 372 364

CAPITAL SPENDING ON 5 LARGEST PROJECTS

Table 111: Capital Expenditure: 5 Largest Projects

Capital Expenditure of 5 largest projects*					
Name of Project	Current: '2016/17			Variance: Current '2016/17	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
	R' 000				
A- Koffiefontein: Construction of 2.2km block paved road and storm water	12,380,660	0	7,437,847		
B - Luckhoff: Upgrading of Waste Water Treatment Works	5,568,490	0	1,817,106		
C - Jacobsdal: Construction of new water treatment works (4.2 ml/day)	39,000,000	0	20,118, 784		
D - Letsemeng: Provision of 10 High-Mast Lights	4,660 320	343,892	4,660 320		
E - Ratanang Reticulation of 300 stands	4,128 172	0	4,128 172		
<i>* Projects with the highest capital expenditure in '2016/17</i>					
Name of Project - A -					
Objective of Project	Upgrade dilapidated asphalt surfaced to block pave road				
Delays	Tests result for base layers, delays in appointing of SMME's				
Future Challenges	None				
Anticipated citizen benefits	3 889				
Name of Project - B -					
Objective of Project	Construct additional 2 x Anaerobic Ponds, Inlet works and Shelter and refurbish existing ponds				
Delays	First contractor had to be terminate				
Future Challenges	None				
Anticipated citizen benefits					
Name of Project - C -					
Objective of Project	Increase the WTW capacity to alleviate water shortages problems				
Delays	Subs- Contractors unrests and stopping the project				
Future Challenges	None				
Anticipated citizen benefits	13 177				
Name of Project - D					
Objective of Project	Provide 10 High Mast lighting for Letsemeng LM				

Capital Expenditure of 5 largest projects*						R' 000
Name of Project	Current: '2016/17			Variance: Current '2016/17		
	Original Budget	Adjusted Budget	Actual Expenditure	Original Variance (%)	Adjusted variance (%)	
Delays	ESKOM connection					
Future Challenges	None					
Anticipated citizen benefits	8060					
Name of Project - E -						
Objective of Project	Provide a portable water to 300 House Holds in Jacobsdal					
Delays	Hard Rock					
Future Challenges	Sewer network					
Anticipated citizen benefits	300 Households					
						T 5.7.1

BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

10.3.1.6 INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Table 112: Service Backlogs

Service Backlogs as at 30 June 2017					Households (HHs)	
	*Service level above minimum standard		**Service level below minimum standard			
	No. HHs	% HHs	No. HHs	% HHs		
Water	9814	100%	0	0		
Sanitation	9558	100%	0	0		
Electricity	5720	100%	0	0		
Waste management	9414	100%	0	0		
Housing						
						T 5.8.2

10.3.1.7 COMMENT ON BACKLOGS:

As can be seen the basic services backlogs have reduced over the past few years. The backlogs remaining will however require big infrastructure spending to eradicate and it should also be borne in mind that existing infrastructure in some areas are dated and in need of major overhaul to prevent service interruptions.

10.4 COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

10.4.1.1 INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The proper management of cash resources is paramount in ensuring viability and sustainable growth and development. The municipality did not maintain significant investments due to pressing operational requirements and an effort to maintain creditors' payment within 30 days and addressing the long term liabilities.

Cash Flow Statement

Figures in Rand

	Note(s)	2017	2016 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		23 237 234	35 613 142
Grants and subsidies received		125 755 002	71 958 199
Interest income		578 992	231 731
Dividends received		1 369	6 866
		<hr/>	<hr/>
		149 572 597	107 809 938
Payments			
Employee costs		(48 737 508)	(42 981 129)
Suppliers and other payments		(43 944 313)	(54 511 683)
Finance costs		(1 390 859)	(1 552 213)
		<hr/>	<hr/>
		(94 072 680)	(99 045 025)
Net cash flows from operating activities	35	55 499 917	8 764 913
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(54 510 965)	(23 145 614)
Purchase of other intangible assets	9	(1 028 612)	(14 674)
Proceeds from sale of financial assets		115 246	12 019 937
		<hr/>	<hr/>
Net cash flows from investing activities		(55 424 331)	(11 140 351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(292 693)	(92 402)
Net decrease in cash and cash equivalents		(217 107)	(2 467 840)
Cash and cash equivalents at the beginning of the year		729 726	3 194 564
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 7		512 619	726 724

11 COMPONENT D: OTHER FINANCIAL MATTERS

11.1 SUPPLY CHAIN MANAGEMENT

11.1.1.1 COMMENTS ON SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Accountant and Demand Acquisition clerk was appointed during this financial period.

11.2 GRAP COMPLIANCE

11.2.1.1 COMMENTS ON GRAP COMPLIANCE

Letsemeng Local Municipal compiles its Annual Financial Statements in line with General Recognised Accounting Practise.

12 CHAPTER 6 – AUDITOR GENERAL AUDIT REPORT

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

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Letsemeng Local Municipality set out on pages 170 to 244, which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amount for the year that ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

PROPERTY, PLANT AND EQUIPMENT

3. I was unable to obtain sufficient appropriate audit evidence that the municipality reviewed the useful lives and residual value of property, plant and equipment at each reporting date, as well as assessment impairment when indicators of impairment were present. The municipality also did not provide supporting documentation for work in progress. In addition, the municipality capitalised expenditure on projects at incorrect amounts, resulting in property, plant and equipment being overstated by R5 627 948. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property, plant and equipment stated as R593 524 941 (2016: R 568 867 826) in note 8 to the financial statements.
4. The municipality did not recognise land and buildings in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), GRAP 17, *Property, plant and equipment*. The municipality incorrectly recognised land and buildings that are not in its control and also did not account for all items of land and buildings in the asset register, resulting in property, plant and equipment being overstated by R194 394 117(2016: R19 319 071). Additionally, there was a consequential impact on the surplus for the period and on the accumulated surplus.

SERVICE CHARGES

5. I was unable to obtain sufficient appropriate audit evidence for sales of electricity included in the service charges as the municipality did not have adequate systems to account for the billing of service charges for pre-paid electricity. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the service charges stated as R48 932 367 (2016: R41 196 000) in note 18 to the financial statements. In addition, the municipality did not have adequate systems to account for the billing of service charges for water and electricity, which resulted in service charges being materially misstated. I was unable to determine the impact on the service charges, as it was impracticable to do so. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.
6. The municipality did not recognise revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Service charges relating to sewerage, sanitation and refuse removal were recognised at incorrect amounts. Consequently, both service charges and receivables from exchange transactions were overstated by R5 552 395 (2016: R2 788 377). Additionally, there was a consequential impact on the surplus for the period and on the accumulated surplus.

UNAUTHORISED EXPENDITURE

7. I was unable to obtain sufficient appropriate audit evidence for unauthorised expenditure, as sufficient information was not available for the calculation of the amount to be disclosed. I could not confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unauthorised expenditure stated at R253 960 991 (2016: R194 260 391) in note 43 to the financial statements.

MATERIAL LOSSES

8. The municipality did not disclose water and electricity distribution losses, as required by section 125(2)(d) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). As the municipality did not maintain adequate records of water and electricity usage, I was unable to determine the full extent of the understatement of distribution losses in the year under review and the previous year, as it was impracticable to do so.

COMMITMENTS

9. The municipality did not recognise all contractual commitments for the acquisition of property, plant and equipment, as required by GRAP 17, *Property Plant Equipment*. As the municipality did not maintain adequate accounting records of capital expenditure, I was unable to determine the full extent of the understatement of commitments in note 36 to the financial statements as it was impracticable to do so.

PAYABLES FROM EXCHANGE TRANSACTIONS

10. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for unknown deposits included in payable from exchange transactions. The municipality did not perform regular bank reconciliations and did not provide sufficient appropriate audit evidence that the material amounts were cleared at financial year-end. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to payable from exchange transactions stated as R26 688 570 in note 13 to the financial statements.
11. Additionally, the municipality did not recognise accrued expenses in accordance with GRAP 1, *Presentation of financial statements*. The supporting register and the amount on the financial statements had material differences. Furthermore, the municipality did not recognise all transactions meeting the definition of a liability, as the municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid at financial year-end. This resulted in payables from exchange transactions being understated by R12 491 153 in note 13 to the financial statements. Additionally, there was a consequential impact on the surplus for the period and on the accumulated surplus.

GENERAL EXPENSES

12. I was unable to obtain sufficient appropriate audit evidence for general expenses as the municipality did not maintain adequate records of expenditure transactions. In addition, the municipality did not recognise all items of general expenses in accordance with GRAP 1, *Presentation of financial statements*, resulting in general expenses being understated by R24 909 172. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to general expenses stated as R31 373 960 (2016: R33 827 809) in note 32 to the financial statements.

VALUE-ADDED TAX RECEIVABLE

13. I was unable to obtain sufficient appropriate audit evidence for value-added tax (VAT) receivable due to non-submission of information in support of the adjustments made in the VAT account. In addition, the municipality did not correctly account for all the transactions attracting VAT in the accounting system due to the status of the accounting record, resulting in an overstatement of VAT receivable. I was unable to determine the full extent of the understatement. I was unable to confirm the VAT receivable by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to VAT receivable stated as R20 416 563 in note 6 to the financial statements.

PROPERTY RATES

14. The municipality did not recognise property rates in accordance with GRAP 23, *Revenue from non-exchange transactions*. The municipality did not bill households in line with the approved tariffs list, which resulted in both property rates and receivables from non-exchange transactions being understated by R4 744 222 (2016: R4 729 118). Additionally, there was a consequential impact on the surplus for the period and on the accumulated surplus.

IRREGULAR EXPENDITURE

15. The municipality did not adequately disclose all instances of irregular expenditure on the financial statements, as the full extent thereof was not investigated in the year under review and the previous year. I was unable to determine the full extent of the understatement of irregular expenditure in note 41 to the financial statements as it was impracticable to do so.

DEPRECIATION AND AMORTISATION

16. The municipality did not recognise depreciation in accordance with GRAP 17, *Property, plant and equipment*. The municipality incorrectly calculated the depreciation, resulting in depreciation and amortisation overstated by R16 028 927. Additionally, there was a consequential impact on the surplus for the period and on the accumulated surplus.

Material uncertainty relating to going concern

17. I draw attention to the matter below. My opinion is not modified in respect of this matter.
18. Note 46 to the financial statements, indicates that the municipality incurred a net loss of R3 650 212 during the year ended 30 June 2017. The municipality was struggling to pay creditors due to cash constraints. In addition, the municipality owed Eskom a long-overdue amount of R8 338 147 as at 30 June 2017. These conditions, along with other matters as set forth in note 46, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

Emphasis of matter

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

RESTATEMENT OF CORRESPONDING FIGURES

20. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2017.

MATERIAL UNDERSPENDING OF THE CONDITIONAL GRANTS

21. As disclosed in note 16 to the financial statements, the municipality materially underspent the water infrastructure grant by R20 680 994 and the municipal infrastructure grant by R4 564 885 (2016: R5 246 630).

MATERIAL IMPAIRMENTS

22. As disclosed in note 3 to the financial statements, receivables from exchange transactions were impaired by R68 922 555 (2016: R39 242 862) and, as disclosed in note 4 to the financial statements, receivables from non-exchange transactions were impaired by R18 970 924 (2016: R15 041 517).

Other matters

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

UNAUDITED DISCLOSURE NOTES

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

Responsibilities of the accounting officer for the financial statements

25. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of GRAP and the requirements of the MFMA and Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (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.
26. In preparing the financial statements, the accounting officer is responsible for assessing the Letsemeng Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the municipality or cease operations, or there is no realistic alternative but to do so.

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

27. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
28. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that

are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

29. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
30. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
31. 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 KPA presented in the annual performance report of the municipality for the year ended 30 June 2017:

KPA	Pages in the annual performance report
KPA 1: basic service delivery and infrastructure development	49-96

32. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
33. The material findings in respect of the usefulness and reliability of the selected KPA are as follows:

KPA 1: basic service delivery and infrastructure development

Various indicators

34. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators below. This was due to a lack of proper performance management systems, processes and formal

standard operating procedures or documented system descriptions that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for Managing Programme Performance Information (FMPPI). I was unable to confirm that the reported achievements of these indicators were reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements below:

Indicator	Reported achievement
TL1: % of households with access to basic level of water service standard	99,37%
TL 2: % of households with access to basic sanitation service standard	97,03%
TL 3: % of households with access to basic electricity service standard	99,36%
TL 4: % of households with access to basic refuse service standard	100,01%
TL 9: % of indigent households receiving free basic water	16,85%
TL 10: % of indigent households receiving free basic sanitation	16,85%
TL 11: % of Indigent households receiving free basic electricity	16,85%
TL 12:% of Indigent households receiving free basic Refuse	16,85%
TL 77: no. of HH in formal areas meet the minimum water service standards (Stand pipe 200m & better)	8 370
TL 78: no. of HH without access to minimum water standards	0
TL 79: no. of HH in formal areas meet the minimum sanitation service standards (VIP)	8 378
TL 80: no. of HH without access to minimum sanitation standards	695
TL 82: no. of HH in municipal supply area meet agreed electricity service standards (connected to the national grid)	8 040
TL 83: no. of HH without access to minimum electricity standards	0
TL 86: no. of HH in formal areas meet minimum refuse removal standards (at least once a week)	8 369
TL5: council: no. of households which are billed for water or have pre-paid meters as at 30 June 2016	9 814
TL6: council: no. of households which are billed for electricity or have pre-paid meters (excluding Eskom areas) at 30 June 2016	526
TL7: council: no. of households which are billed for sewerage at 30 June 2016	9 558
TL8: no. of households which are billed for refuse at 30 June 2016	9 414

35. The strategic objectives for basic services and infrastructure development, indicated below, were not reported in the annual performance report. This is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (Municipal Systems Act).

- Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance
- Promote a culture of participatory and good governance
- To create an efficient, effective and accountable administration
- To improve overall financial management in municipality by developing and implementing appropriate financial management policies, procedures and systems.

Other matters

36. I draw attention to the matter below.

Achievement of planned targets

37. Refer to the annual performance report on pages 49 to 126 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 31; 32 ;34 of this report.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

38. 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.
39. The material findings on compliance with specific matters in key legislations are as follows:

BUDGETS

40. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by inappropriate budgeting for capital expenditure.

Financial statements, performance and annual reports

41. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of audit opinion.
42. The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(a)(b) and (c) of the Municipal Systems Act.
43. The annual financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

Strategic planning and performance management

44. The integrated development plan did not include the key performance indicators and targets, as required by section 26 (a),(c),(i) and (h) of the Municipal Systems Act and municipal planning and performance management regulation 2(1)(c) and 2(3).

UTILISATION OF CONDITIONAL GRANTS

45. The municipal infrastructure grant (MIG) and Department of Water Affairs grant (DWA) were not spent in accordance with the applicable grant framework, in contravention of section 17(1) of DoRA.
46. The municipality did not evaluate its performance in respect of programmes funded by the MIG and DWA, as required by section 12(5) of DoRA.

CONSEQUENCE MANAGEMENT

47. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
48. Irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA and municipal budget and reporting regulation 75(1).

EXPENDITURE MANAGEMENT

49. Money owed by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
50. Payments and withdrawals were made from the municipality's bank account without the approval of the accounting officer, as required by section 11(1) of the MFMA.
51. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.
52. Effective steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified, as indicated in the basis for

qualification paragraph. The majority of the disclosed irregular expenditure was caused by three quotations not obtained when procuring goods and services below R200 000 suppliers and non-compliance with the application of functionality evaluations.

53. Effective steps were not taken to prevent fruitless and wasteful expenditure of R372 699, as disclosed in note 42 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by interest paid due to late payment to suppliers.

REVENUE MANAGEMENT

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

ASSET MANAGEMENT

55. An effective system of internal control over assets was not in place, as required by section 63(2)(c) of the MFMA.

LIABILITY MANAGEMENT

56. An effective system of internal control over liabilities was not in place, as required by section 63(2)(c) of the MFMA.

HUMAN RESOURCE MANAGEMENT

57. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act.

PROCUREMENT AND CONTRACT MANAGEMENT

58. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as procurement files and quotations were not available for auditing. Similar non-compliance was also reported in the previous.
59. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(a) and (c). Similar non-compliance was also reported in the previous year.
60. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer

even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). This non-compliance was identified in the procurement processes for the implementation of Municipal Standard Chart of Accounts.

61. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the previous year. This non-compliance was identified in the procurement processes for road project.
62. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
63. Some of the contracts were awarded through competitive bidding processes that were not adjudicated by the bid adjudication committee.
64. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the previous year. This non-compliance was identified in the procurement processes for the sanitation project.
65. The preference point system was not applied for some of the procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000). This non-compliance was identified in the procurement processes for awarding a tender to prepare financial statements.
66. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
67. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
68. 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. Similar non-compliance was also reported in the previous year. This non-compliance was identified in the procurement processes for the waste water treatment project.
69. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA. Similar non-compliance was also reported in the previous year.

OTHER INFORMATION

70. The Letsemeng Local Municipality's accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected KPA presented in the annual performance report that have been specifically reported in the auditor's report.
71. 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.
72. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected KPAs presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
73. 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

74. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
75. The leadership did not develop action plans and monitor their implementation to address internal control deficiencies. This was because of the slow response in addressing internal control weaknesses identified.
76. The leadership did not adequately oversee financial and performance reporting and compliance and related internal controls as it did not ensure that there were sound internal controls in the daily operations of the municipality.
77. The leadership did not implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored. As a result there was no consequence management for employees who did not perform their duties.
78. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance

reporting. This was as a result of the slow response in addressing previous year audit findings, vacancies at the finance department and the reliance on consultants to provide information without management taking ownership.

79. Management did not prepare accurate and complete financial and performance reports that are supported and evidenced by reliable information. This was due to the municipality not implementing consequence management for employees not preparing and submitting the required financial and performance information, officials' lack of competencies and the high reliance on consultants.

80. The accounting officer did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

81. The audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation, as limited reports were provided to them by the internal audit unit.

Bloemfontein
13 December 2017



AUDITOR - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Mayoral committee

Mayor

Cllr. T.I. Reachable

Councillors

Cllr. M.A. Mpatshela

Cllr. M.M. Tsiloana

Cllr. M.U. Jantjies

Cllr. P.M. Dibe

Cllr. S. Lecoko

Cllr. P.S. Musa

Cllr. V. A. Mona

Cllr. P. Louw

Cllr. L. Greef

Cllr. V. Coetzee

Cllr. K. Nel

Cllr. M.J. Phaliso

Cllr. X.W. Nqelani

Cllr. M.T. Rens

Cllr. M.C. Ntemane

Cllr. S.J. Bahumi

Cllr. A.N. November

Cllr. C. Burger

Cllr. T.V. Nthapo

Cllr. T.S. Moqhoishi

Cllr. M.A. Lebaka

Grading of local authority	Grade 2
Accounting Officer	B.A. Mnguni
Chief Finance Officer (CFO)	J. Mazinyo
Registered office	Civic Centre 7 Grootrek Street Koffiefontein 9986
Business address	Civic Centre 7 Grootrek Street Koffiefontein 9986
Postal address	Private Bag X3 Koffiefontein 9986
Bankers	First National Bank ABSA
Auditors	Auditor General South Africa

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Index

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

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Abbreviations

ASB	Accounting Standards Board
COID	Compensation for Occupational Injuries and Diseases
GAMAP	Generally Accepted Municipal Accounting Practice
DBSA	Development Bank of South Africa
CRR	Capital Replacement Reserve
EPWP	Extended Public Works Program
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality is wholly dependent on the Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out on pages 4 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Accounting Officer
Mr. TL Mkhwane

Letsemeng Local Municipality

Annual 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

Letsemeng Local Municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the municipal area.

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

Net deficit of the municipality was R 3 650 212 (2016: surplus R 6 372 364).

2. Going concern

Management experienced cash flow difficulties during the financial period. Management considered the following matters relating to the going concern:

- (i) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (ii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cash flow of the municipality and where necessary procure funding for the ongoing operations for the municipality.

3. Subsequent events

The accounting officer is not aware of any matters or circumstances arising since the end of the financial year that may impact the annual financial statements.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

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

6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr B.A Mnguni	South African

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Management meetings

The accounting officer meets Section 56 managers at least on a monthly basis.

Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

9. Bankers

The municipality's bankers did not change during the year.

10. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

11. Non-compliance with applicable legislation

Significant non-compliance with various legislations have been properly disclosed in the notes to the financial statements.

12. Retirement benefit obligation

Management performed an actuarial valuation of the Employee Benefits of the employer's liability arising from the post-retirement healthcare subsidy ("PRHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	2	2 792 591	4 164 044
Receivables from exchange transactions	3	32 564 848	29 285 756
Receivables from non-exchange transactions	4	13 553 446	9 175 643
Other receivables from exchange transactions	5	64 021	64 021
VAT receivable	6	20 416 563	12 289 509
Cash and cash equivalents	7	512 639	729 726
		69 904 108	55 708 699
Non-Current Assets			
Property, plant and equipment	8	593 524 941	568 867 826
Intangible assets	9	1 079 073	160 278
Heritage assets	10	211 000	211 000
Other financial assets	11	120 730	237 135
		594 935 744	569 476 239
Total Assets		664 839 852	625 184 938
Liabilities			
Current Liabilities			
Finance lease obligation	12	666 642	171 790
Payables from exchange transactions	13	26 688 570	9 176 737
Consumer deposits	14	799 295	751 702
Employee benefit obligation	15	773 473	553 187
Unspent conditional grants and receipts	16	26 777 283	6 778 034
		55 705 263	17 431 450
Non-Current Liabilities			
Finance lease obligation	12	3 114 345	79 410
Employee benefit obligation	15	5 971 608	5 594 530
Provisions	17	12 763 987	11 144 694
		21 849 940	16 818 634
Total Liabilities		77 555 203	34 250 084
Net Assets		587 284 649	590 934 854
Accumulated surplus		587 284 649	590 934 854

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
REVENUE			
Revenue from exchange transactions			
Service charges	18	48 932 367	41 196 000
Dividends received	19	1 369	6 866
Interest earned - external investments	19	578 992	231 731
Interest earned - outstanding debtors		7 807 563	7 462 942
Rental of facilities and equipment	20	2 208 897	504 953
Other income	21	544 947	724 008
Total revenue from exchange transactions		60 074 135	50 126 500
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	14 917 157	13 227 770
Interest from outstanding receivables		2 718 217	-
Transfer revenue			
Government grants and subsidies	23	105 755 753	78 071 114
Fines, penalties and forfeits		7 550	30 130
Total revenue from non-exchange transactions		123 398 677	91 329 014
Total revenue	24	183 472 812	141 455 514
EXPENDITURE			
Employee related costs	25	(46 643 301)	(40 897 554)
Remuneration of councillors	26	(3 348 214)	(3 395 189)
Depreciation and amortisation	27	(32 865 634)	(27 589 030)
Impairment loss	28	-	(269 531)
Finance costs	29	(3 010 152)	(1 552 213)
Debt impairment	30	(36 734 605)	(5 476 775)
Repairs and maintenance		(3 117 530)	(1 575 660)
Bulk purchases	31	(26 844 034)	(21 611 373)
General expenses	32	(31 373 960)	(33 827 809)
Total expenditure		(183 937 430)	(136 195 134)
Operating (deficit) surplus		(464 618)	5 260 380
Loss on disposal of assets and liabilities		(1 538 752)	-
Fair value adjustments	33	(1 160)	975 490
Actuarial gains	15	(264 772)	136 494
Inventories losses/write-downs		(1 380 910)	-
		(3 185 594)	1 111 984
(Deficit) surplus for the year		(3 650 212)	6 372 364

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	575 593 703	575 593 703
Adjustments		
Prior year adjustments	8 968 787	8 968 787
Balance at 01 July 2015 as restated*	584 562 490	584 562 490
Changes in net assets		
Surplus for the year	6 372 364	6 372 364
Total changes	6 372 364	6 372 364
Restated* Balance at 01 July 2016	590 934 861	590 934 861
Changes in net assets		
Surplus for the year	(3 650 212)	(3 650 212)
Total changes	(3 650 212)	(3 650 212)
Balance at 30 June 2017	587 284 649	587 284 649

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Note(s) 2017 2016 Restated*

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

Sale of goods and services	23 237 234	35 613 142
Grants and subsidies received	125 755 002	71 958 199
Interest income	578 992	231 731
Dividends received	1 369	6 866
	<u>149 572 597</u>	<u>107 809 938</u>

Payments

Employee costs	(48 737 508)	(42 981 129)
Suppliers and other payments	(43 944 313)	(54 511 683)
Finance costs	(1 390 859)	(1 552 213)
	<u>(94 072 680)</u>	<u>(99 045 025)</u>

Net cash flows from operating activities 35 **55 499 917** **8 764 913**

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	8 (54 510 965)	(23 145 614)
Purchase of other intangible assets	9 (1 028 612)	(14 674)
Proceeds from sale of financial assets	115 246	12 019 937

Net cash flows from investing activities **(55 424 331)** **(11 140 351)**

CASH FLOWS FROM FINANCING ACTIVITIES

Finance lease payments	(292 693)	(92 402)
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Net decrease in cash and cash equivalents **(217 107)** **(2 467 840)**

Cash and cash equivalents at the beginning of the year	729 726	3 194 564
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CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 7 **512 619** **726 724**

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Adjustments	Adjusted budget	Actual amounts	Variance	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	37 735 000	9 968 000	47 703 000	48 932 367	1 229 367	
Dividends received	4 000	26 000	30 000	1 369	(28 631)	Note 47
Interest earned - external investments	936 000	(187 000)	749 000	578 992	(170 008)	Note 47
Interest earned - outstanding debtors	-	-	-	7 807 563	7 807 563	Note 47
Rental of facilities and equipment	510 000	(102 000)	408 000	2 208 897	1 800 897	Note 47
Other income	4 248 000	311 000	4 559 000	544 947	(4 014 053)	Note 47
Total revenue from exchange transactions	43 433 000	10 016 000	53 449 000	60 074 135	6 625 135	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	17 129 000	-	17 129 000	14 917 157	(2 211 843)	Note 47
Licences and permits	7 000	(4 000)	3 000	-	(3 000)	
Interest on outstanding receivables	-	-	-	2 718 217	2 718 217	Note 47
Transfer revenue						
Government grants and subsidies	50 227 000	-	50 227 000	105 755 753	55 528 753	Note 47
Fines, penalties and forfeits	56 000	(24 000)	32 000	7 550	(24 450)	Note 47
Total revenue from non-exchange transactions	67 419 000	(28 000)	67 391 000	123 398 677	56 007 677	
Total revenue	110 852 000	9 988 000	120 840 000	183 472 812	62 632 812	
Expenditure						
Employee costs	(44 929 000)	(900 000)	(45 829 000)	(46 643 301)	(814 301)	
Remuneration of councillors	(3 378 000)	(122 000)	(3 500 000)	(3 348 214)	151 786	
Depreciation and amortisation	(30 000 000)	-	(30 000 000)	(32 865 634)	(2 865 634)	
Finance costs	(53 000)	(67 000)	(120 000)	(3 010 152)	(2 890 152)	Note 47
Debt impairment	(15 000 000)	-	(15 000 000)	(36 734 605)	(21 734 605)	Note 47
Repairs and maintenance	-	-	-	(3 117 530)	(3 117 530)	Note 47
Bulk purchases	(26 991 000)	2 572 000	(24 419 000)	(26 844 034)	(2 425 034)	Note 47
Contracted Services	(3 850 000)	(811 000)	(4 661 000)	-	4 661 000	Note 47
General expenses	(23 487 000)	-	(23 487 000)	(31 373 960)	(7 886 960)	Note 47
Total expenditure	(147 688 000)	672 000	(147 016 000)	(183 937 430)	(36 921 430)	
Operating deficit	(36 836 000)	10 660 000	(26 176 000)	(464 618)	25 711 382	
Loss on disposal of assets and liabilities	-	-	-	(1 538 752)	(1 538 752)	Note 47
Fair value adjustments	-	-	-	(1 160)	(1 160)	Note 47
Actuarial gains	-	-	-	(264 772)	(264 772)	Note 47
Inventories losses/write-downs	-	-	-	(1 380 910)	(1 380 910)	Note 47
	-	-	-	(3 185 594)	(3 185 594)	
Surplus/(Deficit) for the year	(36 836 000)	10 660 000	(26 176 000)	(3 650 212)	22 525 788	

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Adjusted budget	Actual amounts	Variance	Reference
	(36 836 000)	10 660 000	(26 176 000)	(3 650 212)	22 525 788	

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Adjusted budget	Actual amounts	Variance	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	422 000	-	422 000	2 792 591	2 370 591	Note 47
Receivables from exchange transactions	32 077 000	-	32 077 000	32 564 848	487 848	
Receivables from non-exchange transactions	-	21 799 000	21 799 000	13 553 446	(8 245 554)	Note 47
Other receivables from exchange transactions	-	-	-	64 021	64 021	
VAT receivable	-	-	-	20 416 563	20 416 563	Note 47
Cash and cash equivalents	9 109 000	-	9 109 000	512 639	(8 596 361)	Note 47
	41 608 000	21 799 000	63 407 000	69 904 108	6 497 108	
Non-Current Assets						
Biological assets	-	250 000	250 000	-	(250 000)	Note 47
Investment property	20 802 000	(20 802 000)	-	-	-	
Property, plant and equipment	-	570 000 000	570 000 000	593 524 941	23 524 941	
Intangible assets	450 000	-	450 000	1 079 073	629 073	Note 47
Heritage assets	-	-	-	211 000	211 000	
Other financial assets	15 000 000	(14 747 000)	253 000	120 730	(132 270)	Note 47
	36 252 000	534 701 000	570 953 000	594 935 744	23 982 744	
Total Assets	77 860 000	556 500 000	634 360 000	664 839 852	30 479 852	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	666 642	666 642	Note 47
Payables from exchange transactions	-	11 000 000	11 000 000	26 688 568	15 688 568	Note 47
Consumer deposits	842 000	-	842 000	799 295	(42 705)	
Employee benefit obligation	-	-	-	773 473	773 473	Note 47
Unspent conditional grants and receipts	-	-	-	26 777 283	26 777 283	Note 47
Provisions	755 000	-	755 000	-	(755 000)	Note 47
	1 597 000	11 000 000	12 597 000	55 705 261	43 108 261	
Non-Current Liabilities						
Finance lease obligation	-	-	-	3 114 345	3 114 345	Note 47
Employee benefit obligation	-	-	-	5 971 608	5 971 608	Note 47
Provisions	-	-	-	12 763 987	12 763 987	Note 47
	-	-	-	21 849 940	21 849 940	
Total Liabilities	1 597 000	11 000 000	12 597 000	77 555 201	64 958 201	
Net Assets	76 263 000	545 500 000	621 763 000	587 284 651	(34 478 349)	
Net Assets						
Reserves						
Accumulated surplus	76 263 000	545 500 000	621 763 000	587 284 651	(34 478 349)	

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Original budget	Adjustments	Adjusted budget	Actual amounts	Variance	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	40 187 000	10 000 000	50 187 000	23 237 234	(26 949 766)	
Grants	121 863 000	2 504 000	124 367 000	125 755 002	1 388 002	Note 47
Interest income	936 000	(187 000)	749 000	578 992	(170 008)	Note 47
Dividends received	4 000	26 000	30 000	1 369	(28 631)	Note 47
Other receipts	4 542 961	-	4 542 961	-	(4 542 961)	Note 47
	167 532 961	12 343 000	179 875 961	149 572 597	(30 303 364)	
Payments						
Suppliers	(103 559 411)	-	(103 559 411)	(92 681 821)	10 877 590	Note 47
Finance costs	(53 000)	-	(53 000)	(1 390 859)	(1 337 859)	Note 47
	(103 612 411)	-	(103 612 411)	(94 072 680)	9 539 731	
Net cash flows from operating activities	63 920 550	12 343 000	76 263 550	55 499 917	(20 763 633)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(71 636 000)	(2 504 000)	(74 140 000)	(54 510 965)	19 629 035	
Purchase of other intangible assets	-	-	-	(1 028 612)	(1 028 612)	Note 47
Proceeds from sale of financial assets	-	-	-	115 245	115 245	Note 47
Net cash flows from investing activities	(71 636 000)	(2 504 000)	(74 140 000)	(55 424 332)	18 715 668	
Cash flows from financing activities						
Finance lease payments	-	-	-	(292 693)	(292 693)	Note 47
Net increase/(decrease) in cash and cash equivalents	(7 715 450)	9 839 000	2 123 550	(217 108)	(2 340 658)	
Cash and cash equivalents at the beginning of the year	2 000 000	-	2 000 000	729 726	(1 270 274)	
Cash and cash equivalents at the end of the year	(5 715 450)	9 839 000	4 123 550	512 618	(3 610 932)	

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and 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, held to maturity investments and loans and 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.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 17 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Allowance for doubtful debts

The Municipality follows a policy that is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal Systems Act 2000 as amended and other related legislation.

Bad debts write offs must be considered in terms of cost-benefit analysis: meaning when it becomes too costly to recover and the chances of collecting the debts are slim, a write off should be considered.

Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalization of any final readings and other administrative costs results in a balance one hundred Rand (R100) or less, such account must be forwarded once to the consumer for payment.

The Accounting Officer will, after thorough review of any applicants in terms of this Policy, be delegated to write off any amounts, outstanding for more than 365 days to the maximum of:

- 1) In the case of a household consumer an amount of R100.00 (excluding interest and penalties) per submission; and
- 2) In the case of a household consumer an amount of R 200.00 (excluding interest and penalties) per submission.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provision for bad debts on municipal accounts will therefore be calculated as follows:

- 1) Up to 90 days debt is not considered bad
- 2) 91-120 days 25% of the debt is considered bad
- 3) 121-365 days 50% of the debt is considered bad
- 4) 365 days and more, 100% of the debt is considered bad

GRAP 24: Presentation of budget information

The comparison of budget and actual amounts were presented separately for each level of legislative oversight:

The approved and final budget amounts;
The actual amounts on a comparable basis.

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 for
- 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.

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.

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property (continued)

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

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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.

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Buildings		
• Buildings and improvements	Straight line	5 - 60
Other Assets		
• Office Equipment	Straight line	3 - 7
• IT Equipment	Straight line	3 - 5
• Plant and machinery	Straight line	5 - 25
Community		
• Buildings	Straight line	30
• Recreational Facilities	Straight line	20 - 30
• Security	Straight line	3 - 5
Infrastructure		
• Roads and Paving	Straight line	3 - 80
• Sewerage / Solid waste	Straight line	5 - 50
• Water	Straight line	5 - 50

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Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is 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.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Intangible assets (continued)

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	2 - 6 years

Intangible assets are derecognised:

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

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

1.8 Heritage assets

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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

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.

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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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.

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

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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.

1.9 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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

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.

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.

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Accounting Policies

1.9 Financial instruments (continued)

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;
- 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:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents - Call deposits	Financial asset measured at amortised cost
Cash and cash equivalents - Bank	Financial asset measured at amortised cost
Cash and cash equivalents - Cash	Financial asset measured at fair value
Current portion of non-current investments	Financial asset measured at amortised cost

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:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost

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Accounting Policies

1.9 Financial instruments (continued)

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.

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.

Fair value measurement considerations

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

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

Reclassification

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

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

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

Letsemeng Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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Accounting Policies

1.9 Financial instruments (continued)

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Presentation

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

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

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

Letsemeng Local Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Tax

VAT

The municipality accounts for Value Added Tax on the Payment Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991)

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - 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.

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

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

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.

Letsemeng Local Municipality

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Accounting Policies

1.12 Inventories

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

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Letsemeng Local Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also 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.

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.

1.14 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.

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

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

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

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

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

Letsemeng Local Municipality

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Accounting Policies

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

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

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

Useful life is either:

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

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.

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.15 Employee benefits

Employee benefits are all forms of consideration given by 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.

Letsemeng Local Municipality

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Accounting Policies

1.15 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.

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.

Letsemeng Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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.

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

Letsemeng Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

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

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

Letsemeng Local Municipality

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Accounting Policies

1.15 Employee benefits (continued)

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. 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 benefit.

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Letsemeng Local Municipality

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Accounting Policies

1.16 Provisions and contingencies (continued)

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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.

1.19 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.

Letsemeng Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

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.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

There are two types of fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability regarding the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the revenue amount collected from the spot fines and summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

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.

Conditional grants and receipts

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

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
The amount of the revenue can be measured reliably. and;
There has been compliance with the relevant legal requirement.

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

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

Gifts and donations, including goods in-kind

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

Assessment Rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
The amount of the revenue can be measured reliably. and;
There has been compliance with the relevant legal requirement.

Changes to property values during a reporting period, which are referred to as "interims, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 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.

1.24 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.

Letsemeng Local Municipality

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Accounting Policies

1.25 Irregular expenditure

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

- (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.

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, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (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.

1.26 Budget information

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

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 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 provincial sphere of government are considered to be related parties.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.27 Related parties (continued)

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

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

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

1.28 Events after reporting date

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

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
2. Inventories		
Maintenance materials	2 773 569	4 154 479
Water	19 022	9 565
	2 792 591	4 164 044
Inventories are held for own use and measured at the lower of cost or current replacement value.		
3. Receivables from exchange transactions		
Gross balances		
Electricity	4 227 294	3 837 060
Water	33 400 285	20 578 366
Sewerage	30 857 077	21 727 152
Refuse	29 977 253	21 128 900
Other	3 025 494	1 257 140
	101 487 403	68 528 618
Less: Allowance for impairment		
Electricity	(1 811 909)	(1 895 427)
Water	(23 058 265)	(11 877 616)
Sewerage	(21 363 570)	(12 653 107)
Refuse	(20 798 539)	(12 325 874)
Other	(1 890 272)	(490 838)
	(68 922 555)	(39 242 862)
Net balance		
Electricity	2 415 385	1 941 633
Water	10 342 020	8 700 750
Sewerage	9 493 507	9 074 045
Refuse	9 178 714	8 803 026
Other	1 135 222	766 302
	32 564 848	29 285 756
Electricity		
Current (0 -30 days)	329 812	168 457
31 - 60 days	159 902	149 277
61 - 90 days	104 641	71 346
91 - 120 days	172 951	98 910
121 + days	1 775 201	1 561 996
Consumer debtors	(127 122)	(108 353)
	2 415 385	1 941 633
Water		
Current (0 -30 days)	883 571	316 372
31 - 60 days	1 056 340	292 554
61 - 90 days	794 074	299 946
91 - 120 days	272 628	292 890
121 + days	7 563 970	7 589 605
Consumer debtors	(228 563)	(90 617)
	10 342 020	8 700 750

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
3. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	460 385	335 360
31 - 60 days	330 589	309 351
61 - 90 days	311 126	289 333
91 - 120 days	297 950	283 524
121 + days	8 164 052	7 883 519
Consumer debtors	(70 595)	(27 042)
	9 493 507	9 074 045
Refuse		
Current (0 -30 days)	418 825	304 057
31 - 60 days	311 974	288 360
61 - 90 days	293 061	277 941
91 - 120 days	280 576	271 816
121 + days	7 898 845	7 692 986
Consumer debtors	(24 567)	(32 134)
	9 178 714	8 803 026
Other		
Current (0 -30 days)	46 814	198 246
31 - 60 days	32 658	12 749
61 - 90 days	23 989	12 058
91 - 120 days	21 644	12 379
121 + days	1 010 117	517 671
Consumer debtors	-	13 199
	1 135 222	766 302

Receivables from exchange transactions: other include outstanding debtors for various other services, e.g. arrangements, deposits, housing, interest, rentals and sundry services like garden refuse, sanitation bags, etc.

Consumer debtors pledged as security

None of the receivable from exchange transaction debtors have been pledged as security for the municipality's financial liabilities.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 4 464 103 (2016: R 6 476 887) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 891 463	2 197 665
2 months past due	1 526 891	2 195 729
3 months past due	1 045 749	2 083 493

Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	39 242 862	37 705 658
Allowance for impairment	29 679 693	1 059 044
Amounts written off as uncollectible	-	478 160
	68 922 555	39 242 862

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3. Receivables from exchange transactions (continued)

In determining the recoverability of receivables from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

4. Receivables from non-exchange transactions

Assessment rates	32 524 370	24 217 160
Provision for impairment	(18 970 924)	(15 041 517)
	13 553 446	9 175 643

None of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of the receivables from non-exchange transactions, the municipality considers any change in the credit quality of the assessment rate debtors 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, management believe that there is no further credit provision required in excess of the provision for impairment.

Net balances

The ageing of receivables from assessment rates are as follows:

Rates

Current (0 - 30 days)	787 404	345 684
31 - 60 days	628 736	325 814
61 - 90 days	502 175	417 824
91 - 120 days	455 415	305 949
121 + days	11 553 960	8 057 815
Consumer debtors	(374 244)	(277 443)
	13 553 446	9 175 643

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	15 041 517	14 530 729
Provision for impairment	3 929 407	510 788
	18 970 924	15 041 517

5. Receivables from exchange transactions

Sundry deposits	64 021	64 021
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6. VAT receivable

VAT	20 416 563	12 289 509
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VAT is payable on a receipt basis. Once payment is received from debtors, VAT is paid over to SARS.

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6. VAT receivable (continued)

No interest is payable to SARS if VAT is paid in time. Interest on late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances 512 639 729 726

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Balance at yearend	485 060	729 726	485 060	729 726

The balance consists of the balance of the following current accounts:

First National Bank - 527115689918

ABSA Bank - 4078034774

8. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74 959 435	-	74 959 435	74 955 150	-	74 955 150
Buildings	65 267 348	(24 634 367)	40 632 981	64 538 139	(23 513 038)	41 025 101
Infrastructure	992 278 369	(524 806 916)	467 471 453	941 086 522	(496 622 421)	444 464 101
Other property, plant and equipment	13 439 100	(6 151 065)	7 288 035	13 924 840	(5 654 927)	8 269 913
Leased assets	4 223 260	(1 050 223)	3 173 037	400 779	(247 218)	153 561
Total	1 150 167 512	(556 642 571)	593 524 941	1 094 905 430	(526 037 604)	568 867 826

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal	Total
Land	74 955 150	4 285	-	-	-	74 959 435
Buildings	41 025 101	729 209	-	(1 121 329)	-	40 632 981
Infrastructure	444 464 101	54 197 119	(1 256 160)	(29 933 607)	-	467 471 453
Other property, plant and equipment	8 269 913	472 711	(556 711)	(897 878)	-	7 288 035
Leased assets	153 561	3 822 480	-	(803 004)	-	3 173 037
	568 867 826	59 225 804	(1 812 871)	(32 755 818)	-	593 524 941

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Change in discount factor - Landfill sites	Depreciation	Impairment loss	Total
Land	74 955 150	-	-	-	-	-	74 955 150
Buildings	41 745 825	382 859	-	-	(1 103 583)	-	41 025 101
Infrastructure	440 120 773	28 952 176	-	664 847	(25 123 695)	(150 000)	444 464 101
Other property, plant and equipment	8 669 427	744 482	-	-	(1 072 035)	(71 961)	8 269 913
Leased assets	283 041	-	-	-	(129 480)	-	153 561
	565 774 216	30 079 517	-	664 847	(27 428 793)	(221 961)	568 867 826

Pledged as security

None of the tangible assets were pledged as security during the current year and previous financial years.

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8. Property, plant and equipment (continued)

Other information

Expenditure incurred on repairs and maintenance of property, plant and equipment

Buildings	46 675	-
Infrastructure	1 777 204	-
Other property, plant and equipment	827 031	-
	2 650 910	-

Reconciliation of work-in-progress 2017

	Included within buildings	Included within infrastructure	Total
Opening balance	10 920 712	34 233 396	45 154 108
Additions/capital expenditure	719 867	54 206 461	54 926 328
Work-in-progress completed during the year	(1 766 364)	(15 014 851)	(16 781 215)
	9 874 215	73 425 006	83 299 221

Reconciliation of work-in-progress 2016

	Included within buildings	Included within infrastructure	Included within other assets	Total
Opening balance	10 537 853	10 159 152	2 423 888	23 120 893
Additions/capital expenditure	382 859	28 920 675	-	29 303 534
Work-in-progress completed during the year	-	(7 270 320)	-	(7 270 320)
	10 920 712	31 809 507	2 423 888	45 154 107

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

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, other	2 007 465	(928 392)	1 079 073	978 853	(818 575)	160 278

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	160 278	1 028 612	(109 817)	1 079 073

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	305 840	14 674	(160 236)	160 278

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9. Intangible assets (continued)

Pledged as security

All of the municipality's intangible assets are held under freehold interests 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	211 000	-	211 000	211 000	-	211 000

Reconciliation of heritage assets 2017

	Opening balance	Total
Heritage assets	211 000	211 000

Reconciliation of heritage assets 2016

	Opening balance	Impairment losses recognised	Total
Heritage assets	258 570	(47 570)	211 000

11. Other financial assets

Designated at fair value

Unlisted shares	120 550	120 342
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The municipality holds the following non-controlling interests:

Senwes Limited: 3 600 (2016: 3 600) shares
 Senwes Beleggings: 4 990 (2016: 4 990) shares
 OVK: 4 000 (2016: 4 000) shares

Designated at fair value

First National Bank	180	116 793
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The municipality holds an investment, account number 62273244849, at First National Bank

Total investments

120 730 **237 135**

Non-current assets

Designated at fair value	120 550	120 342
At amortised cost	180	116 793
	120 730	237 135

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11. Other financial assets (continued)

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

OVK Operations	52 800	54 402
These shares are valued as per valuation obtained from the OVK Transfer Secretaries as at 30 June.		
Senwes Limited	37 440	65 940
These shares are valued as per valuation obtained from the Senwes Transfer Secretaries as at 30 June.		
Senwes Beleggings Limited	28 942	-
These shares are valued as per valuation obtained from the Senwes Transfer Secretaries as at 30 June.		
	<u>119 182</u>	<u>120 342</u>

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

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

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1

Unlisted shares	119 182	120 342
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Level 2

Money market investments	180	-
	<u>119 362</u>	<u>120 342</u>

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12. Finance lease obligation		
Minimum lease payments due		
- within one year	1 261 144	269 834
- in second to fifth year inclusive	3 916 091	92 728
	<u>5 177 235</u>	<u>362 562</u>
less: future finance charges	(1 396 248)	(111 363)
Present value of minimum lease payments	<u>3 780 987</u>	<u>251 199</u>
Present value of minimum lease payments due		
- within one year	666 642	171 790
- in second to fifth year inclusive	3 114 345	79 410
	<u>3 780 987</u>	<u>251 200</u>
Non-current liabilities	3 114 345	79 410
Current liabilities	666 642	171 790
	<u>3 780 987</u>	<u>251 200</u>

It is municipality policy to lease certain copiers and cellphones under finance leases.

The average lease term was 5 years for copiers, 2 years for cellphones and internet modems and the average effective borrowing rate was 10% (2016: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

13. Payables from exchange transactions

Accrued expenses	19 944 447	3 716 944
Accrued leave pay	3 636 605	2 685 118
Accrued bonus	1 236 788	1 266 860
Payments received in advance	537 851	537 851
Unknown deposits	(259 048)	-
Sundry deposits	30 796	27 072
Retention monies	1 561 131	942 892
	<u>26 688 570</u>	<u>9 176 737</u>

14. Consumer deposits

Electricity	212 111	211 290
Water	587 184	540 412
	<u>799 295</u>	<u>751 702</u>

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15. Employee benefit obligations

Defined benefit plan Post-employment

health care benefit plan

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health medical aid schemes.

The members of the post-employment health care benefit plan are made up as follows:

- In-service members (employees): 1 (2016: 1)
- In-service non-members (employees): 3 (2016: 3)
- Continuation members (retirees, widowers and orphans): 14 (2016: 14)

Long service awards liability

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long -service Award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2017. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The current- service cost for the year ending 30 June 2017 is estimated to be R427 355, whereas the cost for the ensuing year is estimated to be R395 721 for 30 June 2017.

Post retirement medical aid plan

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(4 293 667)	(4 136 780)
Present value of the defined benefit obligation-partly or wholly funded	(2 451 414)	(2 010 937)
	(6 745 081)	(6 147 717)
Non-current liabilities	(5 971 608)	(5 594 530)
Current liabilities	(773 473)	(553 187)
	(6 745 081)	(6 147 717)

The fair value of plan assets includes:

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

Opening balance	4 136 780	4 303 285
Net expense recognised in the statement of financial performance	156 887	(166 505)
	4 293 667	4 136 780

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Figures in Rand	2017	2016
15. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance: Post Employment Medical Aid		
Current service cost	19 287	19 059
Interest cost	346 557	337 747
Actuarial (gains) losses	325 326	(147 423)
Benefits paid	(534 283)	(375 888)
	156 887	(166 505)

Changes in the present value of the Long Service Awards obligation are as follows:

Opening balance	2 010 937	1 644 482
Net expense recognised in the statement of financial performance	440 477	366 455
	2 451 414	2 010 937

Net expenses recognised in the statement of financial performance: Long Service Awards Obligations:

Current service cost	408 068	376 662
Interest cost	164 224	127 179
Actuarial gains (losses)	(60 554)	10 929
Benefits paid	(71 261)	(148 315)
	440 477	366 455

Key assumptions used

Assumptions used at the reporting date:

Discount rate - post employment medical aid subsidy	8,67 %	8,76 %
Discount rate - long service award	8,47 %	8,55 %
Health care cost inflation rate	6,98 %	7,92 %
General salary inflation	6,29 %	7,20 %
Net discount rate - health care cost inflation	1,59 %	0,78 %
Net discount rate - long service award	2,05 %	1,26 %
Maximum subsidy inflation rate	4,86 %	5,56 %
Net discount rate - maximum subsidy inflation	3,64 %	3,03 %

Other assumptions

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

	2017	2016	2015	2014	2013
	R	R	R	R	R
Defined benefit obligation - wholly unfunded	4 293 667	4 136 780	4 303 000	4 162 000	3 938 000
Defined benefit obligation - wholly funded	2 451 414	2 010 937	1 644 482	1 789 537	1 543 000
Actuarial (gains) / losses	325 326	147 423	205 000	350 000	217 000
Actuarial (gains) / losses	(60 554)	10 929	(332 174)	(55 730)	(161)

Actuarial gains

Post employment medical aid and long service awards	264 772	136 484
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16. Unspent conditional grants and receipts Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	4 564 885	5 246 630
Department of Roads and Transport Grant	1 416 404	1 416 404
Department of Water Affairs Grant	20 680 994	-
Department of Health Grant	115 000	115 000
	26 777 283	6 778 034

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

See note 23 for reconciliation of grants from National / Provincial Government.

Due to the adverse economic environment, a significant portion of amounts due to the municipality in respect of services rendered, property rates and taxes are tied up in receivables. This resulted in amounts earmarked for conditional projects being utilised to ensure smooth running of the municipality. Management is actively following up on outstanding receivables to ensure that projects are completed.

17. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Unwinding of interest	Total
Environmental rehabilitation	11 144 694	1 619 293	12 763 987

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	5 109 213	6 035 481	-	11 144 694

The provision was based on 100% of the landfill site areas as the total area is used for dumping of waste. Dumping is not limited to a certain portion of landfill sites. The entire site will have to be rehabilitated, therefore the provision was based on 100%.

Jacobsdal	4 637 946	3 890 231
Koffiefontein	2 784 179	2 462 646
Luckhoff	2 374 975	2 116 637
Oppermandorp	1 122 214	978 144
Petrusburg	1 844 672	1 697 036
	12 763 986	11 144 694

18. Service charges

Sale of electricity	18 298 519	15 011 594
Sale of water	12 988 647	8 086 697
Sewerage and sanitation charges	9 103 940	9 293 731
Refuse removal	8 541 261	8 803 978
	48 932 367	41 196 000

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19. Investment revenue		
Dividend revenue		
Dividends	1 369	6 866
Interest revenue		
Interest on external investments	578 992	231 731
	580 361	238 597
20. Rental of facilities and equipment		
Premises		
Premises	2 181 012	474 404
Venue hire	25 434	30 428
	2 206 446	504 832
Equipment		
Rental of crockery	600	-
Rental of equipment	439	121
	1 039	121
	2 207 485	504 953
21. Other income		
Administration fees	23 151	31 558
Building plan fees	6 516	3 797
Connection and reconnection fees	123 063	124 927
Grave sales	45 954	45 556
Photocopies	657	861
Sundry income	274 988	431 974
Tax certificates	21 583	16 826
Tender documents	49 035	68 509
	544 947	724 008
22. Property rates		
Rates charged		
Property rates	14 917 157	13 227 770
Valuations		
Residential	810 718 877	810 718 877
Commercial	177 231 140	177 231 140
State	60 569 875	60 569 875
Municipal	23 457 915	23 457 915
Small holdings and farms	1 966 486 424	1 966 486 424
Other	97 407 041	97 407 041
	3 135 871 272	3 135 871 272

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and any significant changes in the property valuations.

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23. Government grants and subsidies

Operating grants

Equitable share 47 402 000 49 784 000

Capital grants

Accelerated Community Infrastructure Programme (ACIP)	-	1 199 999
Department of Water Affairs (DWA)	39 459 007	9 255 946
Expanded Public Works Programme (EPWP)	1 000 000	1 000 000
Financial Management Grant (FMG)	1 825 000	1 800 000
Municipal Infrastructure Grant (MIG)	16 069 746	14 101 169
Municipal Systems Improvement Grant (MSIG)	-	930 000
	58 353 753	28 287 114
	105 755 753	78 071 114

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	58 353 753	28 287 114
Unconditional grants received	47 402 000	49 784 000
	105 755 753	78 071 114

Equitable Share

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

National : MIG funds

Balance unspent at beginning of year	5 246 631	2 369 798
Current-year receipts	20 635 000	16 978 000
Conditions met - transferred to revenue: capital expenditure	(16 069 746)	(14 101 167)
Repayment of funds (withheld from Equitable Share allocation)	(5 247 000)	-
	4 564 885	5 246 631

Conditions still to be met - remain liabilities (see note 16).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions. To provide for new, rehabilitation and upgrading of municipal infrastructure.

Provincial : Roads and Transport Grant

Balance unspent at end of year 1 416 404 1 416 404

Conditions still to be met - remain liabilities (see note 16).

The grant is used to finance the upgrading and construction of the street network within the municipal boundaries.

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23. Government grants and subsidies (continued)

National: Department Water Affairs (DWA)

Balance unspent at beginning of year	-	9 255 946
Current-year receipts	60 140 000	-
Conditions met - transferred to revenue: capital expenditure	(39 459 007)	(9 255 946)
	<u>20 680 993</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The grant is used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Provincial: Health Subsidies

Balance unspent at beginning of year	<u>115 000</u>	<u>115 000</u>
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Conditions still to be met - remain liabilities (see note 16).

This grant is used to fund environmental health care services, which services are in a process of being transferred to Provincial Government.

Provincial : Accelerated Community Development Programme

Current-year receipts	-	1 199 999
Conditions met - transferred to revenue	-	(1 199 999)
	<u>-</u>	<u>-</u>

The purpose of this grant is for the upgrading of the Koffiefontein sewer pump system. No amount was withheld during the year.

National: FMG Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue: operating expenses	(1 825 000)	(1 800 000)
	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

National: MSIG Funds

Balance unspent at beginning of year	-	-
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

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Figures in Rand	2017	2016
23. Government grants and subsidies (continued)		
National: EPWP Grant		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue: operating expenses	(1 000 000)	(1 000 000)
	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No amount was withheld during the year.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

24. Revenue

Service charges	48 932 367	41 196 000
Rental of facilities and equipment	2 208 897	504 953
Interest received - outstanding debtors (exchange)	7 807 563	7 462 942
Other income	544 947	724 008
Interest earned - external investments	578 992	231 731
Dividends received	1 369	6 866
Property rates	14 917 157	13 227 770
Interest received - outstanding debtors (non-exchange)	2 718 217	-
Government grants and subsidies	105 755 753	78 071 114
Fines, penalties and forfeits	7 550	30 130
	183 472 812	141 455 514

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

Service charges	48 932 367	41 196 000
Rental of facilities and equipment	2 208 897	504 953
Interest received - outstanding debtors	7 807 563	7 462 942
Other income	544 947	724 008
Interest earned - external investments	578 992	231 731
Dividends received	1 369	6 866
	60 074 135	50 126 500

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	14 917 157	13 227 770
Interest received - outstanding debtors	2 718 217	-

Transfer revenue

Government grants and subsidies	105 755 753	78 071 114
Fines, penalties and forfeits	7 550	30 130
	123 398 677	91 329 014

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25. Employee related costs		
Basic salaries and wages	28 928 787	26 750 622
Bonus	1 802 676	1 694 961
Overtime payments	4 748 629	3 794 572
Housing benefits and allowances	1 223 548	95 426
Other allowances	2 548 713	2 596 992
Telephone allowance	103 018	97 632
Pension funds - council contributions	3 680 427	3 136 428
Medical aid funds - council contributions	1 812 226	1 261 302
Industrial council	17 073	16 030
UIF	289 395	268 862
Workmens compensation contributions	644 250	272 444
Skills development levy	-	353 691
Defined contribution plans	-	418 288
Long service awards	(106 928)	140 304
Leave pay provision charge	951 487	-
	46 643 301	40 897 554
Remuneration of the Municipal Manager		
Annual remuneration	748 986	694 500
Car allowance	245 838	231 500
Contributions to UIF, medical aid and pension funds	1 785	280 392
Other	51 062	61 345
	1 047 671	1 267 737
Remuneration of the Chief Finance Officer		
Annual remuneration	524 434	470 504
Car allowance	80 000	79 260
Contributions to UIF, medical aid and pension funds	1 190	223 761
Other benefits	56 496	29 278
Other	121 216	24 647
	783 336	827 450
The Chief Financial Officer resigned at 28 February 2017 and the post was still vacant at 30 June 2017. The position is currently filled by an acting CFO.		
Remuneration of the Director: Community Services		
Annual remuneration	714 082	374 116
Car allowance	102 000	48 920
Contributions to UIF, medical aid and pension funds	1 785	165 363
Other benefits	37 875	34 415
Acting allowance	-	15 161
	855 742	637 975
Remuneration of the Director: Technical Services		
Annual remuneration	-	376 416
Car allowance	-	80 100
Performance bonuses	-	142 146
Contributions to UIF, medical aid and pension funds	-	265 898
Acting allowance	220 869	102 025
	220 869	966 585

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25. Employee related costs (continued)		
The post was vacant from 1 July 2016 to 30 June 2017. A number of staff members acted in this position during the year.		
Remuneration of the Director: Corporate Services		
Annual remuneration	696 082	607 070
Car allowance	120 000	134 000
Contributions to UIF, medical aid and pension funds	1 785	289 465
Other benefits	-	57 899
Acting allowance	33 103	-
	850 970	1 088 434
26. Remuneration of councillors		
Executive Major	736 384	700 567
Councillors	2 611 830	2 694 622
	3 348 214	3 395 189
27. Depreciation and amortisation		
Property, plant and equipment	32 755 817	27 589 030
Intangible assets	109 817	-
	32 865 634	27 589 030
28. Impairment of assets		
Impairments		
Property, plant and equipment	-	269 531
Property, plant and equipment and heritage assets have been impaired due to condition assessments that indicated a decrease in the value in use since the last assessment.		
29. Finance costs		
Interest expense		
Rehabilitation of landfill site	1 390 859	1 552 213
	1 619 293	-
	3 010 152	1 552 213
30. Debt impairment		
Contributions to debt impairment provision	36 734 605	4 998 614
Bad debts written off	-	478 161
	36 734 605	5 476 775
31. Bulk purchases		
Electricity	23 712 850	17 078 185
Water	3 131 184	4 533 188
	26 844 034	21 611 373

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32. General expenses		
Accommodation cost	1 010 766	386 245
Administration fees	15 118	-
Advertising	804 740	326 870
Auditors remuneration	2 721 346	2 904 206
Bank charges	185 067	243 763
Chemicals	1 606 756	1 670 582
Commission paid	104 380	-
Consulting and professional fees	6 845 200	8 487 112
Consumables	547 520	7 816 158
Donations	2 000	26 500
Electricity	4 287 730	3 490 809
Entertainment	79 105	75 734
Fuel and oil	717 769	631 064
Funeral cost	28 115	34 080
Hire	3 881 411	591 013
IT expenses	-	70 425
Insurance	752 474	808 606
License fees	373 747	352 183
Other expenses	216 833	789 189
Postage and courier	11 154	4 184
Printing and stationery	417 317	349 578
SMME projects	1 133 533	-
Special events and programs	775 702	950 052
Subscriptions and membership fees	1 000 898	535 776
Telephone and fax	2 225 313	2 421 044
Training	221 102	109 229
Travel - local	601 995	404 774
Uniforms	729 193	233 790
Ward committee expense	76 117	-
Water tests	1 559	114 843
	31 373 960	33 827 809

The amounts disclosed above for other expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

33. Fair value adjustments

Other financial assets

• Other financial assets	(1 160)	975 490
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34. Auditors' remuneration

Fees	2 721 346	2 904 206
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Figures in Rand	2017	2016
35. Cash generated from operations		
(Deficit) surplus	(3 650 212)	6 372 364
Adjustments for:		
Depreciation and amortisation	32 865 634	27 589 030
Gain on sale of assets and liabilities	1 538 752	-
Fair value adjustments	1 160	(975 490)
Impairment loss	-	221 961
Impairment loss: Heritage assets	-	47 570
Movements in retirement benefit assets and liabilities	597 364	199 950
Movements in provisions	1 619 293	-
Changes in working capital:		
Inventories	1 371 453	2 954 531
Receivables from exchange transactions	(3 279 092)	(16 531 653)
Receivables from non-exchange transactions	(4 377 803)	(3 546 964)
Other receivables from exchange transactions	-	1 464 332
Payables from exchange transactions	16 893 580	522 915
VAT receivable	(8 127 054)	(3 470 638)
Unspent conditional grants and receipts	19 999 249	(6 112 915)
Consumer deposits	47 593	29 920
	55 499 917	8 764 913

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	17 985 888	5 808 821
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Total capital commitments

Already contracted for but not provided for	17 985 888	5 808 821
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Authorised operational expenditure

Total commitments

Total commitments

Authorised capital expenditure	17 985 888	5 808 821
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This committed expenditure relates to property, plant and equipment and general expenses and will be financed from own resources.

Letsemeng Local Municipality

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37. Related parties

Members of the council

These include the total remuneration per councillor, in aggregate for the entire financial year.

Related party transactions

Remuneration of Councillors

Cllr. T.I. Reachable (Mayor)	736 384	700 567
Cllr. M.C. Ntemane (Chief Whip and Chairperson: Community Service)	274 298	-
Cllr. M.M. Tsiloana (Chairperson (previous): Finance Service Committee)	34 802	280 987
Cllr. M.A. Mpatshela (Chairperson (previous): Health Committee)	34 796	285 155
Cllr. S.J. Bahumi (Chairperson: Governance)	274 298	-
Cllr. M.T. Rens (Chairperson: Human Resource Corporate Service Committee)	274 298	-
Cllr. M.J. Jantjies (Chairperson (previous): Human Resource Committee)	34 802	280 947
Cllr. P.M. Dibe (Chairperson (previous): LED Services)	34 798	285 155
Cllr. X.W. Nqelani (Chairperson: Technical Service Committee)	274 298	-
Cllr. P.J. Louw (Chairperson (previous): Technical Service Committee)	34 830	281 605
Cllr. C. Burger	221 609	-
Cllr. M.A. Lebaka	235 547	-
Cllr. T.S. Moqhoishi	221 609	-
Cllr. A.N. November	221 609	-
Cllr. T.V. Nthapo	221 609	-
Cllr. M.J. Phaliso	221 609	-
Cllr. V.A. Coetzee (previous)	27 761	223 538
Cllr. L.J. Greeff (previous)	27 744	223 538
Cllr. S.E. Lecoko (previous)	-	115 764
Cllr. V.A. Mona (previous)	25 319	202 575
Cllr. P.S. Musa (previous)	27 746	56 558
Cllr. K.W. Nel (previous)	27 761	223 538
	3 487 527	3 159 927

Compensation to councillors

Basic remuneration	3 114 295	2 717 529
Telephone allowance	267 236	199 985
Car allowance	86 760	216 000
Skills development levy	6 947	17 379
Travel and subsistence (re-imburement)	12 289	9 034
	3 487 527	3 159 927

38. Prior period errors

During the year under review, the following errors, as defined in GRAP 3 were identified:

- Bulk purchases: In the previous financial year, the payable for Bulk purchases (electricity) was incorrectly recognised. The correction resulted in the following adjustments:
 - Decrease in Payables from exchange transactions (sundry creditors) amounting to R1 674 544
 - Increase in the VAT receivable amounting to R25 112
 - Decrease in Bulk purchases amounting to R(1 699 655)

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38. Prior period errors (continued)

- Bulk purchases: During the reconciliation of the bulk purchases, it was identified that input VAT was incorrectly included in the expenditure vote. The correction resulted in the following adjustments:
 - Increase in the VAT receivable amounting to R484 189
 - Decrease in the Bulk purchases amounting to R(514 456)
 - Increase in Finance charges amounting to R30 268
- Bulk purchases: A payment was incorrectly cancelled in the previous financial year, which resulted in the Bulk purchases being understated. The correction resulted in the following adjustments:
 - Increase in the Accumulated surplus balance amounting to R(3 387 268)
 - Increase in the VAT receivable amounting to R415 980
 - Increase in the Bulk purchases amounting to R2 971 288
- VAT was not claimed in respect to a payment made in respect to the Property, plant and equipment. The correction resulted in the following adjustments:
 - Decrease in Property, plant and equipment amounting to (R31 500)
 - Increase in the VAT receivable balance amounting to R31 500
- During the preparation of the 2016 Annual financial statements, a number of Statement of financial position items were incorrectly mapped to the Statement of financial performance, which resulted in the incorrect classification in the opening balance. The correction resulted in the following adjustments:
 - Increase in the Accumulated surplus amounting to R(1 203 389)
 - Decrease in the Consumer deposits amounting to R6 073
 - Increase in the Debt impairment expense amounting to R1 197 316

A number of reclassifications were also done, resulting the comparative figures changing from the published figures in the 2016 Annual financial statements. These reclassifications were based on ensuring the Annual financial statements are GRAP compliant. These reclassifications resulted in the following adjustments:

- The Prepayments balance presented in the prior year Annual financial statements was represented by a deposit paid by the municipality. This was reclassified to Other receivables from exchange transactions and the total amount reclassified amounted to R64 021.
- Administration and management expense, as presented in the prior year Annual financial statements consisted of telephone and other sundry related expenses. These items were reclassified from the aforementioned line item to General expense and the reclassification amounted to R365 181.
- The Fines, forfeits and penalties included a total amount of R59 084, which was for Service charges. This amount was correctly classified, and subsequently reclassified in the previous financial year.
- During the year it was identified that depreciation expense of Intangible assets were incorrect as well as the opening balance of cost and accumulated depreciation and additions for the 2015/2016 financial year. The correction resulted in the following adjustments:
 - Decrease in Intangible (Cost) assets amounting to R41 488.
 - Decrease in depreciation expense amounting to R4 824.

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38. Prior period errors (continued)

Decrease in Accumulated surplus amounting to R46 312.

- During the year it was identified that the opening balances of receivables from exchange and non-exchange transactions were incorrect. Various adjustments were processed in order to rectify the errors. The corrections resulted in the following adjustments:

Increase in Receivables from exchange transactions (sewerage) amounting to R748 275.

Decrease in Receivables from exchange transactions (water) amounting to R90 617.

Decrease in Receivables from exchange transactions (electricity) amounting to R108 353.

Decrease in other Receivables from exchange transactions (medical) amounting to R8 414.

Increase in Receivables from exchange transactions (refuse) amounting to R307 156.

Decrease in Receivables from non-exchange transactions (assessment rates) amounting to R3 388 507.

Decrease in VAT Receivable amounting to R67 459.

Decrease in Service charges amounting to R915 141.

Decrease in Property rates amounting to R1 884 364.

Decrease in interest on outstanding receivables amounting to R8 414.

- During the current year it was identified that the comparative figures for provision for doubtful debts were incorrectly calculated and disclosed. Based on the aforementioned, the amounts should have been calculated and disclosed in line with GRAP 104. The corrections resulted in the following adjustments:

Increase in allowance for impairment (exchange) amounting to R12 457 959.

Increase in allowance for impairment (non-exchange) amounting to R5 350 288.

Decrease in debt impairment (profit / loss) amounting to R17 808 247.

- During the year it was identified that the municipality requested a rollover amount of R11 041 819 during the 2013/2014 financial year, which was granted. The supporting documentation clearly indicated that the amount has been committed to projects in the 2014/2015 financial year. The corrections resulted in the following adjustments:

Decrease in Accumulated surplus amounting to R266 200.

Decrease in Unspent conditional grants: DWA amounting to R8 989 746.

Increase in Government grants and subsidies received: DWA amounting to R9 2 55 946.

The combined results in respect to the aforementioned errors and reclassifications are as follow:

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38. Prior period errors (continued)

Statement of Financial Position

	As previously reported	Adjustments	Reclassifications	Restated
ASSETS				
Current Assets				
Inventories	4 164 044	-	-	4 164 044
Receivables from exchange transactions	15 979 750	13 306 006	-	29 285 756
Receivables from non-exchange transactions	5 709 718	3 465 924	-	9 175 642
Other receivables from exchange transactions	-	-	64 021	64 021
Prepayments	64 021	-	(64 021)	-
VAT receivable	11 351 046	938 463	-	12 289 509
Cash and cash equivalents	729 726	-	-	729 726
	37 998 305	17 710 393		- 55 708 698
Non-Current Assets				
Property, plant and equipment	568 867 826	-	-	568 867 826
Intangible assets	201 766	(41 487)	-	160 279
Heritage assets	211 000	-	-	211 000
Investments	237 135	-	-	237 135
	569 517 727	(41 487)		- 569 476 240
LIABILITIES				
Current Liabilities				
Finance lease obligation	(171 790)	-	-	(171 790)
Payables from exchange transactions	(10 802 132)	1 625 396	-	(9 176 736)
Consumer deposits	(751 702)	-	-	(751 702)
Employee benefit obligation	(553 187)	-	-	(553 187)
Unspent conditional grants	(15 767 780)	8 989 746	-	(6 778 034)
	(28 046 591)	10 615 142		- (17 431 449)
Non-Current Liabilities				
Finance lease obligation	(79 410)	-	-	(79 410)
Employee benefit obligation	(5 594 530)	-	-	(5 594 530)
Provisions	(11 144 694)	-	-	(11 144 694)
	(16 818 634)	-		- (16 818 634)
Total Liabilities	(44 865 225)	10 615 142	-	(34 250 083)
Net Assets	(562 650 807)	(28 284 047)	-	(590 934 854)
Accumulated surplus	(562 650 807)	(28 284 047)	-	(590 934 854)

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38. Prior period errors (continued)

Statement of Financial Performance

REVENUE

Revenue from exchange transactions

	As previously reported	Adjustments	Reclassifications	Restated reported
Service charges	(40 347 912)	(789 003)	(59 085)	(41 196 000)
Dividends received	(6 866)	-	-	(6 866)
Interest earned - external investments	(231 731)	-	-	(231 731)
Interest earned - outstanding debtors	(7 471 356)	8 414	-	(7 462 942)
Rental of facilities and equipment	(504 953)	-	-	(504 953)
Other income	(730 083)	6 075	-	(724 008)
Total revenue from exchange transactions	(49 292 901)	(774 522)	(59 085)	(50 126 500)

Revenue from non-exchange transactions

Property rates	(15 112 134)	1 884 364	-	(13 227 770)
Government grants and subsidies	(68 815 168)	(9 255 946)	-	(78 071 114)
Fines, penalties and forfeits	(89 214)	-	59 085	(30 129)
Total revenue from non-exchange transactions	(84 016 516)	7 371 582	59 085	(91 329 013)
	(133 309 417)	(8 146 097)		- (141 455 513)

Expenditure

Employee related costs	40 897 555	-	-	40 897 555
Remuneration of councillors	3 395 189	-	-	3 395 189
Administration	365 181	-	(365 181)	-
Depreciation and amortisation	27 593 855	(4 825)	-	27 589 030
Impairment loss	269 531	-	-	269 531
Finance costs	1 521 945	30 268	-	1 552 213
Debt impairment	22 087 705	(16 610 930)	-	5 476 775
Repairs and maintenance	1 575 660	-	-	1 575 660
Bulk purchases	20 854 196	757 177	-	21 611 373
General expenses	33 462 628	-	365 181	33 827 809
Total expenditure	152 023 445	(15 828 310)		- 136 195 135
Operating (deficit) surplus	18 714 028	(23 974 407)	-	(5 260 379)
Fair value adjustments	(975 490)	-	-	(975 490)
Actuarial gains	(136 494)	-	-	(136 494)
	17 602 043	(23 974 407)	-	6 372 364
Deficit for the year	17 602 043	(23 974 407)		- 6 372 364

39. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	32 564 848	32 564 848
Receivables from non-exchange transactions	-	13 553 446	13 553 446
Other receivables from exchange transactions	-	64 021	64 021
Cash and cash equivalents	512 639	-	512 639
Other financial assets	120 730	-	120 730
	633 369	46 182 315	46 815 684

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Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Finance lease obligations	3 780 988	3 780 988
Payables from exchange transactions	26 688 569	26 688 569
Consumer deposits	799 295	799 295
Unspent conditional grants and receipts	26 777 283	26 777 283
	58 046 135	58 046 135

2016

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	29 285 756	29 285 756
Receivables from non-exchange transactions	-	9 175 643	9 175 643
Other receivables from exchange transactions	-	64 021	64 021
Cash and cash equivalents	729 726	-	729 726
Other financial assets	237 135	-	237 135
	966 861	38 525 420	39 492 281

Financial liabilities

	At amortised cost	Total
Finance lease obligations	251 200	251 200
Payables from exchange transactions	9 176 737	9 176 737
Consumer deposits	751 702	751 702
Unspent conditional grants and receipts	6 778 034	6 778 034
	16 957 673	16 957 673

40. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non- trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these annual financial statements.

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40. Risk management (continued)

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality's activities expose it 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.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

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40. Risk management (continued)

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

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40. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated discounting. A report on the various categories of debtors is drafted impairment / discounting, where applicable.

annually at the reporting date for impairment or to substantiate such evaluation and subsequent

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Receivables from exchange transactions	- %	49 489 662	-	-	-	-
Receivables from non-exchange transactions	- %	29 658 954	-	-	-	-
Other receivables from non-exchange transactions	- %	64 021	-	-	-	-
Finance lease obligations	- %	(166 640)	(79 410)	-	-	-
Payables from exchange transactions	- %	(19 653 838)	-	-	-	-
Payables from non-exchange transactions	- %	(374 244)	-	-	-	-
Consumer deposits	- %	(799 295)	-	-	-	-
Unspent conditional grants	- %	(36 385 268)	-	-	-	-

41. Irregular expenditure

Opening balance	125 388 467	107 889 864
Current year expenditure	49 628 918	23 546 911
	175 017 385	131 436 775

The full extent of irregular expenditure relating to quotations, advertisements for lessor period and functionality evaluation still to be investigated.

42. Fruitless and wasteful expenditure

Opening balance	2 003 661	1 892 792
Current year expenditure	372 699	110 869
	2 376 360	2 003 661

43. Unauthorised expenditure

Opening balance	194 260 391	92 471 308
Current year expenditure	59 700 600	101 789 083
	253 960 991	194 260 391

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44. Additional disclosure in terms of Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Contributions to organised local government

Opening balance	466 750	(33 250)
Current year subscription / fee	558 110	500 000
Amount paid - current year	(542 000)	-
	482 860	466 750

Audit fees

Opening balance	12 917	5 817
Current year audit fee expense	3 102 334	2 904 206
Amount paid - current year	(3 115 251)	(2 897 106)
	-	12 917

PAYE, UIF and SDL

Opening balance	478 694	49 861
Current year expense	6 280 843	5 608 400
Amount paid - current year	(6 759 537)	(5 179 567)
	-	478 694

Pension and medical aid fund contributions

Opening balance	610 533	(929 672)
Current year contributions	8 016 277	6 099 522
Amount paid - current year	(8 626 810)	(4 559 317)
	-	610 533

The balance represents pension and medical aid fund contributions deducted from employees and councillors in June 2017 payroll, as well as the municipality's contribution to these funds.

VAT

VAT receivable 20 416 563 12 289 509

VAT output payables and VAT input receivables are based on the amounts due/payable to SARS and on outstanding debtors and creditors as at year end.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr. M.C. Ntemane	280	-	280
Mr. S.J. Bahumi	1 658	29 055	30 713
Mr. S. Nqelani	1 139	11 264	12 403
Mr. M.A. Lebaka	435	-	435
Me. A.N. November	888	1 184	2 072
Mr. T.A. Reachable	98	-	98
	4 498	41 503	46 001

Letsemeng Local Municipality

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44. Additional disclosure in terms of Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (continued)

Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

The municipality maintains a detailed register at its offices.

Incident

Emergency procurement (various reasons)	625 821	-
SMME approved suppliers	21 464	-
Sole providers (various reasons)	372 812	-
	1 020 097	-

45. Events after the reporting date

No events after the reporting date have occurred.

46. Going concern

Management considered the following matters relating to the going concern assumption:

- 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.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

1. A deficit of R3 650 211 which has significantly increased from the prior year's surplus of R6 372 371.
2. The municipality's unspent conditional grants for the current year amounted to R26 777 283 (2016: R6 778 034). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
3. The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
4. Debt collection period has not improved during the current financial year.
5. The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R36 734 605 (2016: R5 476 775) has been disclosed in the financial statements. This significant increase (85.09%) in debt impairment clearly indicates that the municipality did not implement processes to ensure that outstanding receivables' accounts are settled.
6. As at 30 June 2017 the municipality's current liabilities amounted to R55 705 263 (2016: R17 431 450), whilst the current assets amounted to R69 904 108 (2016: R55 708 699).
7. The current ratio is below the required ratio of 2:1.
8. The acid test ratio is below the required norm of 1:1.

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47. Budget differences

Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 10%. The following is reasons for the material differences identified:

Statement of Financial Performance

Dividends received: Dividends were received from OVK. As this revenue is not controlled by the Municipality and dependant on the results of the aforementioned company, management did not provide / budget for it.

Interest on outstanding receivables: The Municipality did not provide / budget for interest on outstanding receivables due to lack of skills. Furthermore, the concept to understand why, in unforeseen circumstances, debtors could not settle their accounts in a timeously manner was also a reason as to why the Municipality did not budget / provide for it.

Interest earned on external investments: The decrease is as a result of reduced investments during the year thereby leading to less investment income earned as compared to the budget amount.

Rental of facilities and equipment: The Municipality did not anticipate that rental income will be levied as agreed upon in the rental agreements. Furthermore management lacked the understanding as to why it is necessary to sufficiently budget for this line item.

Property rates: Management anticipated that rebates for indigent consumers would not be significant, hence the decrease in budget amount.

Government grants and subsidies: The increase is as a result of more projects conducted than anticipated thereby resulting to an increase in grants realised as compared to the budget amount.

Fines and penalties: The increase is as a result of more fines that were issued during the year.

Finance cost: The Municipality provided more for finance costs than the actual amount. The Municipality did not have overdraft facilities whereby interest were charged.

Debt impairment: During the current financial year, there was an increase in the number of consumers that were registered as indigent debtors. The indigent debtor balances were written -off and provided for at yearend after careful consideration of the probability of payment. Due to the increase in the volume of indigent registered debtors, the debt impairment exceeded the budgeted amount.

Repairs and maintenance: Due to the Municipality's financial difficulties it was decided to limit the budget for repairs and maintenance, however various incidents occurred that required vital equipment to be repaired, resulting in the increase.

Bulk purchases: Management has not anticipated that the outstanding balance owing to Eskom at yearend would be more than what was budgeted for. Due to an accrual which was provided for at yearend, this resulted in an increase. .

General expenses: Due to cost cutting processes, management was able to save significantly on general expenses. This was a result of SCM processed being implemented and budget control measures.

Loss on disposal of assets: During the year various assets were disposed off at an auction held, which was not anticipated.

Fair value adjustments: The fair value adjustments are due to other financial assets being carried at fair value.

Actuarial gains: This represents the gains in employee benefit obligations. As this represents a "non-cashflow" movement, management did not provide / budget for it.

Inventory losses / write-downs: Due to lack of internal controls over maintenance materials and stationary, items were written off during the year. As these represent controls within the municipality, management did not provide / budget for it.

Letsemeng Local Municipality

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47. Budget differences (continued)

Statement of Financial Position

Inventories: The increase resulted in more stock not consumed at yearend compared to the budget amount.

Receivables from non-exchange transactions: The budgeted balance represents the gross balance and the cumulative effect of the impairment provision which was not taken into account and management anticipated that rebates for indigent consumers would not be significant.

VAT receivable: No balance was budgeted for at yearend as the expectation was that the Municipality would receive monies from the South African Revenue Services as the Municipality appointed consultants to assist with profit recovery.

Cash and cash equivalents: The decrease in cash balance is as a result of poor recoverability of accounts receivable than budgeted and thereby affecting the cash position of the Municipality.

Biological assets: Although the Municipality had provided / budgeted for biological assets, no such assets existed during the financial year, therefore management can allocate the budget amount to other classes of property, plant and equipment for the next budget cycle.

Intangible assets: During the year the Municipality purchased SAGE software amounting to R1 006 976.32 which was not provided / budget for. The new software system was acquired to comply with Municipal Standard Chart of Accounts (mSCOA).

Other financial assets: The Municipality utilised Money Market Investments during the year and these accounts were closed although management provided / budget for it.

Finance lease obligations: During the year the Municipality entered into finance lease agreements. Due to cashflow constraints and the need for the equipment, these were acquired although not budgeted for.

Payables from exchange transactions: Due to the Municipality's financial difficulties, it is not able to meet its short term commitments and therefore the desired budgeted results cannot be achieved.

Employee benefit obligations: Due to the Municipality's financial difficulties this was not provided / budgeted for.

Unspent conditional grants and receipts: The Municipality anticipated that all grants received and paid will be utilised for the year, therefore no amount was budgeted for.

Provisions: The landfill sites operated by the Municipality were physically inspected and a professional valuation was performed to estimate the future liability. This resulted in a material adjustment.

Glossary

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give " <i>full and regular</i> " reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe " <i>what we do</i> ".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)

Glossary

Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

Appendices

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
Cllr TI Reachable	FT	Finance, LED and Planning & Development	ANC - PR	91	9
Cllr TM Rens	P/T	Finance, LED and Planning & Development	ANC - Ward Councillor	82	18
Cllr C Burger	P/T	Finance, LED and Planning & Development	DA - PR	91	9
Cllr MA Rens	P/T	Corporate Services	ANC – Ward Councillor	91	9
Cllr AN November	P/T	Corporate Services	ANC – Ward Councillor	91	9
Cllr TV Nthapo	P/T	Corporate Services	DA - PR	100	-
Cllr MC Ntemane	P/T	Community Services	ANC – Ward Councillor	82	18
Cllr MJ Phaliso	P/T	Community Services	ANC – Wad Councillor	82	18
Cllr XW Nqelani	P/T	Community Services	ANC – Ward Councillors	100	-
Cllr XW Nqelani	P/T	Technical Services	ANC – Ward Councillor	100	-
Cllr MC Ntemane	P/T	Technical Services	ANC	82	18
Cllr Moqhoishi	P/T	Technical Services	EEF - PR	73	27
Cllr SJ Bahumi	P/T	Good Governance and Monitoring	ANC – Ward Councillor	100	-
Cllr TM Rens	P/T	Good Governance and Monitoring	ANC – Ward Councillor	82	27
Cllr MA Lebaka	P/T	Good Governance and Monitoring	ANC – Ward Councillor	100	-

Note: * Councillors appointed on a proportional basis do not have wards allocated to them

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Appendices

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Oversight Committee	Playing an oversight Role over the finances and the administration of the Municipality
Audit Committee	Performing duties as stipulated in Section 166 of the MFMA

APPENDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Office of the Municipal Manager	Municipal Manager – Mr BA Mnguni
Financial Services	Chief Financial Officer – Ms. J Mazinyo
Technical Services	Director: Technical Services – Mr R Bapela (Acting), July 2016 – January 2017 and Mr KS Tsikang (Acting), March 2017 – June 2017
Corporate services	Director: Corporate Services – Mr TF Deeuw
Community and Emergency Services	Director: Community Services – Mr CJ Makhoba

Appendices

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal Functions	
Municipal Functions	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Storm water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

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APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Cllr XW Nqelani	Yes	-	-	-
2	Cllr TM Rens	Yes	-	-	-
3	Cllr MA Lebaka	Yes	-	-	-
4	Cllr MC Ntemane	Yes	-	-	-
5	Cllr MJ Phaliso	Yes	-	-	-
6	Cllr SJ Bahumi	Yes	-	-	-

Appendices

APPENDIX F – WARD INFORMATION

Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in '2016/17 (Full List at Appendix O)				
No.	Project Name and detail	Start Date	End Date	R' 000 Total Value
4 & 5	Koffiefontein: Construction of 2.2km block paved road and storm water	2016	2017/07/30	R12,380,666
1	Luckhoff: Upgrading of Waste Water Treatment Works	2015-12-09	2016-07-30	R5,568,490
2	Jacobsdal: Construction of new water treatment works (4.2 ml/day)	2014	Not yet completed	R 39. 000,000
1 to 6	Letsemeng: Provision of 10 High-Mast Lights	2015-08-28	2016-11-26	R4,660,320
1	Upgrade Luckhoff WTW to increase water supply times and coverage	2015	2016	R3,586,000
4	Koffiefontein/Diamanthonoogte: upgrading of Access Road and Storm Water (0.5km)	2016-02-15	2016-10-27	R3,508,949
2	Ratanang Reticulation of 300 stands	2016	2017	R4, 128,172.

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	8916	8021	8040	8081	X
Households without minimum service delivery		692	0	0	
Total Households*	8916	8713	8040	8081	
Houses completed in year	X				
Shortfall in Housing units	X				

*Including informal settlements

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
Ward No.	Priority Name and Detail	Progress During '2016/17
1 (Oppermansgronde)	Construction of 5 ML raw water storage dam that will act additional storage capacity during dry session	Designs completed in 2016/17 project will be complete by the end of 2017/18 financial year.
1 (Oppermansgronde)	Refurbishment of Water Treatment works	The project will be Phase 2 of the above project, which will start in 2018/19

Appendices

Appendices

APPENDIX G – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into during 2016/17) R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
NONE					

TH.1

Public Private Partnerships Entered into during 2016/17 R' 000					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2015/16
None entered into.					

TH.2

APPENDIX H – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

The municipality do not have a municipal entity.

APPENDIX I – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2016/17 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor	Cllr TI Reachable	Nil
Member of MayCo / Exco		
Councillors		
	Cllr TS Moqhoishi	Nil
	Cllr AN November	Nil
	Cllr TV Nthapo	Nil
	Cllr C Burger	Nil
	Cllr XW Nqelani	Nil
	Cllr Cllr MA Lebaka	Nil
	Cllr MC Ntemane	Nil
	Cllr SJ Bahumi	Nil
	Cllr MJ Phaliso	Nil
	Cllr TM Rens	
Municipal Manager	Mr B.A.Mnguni	Mashavana Cooperative
Chief Financial Officer	Mr K.Khoabane	Nil
	Ms MJ Mazinyo (Acting)	Nil
Other S57 Officials	Mr T.F.Deeuw	Sabzenzele
	Mr (Acting) K.R.Bapela	Nil
	Mr KS Tsikang	Nil
	Mr CJ Makhoba	Nil

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APPENDIX J: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX J (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
						R' 000
Vote Description	2015/16	Current: 2016/17		2016/17 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Councillors - Vote 1	0	0	0	0	0	0
Municipal Manager - Vote 2	700	0	0	0	0	0
Corporate Services - Vote 3	131	30	30	27	3	3
Finance Services - Vote 4	34 619	69 742	71 663	112 219	-42 477	-40 556
Technical Services - Vote 5	36 196	121 879	121 879	98 932	22 947	22 947
Community Services - Vote 6	331	408	408	0	408	408
Total Revenue by Vote	71 977	192 059	192 059	211 178	-19 119	-17 201
						<i>T.K.1</i>

APPENDIX J (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source							R '000
Description	2015/16	2016/17		2016/17 Variance			
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
Property rates	15 112	17 129	17 129	14 917	2 212	2 212	
Property rates - penalties & collection charges	-	-	-	-	-	-	
Service Charges - electricity revenue	15 106	18 827	20 203	18 299	528	1 904	
Service Charges - water revenue	8 107	8 809	8 332	12 989	-4 180	-4 657	
Service Charges - sanitation revenue	8 637	9 668	9 668	9 104	564	564	
Service Charges - refuse revenue	8 496	9 500	9 500	8 541	959	959	
Service Charges - other	-	-	-	-	-	-	
Rentals of facilities and equipment	504	510	408	2 209	-1 699	-1 801	
Interest earned - external investments	231	936	749	579	357	170	
Interest earned - outstanding debtors	-	-	-	10 527	-	-	
Dividends received	6	4	30	1	3	29	
Fines	89	56	32	8	48	24	
Licenses and permits	-	7	3	0	7	3	
Agency services	-	-	-	-	-	-	
Transfers recognised - operational	68 815	50 227	50 227	47 402	-	-	
Other revenue	730	4 248	4 559	545	3 703	4 014	
Gains on disposal of PPE	-	-	-	-	-	-	
Environmental Protection	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	125 833	119 921	120 840	127 946	2 502	3 421	

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APPENDIX K: GOVERNMENT GRANTS AND SUBSIDIES GOVERNMENT GRANTS AND SUBSIDIES

R' 000

Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant	-	-	-	-	-	-
Public Transport Infrastructure and Systems Grant	-	-	-	-	-	-
Other Specify:						
FMG	1 825	1 825	1 825	-	-	
MSIG	-	-	-	-	-	
EPWP	1 000	1 000	1 000	-	-	
Total	2 825	2 825	2 825	-	-	
						TL

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

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

Capital Expenditure - New Assets Programme*							
Description	2015/16	2016/17		Planned Capital expenditure			
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Infrastructure - Total	-			-	-	-	-
Infrastructure: Road transport - Total	-	12 585	10 652	7 438	-	-	-
<i>Roads, Pavements & Bridges</i>		12 585	10 652	7 438			
<i>Storm water</i>							
Infrastructure: Electricity - Total	-	-	860	4 660	-	-	-
<i>Generation</i>		-	860	4 660			
<i>Transmission & Reticulation</i>							
<i>Street Lighting</i>							
Infrastructure: Water - Total	-	-	57 892	27 832	-	-	-
<i>Dams & Reservoirs</i>		-	57 892	27 832			
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	-	-	3 117	1 819	-	-	-
<i>Reticulation</i>		-	3 117	1 819			
<i>Sewerage purification</i>							
Infrastructure: Other - Total	-	55 000	-	-	-	-	-
<i>Waste Management</i>		55 000	-	-			
<i>Transportation</i>							
<i>Gas</i>							
Community - Total	-	-	1 394	-	-	-	-
Parks & gardens							
Sports fields & stadia							
Swimming pools							
Community halls		-	1 394				
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							

Table continued next page

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Capital Expenditure - New Assets Programme*							
							R '000
Description	2015/16	2016/17		Planned Capital expenditure			
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Heritage assets - Total	-	-		-	-	-	-
Buildings							
Other							
Investment properties - Total	-	-		-	-	-	-
Housing development							
Other							
-							
Other assets	-	4 050	225		-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other		4 050	225				
Agricultural assets	-				-	-	-
<i>List sub-class</i>							
Biological assets	-				-	-	-
<i>List sub-class</i>							
Intangibles	-				-	-	-
Computers - software & programming							
Other (<i>list sub-class</i>)							
Total Capital Expenditure on new assets	-				-	-	-

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:	None that the municipality is aware of.	
Housing:		
Licensing and Testing Centre:		
Reservoirs		
Schools (Primary and High):		
Sports Fields:		

T Q

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Declaration of Loans and Grants made by the municipality: 2016/17				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2015/16 R' 000	Total Amount committed over previous and future years
No grants or loans were made.				
<i>* Loans/Grants - whether in cash or in kind</i>				<i>T R</i>



Letsemeng Audit Recovery Plan based on the Auditor General's Report (Year ending 30 June 2017)

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
1	<p>Property, plant and equipment: Useful lives, residual value and impairment loss of assets was not assessed (Evidence not submitted for audit review). (ISS 66)</p>	<p>Sufficient appropriate audit evidence was not submitted for audit purpose to substantiate that the municipality reviewed the useful lives and residual value of property, plant and equipment at each reporting date, as well as assessment impairment when indicators of impairment were present.(Methodology)</p>	<p>1. A procedure within the existing asset management procedures should be included and communicated. This should specifically address the assessment of useful lives based on market norms. The procedures should include:</p> <p>1.1. What methodology will be adopted and how will it be consistently applied, i.e. conditional assessment</p> <p>1.2. How evidence should be gathered to support the assessment made</p> <p>1.3. How the impairment exercise can be built into this process so there is no duplication of efforts</p>	<p>management have to revisit the unbundling of the assets that was done in 2010 and review the methodology used to correct the figures and supporting documentation be obtained to support the values disclosed.</p>	<p>CFO , Manager SCM and assets and Technical director</p>	<p><u>31/06/18</u></p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
			1.4. How the verification exercise should support this exercise to ensure there is no duplication of efforts			
			1.5. Other factors that each unit considered			
		<p>Accounting treatment for fully depreciated assets still in use incorrectly applied: Identified a significant number of assets per class of PPE, intangible and heritage assets that had been fully depreciated that are still in use.</p>	1.6. A specific procedure to assess assets nearing a carrying value of R1.	Management to do the adjustments on the financial statements and also to do the full depreciation as at 30 June 2018. Municipality to appoint the service provider to compile annual financial statement and also address the depreciation issues.	SCM Manager /Assets Practitioner	<u>31/06/2018</u>
		<p>Broken assets incorrectly included on the fixed asset register: Identified a number of moveable assets indicated as broken assets and management did not remove them from the FAR. This is an indication that the FAR is not property updated.</p>	1.7. Timing of the process.	Management will ensure that after verification of assets each quarter the will make sure that the FAR is properly updated according to their conditions.	SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>The useful life as per accounting policy not aligned with asset guideline: Through inspection of Local Government Capital Asset Management Guideline and Note 1.5 of the accounting policy to the financial statements, it could be noted that the useful lives of items of Property, plant and equipment are significantly higher than that of the asset guideline and therefore no reasonable. Furthermore, through inspection of the asset register, the auditor could not gain comfort that the useful lives are appropriate.</p>	1.8. Responsibilities of individuals performing the assessment.	Management to update or adjust their Accounting policy to be aligned to the Local Government capital Assets management guideline.	SCM Manager /Assets Practitioner	31/06/2018
		<p>Assets incorrectly valued in the fixed asset register: During the physical verification of assets selected, we assessed whether the assets were correctly valued, and based on the physical condition, expected useful as per FAR, conditional assessment as per FAR we identified that assets were not appropriately valued:</p>	1.9. Review responsibilities should be assigned. 2. Staff with the required experience and skills should be appointed to assist in the process of making conditional assessments on the assets and their useful lives.	Management and appointed consultant will assess the physical conditions of all the assets to ensure correctness of values of assets on the FAR .	SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
2	Property, plant and equipment: Land not belonging to the municipality has been capitalised in the asset register. (ISS 67)	During the physical verification progress of the selected land items, we identified that some of the land included in the FAR are currently not within the control of the municipality and they are occupied by other individuals (and/or entities). The other individuals (and/or entities) enjoying the benefits of use of the land.	Management should do the following: 1. Evaluate whether all the land, as recorded in the asset register, actually belongs to the municipality. 2. Land that is to be transferred to individuals (and/or entities) should be derecognised and classified as inventory as per the requirements of GRAP 12. 3. Land already transferred should only be derecognised.	To perform a complete deed search to identify all land and buildings that belong to the municipality and update the asset register with assets that only belong to the municipality	SCM Manager /Assets Practitioner	31/06/2018
3	Property, plant and equipment: Buildings not belonging to the municipality have been capitalised. (ISS 85)	Buildings not within control of the municipality and incorrectly capitalised in the asset register: During the physical verification progress of the selected buildings, we confirmed that some of the buildings included in the FAR are not within the control of the municipality, as they belonging to individuals (and/or entities), and therefore has been incorrectly capitalised.	Management should evaluate all the items included as buildings in the asset register on whether these items actually belong to the municipality. Subsequently, the asset register and the financial statements should be amended as may be appropriate.	The Assets officer /SCM Manager will make sure that all the property plan and equipment and Projects completed are capitalised correctly on the FAR.	SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>Land incorrectly classified as buildings in the FAR: During the physical verification progress of the selected buildings, we confirmed that certain buildings are incorrectly classified.</p>		Asset Officer and the SCM Manager must reclassified the PPE correctly on the FAR	SCM Manager /Assets Practitioner	31/06/2018
4	<p>Property, plant and equipment: Land and buildings from the deeds registrar could not be traced to the asset register. (ISS 113)</p>	<p>Through follow up on prior period financial statements misstatements with the asset practitioner and acting CFO, we determined that there are material misstatements that were not resolved in the current year. This was furthermore corroborated through inspection of the audit action plan and also the financial statements submitted for audit.</p>	<p>Management should investigate that all land and building belonging to the municipality are recorded in the asset register. Subsequently, the financial statements should be amended as may be appropriate.</p>	Management must see to it that all the assets that supposed to be recorded has been recorded on the FAR and Deeds	SCM Manager /Assets Practitioner	31/06/2018
5	<p>Infrastructure items could not be physically verified. (ISS 87)</p>	<p>During the physical verification progress of the selected infrastructure items, we could not physically verify some of the items.</p>	<p>Management should investigate whether all the infrastructure assets as recorded in the asset register actually exist. Subsequently, the asset register and the financial statements should be amended as may be appropriate.</p>	To review all the Infrastructure assets of the municipality and ensure that all the assets have been added on to the fixed asset register	SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
6	Work-in-progress is materially misstated and a material limitation also exists. (ISS 93)	Management submitted payment vouchers (and journals) in support of the additions amounts. Subsequently, the auditor recalculated the additions amounts using the submitted invoices and noted that the additions amount in the WIP register is materially misstated	Management should investigate the matter for all the identified misstatements per projects. Subsequently, the financial statements should be amended as may be appropriate. Furthermore, active steps should be taken to recover the amount paid to the supplier for the services that are not within the scope of the project.	To perform reviews of the work in progress to ensure that all the completed assets have been capitalised, and ensure that completed assets are being depreciated.	SCM Manager /Assets Practitioner	31/06/2018
7	Movable assets could not be physically verified. (ISS 84)	During the physical verification progress of the selected moveable items, we could not physically verify some of the items. Therefore it can be reasonable concluded that the municipality has included items in the asset register that do not exist.	Management should confirm whether all items of property, plant and equipment included in the asset register exist. Furthermore, all items should be bar coded to be clearly identifiable.	To review all the assets of the municipality and ensure that all the assets have been added on to the fixed asset register	SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>Movable assets without a municipal barcode: During the physical verification progress of the selected moveable items, we identified the items that were not barcoded.</p>	<p>Management should confirm whether all items of property, plant and equipment included in the asset register exist. Furthermore, all items should be bar coded to be clearly identifiable.</p>	<p>To review all the assets of the municipality and ensure that all the assets have been added on to the fixed asset register</p>	<p>SCM Manager /Assets Practitioner</p>	<p>31/06/2018</p>
8	<p>Depreciation and amortisations – Difference in depreciation recalculation between auditor and FAR. (ISS 38)</p>	<p>A sample of depreciable assets was randomly selected from the municipality's asset register. Subsequently, the auditor recalculated the depreciation charge for the year and difference were noted.</p>	<p>Management should recalculate the depreciation for all assets and adjust the financial statements as may be appropriate.</p>	<p>Review the fixed asset register to ensure that depreciation and amortisation was correctly recognised for all the assets on the FAR</p>	<p>SCM Manager /Assets Practitioner</p>	<p>31/06/2018</p>
9	<p>Property, Plant and Equipment: Work in progress incorrectly restated. (ISS 30)</p>	<p>A prior period error of R23 002 393 was made in relation to property, plant and equipment as noted in Note 38 of the financial statements. Subsequently, the auditor understood that the adjustment was in relation to work in progress relating to 2014/15 financial year.</p>	<p>Management should investigate the matter as raised and adjust the financial statements as may be appropriate.</p>	<p>To perform reviews of the work in progress to ensure that all the completed assets have been capitalised, and ensure that completed assets are being adjusted in the AFS</p>	<p>SCM Manager /Assets Practitioner</p>	<p>31/06/2018</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
10	Property, plant and equipment: Completed projects capitalised at incorrect amounts (Prior Year Misstatements). (ISS 47)	Work-in-progress (WIP) register was inspected and it could be confirmed that the municipality capitalised the identified projects into the asset register. It was however noted that two of the five capitalised projects were at incorrect amounts.	Management should obtain completion certificates for these projects and capitalise the assets at the correct date and amount. Furthermore, the capitalisation of the 2014/15 should be investigated and adjustment should be made as may be applicable.	To perform reviews of the work in progress to ensure that all the completed assets have been capitalised, and ensure that completed assets are being adjusted in the AFS	SCM Manager /Assets Practitioner	31/06/2018
11	Work-in-progress: Supporting invoices and completion certificates could not be obtained. (ISS 56)	Requested invoices and completion certificates have not been provided for audit purpose.	Management should ensure that information is submitted timeously for audit purposes.	Management should also ensure that proper record keeping processes are in place to ensure that invoices and completion certificate are found quickly and submitted timeously.	SCM Manager /Assets Practitioner	31/06/2018
12	Property, plant and equipment: Prior year's work-in-progress incorrectly valued. (ISS 64)	Prior year's management report: Through inspection of the WIP register, it could be confirmed that the project has been included. It is however noted that the WIP of the prior year is understated by R830 450,56.	Management should investigate the identified misstatement and adjust the financial statements and the WIP register as may be appropriate.	Accurate and correct valuations to be done on the work in progress to ensure completeness of the WIP register.	SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		Prior year's management report: Through inspection of the WIP register, it could be confirmed that the misstatement has not been resolved.		Before the audit begins management must ensure that all the prior year issues has been resolved to avoid misstatements going forward	SCM Manager /Assets Practitioner	31/06/2018
13	Property, plant and equipment: Assets identified from the physical locations could not be traced to the asset register. (ISS 116)	The municipality could not provide the unique numbers for six identified items and thereby indicating that the identified assets were not recorded in the asset register.	Management should investigate that all infrastructure assets belonging to the municipality are recorded in the asset register. Subsequently, the financial statements should be amended as may be appropriate	To review the FAR for completeness and perform reconciliations. To implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.	SCM Manager /Assets Practitioner	31/06/2018
14	Property, plant and equipment: Supporting evidence not provided for audit purpose. (ISS 35)	prior year limitations: Invoices in support of the assets prior year limitations: Supporting documents for the 2013/14 financial year end adjustments	Management should provide the auditor with the requested information. The auditor's recommendations should be implemented by management in a timely manner to correct the identified	Management will ensure that proper record keeping is done to all supporting documents relating to assets	SCM Manager /Assets Practitioner SCM Manager /Assets Practitioner	31/06/2018 31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		prior year limitations: completion certificates for projects that were capitalised	error where applicable.		SCM Manager /Assets Practitioner	31/06/2018
15	Property, plant and equipment: Prior year misstatements not addressed in the current year under audit. (ISS 21)	Through follow up on prior period financial statements misstatements with the asset practitioner and acting CFO, we determined that there are material misstatements that were not resolved in the current year. This was furthermore corroborated through inspection of the audit action plan and also the financial statements submitted for audit.	Management should investigate the matters communicated and subsequently adjust the financial statements as may be appropriate.	Management will ensure that the correct information is disclosed on the financial statements including prior year issues .	SCM Manager /Assets Practitioner	31/06/2018
16	Property, plant and equipment - Prior year issues not addressed (Physical verification). (ISS 20)	During physical verifications process, it was identified that 14 buildings as recorded in the fixed asset register (FAR) were actually empty land sites, which therefore should have been classified as land.	Management should perform the physical asset verification and amend the asset register, as well as the financial statements, as may be appropriate.	To adequately perform physical verifications on prior year issues of land and buildings and ensures that they have been correctly classified in the fixed asset register.	SCM Manager /Assets Practitioner	31/06/2018
		Land selected from the asset register could not be physically verified during the verification process.			SCM Manager /Assets Practitioner	31/06/2018
		Buildings selected from the asset register could not be physically verified during the verification process.			SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>Other assets selected from the asset register could not be physically verified, as well as their condition.</p> <p>While physically verifying additions, the items of property, plant and equipment that were bought during the year could not be physically verified.</p> <p>Through the deed search that was performed for assets that belongs to the municipality (as per the asset register), it was identified that the land and buildings could not be found under Letsemeng Local Municipality.</p>		<p>To perform a complete deed search to identify all land and buildings that belong to the municipality and update the asset register with assets that only belong to the municipality.</p>	<p>SCM Manager /Assets Practitioner</p> <p>SCM Manager /Assets Practitioner</p> <p>SCM Manager /Assets Practitioner</p>	<p>31/06/2018</p> <p>31/06/2018</p> <p>31/06/2018</p>
17	Property, plant and equipment: Prior year's misclassification not corrected. (ISS 63)	Through a follow up of the prior year's misclassification, paragraph 2 of the prior year's management report (Annexure A), it could be confirmed that management did not correct the misclassification.	Management should perform the physical asset verification and amend the asset register, as well as the financial statements, as may be appropriate.	To adequately perform physical verifications of land and buildings and ensures that they have been correctly classified in the fixed asset register.	SCM Manager /Assets Practitioner	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
18	Property, plant and Equipment: Prior year's supporting invoices for work-in-progress not provided for audit purpose. (ISS 92)	requested supporting evidence (invoices) has not been provided for audit purpose.	Management should ensure that information is submitted timeously for audit purposes.	To implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information(invoices for WIP) is accessible and available to support financial reporting.	SCM Manager /Assets Practitioner	31/06/2018
19	Receivables from exchange transaction: Provision for bad debts policy not applied when calculating the provision for impairment. (ISS 112)	While testing the allowance for impairment of consumer, we identified that the Provision for bad debts and write off policy was not applied when calculating the allowance for impairment.	Management should prepare an AFS preparation checklist. This checklist should include matters such as ensuring compliance with section 8.4 of provision for bad debts and write off policy states.	The policy to be amended address the compliance and internal controls	CFO	30-Mar-18
20	Receivables from exchange: Debtors recognised are not complete. (ISS 133)	A sample of households from the valuation roll was traced to the listing of debtors. Several households could not be traced to the listing of debtors:	Management should perform reconciliation between the valuation roll and also the billing systems to ensure that each households it accordingly being billed.	Management has already put measures in place to address this matter by reconciling properties and debtors.	MacDonald Matsunyane(Revenue Accountant) Lerato Singonzo(Manager:Revenue & Budget)	Monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
21	Payable from exchange transactions – Accrued expense transactions recorded are not complete. (ISS 139)	Expenses paid after year end were identified, however they could not be traced to an accrual/payable raised at year end by the municipality although they services and the invoices were received prior to year-end.	1. Creditors statement should be obtained from suppliers and creditors reconciliations prepared for all the suppliers on a regular basis. 2. To resolve this finding, management should inspect the payments made after year (review population) end and update the creditors balance at year end. Evidence of this exercise must be provided to the auditors to assess.	This will be rectified in future	Zine Modleki (Expenditure Accountant)	Ongoing
22	Cash suspense account: supporting evidence was not provided for audit purpose. (ISS 122)	Requested supporting evidence has not been provided for audit purpose	Management should ensure that information is submitted timeously for audit purposes.	Still awaiting Management This will be rectified in future	MacDonald Matsunyane(Revenue Accountant) Lerato Singonzo(Manager:Revenue & Budget)	Ongoing

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
23	Accrued leave: Employees not included on the leave schedule. (ISS 117)	Employees could not be traced to the leave schedule meaning that no leave accrual was made.	Management should ensure that the human resource administrative policies are adhered to and that there are effective controls over administration of leave for interns.	The interns would be included in the leave schedule as prescribed by the Human Resources Policy.	Manager: Human Resources	28-Feb-18
24	Accrued leave: Leave accrued incorrectly calculated. (ISS39)	Accrued leave: Leave accrued incorrectly calculated	<ol style="list-style-type: none"> 1. The leave forms are timeously processed to the system to ensure that the system agrees to the actual leave days taken. 2. That regular reviews are performed of the leave registers and the leave per the system to ensure that the register and the system agree. 3. That the leave forms are timeously processed and added to the relevant employee's file. 4. A GRAP checklist is prepared and used when the financial statements is reviewed to ensure that the necessary GRAP standards are complied with accordingly. 	Leave forms will be captured on the system on weekly basis and reconciled with the leave forms and be placed in the employees leave files.	Manager Human Resource	31/03/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>The remuneration used in the leave schedule is not the expected cost to be incurred in the future. Through inspection of circular no. 02/2017 from South African Local Government Bargaining Council (SALGB) we established that on 27 March 2017, SALGA announced general salary and wage increase of 7,36% effective from 1 July 2017.</p>		<p>HR should rectify this as per SALGB</p>	<p>Manager HR</p>	<p>Ongoing</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>Incorrect application of the human resource management policy: Based on the inspection of Municipal Human Resource Policy and also the Basic Condition Of Employment Act (BCEA) it was determined that an employee may accumulate the excess of annual leave accruing to her/him to a maximum of 48 working days.</p>		<p>Lists of employees who have accumulated leave days in excess of 48 days or who are about to reach 48 days will be drawn and letters written to the affected employees compelling them to go on leave. The list of affected employees will also be given to Heads of the department.</p>	<p>Manager Human Resource</p>	<p>01-Feb-18</p>
		<p>Incorrect classification of non-accumulative leave expiring within 6 months. Management did not correctly classify the non-accumulative leave as provision while the accumulative leave is classified accrued leave.</p>		<p>The accumulated leave will be utilised first on application of absence by employees before non-accumulated leave can be utilised. Employees will be workshopped on matters related to leave.</p>	<p>Manager Human Resource</p>	<p>28-Feb-18</p>
<p>25</p>	<p>Revenue: Conventional water and electricity usage incorrectly calculated. (ISS 75)</p>	<p>Differences were noted after recalculating the amount charged for the year for conventional water and electricity using reading at the beginning of the year and the physical reading that the auditors obtained at year end.</p>	<p>Investigate the above matter and ensure that meters are read on a monthly basis, and formulate a detailed action plan to identify and replace broken meters</p>	<p>All broken meters to be fixed, to ensure 100% reading. Monthly review to be made by the supervisor.</p>	<p>MacDonald Matsunyane(Revenue Accountant) Lerato Singonzo(Manager: Revenue & Budget)</p>	<p>To be monitored Monthly</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
26	Revenue: Consumers billed incorrect refuse and sewerage amounts. (ISS 76)	The municipality did not correctly calculate the service charge: refuse and sewerage and sanitation. Differences were noted due to the use of tariffs which differed to the tariffs on the approved tariffs list.	Management should physically verify the properties within Letsemeng against the valuation roll to confirm that the rating category are accurate, and then review the municipal valuation roll and the all properties on the system to ensure that the information is captured accurately.	Management will endeavor to rectify the sewerage and refuse accounts respectively. The necessary reconciliations will be performed.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	Monthly
27	Electricity and water meters could not be traced to the billing report. (ISS 95)	Selected properties could not be traced to the billing report for conventional electricity and water resulting in the debtors not being billed.	Management should ensure that meters are read for all households that have meters and where there is consumption.	Management will perform the necessary reconciliation to ensure the conventional electricity is correct.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	Monthly
28	Revenue: Consumers not billed for refuse and sewerage amounts. (ISS 77)	While testing the completeness of revenue from service charges: Refuse removal and sanitation charge, it was identified that the municipality did not bill the properties	Management should review the municipal valuation roll and ensure that the all properties on the valuation roll that should be billed are included in consbill.	Management will perform the necessary reconciliation to ensure the refuse and sewer is billed to all properties.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	Monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
29	The municipality did not prepare a supplementary valuation roll for the 2016/17 financial year. (ISS 99)	While performing procedures on revenue, we identified that there was no supplementary valuation roll prepared for the 2016/17 financial year.	Management should ensure that a supplementary valuation roll is prepared as least once a year in order to ensure that the all properties that should be charged are being charged at the updated values of the properties.	Supplementary valuation roll to be signed off by the Accounting Officer and to be loaded on the system	MacDonald Matsunyane(Revenue Accountant) Lerato Singonzo(Manager:Revenue & Budget)	31/03/2018
30	Revenue - Municipality used tariffs that are different from the NERSA approved tariffs. (ISS 108)	While testing the sale of electricity, we identified that the municipality charged tariffs that were not in line with the National Energy Regulator of South Africa (NERSA) approved tariffs for the 2016/17 financial period.	Management should ensure that the rates that are recorded on the system used for billing are line with the NERSA approved tariffs.	Municipality has already implemented the tariffs approved by NERSA since the beginning of this new financial year.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	01-Jul-17
31	Revenue from exchange transactions: Prior period issues not addressed. (ISS 107)	Through follow up on prior period financial statements misstatements with the management, we determined that there are misstatements that were not resolved in the current year.	Management should implement an audit action plans to address the unresolved misstatements of the prior year.	Management will endeavor to rectify and address prior year issues. Management will improve a process of recognising items of Financial Statement correctly.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
32	Revenue: Prepaid electricity incorrectly calculated. (ISS 45)	the prepaid electricity for the consumers were not calculated correctly in terms of the approved tariffs list for 2015/16.		Municipality has already implemented the tariffs approved by NERSA since the beginning of this new financial year. The necessary reconciliation will be performed and data cleansing process will also be conducted.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05
33	Revenue - Expenditure did not meet conditions of MIG. (ISS 47)	Conditional grant payments were not utilised in terms of the conditions and purpose of the conditional grants:		Management will ensure that transactions are reviewed before payment to reduce errors incurred.	PMU	Ongoing
34	Revenue: Property rates were incorrectly calculated. (ISS 48)	While performing work on the property rates of the municipality, it was identified that the municipality used a property valuer that differed from the one on the approved valuation roll of the municipality, resulting in incorrect billing of property rates.		Management will ensure that correct rates are charged on accounts by using the latest values of properties appearing on the supplementary valuation roll.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
35	Revenue: Inaccurate calculation of water meter and conventional electricity. (ISS 49)	During the financial year under audit and the prior year, it was established that the municipality uses interim for a significant number of its meters for both water and electricity as they believe the reading of the meter readers are not accurate. We identified that the meter readers and revenue officials did not correctly bill the customers due to incorrect calculations of usage and also incorrect capturing of water and electricity usage.		Management will ensure that all broken meters are replaced and all the readings are taken by competent meter readers. The process of capturing the readings on the system will be monitored.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05
36	Revenue: Refuse and Sewerage inaccurately charged. (ISS 50)	the municipality did not correctly calculate the service charge: refuse and sewerage and sanitation		Management will ensure all the refuse and sewerage accounts are levied according to the approved tariff list by the council. The system reconciliation will be performed by to ensure compliance.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05
37	Revenue: Properties that were NOT charged sewerage and refuse. (ISS 51)	the municipality did not bill properties for service charge: refuse and sewerage and sanitation:		Management will ensure all other service charge are levied according to the approved tariff list by the council on all the properties. The system reconciliation will be performed to ensure compliance.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
38	Revenue: Completeness of Prepaid electricity (External sale points). (ISS 52)	The completeness of service charges: prepaid electricity with regards to external sale points could not be tested as management does not perform a comprehensive reconciliation of the units of electricity sold by SYNTELL to the units of electricity purchased from Eskom.		Management will ensure that external sales points transactional reports are available for reconciliation at all times.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	Monthly
39	Revenue: Difference on amounts disclosed in the schedules for conventional and prepaid electricity and the trial balance. (ISS 53)	differences were identified on amounts disclosed in the schedules for conventional and prepaid electricity and the trial balance		Management will ensure financial statements are reviewed on time before submitted to Auditor General, council and audit committee.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	Monthly
40	Revenue – Supporting evidence was not provided for audit purpose (Prior year misstatements). (ISS 36)	Requested supporting evidence has not been provided for audit purpose. The information was requested under request for information (RFI) 09 which was issued on 27 September 2017 with a due date of 02 October 2017.	Management should ensure that information is submitted timeously for audit purposes.	Management will ensure that the supporting evidence is accessible at all times to Auditor General. This information will be retrieved from the system.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	Monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
41	Basic Service: Meter readings are not consistently read and lack of review of meter books. (ISS 13)	The meter reading books for the month of April 2017 were obtained and inspected. The books were not reviewed by senior officials of the municipality to ensure that the readings are appropriate.	Management should ensure that the meter readers take the necessary active steps in obtaining the reads of the meters on a monthly basis and the meter books are adequately review to ensure that accurate reading are obtained. Furthermore, the leadership of Letsemeng LM should implement consequence management for failure by employees to perform their duties.	The readings will be taken on monthly basis by the competent meters readers. The readings will be checked by management at all times.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05
42	Revenue— Supporting evidence was not provided for audit purpose. (ISS 40)	The following requested supporting evidence has not been provided for audit purpose. The information was requested under request for information (RFI) 12 which was issued on 05 October 2017 with a due date of 09 October 2017.	Management should ensure that information is submitted timeously for audit purposes.	Management will ensure that the supporting evidence is accessible at all times to Auditor General. This information will be retrieved from the system.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
43	Revenue: Property rates incorrectly calculated. (ISS 61)	Property rates charged does not agree to the tariffs that were approved by Council.	Management should physically verify the properties within Letsemeng against the valuation roll to confirm that the rating category are accurate, and then review the tariffs captured on the system to ensure that the information is captured accurately. These changes should be part of the supplementary valuation roll.	Management will ensure that correct rates are charged on accounts by using the latest values of properties appearing on the supplementary valuation roll.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	Monthly monitoring
44	Revenue: VAT portion of government grants and subsidies amount incorrectly classified as other income.(ISS60)	While testing revenue from conditional grants we noted that the municipality did not recognise the entire expenditure incurred as revenue from non-exchange transactions. The VAT portion of the expenditure incurred was incorrectly classified as Revenue from exchange transactions: Other income.	Management make use of GRAP checklist when the financial statements are being reviewing before they are submitted for audit purpose. This will ensure that they comply with GRAP standards.	Management will ensure the correct treatment of VAT on government grants. The process of correcting this information will include a remapping process on the system.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/03/05

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
45	Revenue: Expenditure does not meet the conditions of the MIG. (ISS 58)	A maximum of five per cent of municipalities' MIG allocations may be used for project management costs related to grant funded projects and only if a business plan is approved. through testing revenue from government grants and subsidies, it was identified that payment made was not utilised in terms of the conditions and purpose of the MIG:	Management should ensure that the payments are reviewed before the payment is made to ensure that the expenditure meets the requirement of the grant.	The municipality will implement the control to ensure that the goods received are properly accounted(i.e using goods received note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on daily and weekly bases	Expenditure Accountant (Zine Modleki) & CFO (Jemina Mazinyo)	Progress to be monitored monthly
46	Revenue: Conditional grant payments recorded in the incorrect accounting period. (ISS 59)	The conditional grant expenditure payments which relate to 2015/16 financial year were incorrectly recorded in the current financial year:	Management should ensure that expenditure is accounted for in the correct accounting period as this also affects the revenue recognised for the conditional grant.	The municipality will implement the control to ensure that the goods received are properly accounted(i.e using goods received note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on daily and weekly bases	Zine Mondleki	2018/03/05
47	Business Process: Unspent grants not cash back. (ISS)	Processes that management has implemented are neither sufficient nor adequate to ensure that the funds	Management should develop and monitor the cash balance in the primary bank account to ensure	The municipality will implement the control to ensure that the goods received are		2018/03/05

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		are spent for the intended purpose. It was determined that the municipality has a significant unspent conditional grant of R35,767,029 (relates to DWA and MIG) on the disclosed on the financial statements while the municipality's primary bank account has less than a million.	that the balance is not below the unspent conditional grants.	properly accounted(i.e using goods received note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on daily and weekly bases	Technical Director CFO	
48	Repairs and Maintenance: Classification error of capital expenditure.(ISS 51)	During testing of repairs and maintenance it has been noted that capital expenses have been incurred but incorrectly classified as repairs and maintenance.	To avoid classification errors, management should ensure that adequate and proper reviews are performed of specifically the vote to which transactions are posted to. These controls should be implemented and performed on all payments made from the municipality's bank account.	Still awaiting Management responses	Still awaiting Management responses	Still awaiting Management responses
49	Repairs and Maintenance: Transactions authorised without following appropriate approval process. (ISS 52)	Through review of expenditure to determine compliance with MFMA in terms of authorisation payments, payments were identified not to have followed the appropriate processes of authorising them for payment.	Municipality should ensure that no transaction is paid without following appropriate authorisation processes.	Municipality will ensure that no transaction is paid without following appropriate authorisation processes.	Zine Mondleki: Expenditure Accountant	05/03/18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
50	Repairs and Maintenance: No appropriate sufficient evidence that goods/services have been received. (ISS 53)	Management does not have proof of delivery of goods and/or rendering of services for the below transactions. There was no acknowledged delivery note; signed goods received notes attached or any substantiating information to confirm receipt thereof.	Municipality should implement the control to ensure that the goods received are properly accounted (i.e. using goods receive note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on daily and weekly basis	Municipality will implement the control to ensure that the goods received are properly accounted (i.e. using goods receive note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on daily and weekly basis	Zine Mondleki: Expenditure Accountant	05/03/18
51	Repairs and Maintenance: Inaccurate amount recorded in the books and paid to a supplier. (ISS 55)	For invoices obtained for review differences were noted between amount recorded in the general ledger and amount per supplier invoice.	Management should review amounts paid for repairs and maintenance and ensure that all invoices received from suppliers are inspected for accuracy.	Management will review amounts paid for repairs and maintenance and ensure that all invoices received from suppliers are inspected for accuracy.	Zine Mondleki: Expenditure Accountant	
52	Repairs and Maintenance: Three quotations were not obtained. (ISS 54)	During the review of repairs and maintenance, it was noted that three quotations were not provided for the selected paid transactions:	Management should ensure that the SCM regulation policies are followed when appointing the suppliers.	Management will ensure that the SCM regulation policies are followed when appointing the suppliers.	Zine Mondleki: Expenditure Accountant	05/03/18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
53	Bulk purchases – Bulk purchases recorded on the general ledger not complete. (ISS 101)	During the testing of completeness for bulk purchases the invoice could not be traced to the bulk purchases schedule.	Management should ensure that they perform monthly reconciliation and are being reviewed by the senior officials to ensure all transactions have been processed.	Management will ensure that they perform monthly reconciliation and are being reviewed by the senior officials to ensure all transactions have been processed.	Zine Mondleki: Expenditure Accountant	05/03/18
54	Bulk Purchases – Expenditure transactions not paid within 30 days. (ISS 140)	Identified that the transactions were not paid within 30 days after the invoice or statement received by the Municipality.	Management should formulate and implement controls to identify invoices received and due for payment within 30 days of receipt and also ensure that the controls are not overridden.	Management should formulate and implement controls to identify invoices received and due for payment within 30 days of receipt and also ensure that the controls are not overridden.	Zine Mondleki: Expenditure Accountant	05/03/18
55	Bulk Purchases: Expenditure transactions not approved by Municipal Manager. (ISS 141)	During an audit of Bulk purchases to determine compliance with MFMA in terms of authorisation payments, several payments were identified not to have followed the appropriate processes of payment authorisation.	Municipality should ensure that no transaction is paid without following appropriate authorisation processes.	Municipality will ensure that no transaction is paid without following appropriate authorisation processes.	Zine Mondleki: Expenditure Accountant	05/03/18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
56	General Expenses: No appropriate sufficient evidence that goods/services have been received. (ISS 790)	Management does not have proof of delivery of goods and/or rendering of services for the selected transactions reviewed. There were no acknowledged delivery notes; signed goods received notes attached or any substantiating information to confirm receipt thereof.	Municipality should implement the control to ensure that the goods received are properly accounted (i.e. using goods receive note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on daily and weekly basis	Municipality will implement the control to ensure that the goods received are properly accounted (i.e. using goods receive note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on daily and weekly basis	Zine Mondleki: Expenditure Accountant	05/03/18
57	General Expenditure - Payment vouchers not submitted resulting limitation of scope. (ISS 80)	Requested information not submitted by the municipality.	Management should ensure that the municipality implements effective monitoring of controls over the filing system to ensure that all information is properly filed and can easily be made available for audit purposes.	Management should ensure that the municipality implements effective monitoring of controls over the filing system to ensure that all information is properly filed and can easily be made available for audit purposes.	Zine Mondleki: Expenditure Accountant	05/03/18
58	Inventories: Journal - Incorrect classification of journal processed at year end to bulk purchases. (ISS 100)	It was noted during the testing that the journal was incorrectly posted to the bulk purchases vote instead of general expenses,	To avoid classification errors, management should ensure that adequate and proper reviews are performed of specifically the vote to which journals are posted to.	Management to see to it that Inventory Journal are done properly with clear description and reasons on why it was performed.	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
59	Trade payables and Expenses: Internal control deficiencies regarding purchases and payables. (ISS 9)	<p>Municipality does not have controls over the goods received and service rendered as they are relying on the suppliers to submit the delivery notes. For goods delivered without the delivery notes, there is no evidence that the officials of the municipality are acknowledging receipts of goods and services.</p> <p>The creditors' reconciliations are not reviewed by senior personnel.</p> <p>Inputs into the finance system (Sebata FMS) are not reviewed by senior personnel other than the capturers resulting in transactions being incorrectly classified and/or inaccurate (i.e. material journal passed by management to classify the VAT).</p>	Municipality should implement the control to ensure that the goods received are properly accounted (i.e. using goods receive note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on	Municipality will implement the control to ensure that the goods received are properly accounted (i.e. using goods receive note stamp or designated personnel as receiving department). Senior personnel should review and sign the transactions verified on	Zine Mondleki: Expenditure Accountant	05/03/18
60	General expense: Transaction recorded in incorrect period (Cut- off): (ISS 78)	General expenditure transaction was incorrectly recorded in the current year 30 June 2017, instead of the prior year financial year.	Expenses are recorded in the correct accounting period.	Expenses are recorded in the correct accounting period.	Zine Mondleki: Expenditure Accountant	05/03/18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		Furthermore, through inspection of the statement from Vodacom we noted that the municipality was still paying for unknown users, counsellors and employees that are terminated.	Implement proper controls to ensure cancellations are done for contracts pertaining to unknown/terminated personnel.	Awaiting Management Response	Zine Mondleki: Expenditure Accountant	05/03/18
61	General expense: Transactions not paid within 30 days of receiving the invoice/statement. (ISS 81)	General expenses, transactions were not paid within 30 days after the invoice or statement received by the Municipality	Management should formulate and implement controls to identify invoices received and due for payment within 30 days of receipt and also ensure that the controls are not overridden	Management will formulate and implement controls to identify invoices received and due for payment within 30 days of receipt and also ensure that the controls are not overridden	Zine Mondleki: Expenditure Accountant	05/03/18
62	General expense: Normal approval processes of payment were not followed. (ISS 83)	General expenditure payments were initiated prior to approval of the municipal Manager:	Management should ensure that all payments for transactions made are fully authorised and approved prior to initiation of payment.	Management should ensure that all payments for transactions made are fully authorised and approved prior to initiation of payment.	Zine Mondleki: Expenditure Accountant	05/03/18
63	General expense: Transactions from bank statements not recorded on general ledger. (ISS 86)	Transactions could not be traced from the bank statement to the GL	Management should ensure that they perform monthly reconciliation and are being reviewed by the senior officials to ensure all transactions have been processed.	Management will ensure that they perform monthly reconciliation and are being reviewed by the senior officials to ensure all transactions have been processed.	Zine Mondleki: Expenditure Accountant	05/03/18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
64	General expense: Transactions not processed in the correct period. (ISS 103)	Transactions relating to the current financial year were incorrectly recorded as transaction relating to 2017/18 financial period. Therefore the expenditure recorded is not complete.	Management should ensure that all transactions are recorded in the correct financial period.	Management will ensure that all transactions are recorded in the correct financial period.	Zine Mondleki: Expenditure Accountant	05/03/18
65	General expense: Payment vouchers and supporting evidences not submitted for transaction after year end. (ISS 104)	Documents were not submitted for the transaction processed after year end.	Management should also ensure that proper record keeping processes are in place to ensure that documents are readily available and submitted timeously.	Management will ensure that proper record keeping processes are in place to ensure that documents are readily available and submitted timeously.	Zine Mondleki: Expenditure Accountant	05/03/18
66	General expense: Transactions could not be confirmed for occurrence (Prior Year Uncorrected Misstatements): (ISS 145)	During the audit of general expenses in the prior year, it was noted that the municipality did not keep record and/or obtain proof that goods have been delivered or the services have been rendered before the payments are	Management should ensure that there are goods received notes in place when the goods are being delivered and inspections are done for the services that have been delivered by the suppliers.	Management will ensure that there are goods received notes in place when the goods are being delivered and inspections are done for the services that have been delivered by the suppliers.	Zine Mondleki: Expenditure Accountant	05/03/18
67	General expense: Transaction incorrectly recorded and also completeness (Prior year uncorrected misstatements): (ISS 146)	Prior year unresolved.	Management should ensure that the information is submitted timeously for audit purposes.	Management will ensure that the information is submitted timeously for audit purposes.	Zine Mondleki: Expenditure Accountant	05/03/18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
68	General expense: Transactions incorrectly classified (Prior year uncorrected misstatement): (ISS 174)	Prior year incorrectly classified transactions were not resolved.	Management should ensure that there are effective controls in place to ensure that transactions are correctly classified.	Management should ensure that there are effective controls in place to ensure that transactions are correctly classified.	Zine Mondleki: Expenditure Accountant	05/03/18
69	Commitments: Commitments not recorded on the commitment register. (ISS 94)	WIP projects were selected and traced to the commitment register and it could be confirmed that the municipality did not include commitment relating to projects that are still under construction.	Management should obtain the contract with suppliers relating to the identified projects. Subsequently, commitments should be calculated relating to these projects and the financial statements (Note 36) should be amended as may be appropriate.	To review the commitment register of the municipality and ensure that all the commitments have been added on to the commitment register	SCM Manager	31/06/2018
		Furthermore, the some of the WIP projects selected and traced to the commitment register were confirmed that the municipality did not include commitment relating to projects. We could not recalculate the amount of the commitments that should be disclosed due to the fact that contracts for those projects not being available.			SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
70	Commitments: Contracts could not be obtained to recalculate commitments. (ISS 125)	Management could not provide tender documents (containing supplier contracts), Subsequently, the auditor could not recalculate the balance of commitments to be disclosed in the financial statements.	Management should submit the tender documents (containing contracts) for audit process. Furthermore, the financial statements should be amended with the identified amount.	Management should also ensure that proper record keeping processes are in place to ensure that documents are found quickly and submitted timeously.	SCM Manager	31/06/2018
71	Unauthorised expenditure: Incorrect of unauthorised expenditure and No determination of unauthorised expenditure on capital expenditure. (ISS 105)	Through the comparison of the final budget and the trail balance per vote, we identified that management incorrectly determined that the unauthorised expenditure.	The municipality should implement daily processing and review of transactions to keep track of the budgeted and actual spending at the municipality.	Management to review the list of unauthorised expenditure to ensure completeness	SCM Manager	31/06/2018
		The municipality did not completely disclose all the instance of unauthorised expenditure, the municipality does not have record of which votes were used to allocate the capital spending. The unauthorised expenditure calculation submitted did not include the determination of unauthorised expenditure on capital expenditure.	This is not a process that can wait for the consultants at the end of the year as it is normally too late at that time.	Management to review the list of unauthorised expenditure to ensure completeness	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
72	Cash Flow Statements: Difference the auditors cash flow amounts and amounts disclosed on CF and incorrect accounting of purchase of property, plant and equipment (PPE) and Suppliers and other payments of CF. (ISS 115)	<p>The cash flow statements for the financial year 2016/17 and also 2015/16 was recalculated based on the general ledger, financial statements (together with their notes) and audit evidence obtained during the audit of statement of financial position and statement of financial performance and differences were noted.</p> <p>Based on the testing performed on accrued expenses, note 13, and work-in-progress (WIP) we identified that payable from exchange transactions also includes, unpaid invoices for acquisition/construction of PPE to contractors/consultants, these are capital expenditure and not only operating expenses.</p>	<p>Management should ensure that a GRAP checklist in developed and used when the financial statements are being reviewed. Furthermore, management should develop a plan that will address over-reliance on consultants for AFS preparations. The plan must include, among other things:</p> <ul style="list-style-type: none"> • Identification, appointment and/or promotion of staff with GRAP knowledge and experience, and • Empowerment of existing municipal staff to be involved in AFS preparation, 	<p>Management should ensure that GRAP checklist is developed and used when the AFS are being reviewed, furthermore, management should develop a plan that will address over-reliance on consultants for AFS preparations. The plan must include, among other things: Identification, appointment and/or promotion of staff with GRAP knowledge and experience and Empowerment of existing municipal staff to be involved in AFS preparation</p> <p>The financial statements to be reviewed properly by the CFO prior to submission to the AG</p>	CFO	01/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
73	Budget statements - Differences noted on the budget statement. (ISS 114)	Identified that the Cash Flow Statement section still does not have material variances explained as the actual amounts are still not disclosed on the statement.	The preparer of the budget statement should ensure that the amounts on the budget statement are corrected accurate and the CFO should perform a thorough review of the budget statement and ensure that the budget statement is fairly presented.	The financial statement to be properly reviewed by the CFO prior to submission to AGSA	CFO	01-Jul-18
74	Budget Statement: Managements explanation of variances not reasonable. (ISS 110)	During the audit of the budget statement and evaluation of the explanations provided by management for the material variances between the budgeted and actual amounts, short coming were found during the evaluation of the explanations	The senior financial manager should ensure that the explanations for the variances of budgeted and actual amounts are included in the budget statement when preparing the financial statements for audit. The CFO should perform a thorough review of the budget statement and ensure that all the requirements of GRAP 24 have been complied with.	Budget and Revenue Manager will ensure that all the variances are explained	Lerato Singonzo(Budget and Revenue Manager)	01-Jul-18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
75	Statement of Comparison of Budget and Actual Amounts - Explanations for the variances were not disclosed. (ISS 98)	During the testing of Statement of Comparison of Budget and Actual Amounts we identified that management did not disclose the explanation of the material differences between actual amounts and the budget amounts.	Management should make use of GRAP checklist when the financial statements are being reviewed before they are submitted for audit purpose. This will ensure that they comply with GRAP standards	CFO will ensure that the use of GRAP checklist is prioritized in order to ensure compliance	CFO	01-Jul-18
76	Commitments: Contracts could not be obtained to recalculate commitments. (ISS 125)	Recalculations performed on the balance of commitments, on projects where contract were available, and could confirm that commitments as disclosed in the financial statements are overstated.	Management should submit the tender documents (containing contracts) for audit process. Furthermore, the financial statements should be amended with the identified amount.	Management should also ensure that proper record keeping processes are in place to ensure that documents are found quickly and submitted timeously.	SCM Manager	31/06/2018
77	DoRA report: Not submitted within 2 months. (ISS 129)	It was established that the municipality did not comply with the significant sections of the MFMA.	The municipality should designate an official that is responsible for ensuring that the municipality complies with the necessary laws and regulations	This will be discussed with the MM as he indicated that he wanted to appoint an individual who will be responsible for Monitoring and Evaluation who will be dealing with issues of Compliance	Municipal Manager	31-Jul-18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
78	Human Resource Compliance – Non-compliance with MSA 56(1)(a)(ii) its competencies and qualifications of appointed acting Senior Managers. (ISS 136)	<p>While testing compliance with MSA to ensure that municipal council complied with this act in terms of appointment of sec. 56 managers and also acting 56 managers, we identified non-compliance with the act as the acting manager directly accountable to the municipal manager in the post of director technical does not have the minimum competency, relevant qualifications and experience required for the post.</p> <p>Furthermore, due to his appointments being null and void, this will have a direct impact on compliance with supply chain management regulation 29 - bid adjudication committee. The bid adjudication committee did not compose of at least four senior managers of the municipality.</p>	Management should ensure compliance with laws and regulations by ensuring that all appointments are filled by candidates that have the prescribed minimum skills, expertise, competencies or qualifications.	<p>Only employees who have minimum competency level, relevant qualifications and experience required for section 56 managers will be appointed to act in the aforesaid positions.</p> <p>Qualified, senior managers will be appointed to sit in the adjudication committees.</p>	<p>Director: Corporate Services /Manager; Human Resources</p> <p>Municipal Manager</p>	<p>01-Feb-18</p> <p>25-Jan-18</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
79	Employee related costing acting allowance paid for period exceeding three months. (ISS 143)	During the testing of the acting allowance of senior management, it was noted the following managers received an acting allowance for a period exceeding 3 months with no extension granted by the office of the MEC of local government.	Management should review the acting period to ensure compliance with the provisions of the Municipal Systems Act No. 32 of 2000	The acting period of employees in senior manager's positions will be reviewed on monthly basis and; in the event of extending acting for a period exceeding three months concurrence will be sought from the MEC for COGTA.	Director: Corporate Services	01-Feb-18
80	Employee Cost: No adequate background checks is performed. (ISS 15)	During obtaining an understanding of the entity and its environment, the following was noted: Management does not perform adequate background checks on the appointment of its employees as currently they do not conduct confirmation of qualifications and criminal records.	Management should perform adequate background checks to ensure that the right candidate is appointed for the advertised position.	The background checks will be performed on employees before they are being employed by the Municipality.	Manager: Human Resources	01-Feb-18
81	Compliance: Human Resource appointment of position not included in the approved staff establishment. (ISS 137)	During the testing of human resource compliance it was noted that Mr AA Gaba was appointed to the position of Gender Officer to the Mayor, it was however noted that the position was not approved staff establishment/organogram.	Management should ensure compliance with laws and regulations by ensuring that all appointments are in response to vacancies in the approved staff establishment/organogram.	The employees will be appointed in relation to the approved positions on the organizational structure.	Manager: Human Resources	01-Feb-18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
82	High level review of financial statements. (ISS 16)	Difference were noted when the supporting schedules submitted, together with the AFS, were agreed to the amount on the general ledger.	Management should ensure that sufficient time is allocated to perform proper review of the financial statements prior to being submitted to the auditors. Management should implement daily and monthly monitoring controls to ensure that transactions are reviewed in time.	Awaiting Management Response	Awaiting Management Response	Awaiting Management Response
83	Procurement and Contract Management – No Infrastructure Procurement and Delivery Management policy. (ISS 5)	It was identified that that the municipality did not have a SCM Policy for Infrastructure Procurement and Delivery Management in place for the 2016/17 financial year as required by MFMA Circular 77.	Management should actively participate and monitor the supply chain function to ensure that they are up to date with the circulars as well as timeous implementation thereof.	Management will ensure that the infrastructure procurement is in line with the approved policies	SCM Manager	31/06/2018
84	SCM: Procurement process not followed. (ISS 18)	the order was placed before the quotation was issued by the supplier.	Management should investigate the reasons for non-compliance with SCM regulations. Management should implement consequences for officials who are not complying with	Management will ensure that the order is placed after the quotation has been placed and also make sure that all SCM processes are in place to address compliance	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		No evidence was provided to substantiate that all suppliers responded to the advertisement were considered.	procurement processes.	After the advert has been placed Management will make sure that the advertisement evidence will be kept and attendance register will be kept at the reception as proof.	SCM Manager	31/06/2018
		Advertisement that was placed on municipality website could not be provided for audit review therefore advertisement minimum period was not verified as required by SCM regulations.		After the advert has been placed Management will make sure that the advertisement evidence will be kept and attendance register will be kept at the reception as proof.	SCM Manager	31/06/2018
		Three quotations were not obtained from the supplier		During the sourcing of Quotation management will make sure that three quotation are attached and in the absent of three Quotation a deviation motivation will be written and be signed by the Accounting Officer.	SCM Manager	31/06/2018
		The letter for deviation was not authorised by municipal manager and also the deviation were not approved by councillors.		All deviations identified within the financial year will be signed by the Accounting officer and thereafter will be noted by the council.	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		The municipal manager signed the deviation letter to procure chemicals. The deviation is not valid of poor planning by management		Management will review a list of all deviation identified to ensure validity of the deviation to avoid poor planning.	SCM Manager	31/06/2018
		The payment was made on the proforma invoice not a valid tax invoice.		After the service has been rendered Management will make sure that original invoice are issued by suppliers and paid within 30 days.	SCM Manager	31/06/2018
		Payment number 67567, the payment was made without the invoice.		After the service has been rendered Management will make sure that original invoice are issued by suppliers and paid within 30 days.	SCM Manager	31/06/2018
		Management did not attach the deviation letter for procurement of the property in erf 151 Koffiefontein and the deviation is not included in the deviation register.		Management to review the deviation listing together with the supporting evidence to ensure completeness of the deviation register.	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
85	Procurement and Contract Management: Municipality did not utilise National Treasury Central Supplier Database. (ISS 26)	<p>the municipality did not utilise the National Treasury Central Supplier Database (CSD) as from 01 July 2016 even though it was fully effective from that date as required by MFMA Circular No.81.</p> <p>also identified that that the Municipality did not advertise all their bids and publish notices of all awarded bids on the e-Tender Publication Portal as required by MFMA Circular No.83</p>	Management should actively participate and monitor the supply chain function to ensure that they are up to date with the circulars as well as timeous implementation thereof.	<p>Management will make sure that fully implementation of suppliers from CSD is in place this current financial year</p> <p>It is a requirement to advertise tenders on tender portal management will make sure that all transactions above R 200 000 are advertisement on the E tender portal to address compliance</p>	SCM Manager	31/06/2018
86	SCM: Procurement policy is not aligned to sec 43(1) of SCM regulation. (ISS 28)	SCM policy is not aligned to SCM regulations	Management should align the policy with SCM regulations to avoid non compliances with SCM regulation	Management will ensure that the SCM policy of the Municipality is aligned with the SCM Regulation	SCM Manager	31/06/2018
87	SCM : BAC not consisting of four senior managers. (ISS 42)	It was noted that the bid adjudication committee meeting is not constituted by four senior managers as required by paragraph 29(2).	Management should implement controls for bid adjudication committee to consist of all the required members.	As part of the SCM requirement management will see to it that when adjudication committee it is consist of four Senior Managers.	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
88	SCM: No quotations or written confirmations obtained for procurement of between R10 000 to R200 000. (ISS 65)	three quotations were not obtained for the procurement of the service from the supplier	Management should investigate the non-compliance with SCM regulations. Management should implement controls to ensure that all procurement processes are followed.	During the sourcing of Quotation management will make sure that three quotation are attached and in the absent of three Quotation a deviation motivation will be written and be signed by the Accounting Officer .	SCM Manager	31/06/2018
89	SCM : Could not verify the duration of the bid being advertised. (ISS 44)	Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days	Management should have proper review processes to ensure that all the information are included in the advertisement before being released to the public.	Newspapers and notice adverts will be properly kept by Management to serve as proof of advertisement	SCM Manager	31/06/2018
		bids were advertised for less than the required days without following deviation processes	Management should follow proper SCM processes to ensure that they comply with the regulation.	Management will make sure that on the request of quotation basis advert will be done for 7 days and on the Tender processes it will be done for 14 days as per the SCM Policy.	SCM Manager	31/06/2018
90	SCM : incorrect results used to calculate functionality. (ISS 68)	a) The calculation table was incorrectly populated resulting in suppliers been eliminated for scoring below the set percentage (unfair elimination).	Management should investigate the calculation of functionality and also disclose irregular expenditure in the financial statements for the supplier awarded for this tender.	The evaluation committee members will make sure that calculations of points are done according to PPPF where we considered the prices and the BBBEE points.	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		b) The scoring sheets were not properly marked to indicate which supplier were evaluated		The evaluation committee members will make sure that calculations of points are done according to PPPF where we considered the prices and the BBBEE points.	SCM Manager	31/06/2018
		c) The score sheets of the company EY Inc. were duplicated and the lowest score of 63 was used and if the score of 81 was used the supplier could have qualified on functionality scoring.		The evaluation committee members will make sure that calculations of points are done according to PPPF where we considered the prices and the BBBEE points.	SCM Manager	31/06/2018
91	SCM: Expenditure exceeding the contract amount and VAT included in expenditure. (ISS 69)	Payment to Camelsa under tender LETS AFS/05/2016 was more than the contract value. The municipality appointed Camelsa to prepare the financial statement for 2015/16 for an amount of R1 011 083 (VAT Inclusive) and resulted in overspending by R2 012 486,31 (VAT Inclusive).	Management should implement controls to ensure that payment to contractors do not exceed the contract amount.	Proper Contract Management and reconciliation to be done by management to avoid exceeding of tender amount .	SCM Manager	31/06/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		Payment voucher number 15167437 is recorded in the general expenditure inclusive of vat amount of R99 572,79.	Management should follow procurement processes in all transactions and not split transactions to lesser value to preference points process for payments over R30 000 and R200 000.	SCM will make sure that transaction between 0-2000 quotation will be provided and 2000 - 30000 three quotation must be attached and if not the must be a deviation letter or motivation approved by the Accounting Officer	SCM Manager	31/03/2018
92	SCM : No three quotations obtained. (ISS 72)	During the audit of SCM , we identified that less than three quotations were obtained for the transactions and that there was no deviation report approved by a delegated official.	Management should ensure that all procurement processes are followed.	SCM will make sure that transaction between 0-2000 quotation will be provided and 2000 - 30000 three quotation must be attached and if not the must be a deviation letter or motivation approved by the Accounting Officer	SCM Manager	31/03/2018
93	SCM: Three suppliers not submitted for competitive bidding. (ISS 73)	Sufficient evidence could not be obtained that management invited at least three suppliers for procurement of services of Camelsa for implementation of MSCOA.	Management should investigate the reasons for non-compliance with SCM regulations and respond to this communication.	SCM will make sure that during the competitive bidding processes are in place such as supporting evidence such as enough Quotation requested and all the communication in writing.	SCM Manager	31/03/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
94	SCM : Deviations not reported to council. (ISS 74)	During the audit of SCM, it was identified that all deviations that were recorded in the deviation register were not reported to council as required by the regulation.	Management should ensure that all deviations are reported to council for approval.	All deviation that has been identified every month will be reported to section 79 Committee and sent them to council for Noting	SCM Manager	31/03/2018
95	SCM: Quotations advertised for lesser days. (ISS 89)	Advert was placed in municipality website for period of six days instead of seven day.	Management should implement controls to ensure adherence to SCM regulations	SCM unit will make sure that all transaction above 30000 are advertised on notice boards, Website or a Local newspaper .and within the right time as per the SCM policy.	SCM Manager	31/03/2018
96	SCM: Splitting of payments to avoid preference points processes. (ISS 90)	Payments were split to avoid complying with requirements of preference points evaluation criteria	Management should follow procurement processes in all transactions and not split transactions to lesser value to preference points process for payments over R30000 and R200 000.	SCM must follow all the necessary procedures to avoid splitting of orders	SCM Manager	31/03/2018
97	SCM - Limitation Supporting evidence not provided for audit purposes: (ISS 34)	Tender documents for the winning bids were not provided for audit purposes as requested.	Management should also ensure that proper record keeping processes are in place to ensure that documents are readily available and submitted timeously.	Management will ensure that proper record keeping is done	SCM Manager	31/03/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
98	SCM: Supporting documents not provided for audit purposes (ISS 41)	The information was not provided for audit purposes.	Management should also ensure that proper record keeping processes are in place to ensure that documents are readily available and submitted timeously.	Management should also ensure that proper record keeping processes are in place to ensure that documents are readily available and submitted timeously.	SCM Manager	31/03/2018
99	SCM Limitation: Supporting documents not provided for audit purposes: (ISS 57)	Requested quotations/bidding documents has not been provided for audit purpose.	Management should ensure that information is submitted timeously for audit purposes.	Management should also ensure that proper record keeping processes are in place to ensure that documents are readily available and submitted timeously.	SCM Manager	31/03/2018
100	SCM : Quotations and PPPF not followed (ISS 71)	Inspected the payment number 15067135 for Malt Trading cc, we noted the following:	Management should investigate this transaction to establish the reason for not following procurement process. Management should correctly classify the transaction in the financial statement.	The SCM Manager should ensure that all the threshold between R30000 and R200000 must comply with the principles of PPPF Act.	SCM Manager	31/03/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		a) There is no indication that only one supplier responded for the advertisement.		Management will make sure that when there is an advertisement of a Quotation or a Tender The SCM unit will develop a register to record all the quotation and tenders that are submitted on time to serve as a proof .	SCM Manager	31/03/2018
		b) There is no calculation sheet for preferential point system.		The SCM Manager should ensure that all the threshold between R30000 and R200000 must comply with the principles of PPPF Act.	SCM Manager	31/03/2018
		c) There is no signed deviation letter approved by municipal manager indicating that procurement process should continue.		In instances where three quotations are not obtained Supply chain Management unit must make sure that the deviation is signed by the Head of department and approved by the Accounting officer.	SCM Manager	31/03/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>d) The purchased order was issued on 15 September 2015 and the invoice number 555 from Malt Trading cc was issued on 23 August 2016. The invoice was received 11 months after the order was issued. There is no evidence that goods and services were received by management because the invoice is not signed as evidence to acknowledge the delivery of goods and services delivered.</p>		<p>Supply chain Management unit will make sure that after the orders has been issued to the supplier they will ensure a turnaround time of delivery of 7 -14 days and failer to do that the order will be cancelled .Proper follow up will be done to avoid delay of service delivery issues .delivery note will also be signed to ensure goods and services to be delivered in time.</p>	SCM Manager	31/03/2018
		<p>e) The transactions is incorrectly accounted in the financial statements of 2016/17.</p>		<p>To adequately perform a review of all transactions and ensures that they have been correctly classified in the financial systems.</p>	SCM Manager	31/03/2018
101	<p>AOPO: Non-compliance with FSAPP and sec 46 of MSA: (ISS 96)</p>	<p>Management did not include the performance objective in the annual performance report to ensure that performance is reported in consistence with the SDBIP.</p>	<p>Management should investigate the non-compliance and adjust the annual performance report to ensure that it is accurate and complete.</p>	<p>Management will ensure that annual performance report for 2017/18 financial year complies with relevant legislations.</p>	PMS Officer: Mieta Nkonki	30-Jun-18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		The annual performance report does not include the previous year performance results resulting to non-compliance with municipal system act, act 32 of 2000, section 46(b).		Management will ensure that annual performance report for 2017/18 financial year complies with relevant legislations.	PMS Officer: Mieta Nkonki	30-Jun-18
		Explanations for non-achievements of performance indicators were not explained in the annual performance report		Management will ensure that annual performance report for 2017/18 financial year complies with relevant legislations.	PMS Officer: Mieta Nkonki	30-Jun-18
		Duplicates of the indicators reported were identified on page 51, 57, 61, 68 and 75 of annual performance report.		Management will ensure that annual performance report for 2017/18 financial year complies with relevant legislations.	PMS Officer: Mieta Nkonki	30-Jun-18
102	Mid-year budget and performance assessment not done in a required format: (ISS 3)	It was identified that medium mid-year budget and performance assessment did not include: 1. Mayor's report, Mayor's report was tabled in the municipal council meeting that was held on 31 January 2. Resolutions 3. Municipality's annual report for the past year and progress on resolving problems identified in the annual report.	Management should ensure that they have controls in place for municipality to comply with applicable laws and regulation.	Management will ensure that all regulations are followed	Manager in Mayor's office	31/01/208

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
103	AOPO - Municipal budget not aligned to the key performance areas and development objectives (ISS 8)	Through inspection of the budget it was noted that municipality could not provide a breakdown of all the revenue, capital and operating expenditure directly aligned to the key performance areas (KPA's) as set out in the IDP and the action plans set out in the Service Delivery Budget and Implementation Plan (SDBIP). We therefore could not align how the budget resources were allocated to the respective KPA's of the municipality.	Management should allocate the annual budget resources to the Key performance areas. All the development priorities with their respective key performance indicators should be directly linked to the budget.	Management will ensure that regulations are followed	IDP manager: Andrew Visagie	3/07/2018
104	AOPO - Weaknesses in adopting IDP : (ISS 11)	1. Evidence could not be obtained that public was given at least 21 days to comment on the final draft IDP that was adopted on 31 March 2016.	Management should file evidence that IDP was publicized within the prescribed period as per laws and regulations, also that copies of IDP were submitted to relevant stakeholders.	Management should file evidence that IDP was publicized within the prescribed period as per laws and regulations, also IDP that copies of IDP were submitted to relevant stakeholders	IDP manager: Andrew Visagie	30/06/2018
		2. Evidence could not be obtained that final adopted IDP was publicised within 14 days after it was adopted by council on 29 June 2016.		Management should ensure that they keep evidence for the publication of the IDP		IDP manager: Andrew Visagie

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
105	PMS not applied consistently: (ISS 22)	1. There was no assessment done for the performance of senior management in 2016/17.	Management should design a system for performance management and submit to the council for adoption. This system should be documented and communicated to all municipal staff. Furthermore they should ensure it is implemented and assessments are done as per the system.	Management will ensure that assessment are conducted per semester	PMS Officer: Mieta Nkonki	31/03/2018
2. Performance management system is not applied to all staff of the municipality.		Management should design a system for performance management and submit to Council for adoption		HR manager: Segomotso Qwelane	30/06/2018	

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
106	AOPO: Inadequate system to ensure reliability of reported outcomes: (ISS 23)	No evidence could be found in the current financial year that the previous year's finding was rectified.	Management should ensure that the municipality has and maintains effective, efficient and transparent systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The system of determining services rendered to the households and determining the total households at the municipality should therefore be revisited and documented to ensure accurate reporting in the annual report.	Management will ensure that auditor's recommendations are implemented.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly
107	AOPO: Limitation of scope - no evidence for reported targets: (ISS 24)	Information submitted did not have sufficient supporting documents (list of households used to measure the indicators) for auditors to audit.	Management should maintain and provide reliable, accurate and complete information requested for audit of indicators listed above.	Management will ensure that information is safely kept for audit purposes.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
108	AOPO - POE files requested not submitted for audit purpose: (ISS 37)	Requested POE information has not been provided for audit purpose.	Management should ensure that information is submitted timeously for audit purposes.	Management will ensure that information is safely kept for audit purposes.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly
109	AOPO - Incorrect information reported as achieved targets: (ISS 91)	During the testing of indicators, it was noted that reported numbers are not agreeing to information on billing reports.	Management should maintain a proper record keeping and also ensure that reported targets are supported by valid and accurate information.	Management should ensure that information submitted for reporting purposes is certified by relevant directorate.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly
110	Key performance indicators and target are not aligned as per IDP and SDBIP: (ISS 1)	It was determine that, Integrated Development Plan does not reflect the key indicators and performance targets of the municipality. Focus on the alignment	Management should ensure that key performance indicators and performance targets are set during the drafting of IDP and they are aligned to SDBIP.	Alignment of the two documents will be addressed under the new system utilised by the municipality and will be reviewed accordingly.	PMS Officer: Mieta Nkonki IDP Manager: Andrew Visagie	28/02/2018
111	IDP: Items not reflected by IDP: (ISS 4)	Identified that IDP did not reflect on the following items: 1. Institutional frame	Management should ensure that they have controls in place for municipality to		IDP Manager: Andrew Visagie	

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>work</p> <p>2. A spatial development framework which includes the provision of basic guidelines for a land use management system for the municipality.</p> <p>3. Applicable disaster management plans.</p>	<p>comply with Municipal System Act 32 of 2000.</p>			
112	<p>AOPO: Monthly budget statement did not provide explanation for material variances: (ISS 12)</p>	<p>It was identified that the monthly budget statements (12 months reports inspected) did not include explanation for material variances from service delivery and budget implementation.</p>	<p>Management should ensure that there are controls in place to ensure that implementation of policies, procedures, laws and regulations are adhered to.</p>	<p>Communication lines to be open between all officials of the municipality.</p>	<p>All Directorate</p>	<p>Monthly progress</p>
113	<p>AOPO: Budget not made public within 10 days (ISS 25)</p>	<p>Management could not provide evidence that final approved annual budget and approved adjusted budget were made public within 10 days after they were approved by council.</p>	<p>Management should file evidence when annual budget and adjusted budget is made public.</p>	<p>Management will implement and compliance will be monitored.</p>	<p>CFO</p>	<p>28/02/2018</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
114	AOPO - Inadequate systems and internal control: (ISS 29)	1. A formal documented system description and standard operating procedures that includes definitions and technical standards of all the information collected by the institution were not in place at the municipality in the year under review.	Management should ensure that the municipality has and maintains effective, efficient and transparent systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The systems should be revisited and documented to adhere to the requirements.	Management will ensure that systems are documented as recommended by auditors after the adjustment SDBIP.	PMS Officer: Mieta Nkonki	31/03/2018
		2. No indication signature could be found on the Indigent application form that the credit controller reviewed the application form for validity.		Management will ensure that information submitted for any review is certified.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly
		3. The report submitted by the finance section indicated the number of accounts on which indigents received free basic services however the report was		Management will ensure that information submitted for any review is certified.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		not signed to indicate who prepare and reviewed the report for accuracy, validity and completeness.				
		4. No indication could be found that the section 71 report regarding repairs and maintenance was reviewed for accuracy, validity and completeness and that the report was submitted to Treasury. This shortcoming has an impact on the indicator TL 67.		Management will ensure that information submitted for any review is certified.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly
		5. The report regarding the details of tenders awarded over the period was not signed by a preparer and reviewer to ensure accuracy, validity and completeness thereof. This shortcoming has an impact on the indicator TL 70.		Management will ensure that information submitted for any review is certified.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly
		6. The photos submitted to indicate that maintenance work was performed was not supported by a report from the foreman and manager that the planned maintenance work was satisfactorily executed. The photos alone are not sufficient and appropriate evidence of the outcome of the indicator because this photo does not have dates. The following indicators are impacted: TL87 and TL88		Management will ensure that information submitted for any review is certified.	PMS Officer: Mieta Nkonki All Directorates	To be monitored monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
115	AOPO: Inconsistencies of indicators and targets: (ISS 31)	Indicators had inconsistencies between the planned targets, as per the SDBIP and the reported targets.	The baseline on APR agrees with actual performance results as per prior year APR and also indicates actions to be taken where target was not achieved.	Recommendation to be implemented for 2017/18 financial year	PMS Officer: Mieta Nkonki All Directorates	30/06/2018
			2. The planned targets as per SDBIP and agrees with targets as APR.	Recommendation to be implemented for 2017/18 financial year	PMS Officer: Mieta Nkonki All Directorates	30/06/2018
			3. The performance indicators refer to the current year performance to be reported.	Recommendation to be implemented for 2017/18 financial year	PMS Officer: Mieta Nkonki All Directorates	30/06/2018
			3. Indicators have clear unambiguous definition so that data will be collected consistently, and be easy to understand and use.	Recommendation to be implemented for 2017/18 financial year	PMS Officer: Mieta Nkonki All Directorates	30/06/2018
116	Property, plant and Equipment - Lack of segregation of duties within the asset division: (ISS 14)	Identified that there is lack of segregation within the asset division of the municipality. This is as results of the following key activities: 1. The individuals that performed the moveable asset counts are also responsible for recording and maintaining of the fixed asset register. 2. The individuals who sign off on the counted assets and those who prepare asset records and registers.	Management should involve other officials who are not part of the asset division while performing the asset count to ensure that the process is objective.	Appointment of asset clerk, to have segregation of duties within the asset management office, involvement of other staff is not always objective as the finance department is currently under staffed and in most cases there are no personnel idling to be part of asset counts.	CFO , MANAGER SCM AND ASSETS	30-Mar-18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
117	Property, plant and equipment - Physical verification not performed and no asset maintenance plan: (ISS 19)	<p>1. The municipality did not conduct the asset verification on items of property, plant and equipment (except for movable assets)</p> <p>2. The municipality does not have an asset maintenance plan in place</p> <p>3. The assessment for indication of impairment losses, useful life and also residual life was not performed by management for the current year.</p>	<p>Management should draft the asset maintenance plan and implement it within the municipality.</p> <p>Furthermore, the asset verification exercise should be conducted for all municipal assets to confirm the integrity of the asset register.</p>	<p>Technical to respond on asset maintenance and verification of PPE</p> <p>Technical to respond on asset maintenance and verification of PPE</p> <p>Technical to respond on asset maintenance and verification of PPE</p>	<p>Technical Director</p> <p>Technical Director</p> <p>Technical Director</p>	<p>30/03/2018</p> <p>30/03/2018</p> <p>30/03/2018</p>
118	Cash and Cash Equivalent - The supply chain management policy is not updated with regards to contracting for banking service: (ISS 6)	Currently management is not complying with paragraph 30(c) of SCM as the two financial service providers have been providing financial services for a period of more than five years:	It is recommended that the municipality regularly reviews their policies to avoid non-compliance and any possible irregular expenditure.	Municipality to review the SCM Policy and implement it	SCM Manager	31/06/2018
119	Cash shortage - Supporting evidence was not provided for audit purpose: (ISS 62)	Requested supporting evidence has not been provided for audit purpose.	Management should ensure that information is submitted timeously for audit purposes.	resolved		

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
120	VAT Reconciliation not performed: (ISS 2)	<p>Identified that log-in credentials on SARS e-filing of the prior year expenditure officer, who is now head of internal audit, were not removed/changed. The current expenditure officer is using those credentials when submitting the municipality's VAT201 return.</p> <p>Management did not prepare reconciliation between VAT201 and the general ledger on a monthly basis and also an annually VAT reconciliation.</p>	<p>Management should ensure that the SARS credentials should be updated with the current person responsible for submitting returns for the municipality.</p> <p>Management should ensure that reconciliations performed and reviewed on a regular basis to ensure that the control is effective.</p>	<p>Requested that Provincial Treasury to assist in this regard and will be implemented accordingly after training that will be conducted mid-February 2018</p> <p>Requested that Provincial Treasury to assist in this regard and will be implemented accordingly after training that will be conducted mid-February 2018</p>	<p>Zine Mondleki/ CFO</p> <p>Zine Mondleki/ CFO</p>	<p>31/03/2018</p> <p>31/03/2018</p>
121	Receivables from exchange and non-exchange: Movement on allowance of bad debts: (ISS 134)	<p>While evaluating the accuracy of the movement in the impairment of debtors posted to the Statement of Financial Performance we noted that management did not exclude VAT in the amount posted.</p>	<p>Management should investigate the matter and ensure that VAT is accounted for correctly in terms of the legislation.</p>	<p>Management will ensure the correct treatment of VAT accounts. Management will exclude VAT on the impairment of debtors posted to Statement of financial Performance.</p>	<p>Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane</p>	<p>31/03/2018</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
122	VAT receivable: The VAT appointment is not within the de Minimis rule as the its below 95% and supporting evidence was not provided for audit purpose: (ISS 121)	Through the testing performed on general expenses, repairs and maintenance, bulk purchases, also working in progress testing, it was determined that management incorrectly claimed the entire VAT amount, instead of 94,15%.	Chief Financial Officer should ensure that VAT reconciliation is prepared and reviewed on a monthly basis. Furthermore, management should develop a plan that will address over-reliance on consultants to perform certain key duties of the municipal staff. The plan must include, among other things:	Requested that Provincial Treasury to assist in this regard and will be implemented accordingly after training that will be conducted mid-February 2018 and reviews will be done by the CFO	Zine Mondleki/ CFO	31/03/2018
		VAT reasonability test and compared to the amount disclosed on the financial statements. Significant differences were noted between the disclosed on the financial statements and the amount recalculated by the auditors.	• Preparation and review of VAT reconciliation	Requested that Provincial Treasury to assist in this regard and will be implemented accordingly after training that will be conducted mid-February 2018 and reviews will be done by the CFO	Zine Mondleki/ CFO	31/03/2018
		Requested supporting evidence was not provided for an alternative procedure that had to be performed to substantiate the results of the VAT reasonability test.		Management must ensure that they resolve the issue of the record keeping	Zine Mondleki/CFO	31/03/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
123	Remuneration of Councillors: Remuneration paid in excess of the remuneration determined on Government Gazette volume 618, no. 40 519 of 21 December 2016: (ISS 128)	Remuneration of the mayor and councillors, the remuneration of councillors was compared to the remuneration of councillors according to Government Gazette volume 618, no. 40 519 of 21 December 2016 to ensure the upper limits prescribed were adhered to exceptions were noted.	Management should ensure that reviews and reconciliations of the schedules are performed regularly.	Management should ensure that reviews and reconciliations of the schedules are performed regularly.	Abram / Accounting Service Manager	Monthly
124	Employee related costs: Incorrect determination of overtime and standby pay-outs: (ISS 130)	Differences were noted between the auditors recalculated overtime amount based on the overtime sheets and the amount paid out to employees	We recommend that management implement a process to review the overtime calculation before the overtime is paid out.	Management implement process to review the overtime calculation before the overtime is paid out.	Abram / Accounting Service Manager / HOD Technical / HR Manager	Monthly
125	Employee related costs - Incorrect determination of overtime and standby pay-outs while testing completeness: (ISS 131)	Differences were noted between the auditors recalculated overtime amount based on the overtime sheets and the amount paid out to employees	We recommend that management implement a process to review the overtime calculation before the overtime is paid out.	Management implement process to review the overtime calculation before the overtime is paid out.	Abram / Accounting Service Manager / HOD Technical / HR Manager	Monthly
126	Employee related costs – Employees incorrectly entitled to car allowances: (ISS 142)	Employee records were inspected and confirmed that employee was not allocated a car allowance according to the employment contract and there was no application for a car allowance was approved.	Management should regularly review allowance the payments to ensure only authorised employees receive the allowances.	Management should regularly review allowance the payments to ensure only authorised employees receive the allowances.	Abram / Accounting Service Manager	Monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
127	IT Governance: Weakness in IT environment: (ISS 32)	The audit action plan did not include control deficiency relating to IT governance and how management is planning on addressing them.	Management should consider increasing the IT staff capacity to allow roles and responsibilities to be allocated to different staff members to ensure the provision and maintenance of effective IT systems. Furthermore, management should prepare an IT governance audit action plan which will assist in addressing the prior period control deficiencies identified.	The municipality has never had approved policies in place. The policies would need a person with a thorough IT governance knowledge, management experience to assist the municipality in developing the policies. Through the Director corporate Service we managed to get assistance from the Manager IT at the District municipality.	Management/IT Technician	2018-07-01
		2. IT governance framework does not include the following minimum:		IT Section to develop an IT Policy that covers all the detailed finding.	Management/IT Technician	2018-07-01
		2.1 IT Policies and procedures,			Management/IT Technician	2018-07-01
		2.2 IT compliance			Management/IT Technician	2018-07-01
		2.3 IT control and risk mitigations,			Management/IT Technician	2018-07-01
		2.4 Information security management practices,			Management/IT Technician	2018-07-01
		2.5 Business and disaster recovery,			Management/IT Technician	2018-07-01
		2.6 Project management principles, and			Management/IT Technician	2018-07-01
		2.7 IT benefits realisations processes,			Management/IT Technician	2018-07-01
IT strategic plan has not been approved by management and council. Furthermore, the unapproved IT strategic document does not cover the key areas:	A thorough and detailed IT strategic plan is to be developed.	IT Technician	2018-07-01			

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		<p>a) The organisation's aims and objectives pertaining to IT</p> <p>b) To what extent business operations and IT would be integrated</p> <p>c) The structure of the IT environment</p> <p>e) Planning guidelines and constraints (e.g. expected growth and finances)</p> <p>f) Purpose of the IT environment</p> <p>The municipality does not have ICT committee which is supposed to be responsible for monitoring the project plans for IT projects.</p> <p>Several workstation computers did not have an operating anti-virus installed:</p>		<p>The committee is to be established</p> <p>The workstation (Asset PC) was not in use before the Audit period, hence AV was not installed. The AV on Mr Manwele's laptop had technical issues. The AV had to be uninstalled and reinstall. However Mr Manwele was not present during the installation process. AV was later installed on both the Asset PC and Mr Manwele's laptop.</p>	<p>Management</p> <p>IT Technician</p>	<p>2018-07-01</p> <p>Done</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		Several workstations computers did not have the latest windows patch version:		Automatic windows updates were disabled because they would slow down the machines. A patch management system/processes need to be implemented. The patch management would require management to increase IT staff capacity.	Management/IT Technician	
		The municipality does not have a formally approved processes that manages the use of granting users access for the system.		Will form part of the IT Policy and User request for access form that is in development.	Management / IT Technician	2018-07-01
		Municipality does not have a formally approved access request documentation that is to be completed.		A user request for access form for both systems is in development.	IT Technician	2018-07-01
		The municipality does not review the user access on a monthly basis to ensure that users' access and privileges on all financial systems are appropriate.		Sage guarantees user rights/privileges on their systems. Rights can only be changed by the Administrator being the IT Technician. Management should ensure to employ a Network Administrator/Systems Administrator, as the current users of the systems are too many to go through on a monthly basis with the capacity in the IT Section.	Management/IT Technician	Ongoing
		The municipality does not have processes in place for an independent reviews of the activities of the person responsible for granting users access.		A Manager or a second person in the IT section should review the work done by the IT Technician on both systems.	Management	Ongoing

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		Municipality does not have a formally documented and approved process in place to manage upgrades/updates made to all systems.		Systems upgrade document is in development.	IT Technical	2018-07-01
		Municipality does not have a formal process for monitoring their access to the systems		Will form part of the IT Policy to be developed.	Management / IT Technician	2018-07-01
		The municipality does not have an approved backup and retention strategy, the IT Technician is in the process of developing the strategy.		Will form part of the IT Policy to be developed.	Management/IT Technician	2018-07-01
		The municipality does not perform the backup of the systems of the following systems: Sebata FMS, and SYNTELL. The backup register is not signed off as proof of review.		During the audit period the Sebata FMS was no longer in use. It was only used for audit purposes. As per the contract agreement between Sebata and Letsemeng LM, Sebata was performing daily automatic offsite backups of the system. The IT Technician was taking daily manual backups. The Syntel server does not require daily backups from Letsemeng LM's side as the server is hosted off-site.	IT Technician	Monthly

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
128	Control deficiencies while understanding of internal control: (ISS 33)	Control deficiencies are not address on a timely basis: Recommendations from audit unit not implemented by management	Financial management, together with leadership of Letsemeng LM, should monitor the implementation of action plans to address internal control deficiencies. This could be achieved by establishing a sub-committee that will regularly perform follow up on the action plan to ensure that it updated and objectives are met.	Financial management, together with leadership of Letsemeng LM, should monitor the implementation of the action plans to address internal control deficiencies. This could be achieved by establishing a sub-committee that will regularly perform follow up on the action plan to ensure that it is updated and objectives are met	Management of LM	Ongoing
		Audit action plan not implemented, monitored and regularly updated		The currently Developed AAP will be monitored properly through out	IA Manager	To be monitored on a monthly basis
		Inadequate skill audit conducted	Management should ensure that the skill review is adequately performed in terms of regulation 13 of municipal regulations of minimum competency level.	Management together with leadership of Letsemeng should ensure proper skills audit is conducted	Municipal Manager	Ongoing

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		The municipality does not have an approved risk management implementation plan for 2016/17 financial year.	The appointment of the Risk Management Committee should be accelerated to ensure that risk management implementation plan is properly reviewed and recommended to audit committee for approval.	Still in a process of appointing a risk committee chairperson	Risk Officer	18-Feb
129	Internal audit function did not adequately perform their responsibilities in terms of section 165 of MFMA: (ISS 17)	<p>The internal audit unit only has two staff members which is not sufficient for the municipality capacity.</p> <p>2) The internal audit staffs are not members of the Institute of the Internal Auditors (IIA)</p> <p>3) The internal audit unit did not attend any technical training for the year under review.</p> <p>4) The municipality did not have an effective audit committee in place for last six months of the financial year under review.</p>	The municipality should provide ensure that the internal audit staffs are members of IIA and also receive adequate training.	<p>HR is busy with WSP, List of required training will be given to Lebohang, he still needs to come and do one on one assessments with regards to required trainings needed by IIA</p> <p>Resolved, The IIA Staff are both members of IIA</p> <p>We are in a process of arranging all the Technical Trainings required by IA Section</p> <p>The Shared Audit Committee was dissolved and our own Audit Committee was appointed on the 24th August 2017</p>	<p>IA Manager</p> <p>N/A</p> <p>IA Manager</p> <p>IA Manager</p>	<p>N/A</p> <p>N/A</p> <p>18-Feb</p> <p>N/A</p>

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		5) No external quality assurance review/assessment was performed on the internal audit function of the municipality as required by IIA standard 1312.		IA is in a process of developing their yearly Quality Assurance and will be submitted to the Audit Committee for review during the next Audit Committee meeting and a complete QA will be performed after 5 years.	IA Manager	18-Mar
		6) Therefore the internal audit plan did not include the following: 6.1 The functionality of the performance management system. 6.2 The performance management system's compliance with the Municipal Systems Act. 6.3 The reliability of performance measurement in measuring performance against key performance indicators referred to in regulation 9 and 10 of the Municipal Planning and Performance Management Regulations 2001	The internal audit plan compiled should be adequately prepared include the following: 1. The functionality of the performance management system. 2. The performance management system's compliance with the Municipal Systems Act. The reliability of performance measurement in measuring performance against key performance indicators referred to in regulation 9 and 10 of the Municipal Planning and Performance Management Regulations 2001	RBAP is in a process of revising it and it will be tabled to AC and taken to Council for noting	IA Manager	18-Mar

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
130	Audit committee did not adequately perform their responsibilities in terms of section 166 of MFMA: (ISS 27)	The audit committee did not advise the accounting officer on matters relating to financial internal control, accounting policies, performance evaluation and effective governance.	Management should ensure that the internal audit submits sufficient and relevant reports to the audit committee to enable them to give the necessary guidance and advice to the municipality.	Reports will be compiled for each and every audit performed	IA Manager	N/A
		The audit committee did not advise the accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, compliance with the MFMA				
		The audit committee did not review the internal audit reports for all the quarters.				
		The audit committee did not submit audit reports on the review of performance management system to council.		Audit Committee meeting will be arranged where reports will be forwarded to the Committee for them to comment	IA Manager	N/A
		The committee only had two sittings out of the required four.		Audit Committee meeting will be arranged where reports will be forwarded to the Committee for them to comment	IA Manager	N/A

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
131	Related Parties – Inadequate processes to identify related party transactions: (ISS 46)	Management does not have controls in place to identify related party transactions apart from directors, councillors and SCM officials completing declaration of interest forms. This is not sufficient to adequately identify the related party transactions.	Management should ensure that they go through the general ledger on a monthly basis and identify transactions that might have taken place between the municipality and directors, councillors and SCM officials	SCM Manager will ensure that this is implemented	SCM Manager	30 March 2018
132	Inventories: Incorrectly measurement of inventory (ISS 102)	It was noted during the testing that the quantities of the selected items on the inventory schedule did not agree to the auditor's inventory sheets completed during the physical count at financial year end.	Management should ensure that adequate and proper reviews are performed to ensure that the inventory schedule agrees to the inventory sheets.	management must review the accounting policy with the new processes on Sage evolution and appointment of asset clerk and second person to the store with accounting background , to address irregularities during the count.	Asset Practitioner and SCM Manager	30 March 2018
133	Inventory – Internal control weakness identified within inventory management. (ISS 10)	Identified the following deficiencies: <ul style="list-style-type: none"> · Inventory is not accounted on the system when received and issued. · Inventory count is not conducted on the same day. · Inventory disposed (or auctioned) is not accounted for in the records of the municipality. · There are no 	Management should design and implement a proper record management for inventory. Furthermore, the implementation of Asset Loss Control Policy should be enforced.	implementation of inventory module .	Asset Practitioner and SCM Manager	30-Mar-18

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		active steps taken to investigate missing and lost inventory.				
134	Employee Benefit Obligation – Deceased members incorrectly included on post employee medical aid subsidy (PEMA) valuation: (ISS 127)	An exception was noted as the member was found to be deceased upon verification and therefore should not have been included on the list of eligible members:	Management should review the source data submitted to the actuary as well as evaluator’s reports.	The error will be corrected in future	HR/Salaries Department	01/07/208
135	Employee Benefit Obligation – Prior year misstatements impacting the comparative figures: (ISS 123)	1. The following were not disclosed as required by GRAP 125 paragraph 136 amongst others: (e) Reconciliation of accrued liability and that reflected in the balance sheet	Management should review the annual financial statement to ensure that all disclosures are adequately made.	The error will be corrected in future The error will be corrected in future	HR/Salaries Department HR/Salaries Department	01/07/208 01/07/208

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		(k) Principal assumptions used as at the balance sheet date		The error will be corrected in future	HR/Salaries Department	01/07/208
		(l) Sensitivity of valuation results to changes in main assumptions		The error will be corrected in future	HR/Salaries Department	01/07/208
		(m) Liabilities and experience adjustments for current and previous four annual periods		The error will be corrected in future	HR/Salaries Department	01/07/208
		(n) Best estimate of benefits payments expected in the next annual period		The error will be corrected in future	HR/Salaries Department	01/07/208
		It was noted that the experts valuation report did not take actual contributions paid during the year into account but used the expected contribution amount of R375 888, 00		The error will be corrected in future	HR/Salaries Department	01/07/208

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
		During the audit of employee benefits: long service awards it was noted that the valuation report did not take account the actual awards paid during the year but used the expected benefits vesting amount of R148 315.		The error will be corrected in future	HR/Salaries Department	01/07/208
136	Provision: Provision for Landfill sites not adequately valued: (ISS 120)	Errors were noted during the audit: <ol style="list-style-type: none"> 1. Weighting factors used were not appropriate 2. Discount rates used were not appropriate 3. Discount rates adjustments were not appropriate 4. Cash flow growth rate and master rates increase used were not appropriate 	The CFO should prepare an audit action plan taking into account the auditors' recommendations and this plan is to be monitored on a regular basis to ensure that prior period misstatements are accordingly addressed, and that misstatements do not occur in the current year. CFO should ensure that a GRAP 19 checklist is developed and used when the financial statements are being reviewed.	Error will be reviewed or adjusted	IDirector Community Services/Assets Department	30/03/2018

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
137	Provisions: No maintenance of the landfill sites and adequate verification process for defined benefit plan members: (ISS 50)	Management does not have maintenance plan implemented over all their landfill sites.	Management should prepare and implement an asset maintenance plan that includes landfill sites. The implementation of this plan should be monitored at least on a quarterly basis.	Report from Director Community Services with regards to maintenance plans and all landfills sites is awarded	CFO and Director Community Services	Ongoing
		Management does not have controls in place to confirm the existence of the members of the post-retirement medical aid benefit.	Management should independently confirm the existence of the members of the post-retirement medical aid benefit by issuing verification forms to the members and requesting the members to submit a confirmation of their existence every year to Letsemeng LM. The verification form should be certified by commissioner of oath.	Director Corporate services will formulate controls to confirm existence of these members	Corporate Director, CFO/Salarie s department	Ongoing

No:	Finding	Detailed Finding	AGSA Recommendations	Remedial action	Responsible person	Action Date
138	Revenue - Interest earned on outstanding debtors - Incorrect classification of interest on property rates as revenue from exchange: (ISS 97)	1. Incorrect classification of interest on property rates as revenue from exchange 2. Incorrect classification of interest on property rates as revenue from exchange	Management make use of GRAP checklist when the financial statements are being reviewed before they are submitted for audit purpose. This will ensure that they comply with GRAP standards. Management should ensure that the system is programmed to be in line with their approved policies and this will ensure that the interest is accurately determined.	Management will ensure the correct treatment of interest on property rates accounts. The process of correcting this information will include a remapping process on the system.	Budget & Revenue: Lerato Singonzo/ Macdonald Matsunyane	2018/05/03