

2017/2018

ANNUAL
REPORT
Volume I



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Preface

AFS	ANNUAL FINANCIAL STATEMENTS
ANC	AFRICAN NATIONAL CONGRESS
ATR	ANNUAL TRAINING REPORT
BI	BASELINE INDICATOR
CWP	COMMUNITY WORKS PROGRAMME
DA	DEMOCRATIC ALLIANCE
DoRA	DIVISION OF REVENUE ACT
DPSS	DEVELOPMENT PLANNING AND SOCIAL SECURITY
DRDLF	DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
EEP	EMPLOYMENT EQUITY PLAN
EFF	ECONOMIC FREEDOM FIGHTERS
EPWP	EXPANDED PUBLIC WORKS PROGRAMME
FSGDS	FREE STATE GROWTH AND DEVELOPMENT STRATEGIES
HRD	HUMAN RESOURCES DEVELOPMENT
IDP	INTEGRATED DEVELOPMENT PLAN
KPA	KEY PERFORMANCE AREA
KPI	KEY PERFORMANCE INDICATOR
LED	LOCAL ECONOMIC DEVELOPMENT
LGSETA	LOCAL GOVERNMENT SECTOR EDUCATION AND TRAINING AUTHORITY
MTREF	MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK
NDP	NATIONAL DEVELOPMENT PLAN
NRS	NATIONAL REGULATING STANDARDS
PMS	PERFORMANCE MANAGEMENT SYSTEMS
PMU	PROJECT MANAGEMENT UNIT
RBIG	REGIONAL BULK INFRASTRUCTURE GRANT
SASSETA	SAFETY AND SECURITY SECTOR EDUCATION AND TRAINING
SDF	SPATIAL DEVELOPMENT FRAMEWORK
SDG	SUSTAINABLE DEVELOPMENT GOALS
SETA	SECTOR EDUCATION AND TRAINING
SPLUMA	SPATIAL PLANNING AND LAND USE MANAGEMENT ACT
UFC	UNITED FRONT OF CIVICS
VF+	FREEDOM FRONT PLUS
WSP	WORKPLACE SKILLS PLAN
WTW	WATER TREATMENT WORKS
WWTW	WASTE WATER TREATMENT WORKS

Contents

REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. This template provides an update to the Municipal Finance Management Act, 56 of 2003, Circular No. 11, issued in January 2005.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the Municipal Finance Management Act, 56 of 2003,.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the Integrated Development Plan strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non-financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others. Notes are included throughout the format to assist the compiler to understand the various information requirements.

The financial years contained in this template are explained as follows:

- 2016/2017: The previous financial year;
- 2017/2018: The financial year of reporting;
- 2019/2020: The following year, mostly requires future targets; and
- The other financial years will follow a similar sequence as explained above.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

Municipal Finance Management Act Implementation Unit, National Treasury

July 2012

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CHAPTER 1 – EXECUTIVE MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: EXECUTIVE MAYOR’S FOREWORD

EXECUTIVE MAYOR’S FOREWORD

a. Vision:

During the integrated Development Plan review process, which was the last in the current term of office of the current political leadership, the community focusing on identified needs, development issues, predetermined objectives that are aligned to the Sustainable Development Goals, National Development Plan, Medium Term Strategic Framework 2014-2019, National Outcomes, Free State Growth and Development Strategies and the Thabo Mofutsanyana District Integrated Development Plan 2017/2018, reaffirmed their common aspiration and local identity of all concerned parties of a “preferred future”. A statement that describes how our future would look like if the municipality achieves its ultimate aims, and is reflected in the shared vision that drives the municipality towards a compelling future, preferable 2030, which is beneficial to the citizenry of the municipality:

“A unified viable and progressive municipality”

b. Key Policy Developments:

In preparing for the strategy formulation process that was going to be implemented during the financial year under review, it was important that the municipality ensures that the general guidelines related to crosscutting dimensions are adequately considered when designing strategies and projects planned. To facilitate these requirements, a set of localised strategy guidelines were formulated regarding the following priorities:

- Spatial Development Framework
- Poverty Alleviation
- Environmental Sustainability
- Local Economic Development
- Organisational Development and Transformation
- Good Governance and Public Participation
- Financial Viability and Management
- Infrastructure and Service Delivery
- Policy Formulation and Implementation
- Performance Management Systems

To align this to the Millennium Development Goals, The National Development Plan, National Outcomes, Medium Term Strategic Framework, Free State Growth and Development Strategies, Thabo Mofutsanyana District Municipality Integrated Development Plan and the Back to Basic Approach, the above was narrowed to the following Local Government Five Year Strategic Agenda:

- Infrastructure and Service Delivery
- Local Economic Development
- Organisational Development and Transformation
- Financial Viability and Management
- Good Governance and Public Participation

Chapter 1

These Key Performance Areas were used throughout the planning process to guide the strategy formulation, project identification, project cost, project prioritisation and integration to ensure smooth alignment. Before the formulation of specific development strategies, SWOT analysis was done on the organisational readiness to embark on such a mission to achieve the vision. An investigation was done on the amount of financial, human, institutional and natural resources which could be available in implementing the activities in order to achieve the predetermined objectives.

An Enterprise Risk Management Assessment was done on those issues that could impede the municipality to achieve these predetermined objectives. Since implementation of the strategies will put tremendous pressure on human and financial resources of the municipality, it was important to identify creative and innovative solutions for coping with human and financial resources constraints. This is based on Strategic Alignment to the Provincial Growth and Development Strategy, and the Integrated Development Plan 2017/2018 Strategies included in the Integrated Development Plan 2017/2018, especially with focus on impact and outcome achieved.

c. Key Service Delivery Improvements:

During our local government elections campaign we committed to our people that we shall ensure the following among other things:

1. Visionary, Responsible and Accountable leadership.
2. Improved audit outcomes
3. Improved performance management and compliance
4. Improved public participation
5. Improve on LED to realize tangible results

As we respond to the clarion call of our people as espoused in the Integrated Development Plan, we have not lost sight of the ball, but we remain committed in delivering on the five developmental priorities as adopted by Council during 2017. Ours too, is a progressive Budget 2018/2019 that initiates a social transformation according to the dictates of our developmental priorities, which are:

- 1) Bringing stability to the institution;
- 2) Improving of the financial position of the municipality;
- 3) Promoting a Clean and Green Environment;
- 4) Enhancing Economic Development;
- 5) Facilitating Rural Development;
- 6) Facilitating integrated Built Environment; and
- 7) Promoting Land Development.

d. Public Participation:

In our endeavour to engage communities in municipal planning and budgeting, Chapters 4 and 5 of the Municipal Systems Act, 32 of 2000, was evoked, as well as The Municipal Finance Management Act, 56 of 2003. There has been Integrated Development Plan Community Representative Fora held throughout the year to ensure that community needs are taken into consideration during planning, when the draft Integrated Development Plan 2017/2018 and the Budget 2018/2019 were adopted, the municipality embarked on Executive Mayoral Roadshows to ensure that further inputs are received from communities and all relevant stakeholders, solicited and consolidated into the final product that was approved by council.

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Ward Councillors held monthly ward meetings in their respective wards to ensure that there is feedback to and from communities on municipal affairs. Their reports found trajectory into municipal planning through the office of the Speaker to the Office of the Municipal Manager. Speaker spearheaded the process of establishing new ward committees for the term of office for the 2018/2019 to 2020/2021 period, and all organisations took part in this endeavour to ensure that or democracy is truly participatory.

e. Future Actions:

The approved Integrated Development Plan 2018/2019 has a list of funded and unfunded projects that will be implemented during the current term of office of the municipal council for the betterment of all the citizenry of Setsoto. In responding to the needs of community, the municipality has budgeted **R 130 million** to finance its capital programmes to facilitate service delivery, refurbish infrastructure and utilities and develop new assets in the coming financial year. We will also be investing **R 137 million** and **R 144 million** in the outer years **2019/2020** and **2020/2021** respectively to implement these infrastructural projects that are aimed at facilitating service delivery.

Our community needs are simply just more than what we can afford and I need to point out that capital projects amounting to **R 1.5 billion** cannot be accommodated over the next three years, lest we receive additional funding from national fiscal and increase our revenue collection to a minimum of 95%. That is why we need to prioritize our capital spending. Section D of the Integrated Development Plan 2018/2019 – Section D: Projects outline a comprehensive list of all our unfunded capital programme needs.

The departments of Engineering Services and Development Planning and Social Security are the face of the municipality. Our Capital Budget which is in line with the resolution of the 54th Elective Conference of the African National Congress on Radical Economic Transformation have the following projects under the current financial year:

- Marquard/ Moemaneng: Construction of 3.0 km Paved Road and Storm Water Drainage to the value of **R 29 million**
- Clocolan/Hlohlolwane: Construction of 3.0 km Paved Road and Storm Water Drainage to the value of **R 24 million**
- Clocolan/Hlohlolwane: Development of New Solid Waste Disposal Site to the value of **R 21 million**
- Meqheleng/Ficksburg: Upgrading Meqheleng Stadium to the value of **R 3.5 million**
- Meqheleng/Ficksburg: Convention 969 VIP toilets to Waterborne Toilets to the value of **R 24 million**
- Upgrading of the of the Ficksburg Water Works Abstraction from Caledon River to the value of **R 55 million**
- Development of 1110 sites in Marquard/Moemaneng with Water to the value of **R 13 million**
- Development of 1110 sites in Marquard/Moemaneng with sewerage to the value of **R 19 million**
- Upgrading of Water Treatment Works in Clocolan/Hlohlolwane to the value of **R 29 million**
- Construction of a Central Water Treatment Works in Senekal with rising main pipes and Raw Water Supply Pipes from all Dams to the value of **R 145 million**
- Upgrading of Sewer Infrastructure – 7 KM Sewer in Van Soelen Street to the value of **R 35 million**
- Water Catchment and Water Demand Management in Marquard for 2 km Water Pipe to the value of

Chapter 1

R 11 million

- Electrification of 6 Erven in Tienie van Rooyen in Clocolan to the value of **R 1 million**.

f. Agreements / Partnerships:

The municipality does not have partnerships at the moment, but is looking at ways to enter into such in order to enhance service delivery.

g. Conclusion:

My sincere gratitude to the entire Mayoral Committee Members, the Speaker and Members of the Council, for all their efforts to make us realise our vision and making it a reality. I am also humbled by the trust bestowed upon me by the leadership of this glorious organisation, the African National Congress, to be leading this municipality during this term of this political leadership. I am committed to working with all concerned as we enter the third year of our term of office.

Many thanks also goes to the Municipal Manager, Mr. Ramakarane Simon Tshepiso Rankhotho, his Senior Management and the entire workforce for the sterling work being done within the restricted fiscal and human resources wealth. With their expertise and unstated knowledge, I am positive that the municipality is indeed ***“Building relationships of trust within municipal environment-and thus ensuring that this becomes the road towards sustainable basic services provision”***, and that our future is undeniably headed to a place where we would like our people experience of local government to be a pleasant one.

I thank you.

**CLLR MAOKE N A
EXECUTIVE MAYOR**

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COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

This annual report is an all-inclusive report on municipal activities during the year under review. The report is intended to give council and all stakeholders and other interested people evidence about the municipality's activities and financial performance as at 30 June 2018. The Municipal Finance Management Act, 56 of 2003, required the municipalities to prepare and disclose their annual reports, and many require the annual report to be filed at registry. This report will also provide information to be used for audit purpose of this municipality for the financial year 2018/2019. The performance of each department is meticulous in this report per their respective divisions as contained in Chapter 3-Service Delivery Performance.

The Department of Engineering Services is responsible for providing basic services under the following sectors:

- Water;
- Sanitation;
- Electricity;
- Roads and Storm Water;
- Urban Planning and Property Management; and
- Fleet Management

All these are provided through a Project Management Unit and each sector is therefore responsible for maintenance of the provided infrastructure in order to ensure effective, efficient and sustainable service delivery. The department is zealous to improve the quality of life of its community by providing efficient, sustainable, reliable and affordable infrastructure and to ensure continuous upgrade and maintenance of the existing infrastructure.

This department is also commanded to ensure adequate serviced land through which residents can develop quality formal housing and receive security of tenure. An increase in population growth in Setsoto Local Municipality implies an increasing urgency for development of infrastructure for our communities that can support this increase in population.

Infrastructure is the foundation that enables economic growth and development. Local government is mandated to construct and maintain a range of infrastructure that enables local economic activities and create an enabling environment for economic growth. The department had included key priority projects on the IDP 2018/2019 to secure funding in order to fulfill this mandate.

The mandate of the Department of Development Planning and Social Security is service delivery component and intends to strive to continuously improve how we render services to communities. The experience over a period has shown that it changes approach it required in the way we extend and reach out to the communities to ensure that those areas which were not previously serviced are better off. The municipality is also taking into consideration realities in the Municipality. As service delivery department our mandate is as follows:

- Provision of waste disposal system, which is efficient, safe and cost effective,
- Refuse removal and street cleaning,

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- To ensure that the environment is conducive and not harmful to the health and wellbeing of communities,

Create sustainable economic growth and alleviate poverty by maximizing local agriculture and industrial opportunities and exploitation of international export markets through Local Economic Development initiatives,

- Promotion of Tourism development,
- Provision and maintenance of cemeteries,
- Maintenance of parks and greening of open spaces,
- Provision of security to municipal property and personnel,
- Safety of road users through traffic services,
- Assisting in promotion of healthy and cultural lifestyle to communities through sports, arts and recreation programmes,
- Maintenance of municipal properties and facilities.
- Provision of disaster management service to the community affected as a result of man-made and other natural disasters,
- Provide an efficient and effective Fire Services,

The Department of Treasury Services is responsible for the financial management, viability and sustainability of the municipality through the delegation of the performing the following:

- Revenue Management;
- Expenditure Management;
- Assets Management; and
- Budget and Reporting

To ensure that the municipality's workforce is satisfied at all the time and that relevant and skilled personnel are brought into the fold, the municipality through the Department of Corporate Services employs the following services:

- Human Resources Management;
- Human Resources Development;
- Payroll Administration;
- Legal and Contract Management; and
- Administration and Council Services

The Department of the Office of the Municipal Manager provides an overall strategic support for all the strategic operational activities of the municipality through the following:

- Office Operations and Unit Support;
- Information Communication Technologies, Communication and Customer Care Relations;
- Internal Audit Unit;
- Integrated Development Planning and Performance Management System;
- Office of the Executive Mayor for the Political Leadership and Direction;
- Office of the Speaker for Public Participation; and
- Troika for Political and administrative Interface

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Chapter 1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

Establishment of Setsoto Local Municipality (FS 191)

Part 1

Setsoto Local Municipality was established as category B municipality with a collective executive system combined with ward participatory system as contemplated in section 2(f) of the Determination of the Types of Municipalities Act, 1 of 2000 in terms of Provincial Notice 184 of 28 September 2000. This Notice is also known as Section 12 Notice for purposes of Local Government Municipal Structures Act, 117 of 1998. The Provincial Notice 184 of 28 September 2000 as amended, is hereby repealed and replaced by the provisions contained in Part 2.

Re-Establishment of Setsoto Local Municipality (FS 191)

Part 2

The type of Setsoto Local Municipality (FS 191) in terms of Provincial Gazette of 28 October 2016 is hereby changed from the type of municipality with a collective system combined with ward participatory system to a municipality with an Executive Mayoral system combined with a ward participatory system. Setsoto Local Municipality (FS 191) is a category B municipality as determined by the Municipal Demarcation Board in terms of section 4 of the Municipal Structures Act, 117 of 1998.

The boundaries of the municipality as indicated by the demarcation area in the Municipal Demarcation Notice remain unchanged. The council of Setsoto Local Municipality (FS 191) consists of 33 councillors with effect from the local government elections in 2016. The following councillors have been designated full time councillors by the municipality:

- Executive Mayor
- Speaker
- Members of the Executive Mayoral Committee

The powers and function as assigned to the municipality are stipulated in sections 156 and 229 of the Constitution and sections 83 and 84 of Local Government: Municipal Structures act, 117 of 1998 as amended. More specifically, the powers and functions of the municipality relating to sections 84 of the said act which were promulgated in Provincial Gazette number 126 dated 30 June 2005 and are:

Section 84(1) (e) Solid waste

Section 84(1) (f) Roads

Section 84(1) (j) Firefighting

Section 84(1) (l) Cemeteries

Section 84(1) (n) relating to any of the above

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The administrative structure of the municipality consists of five departments and four administrative units with the Municipal Manager as the Accounting Officer and head of the administration situated in Ficksburg. The other three towns in the municipality are Senekal, Marquard, Clocolan and their neighbourhood areas.

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Population Details							
Place	Code	Area (km ²)	Number of Erven		Population		
			Ward	Number	2001	2011	2016
Clocolan	41201	16.71	8	2 289	1 366		
Hlohlolwane	41203	2.25	9	1 822	15 275		
			11	2 108			
Sub-Total		18.96		6 219	16 641	17 602	
Ficksburg	41201	21.63	10	1 219	8 309		
Megheleng	41207	4.13	12	1 487	25 900		
Mafeleng (Caledon Park)	41204	0.23	13	2 145	1 255		
			14	1 791			
			15	2 554			
			16	2 396			
			17	2 029			
Sub-Total		25.99		13 621	35 464	41 248	
Marquard	41205	1.56		1 781	1 024		
Moemaneng	41208	1.86		2 679	12 067		
Sub-Total		3.42		4 460	13 091	15 502	
Matwabeng	41206	3.65		1 649	19 218		
Senekal	412209	33.40		1 566	3 333		
				722			
				3 102			
				2 348			
Sub-Total		37.05		9 387	22 551	25 543	
Remainder of the municipality	41210	5 880.95		2 913	35 434	12 704	
Sub-Total		5 880.95		2 913	35 447	12 704	
Total		5 966.37		36 600	123 194	112 599	117 363

Source: Statistic South Africa: Community Survey 2016

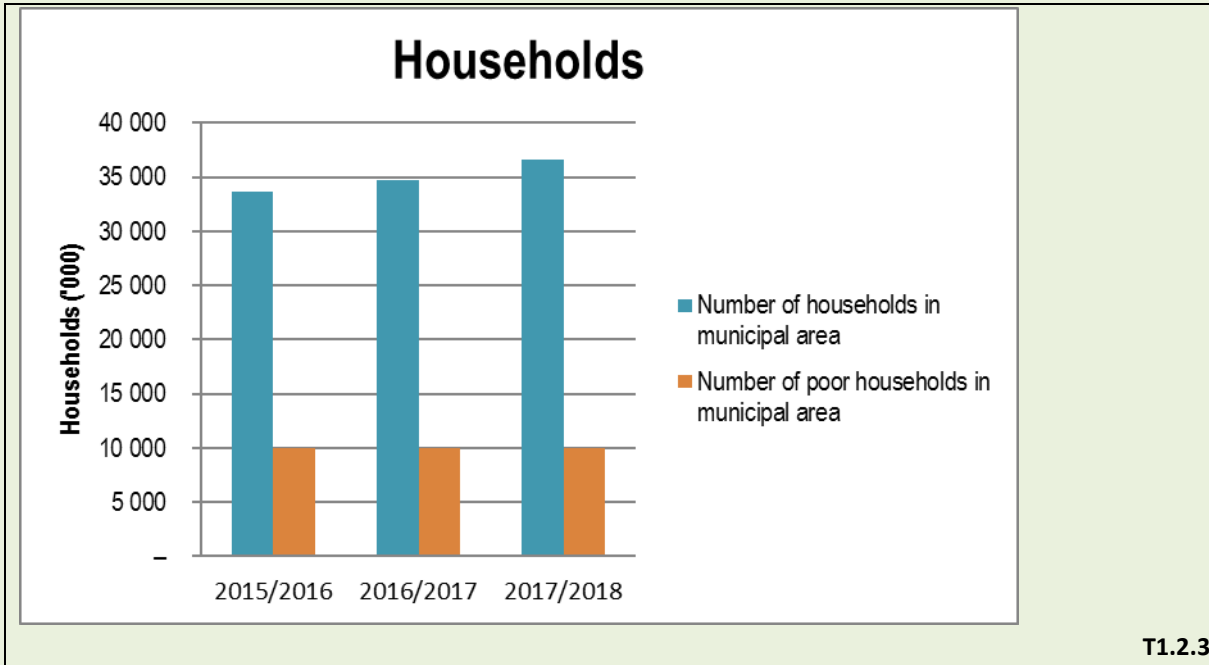
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Population Details									
Age	2015/2016			2016/2017			2017/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	6 591	6 559	13 150	6 591	6 591	13 182	6 591	6 559	13 150
Age: 5 - 9	6 159	6 145	12 304	6 159	6 145	12 304	6 159	6 145	12 304
Age: 10 - 19	11 106	10 907	22 013	11 106	10 907	22 013	11 106	10 907	22 013
Age: 20 - 29	9 959	10 512	20 471	9 959	10 512	20 471	9 959	10 512	20 471
Age: 30 - 39	6 986	8 063	15 049	6 986	8 063	15 049	6 986	8 063	15 049
Age: 40 - 49	5 776	6 432	12 208	5 776	6 432	12 208	5 776	6 432	12 208
Age: 50 - 59	3 641	4 970	8 611	3 641	4 970	8 611	3 641	4 970	8 611
Age: 60 - 69	2 134	3 359	5 493	2 134	3 359	5 493	2 134	3 359	5 493
Age: 70+	1 256	3 018	4 274	1 256	3 018	4 274	1 256	3 108	4 364

Source: Statistics SA: Community Survey 2016

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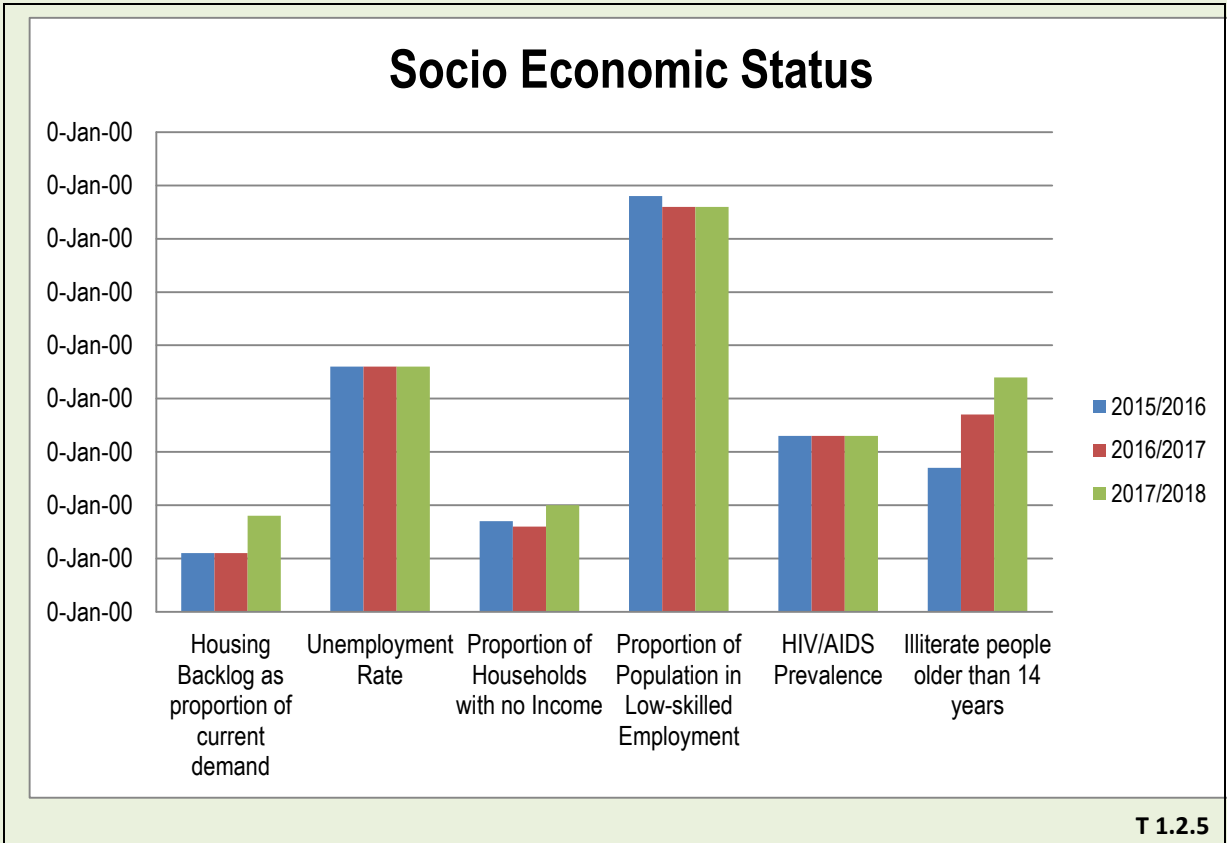
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Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2015/2016	11%	46%	17%	78%	33%	82%
2016/2017	11%	46%	16%	76%	33%	83%
2017/2018	18%	46%	20%	76%	33%	88%

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Chapter 1

Overview of Neighbourhoods within the Setsoto Local Municipality			
Settlement Type	Households	Population	
		2011	2016
Marquard		1 033	1 119
Moemaneng Extension 1		940	1 024
Moemaneng Extension 2		1 038	1 124
Moemaneng Extension 3		1 848	1 950
Moemaneng Extension 4		2 187	2 296
Moemaneng Extension 7		1 239	1 329
Moemaneng Extension 8		838	920
Moemaneng SP		4 409	4 562
Motampelong		1 191	1 280
Riverside		779	860
Sub-Total	4 460	15 502	16 462
Ficksburg		5 400	5 573
Boitumelo		1 532	1 628
Ha Molo		311	382
Itumeleng Zone 3		630	708
Katlehong		3 197	3 326
Khaphamadi		646	724
Marallaneng		727	807
Masaleng		2 184	2 293
Meqheleng 1		590	667
Meqheleng 2		1 633	1 731
Meqheleng 3		1 210	1 299
Meqheleng 4		975	1 060
Meqheleng 5		1 745	1 845
Meqheleng 6		2 822	2 943
Meqheleng 7		5 223	5 392
Meqheleng 8		10 529	10 805
Vukazenzele		1 894	1 997
Sub-Total	13 621	41 248	43 178
Senekal		3 466	3 600
Matwabeng Extension 4		9 883	10 146
Matwabeng Extension 5		2 450	2 564
Matwabeng Extension 6		413	486
Matwabeng SP		992	1 077
Matwabeng Zone 1		1 254	1 344
Matwabeng Zone 2		6 037	6 223
Matwabeng Zone 3		1 048	1 134
Sub-Total	9 387	25 543	26 574
Clocolan		1 349	1 441
Diamong		934	1 018
Dipotomaneng		1 616	1 713
Hlohlohwane Extension 6		6 707	6 905
Mandela Park		1 650	1 748
Matikareng		962	1 046
Mokodumela		994	1 079
Ntsharebone		732	812
Sunflower Park		2 024	2 129
Thethe		634	712
Sub-Total			18 019
Sub-Total	6 219	17 602	104 233
Rural	2 913	12 703	13 130
Informal	1 000		
Grand-Total	37 600	112 598	117 363
			T 1.2.6

Chapter 1

Major Natural Resource	Relevance to Community
Caledon River	Water
Sandstone	Mining
Diamond	Mining
Cherries	Farming
Asparagus	Farming
Peaches	Farming
Appels	Farming
T 1.2.7	

COMMENT ON BACKGROUND DATA

The background data is mainly in terms of census 2011 and some of Community Survey 2016 as provided by the Statistic South Africa, which is the reason as to why the information is only given in the sub-totals in the number of household. The information from Statistic South Africa is aggregated to a ward level not as per the way the template is designed. This challenge need to be addressed when the template is being reviewed.

We also need to have mechanisms as to how we account for the information during and in between the censuses as it is not captured in the template. The above shows a 4% population growth between 2011 and 2016 period. The average population growth of the Free State Province is 2%.

T 1.2.8

Chapter 1

1.3 SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The Constitutional objectives for local government are set in section 152 and are as follows:

- To provide democratic and accountable government of local communities
- To ensure the provision of services to communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organisation in matters of Local Government

A central challenge for municipalities have been its viability and ability to build strong departments capable of delivering on the principles of section 53 of the Constitution which states that:

..‘A municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community, and participate in national and provincial development programmes’.

‘If the municipality can achieve the above objectives consistently, within the financial and administrative capacity, it could be described as a functional, well-performing municipality’. The following are the focus areas of the municipality:

- **Universal access to water**

All households within the municipality have access to water above the minimum service level.

- **Universal access to sanitation**

All households within the municipality have access to sanitation above the minimum service level.

- **Universal access to electricity**

All households within the municipality have access to electricity above minimum service level.

- **Eradication of informal settlement**

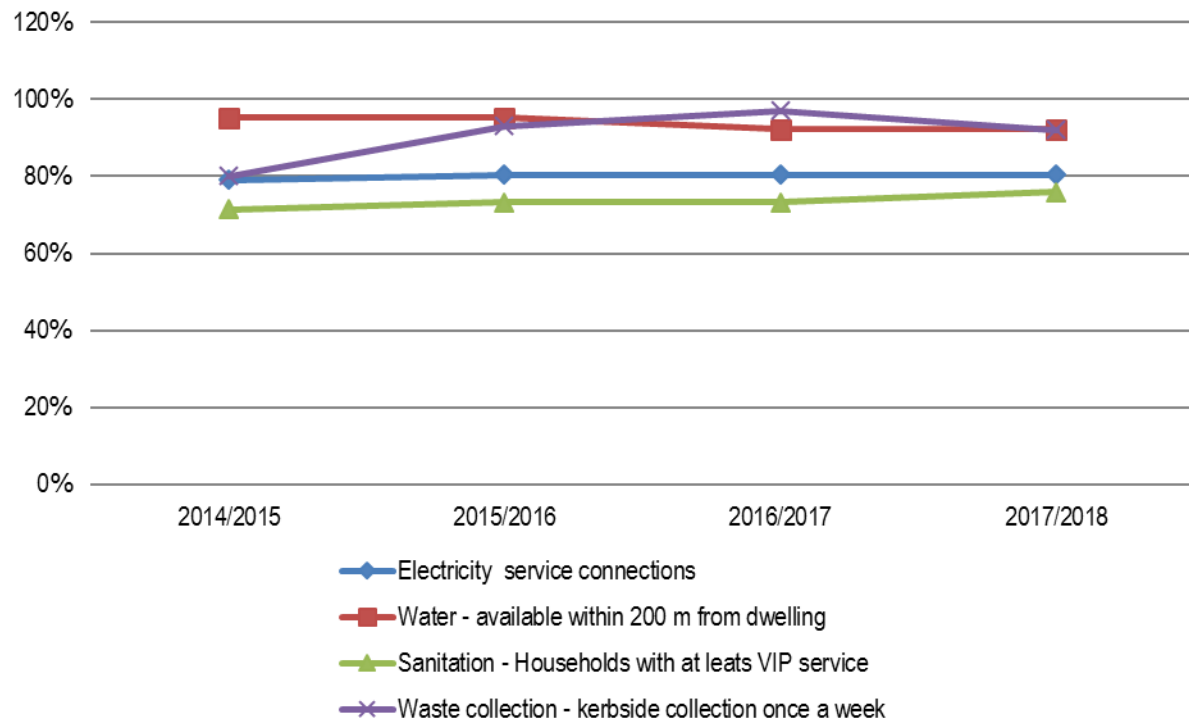
The municipality is not a housing authority, in collaboration with the Free State Department of Human Settlement it is ensuring that houses are provided. The land is identified and acquired that is utilised for township establishment and also assurance is done on the necessary studies and applications for township establishment.

The process of finalising the rolling-out Spatial Planning and Land Use Management Act, 16 of 2013, has been completed and the municipality is confident that the process will kick-start smoothly from the beginning of the next financial year and that it will impact positively in our endeavours to eradicate informal settlements.

T 1.3.1

Chapter 1

Proportion of households with access to basic services



T 1.3.2

COMMENT ON ACCESS TO BASIC SERVICES

Over the years the municipality has been increasing its ability to provide services to local communities and the below is highlighted:

- Provision of water has been almost to the maximum;
- Electricity has been minimal over the fifteen year period;
- Sanitation lacked behind and the municipality is doing all in its power to address the situation; and
- Provision for refuse removal has steadily increased to twice a month and we hope to increase the frequency in the following financial year.
- Provision of domestic refuse collection is once a week with a collection rate of 91%, businesses are serviced once a week or as per arrangement and the central business areas are cleaned on a daily basis seven (7) days a week.

T 1.3.3

Chapter 1

1.4 FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

- **Financial Sustainability**

The Municipality's revenue stability is of great concern as the revenue collection rate is not to the maximum. Revenue enhancement strategies needs to be implored in order to compliment the already approved installation of smart metering project. The implementation of this project is almost completed and analysis of its impact need to be done and recommendations from this analysis implemented as soon as possible.

Lower tariff increases coupled with higher inflation could hamper the Municipality's present services rollout programme. The liquidity levels has been managed in a fair manner, although only a slight decline in the current assets to current liabilities ratio is evident. The liquidity ratio (current assets/current liabilities) as at 30 June 2018 was 1.66 to 1 as opposed to the ratios of 2.0 to 1 in 2016/17, while the industry norm is between 2 to 1. The overall financial operational performance of the organisation can be considered to be finely balanced with very little room for budgetary mistakes.

- **Comment on Statement of Financial Performance**

The municipality had a deficit of **R 47 060 412.00** for the year under review (an insignificant improvement from the previous year's deficit of **R 124.580 991.00**). It is anticipated that the next few financial years will also have accounting deficits. The deficits are driven by the depreciation cost which is currently not fully factored into the setting of tariffs. The municipality will embark on phasing in the inclusion of depreciation in the tariff setting process which will then lead to reduced deficits and improved asset management as funding will become available for asset renewals. 104% of the adjusted budgeted operational revenue were achieved and the actual expenditure was 155% of the budget. The reason for overspending is depreciation on revaluated assets.

- **Comment on Statement of Financial Position**

Current assets have decreased by **1.59%** from the 2016/2017 financial year, mainly because of decrease in receivable from exchange transaction. Net Consumer debtors increased because of low collection levels. The cash collection rate for the year was **89% (83% 2016/2017)** which is below the industry norm of 95%. Municipality embarked on the collection drive through usage of the debt collectors and ligation service provider to assist collection on behalf of the municipality. The ongoing economic hardship faced by our communities is taking its toll on our collection ability and it is expected that the collection for the coming year will be less than the percentage recorded in the year under review.

The cash flow status of the municipality have been under tremendous pressure due to reluctant of the consumers to pay their accounts couple with unwillingness to pay by government departments. Municipality has lodged intergovernmental disputes with National Treasury through Provincial Treasury. The process of installing the prepaid smart metering is in progress and most of the towns has already been installed and the action is starting to bear fruits.

T 1.4.1

Chapter 1

Financial Overview: 2018/2019

			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	298 885 854	265 471 850	250 894 561
Taxes, Levies and tariffs	219 627 978	232 713 398	246 004 309
Other	25 630 364	26 630 364	23 850 615
Sub Total	544 749 485	524 815 612	520 749 485
Less: Expenditure	620 369 241	639 159 011	567 810 098
Net Total*	(76 225 045)	(114 343 399)	(47 060 412)
			T 1.4.2

Operating Ratios

Detail	%
Employee Cost	61
Repairs & Maintenance	0.05
Finance Charges & Impairment	29
T 1.4.3	

COMMENT ON OPERATING RATIOS

The operating ratios are not within the norm and this need to be addressed as soon as possible for the municipality to be financially viable

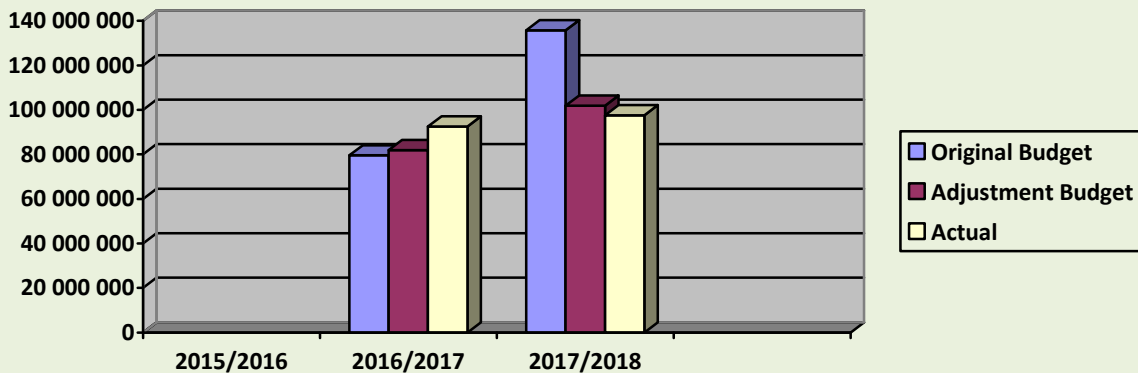
T 1.4.3.1

Total Capital Expenditure: 2015/2016 to 2017/2018

			R'000
Detail	2015/2016	2016/2017	2018/2019
Original Budget	83 053	79 552	135 241
Adjustment Budget	82 999	81 807	101 827
Actual	88 457	92 521	97 599
			T 1.4.4

Chapter 1

Total Capital Expenditure: 2015/2016 to 2017/2018



T 1.4.5

COMMENT ON CAPITAL EXPENDITURE

The trend on a yearly basis for the three years depicted reflect that capital spending is more than what was initially budgeted, also on the adjustment budget. This is the result of additional allocation received from Provincial Treasury subsequent to the approval of the adjustment budget.

Also the other factor is that Reginal Bulk Infrastructure Grant is now paid direct into the municipal bank account and get administered by the municipality, i.e. Setsoto was given the status of Schedule B in terms of the Division of Revenue Act 2018/2019. All the allocated capital grants were fully utilised in the year under review, except the conditional grant received from Provincial Treasury for the upgrading of Van Soelen pipe line, in which a roll-over was applied for.

T 1.4.5.1

Chapter 1

1.4 ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipal workforce is made up of 826 employees. The Department of Corporate Services renders a support service regarding employee management, employee expenditure, employee relations and employee development.

➤ Recruitment and Selection

The following decision were taken:

- Two of the section 56 Managers' posts were vacant as at the 30 June 2018.
- The entire organisational structure need to be phased in by the end of the financial year 2018/2019.
- That temporary employees must not be appointed on a full-time position, however, those who have been appointed temporary for over a period of 12 months be appointed permanently in line with amended Labour Relations Act 2014, section 198B.
- That our organisational structure be reviewed to critically relook into the feasibility and sustainability of having 509 vacant positions, most of which are not necessary.
- Increase capacity on Human Resources Management Division to find incumbents who will deal with the issue of policy development/plans and reviews.
- That the process of job evaluation be speeded up to enable a process of performance to unfold. That a Labour Relations section be capacitated to enhance the speedy resolution of disciplinary matters.

➤ Organisational Development

The municipality has embarked on an intensified process of finalising all the outstanding job descriptions, this process was started before the end of the year under analysis. All the relevant Human Resource Policies are in place and adopted by council.

The municipality, during its processes of moving into automation of the Performance Management System, has proposed that the motto from the next term of council be "Good to Great", which will be replacing "Re Sebeletsa Katleho".

The Electronic Performance Management System will be tested in the first quarter of the new financial year and will be rolled out fully by the third quarter. The municipality is striving to be fully compliant by the end of 2018/2019, if it cannot receive a clean audit for the period under review, it is definitely going to happen at the end of the new financial year.

➤ Employee Wellness

The programme is well underway and all our employees receives the necessary attention and referrals when needed.

T 1.5.1

Chapter 1

1.5 AUDITOR GENERAL OF SOUTH AFRICA REPORT

AUDITOR GENERAL OF SOUTH AFRICA REPORT: 2016/2017

The municipality received and unqualified audit report with emphasis of matter on the financial information and unqualified audit report on both the reliability and usefulness of the performance information with no findings.

T 1.6.1

1.6 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
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 year 0 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
8	Executive Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor general of South Africa	
10	Annual Performance Report as submitted to Auditor general of South Africa to be provided as input to the Integrated Development Plan Analysis Phase	
11	Auditor general of South Africa audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor general of South Africa's comments	November
13	Executive Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ Integrated Development Plan finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

T 1.7.1

Chapter 1

COMMENT ON THE ANNUAL REPORT PROCESS

The Annual Report 2018/2019 is compiled in accordance with the requirements of section 121 of the Municipal Finance Management Act, 56 of 2003, section 46 of the Municipal Systems Act, 46 of 2000, as well as the format prescribed by National Treasury. The purpose of the report is:

- To provide feedback on the activities of the municipality for the past twelve months;
- To provide a report on performance in service delivery and budget implementation plan for the year under assessment; and
- To promote accountability to the community for the decisions made from 01 July 2016 to 30 June 2018

This Annual Report 2017/2018 has been developed according to the provision of Circular 63 of the Municipal Finance Management Act, 56 of 2003, which indicates that the real transparency and accountability can only be achieved where there is a clear link between the strategic objectives agreed with the community, the Integrated development Plan, the Budget, the Service Delivery and Budget Implementation Plan, in year reports, the Annual Financial Statements and the Annual Performance. The municipality compiled the Annual Report 2017/2018 for submission to the Auditor general of South Africa by the 31 August 2018 and this report was submitted on Thursday, 31 August 2018.

T 1.7.1.1

Chapter 2

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

In its most abstract sense, governance is a theoretical concept referring to the actions and processes by which stable practices and organisations arise and persists. These actions and processes may operate in formal and informal organisations of any size; and they may function for any purpose, good or evil, for profit or loss. Conceiving of governance in this way, one apply the concept to the state, to corporations, to non—profits, to non-governmental, to partnerships and other associations, to project teams, and to any number of human engaged in some purposeful activity.

Most theories of governance as a process arose of neo-classical economics. These theories build deductive models, based on the assumptions of modern economics, to show how rational actors may come to establish and sustain formal organisations, such networks and practices for governing the commons. Most of these theories draw on transaction cost economic. Underneath are examples of combination of different governance processes that are pertinent in our municipality, which are not going to be explained further:

- Public Governance;
- Participatory Governance; and
- Contemporary Governance.

T 2.0

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Setsoto Local Municipality is a category B Municipality with an Executive Mayoral Committee with Ward Participatory System, the council has its committees (Section 80 Committees) including Audit and Performance Audit Committee and Municipal Public Accounts Committee (Section 79 Committees). The council’s role is to debate issues publicly and to facilitate political debate and discussion, The council plays a very active role in the operations of the municipality.

Apart from their functions as decision makers, councillors are also actively involved in community work and the various social programmes in the municipal area. Political and administrative governance in the municipality consists of a set of processes, customs, policies, laws, regulations and institutions affecting the way people direct, administer or control an organisation. Political and administrative governance also includes the relationships amongst the many role-players involved in the organisation. The principal role-players include communities, management and councillors. Other stakeholders includes employees, service providers, customers, businesses, political parties, other organisations and regulators.

T 2.1

Chapter 2

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

The municipality consist of thirty-three councillors, of which seventeen are ward councillors and sixteen are party proportional representative councillors. Of these twenty-one are from the African National Congress, five are from the Democratic Alliance, three are from United Front of Civics, three from the Economic Freedom Fighters and one from the Freedom Front+. The Council consist Speaker, the Executive Mayor and the Members of the Mayoral Committee responsible for the following committees:

T 2.1.1

POLITICAL STRUCTURE

EXECUTIVE MAYOR

Maoke Nthateng Alice

SPEAKER

Mokhuoane Krog Sexton

MAYORAL COMMITTEE

Khitsane Nthatisi Petronella

Selasi Motsamai William

Koalane Komane Elias

Taylor Nnini Annie

Hlakane Moeketsi

T 2.1.1.1

COUNCILLORS

The Setsoto Municipality is an Executive Mayoral Committee System with Ward Participatory Systems and after the 2016 Election has 33 Councillors in total of which 17 are Ward Councillors and 16 are PR Councillors. The political distribution of Council comprises of 21 Councillors of the African National Congress (ANC), 5 Councillors of Democratic Alliance (DA), 3 Councillors of Economic Freedom Fighters (EFF), 3 Councillors of United Front of Civics (UFC) and 1 Councillors of Vryheidsfront Plus (VF+).

- Appendix A provides a list of all Councillors including their committee allocations and attendance of Councillors Meetings for the 2017/2018 financial year.
- Appendix B provides a list of all Committees of Council and their purpose

Chapter 2

Name	Political Party	Gender
Mokhuoane Krog Sexton	African National Congress	Male
Maoke Nthateng Alice	African National Congress	Female
Talor Nnini Alice	African National Congress	Female
Khitsane Nthatisi Petronella	African National Congress	Female
Selasi Motsamai William	African National Congress	Male
Koalane Komane Elias	African National Congress	Male
Hlakane Moeketsi	African National Congress	Male
Kogo Palesa Elizabeth	African National Congress	Female
Strydom Evert Phillip	Democratic Alliance	Male
Mokhele Modise Moses	Democratic Alliance	Male
De Wet Pieter Wouter	Democratic Alliance	Male
Schee Pulane Constance	Democratic Alliance	Female
Lipoko Ratsholwane Shadrack	Economic Freedom Fighters	Male
Makhubu Ntali Selina	Economic Freedom Fighters	Female
Mohosho Andronika Modiehi	Economic Freedom fighters	Female
Matsau Malefane Patrick	United Front of Civics	Male
Makhalanyane Tieho George	United Front of Civics	Male
Moipatli Chere Daniel	United Front of Civics	Male
Bester Aletta Catharina Lettie	Vryheids Front Plus	Female
Mothibeli Moselantja mercy	African National Congress	Female
Selikane Thabiso Shadrack	African National Congress	Male
Mthimkulu Mamotena Lydia	African National Congress	Female
Ralehlatsi Mahlomola Klass	African National Congress	Male
Makobane Serame Ishmael	African National congress	Male
Lhatlake Ntema Peter	African National Congress	Male
Jakobo Tsheliso Bernard	African National Congress	Male
Mthimkhulu Thabo Isaac	African National Congress	Male
Vries Isak	Democratic Alliance	Male
Semahla Mookho Hilda	African National Congress	Female
Matobako Puseletso Constance	African National Congress	Female
Sellane Matieho Theresia	African National Congress	Female
Mokoena Teboho Jacob	African National Congress	Male
Mavaleliso Paka Issac	African National Congress	Male

T 2.1.2

Chapter 2

POLITICAL DECISION-TAKING

Decision making with the Setsoto Municipality is guided by its Delegation of Powers as well as Legislative requirements. Various structures comprising of Management Meetings, Section 80 Committee Meetings, Mayoral Committee Meetings and Council Meetings consider recommendations and make decisions within their delegated powers. In 2017/2018 a total of 324 items were resolved by the Mayoral Committee with 100% implementation and a total of 112 items were resolved on by Council also with 100% implementation. The implementation of resolutions is monitored through circulation of resolutions with report back on implementation which is then submitted to MAYCO or Council for monitoring purposes.

T 2.1.3

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The municipal administration can be defined as a multilevel governance. This is widely defined as governing of the governing. It represents established ethical principles or norms that shape and steer the entire governing process. The quality of governance that the municipality is displaying is that of good governance, this relates to consistent management, cohesive policies, guidance processes and decision rights for a given area of responsibility, and proper oversight and accountability. Administrative governance is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy

Ethical and effective leadership should complement and reinforce each other. Ethical leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. It involves the anticipation and prevention, or otherwise amelioration, of negative consequences of the organisations activities and outputs on the economy, society and the environment and the capitals that it uses and affects.

Effective leadership is results-driven, it is about achieving strategic objectives and positive outcomes. Effective leadership includes, but goes beyond, an internal focus on effective and efficient execution. The council's primary governance role and responsibilities are part of the dynamic of the municipality's business cycle. This role and responsibilities include to steer the municipality and set its strategic direction, on the basis of which management will develop the strategy which is approved by the council.

To give effect to the municipality's strategy, management formulates policy and operational plans, also approved by council. Management then, implements and executes the strategy in accordance with policy and plans which are overseen and supervised by the council. The council finally ensures that there is accountability for municipal performance through, among others, reporting and disclosure. The latter in turn forms the basis for reviewing strategic directions which starts the business cycle anew.

T 2.2.1

Chapter 2

The municipality's administrative governance structure deeply intersect with its council governance structures. The Municipal Manager is the Accounting Officer. He is supported by the four functional area structures, including the Audit and Performance Audit Committee, Risk Management Committee and the Information and Technology Steering Committee. The very important base of our administrative governance structures, however, consists of the following functional areas:

- Department of the Office of the Municipal Manager;
- Department of Corporate Services;
- Department of Engineering Services;
- Department of Development planning and Social Security; and
- Department of Treasury Services.

The functional areas are headed by the Directors who are appointed on a five year fixed term in terms of Section 56 of the Local Government: Municipal Systems Act, 32 of 2000, as amended, many of whom contribute to the achievement of the municipality's objectives as contained in the municipality's approved Integrated Development Plan, Budget, Service Delivery and Budget Implementation Plan. The Directors are responsible for their functional areas and cross functional areas, and responsible for functions highly specific to their functional areas programmes.

The cross-functional areas are headed by the Divisional Managers. A look at the responsibilities of the Directors and Divisional Managers shows how each contributes to the municipality's ultimate outcome through their functional specific strategic goal, and these are:

- To provide strategic leadership to the operational activities of the municipality;
- Development of corporate service excellence;
- To provide competitive, effective, sustainable-economical infrastructure network and service delivery;
- Providing effective community services and promotion of local economy; and
- Sound financial management. (The planning, monitoring, organising and controlling of the monetary resources of the municipality

This is where the matrix structure of our organisation comes in-operations informs the demand of the human resources capital including financial resources injections. Functional and cross-functional areas, however, have no formal decision making powers in terms of legislation. While proposals for executive and legislative decisions often emanate from the areas, approval flows through the municipal governance structures. (Management Committee, Section 80 Committees, Mayoral Committee and Council.

T 2.2.1

Chapter 2

Title: Municipal Manager

- Mr. Ramakarane Simon Tshepiso Rankhotho

Title: Acting Director Corporate Service

- Mrs Mokoena Brenda

Title: Chief Financial Officer

- Mrs. Masisi Mathapelo

Title: Director Development Planning and Social Security

Mr. Zondo Themba

Title: Acting Director Engineering Services

- **Mr. Mokhethoa Thabo**

Title: Chief Audit Executive

- **Ms Lebeko Selina Dikomo**

Title: IDP Manager

- **Mr. Makhele Molahlehi Silvanus**

* Chief Audit Executive and the IDP Manager form part of the Management Committee of the Municipality but are not appointed as section 56 Managers as per the Municipal Systems Act, 32 of 2000.

T 2.2.2

Chapter 2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Our people's focus is mainly on the audited financial statements and the Auditor general of South Africa's Report on those audited annual financial statements, but they do not consider the effort and intergovernmental interactions that took place to produce such credible annual financial statements. During the course of the year under examination, a lot of intergovernmental activities took place to ensure that communities receives sustainable, uninterrupted services on a daily basis. There have been a lot of interdepartmental, sector departmental meetings that took place to ensure that challenges are identified and mitigated upon as soon as possible to ensure smooth running of the administration and service provision.

The systems that are in place included processes through which the municipality's objectives are set and pursued in the context of social, regulatory, political, technological, economical and market environment. These included mechanisms put in place to monitor actions, policies and decisions of the municipality and its service providers. South Africa has an intergovernmental system that is based on the principle of cooperation between the three spheres of government-local, provincial and national. While responsibility for certain functions is allocated to a specific sphere, many other functions are shared among the three spheres. However, the Constitution specifically envisages that as municipalities develop the necessary capacity, the administration of many functions that are currently the responsibility of national and provincial governments will be assigned to municipalities.

Whilst this has been taking place, very often the devolution has only been partial-with municipalities not being given the necessary funds, scope of responsibility or without their being subject to clear forms of accountability for their performance. Over the medium-term, government is planning for more functions to be devolved to municipalities. There is therefore a need for clear principles to guide such assignments to ensure that there are appropriate incentives, funding and accountability arrangements.

The assignment of functions to local government has a direct bearing on the local fiscal framework. Ideally, the framework should provide municipalities with access to revenue sources that are commensurate with powers and functions that they are responsible for. In this regard, it is important to keep in mind that the whole local government fiscal framework is designed to fund local government, and not just the transfers from national government.

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

The following intergovernmental for a play an important role in cooperative governance and in shaping policy and resource decisions:

- **Extended Cabinet**

This is made up of National Cabinet Ministers, extended to Provincial Premiers and the Chairperson of South African Local Government Association. It is the highest cooperative governance mechanism, advising the national cabinet when it finalises the fiscal; framework and the division of revenue on which the Medium Term Expenditure and Revenue Framework budgets are based.

Chapter 2

• The President's Coordinating Council

Chair of this forum is the President of the country and it constitutes nine provincial Premiers, the Chairperson of South African Local Government Association, Executive Mayors' of Metros and the National Ministers responsible for cross-cutting functions such as provincial and local government affairs, public service and administration, and finance. Other Ministers may be invited to participate.

• The Budget Council and Budget Forum

Established in terms of the Intergovernmental Fiscal Relations Act of 1997. The Budget Council consists of Minister of Finance and the Members of the Executive Councils responsible for finance in each province. The Budget Forum consists of the members of the Budget Council plus the representatives of South African Local Government Association. It provides a forum for discussing financial matters relating to the local government fiscal framework.

• MinMec

These are sectoral fora made up of national ministers for concurrent functions and their provincial counterparts. South African Local Government Association represents local government on a number of these fora.

T 2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURES

Over and above the provincial structures as stated above being in the province, the following are the ones that the municipality is participating actively in:

- Provincial Waste Management Forum;
- Free State Traffic Management Committee;
- Free State Umbrella Fire Protection Association;
- Provincial Fire and Disaster Advisory Forum;
- Cross Border Crime Prevention Forum;
- Provincial Security Managers Forum;
- South African Emergency Services Institute;
- Provincial IDP Managers Forum;
- Provincial Planning Forum; and
- Provincial PMS Forum

T 2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality does not have a municipal entity

T 2.3.3

Chapter 2

DISTRICT INTERGOVERNMENTAL STRUCTURES

The following are at the district level:

- District Municipal Chief Fire Officers Forum
- District Disaster Management Forum
- Thabo Mofutsanyana District Municipality Traffic Management Committee
- Thabo Mofutsanyana District IDP Manager's Forum
- Thabo Mofutsanyana District PMS Manager's Forum
- Thabo Mofutsanyana District Internal Auditor's Forum
- Thabo Mofutsanyana District Communicator's Forum

T 2.3.4

Chapter 2

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Goal 16 of the 2030 Agenda for Sustainable Development calls for the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all and building effective, accountable and inclusive institutions at all levels. Specifically target 16.7 addresses the need for responsive, inclusive, participatory and representative decision-making.

In this connection, we have been focusing on supporting national efforts to promote open, transparent and inclusive participation and decision-making in development. We assisted governance structures in improving their responsiveness to public needs and engagement of people in the development process. This included the development and approval of the IDP Review Process Plan with programme of Action and Budget Costs, the e-participation, as well as the promotion of the use of open municipal data, so as to improve accountability, combat corruption and enhance the delivery of public services.

For those who look at issues of governance and the development from the perspective of citizens, it is both the right and the responsibility of citizens to participate in accounting for themselves and in holding other actors to account. If social exclusion and discrimination are reversed, it is particularly important for governments and aid agencies to be accountable to marginalised and excluded citizens. Involving such citizens in accountability initiatives calls for particularly innovative and far-reaching participatory process.

The Integrated Development Planning and Performance Management Division of the municipality is involved in designing, implementing and supporting and evaluating initiatives that works towards different aspects of accountability, including accountable governance and accountable aid . The division work not only to facilitate participation in such initiatives and strengthen citizens' voices, but also to understand and address the underlying power relations in our accountability work.

Accountability takes many forms, but go on to describe the two key components of most accountability relationships:

- Answerability-the right to get a response, and the obligation to provide one; and
- Enforceability-the capacity to ensure that an action is taken, and access to mechanisms for redress.

T 2.4.0

2.4 PUBLIC MEETINGS

The were no structured meetings for the year under review except were the ward councillors called their ward meetings, the Executive Mayor during her IDP/Budget Roadshows and when the IDP conducted IDP Community Representative Fora.

T 2.4.1

Chapter 2

WARD COMMITTEES

Subject to the provisions of the Free State Provincial Guidelines on the Establishment and Functions of the Ward Committees, the object of the ward committees is to enhance participatory democracy in local government. Ward Committees are therefore entitled to make recommendations on any matter affecting their wards to the Ward Councillor or through the Ward Councillor to the Speaker, Executive Mayoral Committee, Executive Mayor and the local council:

- a) Section 59 of the Municipal Structures Act 2000 stipulates that a ward committee must have such duties and responsibilities as may be delegated to it by the local council,
- b) On top of that, they must assist the ward councillor in identifying conditions, challenges and the needs of residents,
- c) They must spread information in the ward concerning municipal affairs such as budget, community based planning, integrated development planning, service delivery improvement plan and municipal properties,
- d) On the other hand, to receive queries and complaints from ward residents concerning municipal service delivery, communicate it to municipal council and provide feedback to the community on the council response,
- e) In conclusion, to ensure consultative and harmonious interaction between the municipality and community through the use and coordination of ward residents meetings and other community development forums.

➤ **Major issues ward committee system attended into during 2016 and 2017 financial year**

- a) In the first instance, they have participated both in Setsoto Local Municipality and Thabo Mofutsanyana District
- b) Municipality's Integrated Development Planning and Budget roadshows.
- (c) Ward Committees have also played a very considerable role in the process of Municipal Indigent Registration, wherein they have assisted in the completion of forms and referring community members to various Government departments to get necessary information or documents.
- c) They have also attended the ward committee and ward meetings with their respective councillors.
- d) Most importantly, the ward committees have telephonically, via their councillors or viva voice submitted challenges relating to service delivery to the office of the Speaker as well as to Customer Care Office.
- e) They have assisted the department of human settlement on IDP household profiling.

T 2.4.2

Chapter 2

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 community
Ward 1 Public meeting to respond to the community concerns raised	29 January 2018	1	1	106	Yes Outstanding issues were promised to be attended once the municipality have acquired enough equipment	Municipal website Naledi FM Councillors Ward Committee Members
Ward 2	26 February 2018	1	1	65	Yes	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 3	05 February 2018 06 February 2018 12 February 2018	1	0	16 46 19	Yes Government departments concerned have attended	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 4	13 January 2018	1	1	44	Yes	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 5	09 December 2017	2	0	65	Yes	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 6	24 February 2018	2	1	89	Yes	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 7	10 January 2018	2	1	112	Yes	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 8	17 January 2018	1	0	44	Yes	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 9	17 February	1	0	66	Yes	Municipal website Press Public Meetings
Ward 10	14 March 2018	1	0	23	Yes	Municipal website Naledi FM Councillors Ward Committee Members Public Meetings
Ward 11	18 February 2018	2	0	54	Yes	Municipal website Press Public Meetings
Ward 12	02 February 2018		0	46	Yes	Municipal Website Press Setsoto FM Public Meetings

Chapter 2

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 community
Ward 13	11 March 2018	1	1	88	Yes	Municipal Website Press Setsoto FM Public Meetings
Ward 14	26 February 2018	1	1	49	Yes	Municipal Website Press Setsoto FM Public Meetings
Ward 15	19 February 2018 27 February 2018	2	1	18 43	Yes	Municipal Website Press Setsoto FM Public Meetings
Ward 16	12 February 2018	1	0	53	Yes	Municipal Website Press Setsoto FM Public Meetings
Ward 17	29 January 2018	1	1	88	Yes	Municipal Website Press Setsoto FM Public Meetings

T 2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD-KEY BENEFITS FOR THE MUNICIPALITY AND THE PUBLIC FROM THE MEETINGS:

- Passing of by-laws will alleviate illegal immigrants from conducting their businesses illegally and using business sites as sleeping areas;
- Removal of bucket toilets and dumping sites will free community members from unhygienic conditions;
- Change of ownership and offering of title deeds will assist the municipality to know people eligible for indigent and those who are supposed to pay their services;
- Employment of people will capacitate those employed to pay for their services;
- Installation of road signs and humps will minimise road accidents; and
- The said by-laws will further stop animals wandering in our towns and townships.

T 2.4.3.1

2.5 IDP PARTICIPATION AND ALIGNMENT

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

T 2.5

Chapter 2

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance is the system of rules, practices and processes by which organisation is directed and controlled. Corporate governance essentially involves balancing the interests of the organisation's many stakeholders, such as shareholders, management, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining the organisation's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance management measurement and corporate disclosure.

Governance refers specifically to the set of rules, controls and resolutions put in place to dictate corporate behaviour. Proxy advisors and shareholders are important stakeholders who indirectly affect governance, but these are not examples of governance itself. The board of directors is pivotal in governance and it can have major ramifications for equity valuation. The board of directors is the primary direct stakeholder influencing corporate governance. Directors are elected by shareholders or appointed by other board members, and they represent shareholders of the company.

The board is tasked with making important decisions, such as corporate officer appointments, executive compensation and dividend policy. In some instances, board obligations stretch beyond financial optimization, when shareholder resolutions call for certain social or environmental concerns to be prioritised. Boards are often made up of inside and independent members. Insiders are major shareholders, founders and executives. Independent directors do not share the ties of the insiders, but they are chosen because of their experience managing or directing other large companies. Independents are considered helpful for governance because they dilute the concentration of power and help align shareholder interests with those of insiders.

Bad corporate governance can cast doubt on a company's reliability, integrity or obligation to shareholders-which can have implications on the company's financial health. Tolerance or support of illegal activities can create scandals. Companies that do not cooperate sufficiently with auditors or do not select auditors with appropriate scale can publish spurious or non-compliant financial results. Bad executive compensation packages fail to create optimal incentive for corporate officers. Poorly structured boards make it too difficult for shareholders to oust ineffective incumbents.

Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned incentives. Most organisations strive to have a high level of corporate governance. For many shareholders, it is not enough for an organisation to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices.

T 2.6.0

Chapter 2

2.6 RISK MANAGEMENT

RISK MANAGEMENT

Since the adoption of the Municipal Finance Management Act of 2003 Section 62(1) (a), (c (i)), which stipulates the following:

- The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure;
- That the resources of the municipality are used effectively, efficiently and economically;
- That the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal Control; and
- That the Treasury Regulations issued in terms of the Act infused the public service with a municipal culture, which must add to its emphasis on external sanctions and include stronger internal controls with anticipatory management systems to assess the abuse of power, which is the central principle of risk management.

This is why risk management should be central to managing the municipality as a whole, and why risk management should be integral to planning, organising, directing and coordinating systems aimed at achieving the municipality's goals and objectives. One of the most important mandates is the development and implementation of an integrated risk management strategy whose major objective is to encourage best practice within an evolving government service delivery strategy, while minimising the risks and ensuring that municipality meets its set objectives.

Since the adoption of the reviewed organisational structure no changes have been made to capacitate the risk management unit in order to make the unit more effective. One of these changes was to identify the position of a Chief Risk Officer and the Manager in the Office of the Municipal Manager.

The idea was that the overall responsibility of risk coordination and management was to be that of the Manager in the Office of the Municipal Manager with the Chief Risk Officer reporting to the Manager in the Office of the Municipal Manager and the Risk Officer Reporting to the Chief Risk Officer. Many risks have been identified, minimized, controlled and mitigated during the year under review.

The following are the highlights of the Risk Management activities of the municipality during the year under review:

- Improvement in provincial treasury's assessment ratings
- Most departments have managed to minimise identified risks within their divisions
- Promotion of enterprise risk management culture within the organisation through workshops
- Development of a draft Business Continuity Plan

There a is proper correlation between the Risk Management Unit, the Internal Audit Unit and the Integrated Development Plan/Performance Management Systems Division within the municipality, and it is envisaged that with the filling of the vacant posts in the unit this correlation can only be enhanced.

T 2.6.1

Chapter 2

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

The Fraud Prevention Strategy seeks to focus attention at the macro strategic level in the first instance. It then provides a schema for assessing matters and actions to be addressed at the detailed level. It is important for the Municipality to have a strategy that is highly prescriptive in nature when dealing with issues of fraud and corruption.

It is essential that Setsoto Local Municipality promotes a zero tolerance approach to Fraud and corruption. The commitment, by all officials is to mitigate fraudulent activities and to report when fraud occurs and should be dealt with thoroughly without leniency.

During the year under review the municipality made efforts to educate employees and community members with issues of fraud and corruption that are affecting the Municipality through Public participations and workshops.

The following are the highlights of the Fraud and corruption activities of the municipality during the year under review:

- There was anti- fraud and corruption hot line launch held in Clocolan where many stakeholders were invited to present and discuss issues of fraud and corruption.

All the Unauthorised, Irregular, Wasteful and Fruitless expenditure is being dealt with according to Circular 68 and section 32 of the Municipal Finance Management Act, 56 of 2003. All processes followed is that the register is completed and tabled to the Assets and Liability Committee which then submit their recommendations to the Municipal Public Accounts Committee for investigations and recommendation to council. Council will then either, condone, authorise, recoup and/or take legal actions against whoever is liable to the allegations

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Supply Chain Management Processes are being updated on ongoing basis to ensure full compliance with the Municipal Finance Management Act, 56 of 2003 and the Regulations issued under the Act. The policy was reviewed during the 2016/2017 financial year.

To further strengthen controls, a policy dealing with the acceptance of grants, donations and sponsorships was reviewed during the year under examination. This policy will guide all Supply Chain Management role-players relative to sections 47 and 48 of the Municipal Finance Management Act, 56 of 2003 Regulation. No Councillors serve on any Supply Chain Management Committee.

A total of fifteen full bids and thirteen formal written quotations were processed during the year under review. The average turnaround time on the awarding of bids is two months. Deviations from policy complied with the requirements and reported to Council. In the limited number of cases where this occurred, it was for justifiable reasons and such cases are reported to Council. Supply Chain Management policy should be fair, equitable, transparent, competitive and cost effective and comply with prescribed regulatory for Municipal Supply Chain Management

T 2.8.1

Chapter 2

2.9 BY-LAWS

By-laws Introduced during Year 2018/2019					
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
No bylaws were developed, reviewed or approved for the year under review.					
*Note: See MSA section 13.					T 2.9.1

COMMENT ON BY-LAWS

No new bylaws were dealt with during the 2017/2018 but focus was given to dealing with bylaws already adopted and promulgated to move towards implementation. Engagement with Development Planning and Social Security Services took place to discuss the way forward in determining of fines and endorsement by Magistrate.

T 2.9.1.1

2.10 WEBSITES

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes/ No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	09 June 2017
All current budget-related policies	Yes	27 February 2017
The previous annual Report 2016/2017	Yes	29 January 2018
The annual report 2017/2018 to be published	Yes	29 January 2018
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act 2017/2018 and resulting scorecards	Yes	09 June 2016
All service delivery agreements 2017/2018	Yes	13 July 2017
All long-term borrowing contracts 2017/2018	Yes	06 March 2017
All supply chain management contracts above a prescribed value (give value) for 2017/2018	Yes	
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 2018/2019	Yes	
Contracts agreed in 2017/2018 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes	
Public-private partnership agreements referred to in section 120 made in 2017/2018	N/A	
All quarterly reports tabled in the council in terms of section 52 (d) during 2017/2018	Yes	29 January 2018
		T 2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The Setsoto website serves as an integral part of a Setsoto Local Municipality's communication infrastructure and strategy. It allows easy access to relevant information, serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. The role of Setsoto Local Municipality's website, as platform for information dissemination, participation and disclosure has been significantly catered for in various pieces of legislation, including:

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- The Local Government Municipal Systems Act No 32 of 2000 ("the Systems Act");
- The Local Government Municipal Financial Management Act No 56 of 2003 ("the MFMA"); and
- The Municipal Property Rates Act, no 6 of 2004 ("the MPRA").

Setsoto Local Municipality embarked further into its revenue enhancement strategic plan and in partnership with its Municipal Financial Billing service provider (Munsoft) is proud to introduce the consumer portal. This is a system by which consumers of services provided by Municipalities running on Munsoft's FMS can select to have their statements emailed as opposed to being sent via conventional postage. This system also provides a secure online e-services web portal where consumers can:-

- Have access to electronic copies of current and historical statements and SMS notifications.
- View or Change their contact details information.

T 2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

No public satisfactory surveys were held during the year under review.

T 2.11.1

COMMENT ON SATISFACTION LEVELS:

No public satisfactory surveys were held during the year under review.

T 2.11.2.2

CONCERNING T 2.11.2 ABOVE

No public satisfactory surveys were held during the year under review.

T 2.11.2.3

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

INTRODUCTION

This annual report is a comprehensive report on a Department of Engineering activities throughout the preceding year 2018/2019. The report is intended to give Council and all stakeholders and other interested people information about the Department of engineering Services activities and financial performance as at 30 June 2018.

The MFMA required the department to prepare and disclose their annual reports, and many require the annual report to be filed at registry. This report will also provide information to be used for audit purpose of this department for the financial year 2018/2019. The performance of the department is detailed in this report per sector.

T 3.0.1

COMPONENT A: BASIC SERVICES

INTRODUCTION TO BASIC SERVICES

The Department of engineering services is responsible for providing basic services under the following sectors:

- Water
- Sanitation
- Electricity
- Roads and stormwater
- Housing
- Project Management

All these are provided through a project management unit and each sector is therefore responsible for maintenance of the provided infrastructure in order to ensure effective, efficient and sustainable service delivery.

The department is devoted to improve the quality of life of its community by providing efficient, sustainable, reliable and affordable infrastructure and to ensure continuous upgrade and maintenance of the existing infrastructure. This department is also mandated to ensure adequate services land through which residents can develop quality formal housing and receive security of tenure.

An increase in population growth in Setsoto Local Municipality implies an increasing urgency for development of infrastructure for our communities that can support this increase in population. Infrastructure is the foundation that enables economic growth and development.

Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling environment for economic growth. The department had included key priority projects on the Integrated Development Plan 2018/2019 to secure funding in order to fulfill this mandate.

Infrastructure is the foundation that enables economic growth and development. Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling

Chapter 3

environment for economic growth. From a local perspective, the following infrastructure categories are of key importance specifically in terms of:

1. Water and Sanitation

- Planning the provision of water and sanitation services (Master planning),
- Operation and maintenance of the water and sanitation assets and resources
- Manage the provision of capital infrastructure related
- Project management, and
- Policies, procedure and standards for the provision of the service

2. Roads and Stormwater

- Planning the provision and upgrading of adequate roads and stormwater
- Maintenance of the existing infrastructure
- Manage the provision of capital infrastructure
- Project management

3. Electricity

- Plan and manage the distribution of electricity
- Operation and maintenance
- Manage the provision of capital infrastructure
- Project management
- Policies, procedures and standards for the provision of the services

4. Housing & Town Planning

- Plan the provision of housing to the needy by the Province
- Assist the Province in coordinating the housing delivery strategies
- Enforce the provincial policies on housing matters, and
- Assist the province in the managing of contractors and the projects
- Provide guidance to the community on housing matters
- Maintain database of housing beneficiaries' waiting list

5. Project Management Unit

- provide support to all the sectors above on implementation of capital

6. Waste Management

- landfill sites management
- refuse removal services

7. Public Safety

- Security Services
- Property Management

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- Fire Services
- Traffic Management Services
- Disaster Management Services

All these can be obtain by effectively utilizing of the available resources, and Identifying the best option that would maximize the output.

T 3.1.0

Chapter 3

3.0 Engineering Administration Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage Assets and Liability meetings attended	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage complaints/complaints attended to and addressed	100%	100%	100%	100%	100%		100%	100%

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3.0 Engineering Administration Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports generated on Action Plan 2015/2016	8	8	8	8	8		8	8
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of Risk Committee meetings attended	100%	100%	100%	100%	50%	Only two meetings were held out of the 4 in terms of the schedule	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Standing Committees meetings attended	24	24	24	22	24		24	24
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of MAYCO meetings attended	12	12	12	12	12		12	12
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Council meetings attended	4	4	4	4	4		4	4
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Agendas generated for Standing Committees	24	24	24	22	24		24	24
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of bids committee meetings attended	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of requests captured	100%	100%	100%	100%	100%		100%	100%

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3.0 Engineering Administration Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of registers and overtime processed	100%	100%	100%	100%	100%		100%	100%
										T 3.1.0.1

Chapter 3

3.1. WATER AND SANITATION BULK SERVICES PROVISION

INTRODUCTION TO WATER AND SANITATION BULK SERVICES PROVISION

The municipality is both a Water Services Authority (WSA) and a Water Service Provider (WSP) and its primary responsibility includes but not limited to ensuring the provision of water services, ensuring basic access to water for all communities of Setsoto Local Municipality, planning in terms of Water Service Development Plan, Water Safety Plan adopted and Water and Sanitation Master Plan to ensure:

- effective, efficient, affordable, economical and sustainable access to water services that promote sustainable livelihoods and economic development
- report annually on progress against those plans to improve access to quality water and sanitation services
- ensure regular maintenance of water and sanitation infrastructure.

Due to the drought experienced by the municipality it had been difficult to ensure sustainable water supply to all areas and as a result some areas were provided with water through tankering.

T 3.1.1

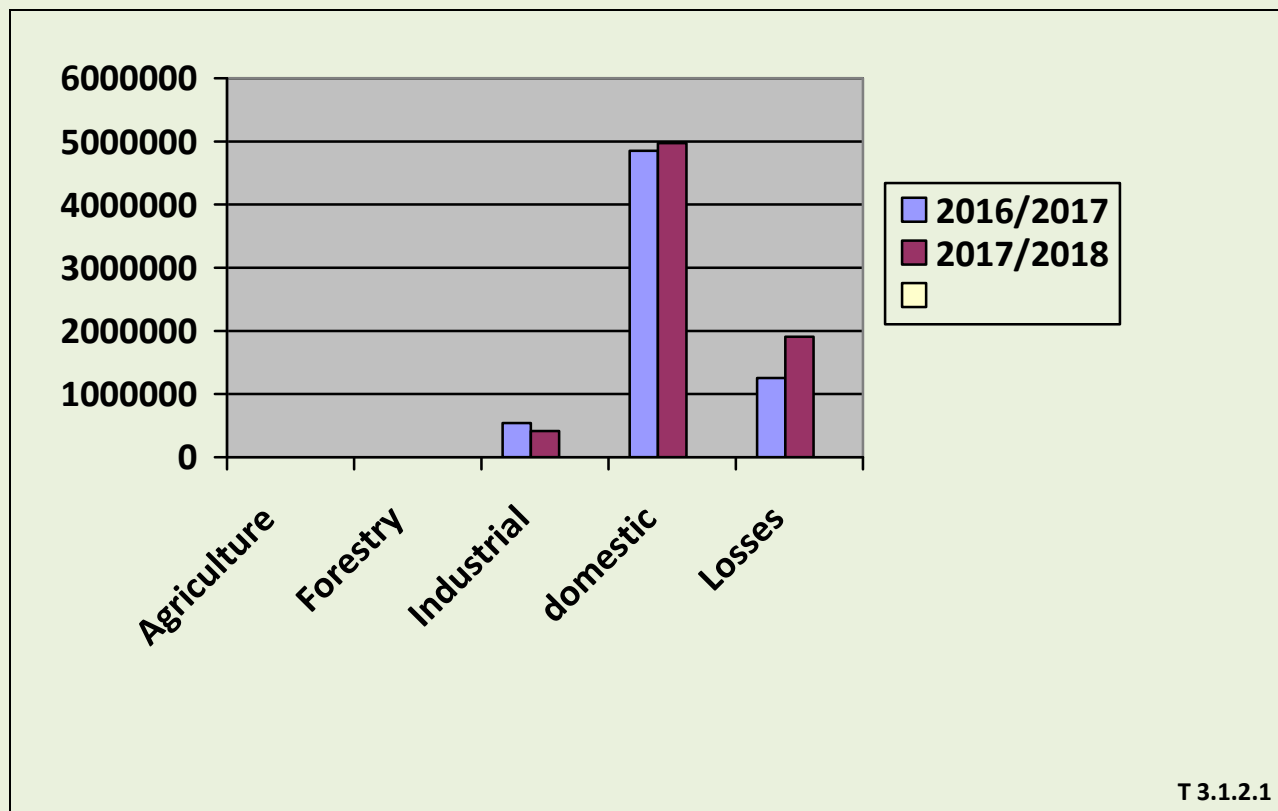
SERVICE STATISTICS : WATER AND SANITATION BULK SERVICES								
	Details	2016/2017		2018/2019		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of households with basic level of water	100%	100%	100%	100%	100%	100%	100%
2	Percentage of households with basic level of sanitation	100%	73%	100%	73%	100%	100%	100%
3	Percentage of all with access to water	95%	94%	95%	94%	95%	95%	95%
4	Volume of water to be purified	8450	8626	8626	5 332	5865	6452	7095
5	Volume of Flocculent to be used	n/a	14 167	140 176	35 9826	359 826	395 808	435 390
6	Volume of Chlorine to be used	n/a	20 195	20 195	23 862	23 862	26 482	28 873
7	Number (300) of water quality compliance monitoring reports	400	400	2 454	1 067	1141	1141	1141
8	Number (2) of full SANS 241 analysis reports	2	2	2	1	2	2	2
9	Number of water quality operational monitoring analysis	3000	6294	6294	8 067	8151	8151	8151
10	Number of reservoir inspections conducted	48	48	48	192	48	48	48
11	Number of Dam Inspections performed	12	48	48	12	48	48	48
12	Percentage of all with access to water	100%	100%	100%	94%	100%	100%	100%
13	Percentage of Water Network Infrastructure Maintained	100%	100%	100%	100%	100%	100%	100%
14	Percentage of water pipes repaired.	100%	100%	100 %	80%	100%	100%	100%
15	Percentage of water meters repaired/Replaced.	100%	100%	100%	100%	100%	100%	100%
16	Percentage of fire hydrants repaired.	100%	100%	100%	100%	100%	100%	100%
17	Percentage of water valves repaired.	100%	100%	100%	98	100%	100%	100%
18	Percentage of water valves repaired.	100%	100%	100%	100%	100%	100%	100%
19	Number of reports generated	4	4	4	4	4	4	4
	Number of infrastructure maintained	90%						
20	Number of reviewed and approved Water Service Development Plan	0	1	1	1	1	1	1
21	Number of Licences renewal WTW Dependant on Reg.	6	6	6	6	0	0	1
22	Number of reports generated	12	12	12	12	12	12	12
23	Number of reports generated	16	16	16	16	16	16	16
34	Number of Water Forums Attended by Bulk Water Services Unit	4	4	4	4	4	4	4
35	Number of procurement plan developed	1	1	1	1	1	1	1
36	Percentage of attendance register, leave and overtime processed	100%	100%	100%	100%	100%	100%	100%
37	Number of reports generated	32	32	32	32	32	32	32

T 3.1.1

Chapter 3

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2016/2017	0	0	539 487	4 852 615	1 252 406
2017/2018	0	0	414 735	4 974 331	1 908 581

T 3.1.2



COMMENT ON WATER USE BY SECTOR

This drastic increase in Unaccountable Water Losses is due to households' water meters that are not read especially in the formally black townships.

T 3.1.2.2

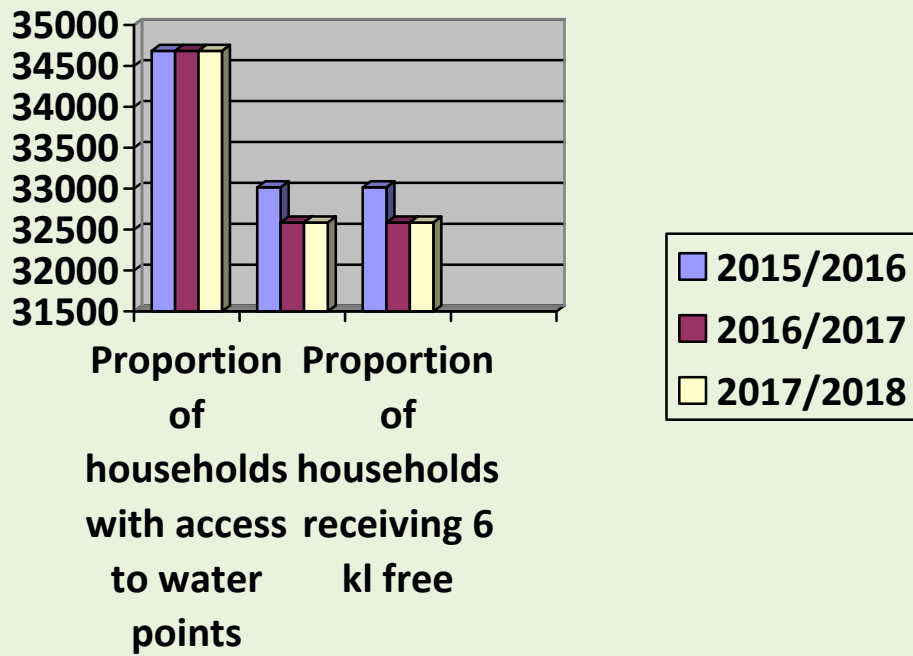
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Water Service Delivery Levels				
Description	Households '0000			
	2014/2015	2015/2016	2016/2017	2017/2018
	Actual No.	Actual No.	Actual No.	Actual No.
Water: (above min level)				
Piped water inside dwelling	13	13	13	13
Piped water inside yard (but not in dwelling)	18	18	18	18
Using public tap (within 200m from dwelling)	2	2	2	2
Other water supply (within 200m)	1	1	1	1
<i>Minimum Service Level and Above sub-total</i>	34	34	34	34
<i>Minimum Service Level and Above Percentage</i>	99%	99%	99%	99%
Water: (below min level)				
Using public tap (more than 200m from dwelling)	2	2	2	2
Other water supply (more than 200m from dwelling)	1	1	1	1
No water supply				
<i>Below Minimum Service Level sub-total</i>	3	3	3	3
<i>Below Minimum Service Level Percentage</i>	9%	9%	9%	9%
Total number of households*	34	34	34	34
* - To include informal settlements				T 3.1.3

Households - Water Service Delivery Levels below the minimum						
Description	Households					
	2014/2015	2015/2016	2016/2017	2018/2019		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	33 687	34 687	34 687	34 687	34 687	34 687
Households below minimum service level	631	1 669	1 669	2 100	2 100	2 100
Proportion of households below minimum service level	0	0	0	0	0	0
Informal Settlements						
Total households	1 262	1 000	1 000	1 000	1 000	1 000
Households below minimum service level	1 262	1 000	1 000	1 000	1 000	1 000
Proportion of households below minimum service level	1	1	1	1	1	1
						T 3.1.4

Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
2015/2016	34 687	33 018	33 018
2016/2017	34 687	32 587	32 587
2017/2018	34 687	32 587	32 587
			T 3.1.5

Chapter 3



T 3.1.5.1

Chapter 3

3.1 Water and Sewer Bulk Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of households with basic level of water	100%	100%	100%	100%	95%	Informal settlements are not being provided with regular water within the minimum requirements	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Volume of Water to be purified (MI)	5 332	5 332	5 332	5 332	1 7548.6	Due to increased rain and good weather	357 126	357 126
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Volume of flocculent to be used (l)	357 126	357 126	357 126	357 126	275 964	Due to rainy season and sometimes low levels of water more chlorine was used to ensure the safety of communities	357 126	357 126
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Volume of Chlorine to be used (Kg)	23 862	23 862	23 862	23 862	24 476	Due to rainy season and sometimes low levels of water more chlorine was used to ensure the safety of communities	23 862	23 862
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Water Quality Compliance Reports	1 141	1 141	1 141	1 141	756	Due to financial constraints we could not acquire equipment and tools for the laboratory	1 141	1 141
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of full SANS 241 Analysis Reports generated	2	2	2	2	1	Due to financial problems we could not afford the services of an accredited service provider	2	2
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Water Quality operation monitoring analysis conducted	2 038	2 038	2 038	2 038	6 340		8 151	8 151
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Reservoirs safety inspections conducted	48	48	48	152	696	Due to the breakdown of telematics system, a lot of inspections were done	192	192

Chapter 3

3.1 Water and Sewer Bulk Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Dam Inspections performed	48	48	48	152	360	Breakdown of pumps from the abstraction points we had to utilise the dams more often	192	192
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Mega litre of Waste water treated	750	750	750	152	1 507.26	Uncontrolled spillages	750	750
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of quality compliance reports	922	922	922	152	833	Due to financial constraints regular monitoring was not done	922	922
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Volume of Chlorine (kg) to be used/dosed (Effluent E.coli dependent	3 203	3 203	3 203	3 209	4 083	Inefficiency of Waste Water Treatment Works, particularly in Senekal and Ficksburg	3 203	3 203
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Water Services Development Plan (WSDP) compiled	1	1	1	1	0	Due to financial constraints the service of a service provider could not be afforded. Awaiting assistance from DWA	1	1
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of license applications WWTW (as per Reg.17) successful	1	1	1	0	0	No longer a reporting requirement. Will be removed in the next financial year	1	
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports generated	4	4		16	4	Applications submitted, awaiting approval from DWS	4	4
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports generated	12	12	12	32	6	Due to financial constraints regular monitoring was not done	12	12
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Water Forums attended by Bulk Water Services Unit	4	4	4	4	1	Due to financial constraints regular attendance was not possible	4	4

Chapter 3

3.1 Water and Sewer Bulk Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
					Target		Actual		Target	Target
			Target	Actual	2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of sewer infrastructure maintained	90%	90%	90%	90%	94%		100%	100%
T 3.1.6										

Chapter 3

EMPLOYEES: WATER AND SANITATION BULK SERVICES					
Job Level	2016/2017	2018/2019			
	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	4	4	4	0	0%
7 - 9	4	8	4	4	50%
10 - 12	7	15	7	8	53%
13 - 15	9	15	7	6	40%
16 - 18	11	21	9	10	48%
19 - 20	18	30	11	12	40%
Total	53	94	15	41	43%

T 3.1.7

FINANCIAL PERFORMANCE 2018/2019 WATER AND SANITATION BULK SERVICES R'000 000					
Details	2016/2017	2018/2019			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	77	200 091	169 091	118 780	
Expenditure:					
Employees	13 250	180 461			
Repairs and Maintenance	8 795	3 479 904			
Other	5	27 512			
Total Operational Expenditure	46 500	49 452			
Net Operational Expenditure	-64 839				

T 3.1.8

CAPITAL EXPENDITURE 2016/17: WATER SERVICES					
Capital Projects	Year 2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
	Total All	60 000	60 000	0	

T 3.1.9

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The division performed well even though there was a shortage of manpower and financial muscle.

T 3.1.10

MEASURES UNDERTAKEN TO ADDRESS UNDER PERFORMANCE

- Volume of chlorine used. Waste water treatment works will be refurbished and this will reduce the high usage of chlorine.
- Number of Water Quality Compliance Reports. Budget has been made available for this current financial year.
- Number of full SANS 241 Analysis Reports generated. Budget has been made available for this current financial year.

T 3.1.11

Chapter 3

3.2 WATER AND SANITATION OPERATIONS AND MAINTENANCE PROVISION

INTRODUCTION TO WATER AND SANITATION OPERATIONS AND MAINTENANCE PROVISION

The report is based on the activities of the abovementioned Division. The Division was in the fourth quarter of 2017/18 Municipal Financial Year and still is actively involved in diverse activities, namely, sewer spillages and blockages, water leakages, night soil bucket removal and suctioning of conservancy tanks and VIP toilettes. The aforementioned activities are aligned with SDBIP (Service Delivery and Budget Implementation Plan) and addresses all the reported and detected and/or un-reported incidents and/or cases. The sole purpose of this report is to keep the council and Management abreast and/or posted with regard to the activities of the division per se during the period under review.

T 3.2.1

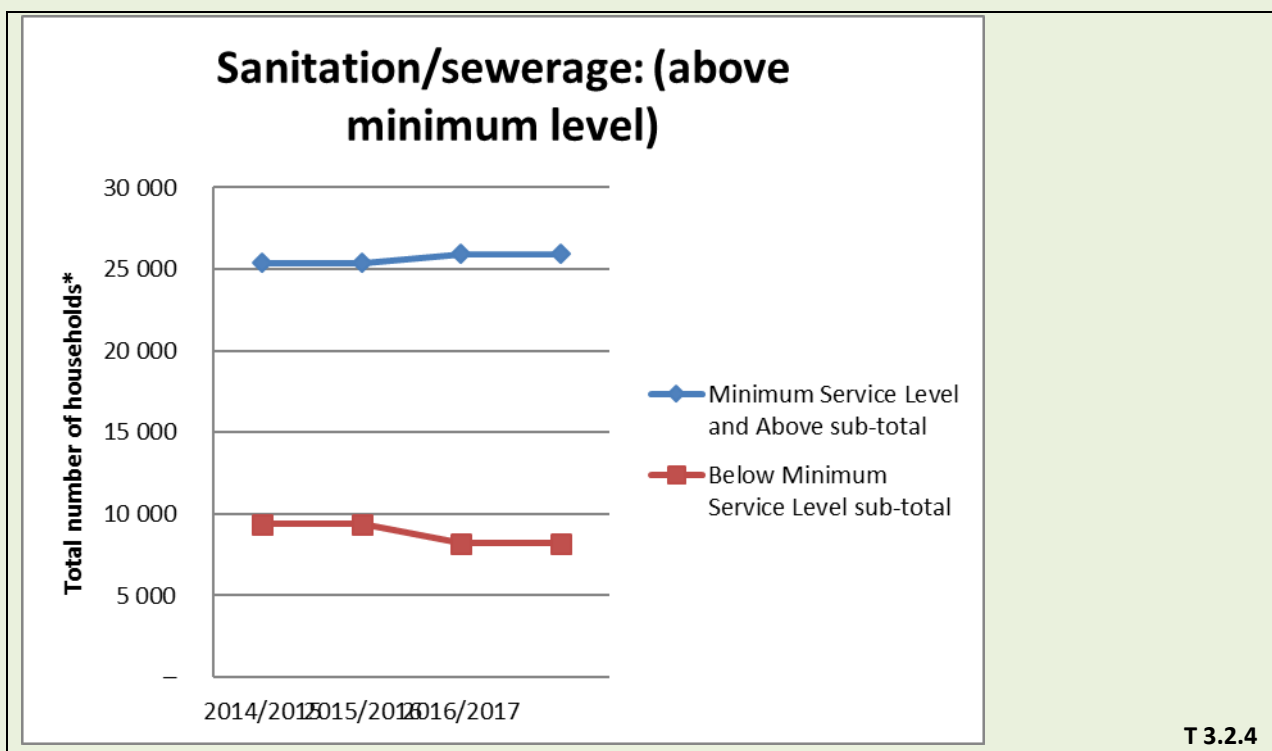
Service Statistics of Water and Sanitation Operations and Maintenance Provision

	Details	2017/2018			
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		Actuals	Actuals	Actuals	Actuals
1	Percentage of households with access to basic level of sanitation	73%	73%	73%	73%
2	Percentage of water pipes repaired.	97.01%	98%	98%	93%
3	Percentage of water meters repaired/Replaced.	100%	96%	100%	70.17%
4	Percentage of fire hydrants repaired.	100%	100%	100%	100%
5	Percentage of water valves repaired.	88.89%	98%	98%	77.78%
6	Percentage of sewer pipes repaired.	88.24%	90%	90%	90%
7	Percentage of sewer spillages unblocked.	94.73%	98.85%	75%	85%
8	Percentage of repaired/replaced sewer manholes.	99%	95%	85%	90%
9	Percentage of buckets removed	100%	100%	100%	65.80%
10	Percentage of VIP and Sceptic tanks serviced.	100%	100%	100%	92.14%
11	Number of Standing Committee reports generated.	3	3	3	3
12	Number of Unit reports generated	1	2	7	6
13	Number of risk register updated	1	1	1	1
14	Percentage of External Audit Queries responded to and addressed within the time frame.	100%	100%	100%	100%
15	Percentage of Internal Audit Queries responded to and addressed within the time frame.	100%	100%	100%	100%
16	Percentage reduction of Audit findings.	100%	100%	100%	100%
17	Number of quarterly updates on progress on Audit Action Plan.	1	1	1	1
		T 3.2.1.1			

Chapter 3

SANITATION SERVICE DELIVERY LEVELS				
Description	2014/2015	2015/2016	2016/2017	2017/2018
	Outcome	Outcome	Outcome	Actual
Household (000)				
Sanitation/sewerage: (above minimum level)				
Flush toilet (connected to sewerage)	21	21	22	22
Flush toilet (with septic tank)	1	1	0	0
Chemical toilet	0	0	0	0
Pit toilet (ventilated)	2	2	2	2
Other toilet provisions (above min.service level)	2	2	2	2
<i>Minimum Service Level and Above sub-total</i>	25	25	26	26
<i>Minimum Service Level and Above Percentage</i>	73.0%	73.0%	75.9%	75.9%
Sanitation/sewerage: (below minimum level)				
Bucket toilet	8	8	8	8
Other toilet provisions (below min.service level)	2	2	-	-
No toilet provisions	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	9	9	8	8
<i>Below Minimum Service Level Percentage</i>	27.0%	27.0%	24.1%	24.1%
Total number of households*	35	35	34	34

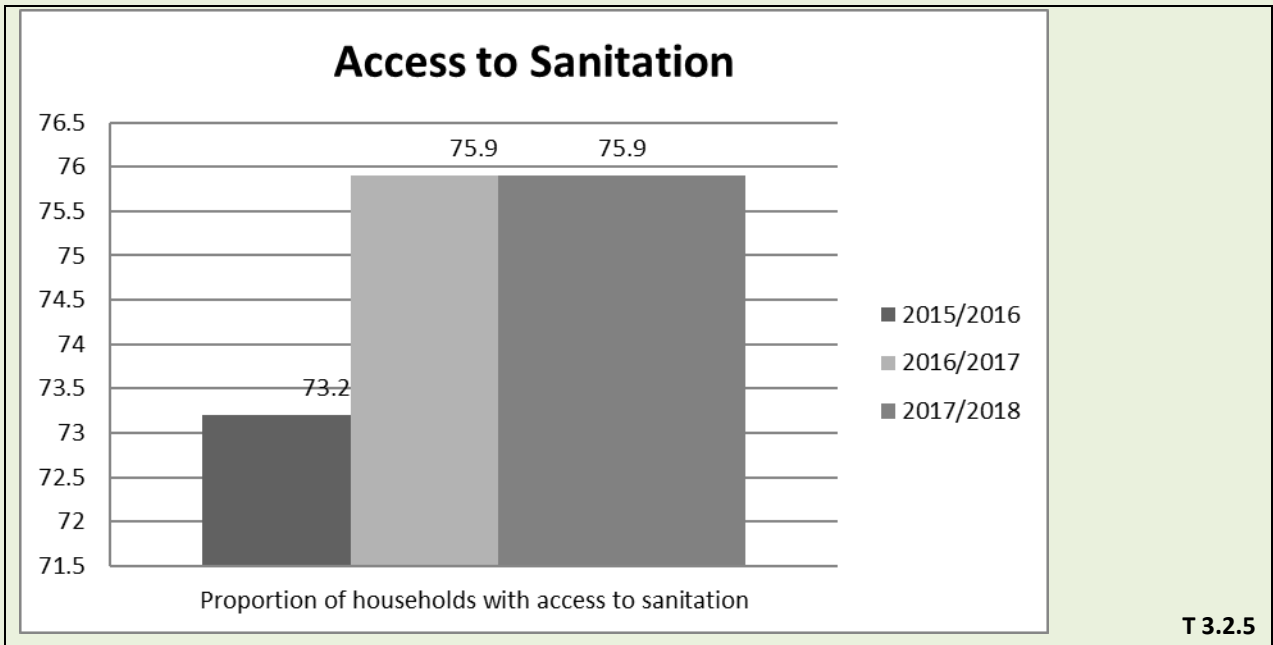
T 3.2.3



T 3.2.4

Chapter 3

HOUSEHOLDS - SANITATION SERVICE DELIVERY LEVELS BELOW THE MINIMUM				
Description	2014/2015	2015/2016	2016/2017	2017/2018
Household (000)	Outcome	Outcome	Outcome	Actual
Formal Settlements				
Total households	35	35	34	34
Households below minimum service level	9	9	8	8
Proportion of households below minimum service level	27%	27%	24%	24%
Informal Settlements				
Total households	1	1	1	1
Households below minimum service level	1	1	1	1
Proportion of households below minimum service level	100%	100%	100%	100%
				T 3.2.5



Chapter 3

3.2 Water and Sewer Operation and Maintenance Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of households with access to basic sanitation	100%	73%	100%	100%	71%	The BEP project was halted by the national department and the backlog was not addressed in total	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of water meters repaired/replaced	100%	91.54%	100%	100%	96%	Shortage of material for repairs	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage water pipes repaired	100%	100%	100%	100%	99%	Shortage of material for repairs	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of fire hydrants repaired	100%	100%	100%	100%	0%	Shortage of material for repairs	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of water valves repaired	100%	100%	100%	100%	94%	Shortage of new bolts and nuts as well as new valves	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of sewer pipes repaired	100%	100%	100%	100%	85%	Shortage of material for repairs	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of sewer spillages unblocked	100%	100%	100%	100%	98%	There are areas where the pipes have collapsed and needed to be replaced and there is no material to fix the problem	100%	100%

Chapter 3

3.2 Water and Sewer Operation and Maintenance Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of sewer manholes repaired or replaced	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of buckets removed	100%	100%	100%	100%	96%	Broken tractors and shortage of staff and equipment	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of VIP and Septic tanks serviced	100%	100%	100%	100%	99%	Broken suction trucks and no operators for the new trucks as same requires Code 14 and had one operator with Code 15	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports for standing committee generated	12	12	12	12	12		12	12
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of unit reports generated	16	16	16	16	16		16	16
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of risk registers updated	4	4	4	4	4		4	4
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage external audit queries responded to and addressed within the timeframe	100%	100%	100%	100%	75%	Some of the audit findings need funding to address and due to financial constraints they could not be addressed	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of internal audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.2 Water and Sewer Operation and Maintenance Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
					Target	Actual	Target		Target	
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage reduction of audit findings	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of quarterly updates on progress on Audit Action Plan	1	1	1	4	1	No regular reporting measures were implemented	1	1
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of water network infrastructure maintained	100%	90%	100%	100%	72.3%	Shortage of material for repairs	100%	100%

T 3.2.6

Chapter 3

EMPLOYEES: WATER AND SANITATION SERVICES BULK: 2017/2018					
Job Level	2016/2017	2018/2019			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	1	0	0%
4-6	3	4	4	0	0%
7-9	3	8	3	5	37.5%
10-12	19	78	18	60	23%
13-15	9	15	8	7	53.33%
16-17	77	93	77	16	83.87%
Total	112	200	111	88	56.5%

T 3.2.7

Financial Performance Year 2017/2018: Water and Sanitation Operations and maintenance Services						R'000
Details	2016/2017	2017/2018				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	472 583	49 798.00	49 798.00	54 619.00	0.09	
Expenditure						
Employees	139 044	15 902.00	15 902.00	14 917.00	-0.07	
Repairs and Maintenance	6 113	3 266.00	2 266.00	237.00	-12.78	
Other	17 780	19 615.00	20 660.00	17 135.00	-0.14	
Total Operational Expenditure	162 937	38 783.00	38 828.00	32 289.00	-0.20	
Net Operational Expenditure	-309 646	-11 015	-10 970	-22 330	0.51	

T 3.2.8

CAPITAL EXPENDITURE YEAR 2017/2018: SANITATION SERVICES						R' 000
Capital Projects	Year 2016/17					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
No capital projects implemented for the year under review						

T 3.2.9

COMMENT ON WATER AND SANITATION OPERATIONS AND MAINTENANCE SERVICES PERFORMANCE OVERALL:

The Division has met most of its areas of responsibility. The bucket removal trailers for each unit was made available, hence, there was literally no sharing of bucket removal trailers for the third quarter. The challenge with the bucket removal was the availability/shortage of empty buckets for exchange, consequently, the team must first remove the full buckets and wash them and bring them back, and that set up has created a community discontent. The request has been placed but not approved based on the fact that the Bucket Eradication Project will be implemented soon. The shortage of material is of paramount importance to address the leakages and spillages of both water and sewer respectively.

T 3.2.10

Chapter 3

MEASURES UNDERTAKEN TO ADDRESS UNDERPERFORMANCE

- Submitted a procurement plan so that we can have a readily available service provider for material supply.
- Broken suction trucks and no operators for the new trucks as same requires Code 14 and had one operator with Code 14 had encouraged employees to upgrade their licenses.

T 3.2.11

3.3 ELECTRICITY

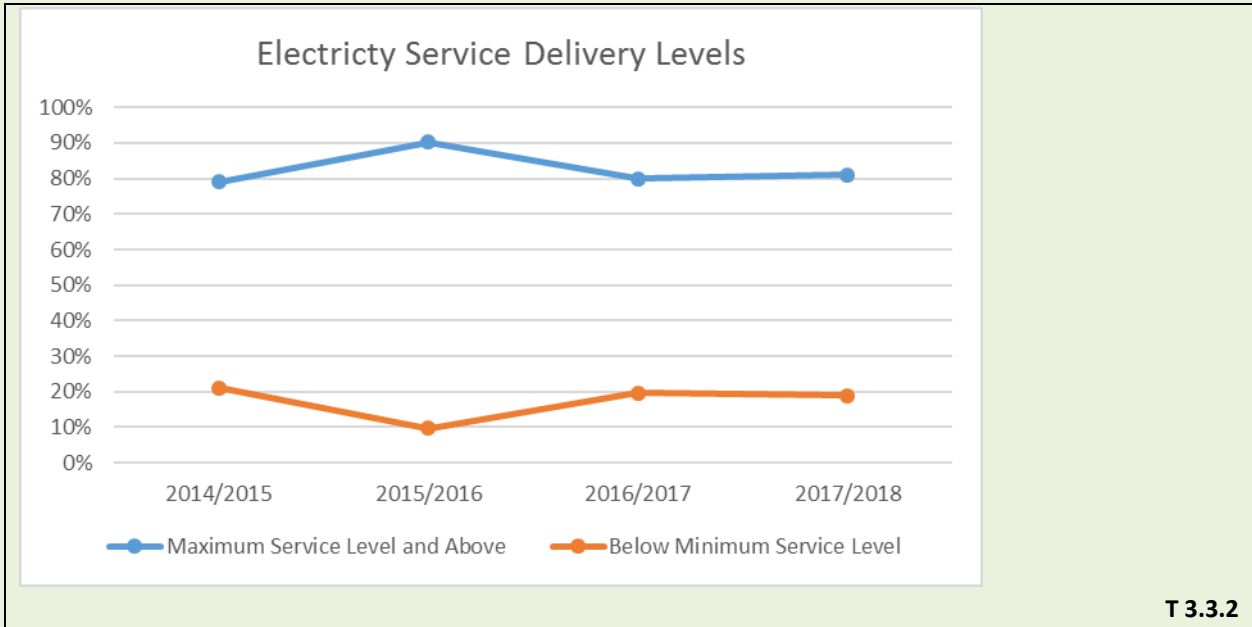
INTRODUCTION TO ELECTRICITY

The municipality is the electricity service provider for all town areas with Eskom being the service provider for all townships and farm areas. The municipality has a total of 6 557 formalized sites inclusive of farm areas without electricity. A total number 2 771 sites which have been allocated but not occupied and 1 757 sites occupied but not electrified, the balance of 2 294 constitute of farm areas and privately owned areas and municipal formalized areas. The municipal electrification plan which also focuses on the eradication of backlogs in the provision of electricity in all municipal areas is reliant on the municipal housing programed.

Applications were submitted by the municipality to both Eskom and the Department of Energy to address backlogs on the supply of electricity to formal households, maintain and upgrade the electricity infrastructure. Funding has been approved for the 2018/2019 financial year for eradication of 44 sites in Naledi Village informal area. The municipality continuously ensure sustainable electricity supply to its supply areas and also provide communities with the public lighting by means of streetlights and high mast lights. The municipality also provide free basic electricity to all registered indigents households.

T 3.3.1

Chapter 3



SERVICE STATISTICS : ELECTRICITY								
	Details	2016/2017		2017/2018		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actual	Target	Target	Target
1	Electrification of households	61	0	61	61	61	0	0
2	Number of Erven electrified	17	0	17	44	17	0	0
3	Number of Erven electrified	44	0	17	44	44	0	0
4	Public lightning	0	0	265	265			
5	Number of streetlights & high mast lights repaired / replaced	510	716			599	500	500
6	Number of new public lights installed	400	72	500		500	500	500
7	Maintaining of Network	100	1	100	21	100	100	100
8	Number of substations maintained	100	97			100	100	100
9	Number of substations, mini substations cleaned	4	2	1	1	2	2	2
10	Km of MV & LV network repaired / replaced	100	212	100	198	100	100	100
11	Good governance	7	2.066	7	8.576	7	7	7
12	Number of standing Committee reports generated	32	29			32	32	32
13	Number of Energy forum reports generated	12	12	12	12	12	12	12
14	Number of Unit visit reports generated	4	4	4	4	4	4	4
15	Percentage of final readings	16	13	16	16	16	16	16
16	Percentage of disconnections & connections	100%	100%	100%	100%	100%	100%	100%
17	Number of masterplan reviewed	100%	100%	100%	100%	100%	100%	100%

T 3.3.3

Chapter 3

Description	2011/2015	2015/2016	2016/2017	2017/2018
	Outcome	Outcome	Outcome	Actual
Household (000)				
Energy: (above minimum level)				
Electricity (at least min.service level)	4	43	5	4
Electricity - prepaid (min.service level)	23	23	24	24
<i>Minimum Service Level and Above sub-total</i>	27	66	28	28
<i>Minimum Service Level and Above Percentage</i>	79.0%	90.7%	80.4%	81.1%
Energy: (below minimum level)				
Electricity (< min.service level)	4	4	4	3
Electricity - prepaid (< min. service level)	1	3	3	3
Other energy sources	3	0	0	0
<i>Below Minimum Service Level sub-total</i>	7	7	7	7
<i>Below Minimum Service Level Percentage</i>	21.0%	9.3%	19.6%	18.9%
Total number of households*	35	73	35	35
T 3.3.4				

Households - Electricity Service Delivery Levels below the minimum				
Description	2011/2015	2015/2016	2016/2017	2017/2018
Household (000)	Outcome	Outcome	Outcome	Actual
Formal Settlements				
Total households	35	35	35	35
Households below minimum service level	7	7	7	7
Proportion of households below minimum service level	21%	20%	20%	20%
Informal Settlements				
Total households	4	7	7	7
Households below minimum service level	4	7	7	7
Proportion of household below minimum service level	100%	100%	100%	100%
T 3.3.5				

Chapter 3

3.3 Electricity Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of household to basic level of electricity	100%	82%	100%	85%	86%	Areas where the is no electricity is the informal settlements where the municipality is awaiting Eskom to provide services in terms of their planning processes	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Erven Electrified at Clocolan skeleton park	205	205	205	205	265		265	265
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of streetlights and high mast lights repaired/replaced	410	410	410	500	927		500	500
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of new public lights installed	3 263	3 263	3 263	100	24	Due to financial constraints we could not install the other 76 areas as initially planned	176	100
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of substations maintained	1	1	1	2	1	Due to financial constraints not all substations were maintained	1	2
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of sub and mini substations cleaned	95	95	95	100	198		100	100
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Kilometre of HV and LV network repaired/replaced	5	5	5	7	1 305		7	7
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Standing Committee Reports generated	12	12	12	12	12		12	12
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on DEF generated	4	4	4	16	0	Due to financial constraints fora could not be attended regularly	4	4

Chapter 3

3.3 Electricity Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of quarterly updates on progress on Audit Action Plan	8	8	8	8	6	The target was ambiguous as the audit action plan is only monitored on a quarterly basis, the target set was for monthly.	4	4
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage final readings captured	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of electricity disconnections and connections	100	100	100	100	92	Due to financial constraints	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of risk register updated	4	4	4	4	4		4	4
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage internal audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of network maintained (electricity)	100%	100%	100%	100%	88%	Due to financial constraints	100%	100%
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of public lighting installed and maintained	510	510	510	510	1 144		510	510

Chapter 3

3.3 Electricity Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports generated (Electricity)	44	44	44	44	44		44	44
T 3.3.6										

Chapter 3

EMPLOYEES: ELECTRICITY: 2018/2019					
Job Level	2016/2017		2017/2018		
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalent) No	Vacancies (as a % of total posts) %
0-3	1	3	1	2	67%
4-6	5	7	5	2	29%
7-9	8	11	8	3	27%
10-12	0	0	0	0	0%
13-15	13	17	13	4	24%
16-17	1	1	1	0	0%
Total	28	39	28	11	28%

T 3.3.7

FINANCIAL PERFORMANCE 2018/2019: ELECTRICITY				
Details	2016/2017		2017/2018	
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	116 383	106 416	87 619	-21%
Expenditure				
Employees	6 209	7 837	7 623	-3%
Repairs and Maintenance	1 697	3 858	875	-341%
Other	61 411	74 833	54 085	-38%
Total Expenditure	69 317	86 528	62 583	-38%
Net Operational Expenditure	-47 066	-19 888	-25 036	21%

T 3.3.8

CAPITAL EXPENDITURE 2017/2018: ELECTRICITY				
	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total All	12 780	6 000		12 780
Furniture & equipment	80	0	0%	80
Vehicles & equipment	2 000	0	0%	2 000
Network 1	6 000	6 000	100%	6 000
Network 2	3 500	0	0%	3 500
Streetlights	1 200	0	0%	1 200

T 3.3.9

Chapter 3

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL

In Ficksburg a 11kV Medium Voltage cable has been replaced under the Integrated National Energy Programme grant from Department of Energy for the value of R 1.9 million, the cable needed to be replaced due to it was redounded and caused a lot of power failures in the area of the Water treatment plant and households near the border post and to strenghten the MV sistem for the possible infills later on. Under the same grant erven were electrified in Cocolan namely 205 in Skeletonpark and 60 in Tienie van Rooyen for the value of R 4.085 million.

The overall performance of the Division was very good due to only one Key Performance Indicator was not reach due to the financial constrains what the municipality has experienced. The repair of streetlights was a great overachievement but stil sit with a lot of backlog. The municipality has also applied for funds for the implementing of energy savings or energy efficiency projects in order to assist the whole country with the current shortage of energy. The lack of equipment and material some of the other part in the division. There is also a need to ensure that all vacant post are filled by qualified, experienced persons in order to ensure efficient, effective and sustainable performance of the electrical division.

T 3.3.10

MEASURES UNDERTAKEN TO ADDRESS UNDERPERFORMANCE

The Key Performance Indicator that only could not be met was the installation of new streetlight fittings due to the financial constrains the municipality experienced. New fittings could not be procured to be installed. The electrical division plan is to search for funding to meet the target in the next financial year.

T 3.3.11

Chapter 3

3.4 WASTE MANAGEMENT

INTRODUCTION TO WASTE MANAGEMENT

The mandate of the department is mainly a service delivery component and therefore intends to strive to continuously improve how we render services to communities. The experience over a period have shown that it require the change approach in the way we extend and reach out to the communities to ensure that those areas which were not previously serviced are better off. The municipality is also taking into consideration realities in the municipality at the moment.

As service delivery department our mandate is the provision of waste management system, which is complaint, efficient, safe and cost effective, and to ensure that the environment is conducive and not harmful to the health and wellbeing of communities. These services include:

- Collection of household, business and industrial waste at least once a week.
- Cleaning of the central business areas in all the units of litter on a daily basis seven (7) days a week.
- Managing the licensed landfill sites in Ficksburg, Senekal, Clocolan and Marquard in terms of the license conditions.
- Strive to on a continuous basis the removal of corner dumping from vacant stands, pavements and public open areas.
- Community awareness programs introduced to the community.
- Encouraging recycling by entrepreneurs.
- Cleaning campaigns involving the Extended Public Works Program (EPWP)

The management and the personnel worked together to improve the level of the service rendered during this year.

T 3.4.1

SERVICE STATISTICS : WASTE MANAGEMENT								
	Details	2016/2017		2017/2018		2018/2019	2019/2020	2020/2021
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Solid Waste Removal (Once a week)	34 687	31 846	32 953	31 632	31 218	31 218	31 218
								T 3.4.2

Chapter 3

SOLID WASTE SERVICE DELIVERY LEVELS				
Description	2014/2015	2015/2016	2016/2017	Households 2017/2018
	Actual No.	Actual No.	Actual No.	Actual No.
Solid Waste Removal: (Minimum level)				
Removed at least once a week	26 949	33 610	31 846	31 632
<i>Minimum Service Level and Above sub-total</i>	26 949	33 610	31 846	31 632
<i>Minimum Service Level and Above percentage</i>	80%	97%	92%	91%
Solid Waste Removal: (Below minimum level)				
Removed less frequently than once a week	6 737	1 077	2 841	3 054
Using communal refuse dump	0	0	0	0
Using own refuse dump	0	0	0	0
Other rubbish disposal	0	0	0	0
No rubbish disposal	0	0	0	0
<i>Below Minimum Service Level sub-total</i>	6 737	1077	2841	3054
<i>Below Minimum Service Level percentage</i>	19%	3%	8%	9%
Total number of households	34 687	34 687	34 687	34 687
T 3.4.3				

HOUSEHOLDS - SOLID WASTE SERVICE DELIVERY LEVELS BELOW THE MINIMUM						
Description	2014/2015	2015/2016	2016/2017	Households 2017/2018		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	34 687	34 687	34 687			34 687
Households below minimum service level	6 373	1077	2841	37017392	38962795	3054
Proportion of households below minimum service level	18,37	3,00	8	0	0	9,00
Informal Settlement						
Total households	-	-	-			
Households is below minimum service level	-	-	-			
Proportion of households is below minimum service level	0	0	0	0	0	0
T 3.4.4						

Chapter 3

3.4 Waste Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of households with access to basic level of solid waste removal ¹	95%	92%	95%	95%	91%	Availability of resources	90%	90%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of landfill sites by volume that are being managed in compliance with the National Environmental Waste Management Act, 59 of 1998	30%	61%	30%	65%	45%	Availability of resources	50%	50%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of approved Integrated Waste Management Plan	1	1	1	1	1	Approved with IDP 2018/2019 during council meeting of 31 May 2018	1	1
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of Public Awareness campaign on public safety on waste management conducted	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of risk registers updated	4	4	4	4	4		4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage internal audit and external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage risk reduction	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.4 Waste Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of monthly update of progress on audit action plan	4	4	4	4	4		4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of approved Integrated Environmental Management Plan	1	0	1	1	0	Lack of municipal expertise to develop the plan	1	1
T 3.4.5										

Chapter 3

EMPLOYEES: WASTE MANAGEMENT: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	1	0	0
4-6	5	5	5	1	20
7-9	5	15	5	9	60
10-12	6	15	6	9	60
13-15	37	44	37	7	16
16-17	35	47	34	13	28
Total	89	127	88	39	31

T 3.4.6

FINANCIAL PERFORMANCE 2017/2018: WASTE MANAGEMENT				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	-45 784 499	-54 372 988	-54 825 091	-452 103
Employees	17 207 488	15 722 621	16 885 508	1162 887
Repairs and Maintenance	2753	78 0000	114 675	-665 325
Other	14 651 949	20 514 771	21 962 612	1 447 841
Total Expenditure	31 862 190	37 017 392	38 962 795	1 945 403
Net Operational Expenditure	-13 922 309	-17 355 596	-15 862 296	1 493 300

T 3.4.7

CAPITAL EXPENDITURE 2017/2018: WASTE MANAGEMENT				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No capital projects implemented for the year under review				

T 3.4.8

COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:

The actions implemented in the past for the effective delivery of a waste management service were changed due to the procurement of new Refuse Rear End Loaders, namely:

- Two (2) of the of three (3) mobile compactors (20m³) that were hired in to improve service delivery were phased out in October 2017 and November 2018 with the procurement of two (2) new refuse mobile compactors, and the third (3rd) refuse mobile compactor has been phased out in May 2018 after the repairs on non-operational.
- Introducing the two (2) new refuse mobile compactors into the service delivery system.
- The using of EPWP employees to assist the permanent employees with the collection of refuse as well as the cleaning of the central business areas over weekends to curb overtime.

The challenges with resources and the accessibility of residential areas due to condition of roads had a negative impact on service delivery and this resulted in a 91% refuse collection rate of households once a week as per the National Standard. The available vehicles were shared between the units to ensure that a service was rendered at all the units, and the employees also assisted in doing the work in shifts The main problem was to service the residents in Extension 11 in Meqheleng.

Chapter 3

The disposal of waste were done at the licensed landfill sites in Ficksburg, Senekal, Clocolan and Marquard. It was however difficult to maintain these sites as per license conditions due to the non-availability of dedicated vehicles and equipment. Notices were also issued by the Environmental Health Practitioners regarding the conditions at Clocolan and Ficksburg landfill sites.

The program of street cleaning in the central business areas of all the units of Setsoto was effective and done seven (7) days a week in Ficksburg and Senekal, and six (6) days a week in Clocolan and Marquard. Due to the Border post with Lesotho in Ficksburg and the N5 running through Senekal it was necessary to clean these areas 7 days a week.

Recycling are done by private entrepreneurs that were collecting recyclable material from reclaimers at the landfill sites in Setsoto.

The priorities in waste management were:

- To implement the use of the two (2) new 20m³ Rear End Loaders due to the challenge with available drivers
- A total of 6833 households were registered as indigents and subsidised with the equitable shares. However there was no discrimination towards poor households as all households were serviced with a refuse collection service on a weekly basis.

T 3.4.9

MEASURES UNDERTAKEN TO ADDRESS UNDER PERFORMANCE

On percentage of households with access to basic level of solid waste removal

- The Division to extend collection of domestic refuse in Meqheleng over the weekends.
- Partnership with EPWP and CDP employees to assist own employees in different units to ensure service delivery improves
- Implement Friday Cleaning campaign to clean areas from corner dumping
- Use limited resources (vehicles) to maximise the service to all areas

Percentage of landfill sites by volume that are being managed in compliance with the National Environmental Waste Management Act, 59 of 1998

- To use the only Front End Loader stationed in Ficksburg to manage the landfill sites in all four units as per program

T 3.4.10

Chapter 3

3.5 HOUSING

INTRODUCTION TO HOUSING

The Urban Planning Division is responsible for the acquisition of land in order to develop township establishments and avail serviced land for human settlements, spatial planning, land surveying, building control, and Geographical Information Systems (GIS). The growth and development of towns, townships and or urban areas is a competency of this division. One other important aspect is the relocation of people away from the flood lines to proper developed land and to acquire additional land for township establishment.

Land use management and land use control are also key objectives of this division to maintain all the towns' characters. We have a total of 104 serviced sites in Hlohlolwane that are to be allocated, 1110 un-serviced sites in Moemaneng have been allocated and 1146 un-serviced erven in Matwabeng/Senekal which are still being allocated. According to the Setsoto Human Settlements Sector Plan, we have a backlog of 12400 erven.

The division ensures that communities have access to housing and security of tenure through Title Deeds. However, the provision of housing is still the competency of the Free State Provincial Government (Human Settlements) as it allocates RDP houses through their budget. The municipality submits business plans to the Free State Provincial Government along with living waiting lists which are compiled at grassroots level by the municipality. The local municipality assists the Provincial Government in ensuring that serviced sites are available through Township Establishment in order to build RDP houses for the poor.

The successes we have achieved in Year 2017 is that we have managed to have 1110 sites in Moemaneng to be allocated. The municipality is also busy allocating 1146 sites in Matwabeng but without physical occupation. The challenges we have experienced is informal settlements and illegal occupation of un-serviced in Setsoto but the Accounting Officer managed to get a court interdict to prevent such illegal practice. We also have planned for the upgrading of at least two informal settlements and one township establishment from green field.

The municipality is continually implementing the Spatial Planning and Land Use Management Act, 16 of 2013 through the enforcement of the Setsoto Municipal Planning By-Laws. The very same SPLUMA requires all municipalities to have a uniform Land Use Scheme within five years from implementation date. The municipality is in the process of developing the Land Use Scheme as per the provision of the Act. The municipality is furthermore in the process to review the Spatial Development Framework in collaboration with COGTA and other sector departments.

T 3.5.1

Chapter 3

SERVICE STATISTICS : HOUSING								
	Details	2016/2017		2017/2018		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Allocation of Sites	100	74	160	0	160	170	180
2	Opening of files	200	346	160	320	160	170	180
3	Issuing of Title Deeds	300	360	200	228	210	220	230
4	Percentage progress of formalisation of Katlehong 1 and 2 informal settlement	0	0	85	80	20	0	0
5	Percentage progress of formalisation of Oustad informal settlement	0	0	85	80	20	0	0
6	Number of adopted SPLUMA compliant Spatial Development Framework	0	0	1	0	1	1	1
7	Number of illegal land use reports	8	7	8	7	8	4	4
8	Percentage of zoning certificates issued	100%	100%	100%	100%	100%	100%	100%
9	Percentage of land development applications processed	100%	100%	100%	100%	100%	100%	100%
10	Percentage of liquor registration applications processed	100%	100%	100%	100%	100%	100%	100%
11	Number of MPT meetings	4	4	4	2	4	4	4
12	Percentage of building plans processed	100%	100%	100%	100%	100%	100%	100%
13	Number of quality control and site inspection on formal structures conducted	371	371	371	50	805	50	50
14	Number of inspections conducted on Municipal Properties	24	24	24	10	21	10	10
15	Number of inspections and building notices issued	110	110	110	60	23	60	60
16	No. of SPLUMA meeting attended	5	9	4	4	4	4	4
17	No. HDA Forum attended	4	4	4	4	4	4	4
18	No. of GIS Forum	4	3					
19	No. of unit meetings conducted	12	12	12	12	12	12	12
20	No. of unit reports generated	12	12	12	12	12	12	12
21	No. of monthly reports compiled for standing committee	12	12	12	12	12	12	12
22	No. of minutes compiled for standing committee	12	12	12	12	12	12	12
								T 3.5.2

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
2014/2015	33 687	30 136	98.8%
2015/2016	34 687	33 687	97.1%
2016/2017	36 559	34 687	94.9%
2018/2019	36 559	34 687	94.9%
			T 3.5.3

Chapter 3

3.5 Urban Planning and Housing Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of quality households improved	90%	80%	90%	90%	80%	Awaiting approval from national and provincial governments on the housing subsidies	90%	90%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage compliance to National Building Regulations and standards	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of process of Town Establishment, formalisation of informal settlement	80%	80%	80%	80%	80%		80%	80%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of compliance with town planning schemes and conditions of establishment	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of report generated	6	6	6	24	6	Regular reporting requirement was not adhered to	6	6
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of Municipal Planning Tribunal Seatings held	4	4	4	4	0	Some members of the Committee resigned from the employ of the municipality and the committee was not forming a quorum	4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of sites allocated	1 075	1 075	1 075	160	0	The Allocation Committee did not sit as there were no new township establishments	200	200

Chapter 3

3.5 Urban Planning and Housing Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of files opened for the allocation of sites	2 888	2 888	2 888	160	320	The department adopted a program to open files	160	160
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of Title Deeds issued	674	674	674	200	228	There has been a massive drive from all spheres of government this year in regard to issuing of Title Deeds	200	200
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage progress of formalisation of Katlehong 1 and 2 informal settlement	0	0	0	85%	80%	The application will serve in the next MPT	85%	85%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of progress of formal Oustad informal settlement	0	0	0	85%	80%	The application will serve in the next MPT	85%	85%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of sector plans reviewed/adopted	1	1	1	1	0	The service provider did not see the project through	1	1
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of adopted SPLUMA compliant Spatial Development Framework	1	1	1	1	0	The service provider did not see the project through	1	1
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of illegal land use reports	0	0	0	8	7	There was no illegal land use reported in the third quarter	8	8
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of zoning certificates issued	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.5 Urban Planning and Housing Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of land development applications developed	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of liquor registration applications processed	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of building plans processed	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of quality control and site inspection on formal structures conducted	371	371	371	50	805	The department appointed two more Building Inspectors and the program was adopted	50	50
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of inspections conducted on Municipal Properties	24	24	24	10	21	The department appointed two more Building Inspectors and the program was adopted	10	10
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of inspections and building notices issued	110	110	110	60	23	There were no illegal structure found	60	60
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of fora attended	4	4	4	12	4	Due to financial constraints not all meetings were attended in order to curb costs	4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of Standing Committee Reports	24	24	24	12	9	Committee at some time did not form a quorum	12	

Chapter 3

3.5 Urban Planning and Housing Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of units reports generated	4	4	4	12	4	Regular reporting requirement was not adhered to	4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of consultations conducted	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of risk register updated	4	4	4	4	4		4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage external audit queries responded within the timeframe	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage internal audit queries responded within the timeframe	100%	100%	100%	100%	0%	Some of the audit findings need funding to address and due to financial constraints they could not be addressed	100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage reduction of external and internal audit findings	100%	100%	100%	90%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of monthly updates on progress on Audit Action Plan 2015/2016	4	4	4	8	1	The target was ambiguous as the audit action plan is only monitored on a quarterly basis, the target set was for monthly.	4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of housing policies reviewed/adopted	1	1	1	1	1		1	1

T 3.5.4

Chapter 3

EMPLOYEES: HOUSING: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	4	2	2	50%
4-6	4	11	5	6	55%
7-9	13	13	13		0
10-12	0	0	0	0	0
13-15	0	4	0	0	0
16-17	0	12	0	0	0
Total	18	44	0	0	0

T 3.5.5

FINANCIAL PERFORMANCE 2017/2018: HOUSING				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	459 531	514 959	17 814,79	
Expenditure				
Employees	509 1872	6 267 000	6 325 288	
Repairs and Maintenance	0	0	1 720	
Other	63 66 156	6 481 637	2 551 505	
Total Expenditure	114 58 028	12 748 637	8 878 513	
Net Operational Expenditure	-10 998 497			

T 3.5.6

CAPITAL EXPENDITURE 2017/2018: HOUSING				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Vehicles	360 000	0		

T 3.5.7

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL

The division has managed to reach majority of the targets. The division has recorded a high number in terms of Title Deeds issued thereby ensuring security of tenure to its citizens. The division has also managed to increase the number of Files Opened, the two are as a direct implementation of the program targeting the two by the division.

Achievements

- The division managed to secure approval for rectification of wrongfully registered Title Deeds
- The Municipal Planning Tribunal (MPT) is functional and land development applications are decided upon without undue delays.
- The division continues to implement SPLUMA through the enforcement of Municipal Land Use Planning By-Laws as Gazetted.

Challenges

- The Urban Planning and Housing division is still experiencing high vacancy rate since the departure of three senior personnel and this has a negative impact on service delivery.
- One senior housing official is responsible for all four (4) units and this scenario is not factored in the planning of the targets hence other targets are hard to be met.
- The municipality is currently having 5 informal settlements with an estimated number of 1872 households.

T 3.5.8

Chapter 3

MEASURES TAKEN TO ADDRESS UNDERPERFORMANCE

The Municipality should fill in the critical vacancies within the division in order to ensure efficient, effective and sustainable performance of the division

T 3.5.9

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Of the 33 411 economically active (employed or unemployed but looking for work) people in the Municipality, 35.7% are unemployed. Of the 17 173 economically active youth (aged 15–34) in the area, 46.1% are unemployed. According to Statistics SA 15% of the community has no income. (Source: Statistics South Africa: Census 2011)

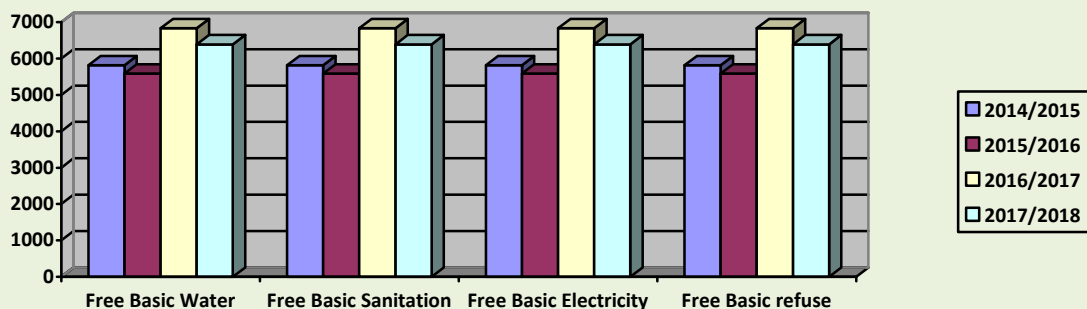
A large percentage of the Setsoto population is very poor and thus experiencing low living standards. These low or no income levels indicate that a large portion of the population is dependent on government grants. In contributing to the elimination of poverty in Setsoto LM an Indigent policy was developed to support poor communities. Indigent support for the 2017/2018 financial year was granted on a maximum monthly income per household of R 3 020. Indigent support include:

- 6 kl free basic water,
- 50 kWh free basic electricity,
- Waste Removal free basic service,
- Sanitation
- Rates

In the year under review 6 833 Indigent Households were registered.

T 3.6.1

ACCESS TO FREE BASIC SERVICES



T 3.6.2

Chapter 3

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R3020 per month								
		Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
			Access	%	Access	%	Access	%	Access	%
2014/2015	5 817	5 817	5 817	100%	5 817	100%	5 817	100%	5 817	100%
2015/2016	5 585	5 585	5 585	100%	5 585	100%	5 585	100%	5 585	100%
2016/2017	6 833	6 833	6 833	100%	6 833	100%	6 833	100%	6 833	100%
2017/2018	6 391	6 391	6 391	100%	6 391	100%	6 391	100%	6 391	100%
										T 3.6.3

Financial Performance 2017/2018: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2016/2017		2017/2018		
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	55 141 832.00	50 811 489.00	50 811 489.00	55 974 942.00	9%
Waste Water (Sanitation)	25 368 041.00	23 392 246.00	23 392 246.00	28 400 711.00	18%
Electricity	64 333 829.00	66 146 848.00	68 146 848.00	69 140 663.00	4%
Waste Management (Solid Waste)	33 894 157.00	27 364 978.00	36 364 978.00	36 345 576.00	25%
Total	178 737 859.00	167 715 561.00	178 715 561.00	189 861 892.00	12%
					T 3.6.4

Chapter 3

FREE BASIC SERVICE POLICY OBJECTIVES TAKEN FROM IDP									
Service Objectives	Outline Service Targets	2016/2017		2017/2018			2017/2018	2018/19	
		Target	Actual	Target		Actual	Target		
Service Indicators		2016/2017	2016/2017	2016/2017	2017/2018	2017/2018	2018/2019	2018/2019	2018/2019
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective									
Registration of Indigent Households	Number of indigent registrations earning less than R 3 200 per month with access to free basic service	6 000	6 833	6 000	7 000	6391	7 000	7 500	7 500
									T 3.6.5

Chapter 3

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

From the statistics it is apparent that there was a decrease in Indigent registrations for the 2017/2018 Financial year. In the 2016/2017 financial year **6 833** indigents were registered and in 2017/2018 **6 391** Indigents registered. Support was given to **6 391** households which was 609 less than the target of 7000. From 2016/2017 to 2017/2018 there was thus a decrease of **442** of registered Indigents.

During the 2017/2018 year regular interaction and meetings were held with ward councilors to assist with problems and delays. In the past there was no pressure on Indigent members of the community to register and to receive the subsidy. In the 2018/2019 Financial year robust interaction with ward councilors as well as with members of the community will be done to ensure higher registration figures.

T 3.6.6

MEASURES UNDERTAKEN TO ADDRESS UNDERPERFORMANCE

Municipality should ensure that there is enough funds through revenue enhancement strategies to meet all its obligations.

T 3.6.7

Chapter 3

COMPONENT B: ROAD AND STORM WATER

3.7 ROADS AND STORM WATER

INTRODUCTION TO ROADS AND STORM WATER

The Setsoto Local Municipality is required to provide safe, affordable, sustainable and accessible roads infrastructure services that promote integrated land use development and ensure optimal mobility for the residents and users of our roads. This quarter has been one of the challenging in terms of Service Delivery, lack of crucial material, and no Budget to execute our Baseline Service Delivery and Budget Implementation Plan Targets. With regard to our ailing Fleet, it's really a challenge as we were unable to perform our normal/routine maintenance.

The Setsoto Local Municipality is responsible for maintenance and rehabilitation of existing roads including the upgrading of gravel roads to surfaced roads within the area under its jurisdiction. The identified storm-water problem in all four towns renders the roads unusable during rainy seasons and results in most of the properties being waterlogged. Poor drainage is also a health hazard as the waterlogged roads takes longer to dry up and children fall victim to diseases found while playing in the drainage basins. As a result, the Setsoto Local Municipality is therefore initiating an implementation plan.

T 3.7.1

SERVICE STATISTICS : ROADS AND STORMWATER								
	Details	2016/2017		2017/2018		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage flexible pavement road infrastructure maintained	100%	100%	100%	246.38%	100%	100%	100%
2	Kilometres of sidewalks cleaned/repaired	2		2	13.847	6	6	6
3	Square meters of potholes repaired	5 000		5 000	24616.31	8000	8000	9000
4	Number of bollards installed	12		12	0	0	0	8
5	Kilometres of road gravelled	35		35	95.585	40	40	50
6	Number of speed humps installed	4	4	9	2	9	9	9
7	Kilometre of roads re-sealed	101.75	101.75	35	8.73	35	35	35
8	Percentage of storm water infrastructure maintained	100%		100%	94.44%	100%	100%	100%
9	Kilometre of channel cleaned/repaired	58.52	58.52	20	33.588	20	20	20
10	Number of kerb-inlet/catch pit cleaned	8.214	8.214	160	420	2	2	2
11	Number of reports generated	12	12	12	12	12	12	12
12	Number Reports generated	16	16	16	16	16	16	16
13	Number of risk register updated	4	4	4	4	4	4	4
14	Percentage external queries responded and addressed	100%	100%	100%	100%	100%	100%	100%

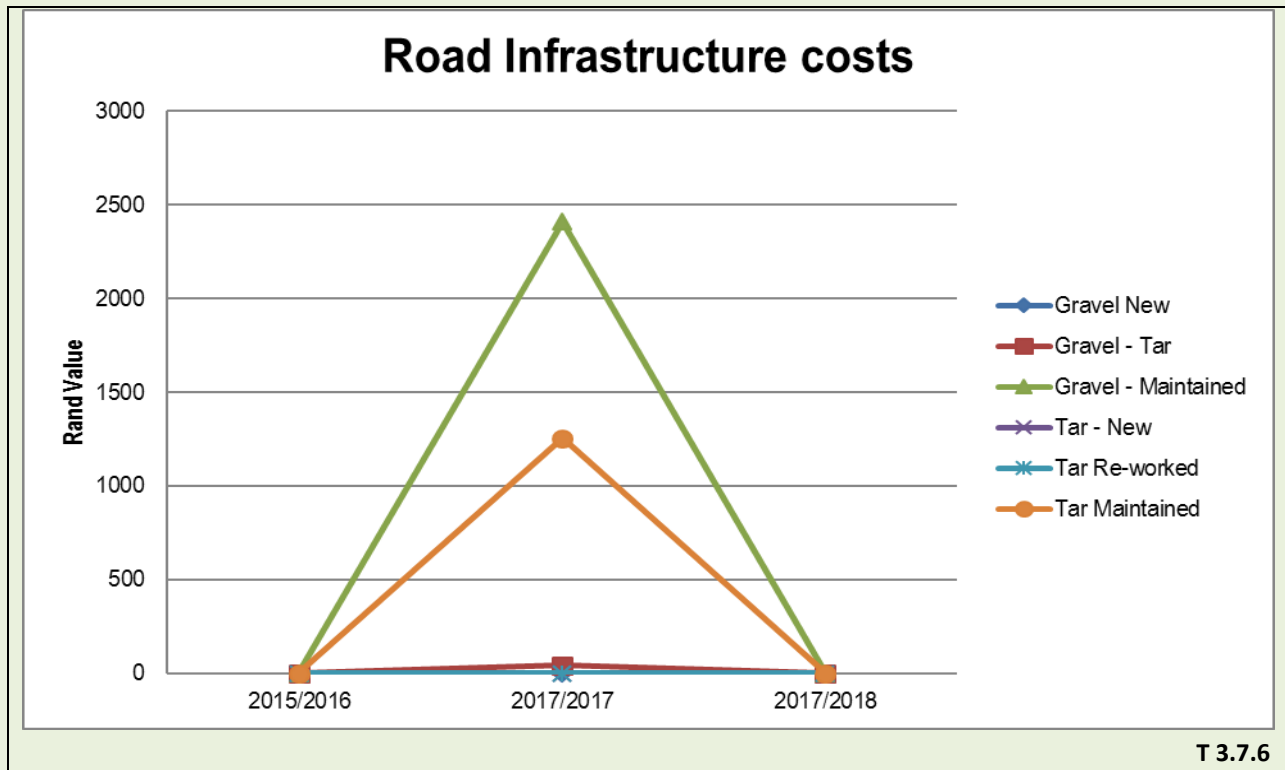
T 3.7.2

Chapter 3

Gravel Road Infrastructure				
	Kilometres			
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2015/2016	143	27	0	66
2016/2017	143	0	6	75
2017/2018	137	0	6	96
T 3.7.3				

Tarred Road Infrastructure				
	Kilometres			
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Tar roads maintained
2015/2016	1 64.6	0	0	211
2016/2017	130	6.2	15	401
2017/2018	136	6	0	467
T 3.7.4				

Cost of Construction/Maintenance						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2015/2016	0	0	4 850	0	0	3 559
2016/2017	0	40	2 409	0	0	1 253
2017/2018	0	0	3 103 385	0	0	1 120 709
T 3.7.5						



Chapter 3

3.7 Roads and Storm Water Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target	Target	Actual		Target	Actual
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of bollards installed	12	7		12	0	The target had moved to the financial year 2018/19 Enhance revenue and speed-up supply chain management to acquire material	0	8
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Kilometres of gravel road infrastructure maintained	35	102	35	35	100.59		40	50
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of speed humps installed	4	4	4	9	2	The target had moved to the financial year 2018/19 Enhance revenue and speed-up supply chain management to acquire material	9	9
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Kilometre of roads gravelled	101.75	101.75	101.75	35	8.73	The target had moved to the financial year 2018/19 Enhance revenue and speed-up supply chain management to acquire material	35	35
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of storm water infrastructure maintained	100%	251%	100%	100%	176.88%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of reports for Standing Committees generated	12	12	12	12	12		12	12

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Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target	Target	Actual		Target	Actual
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of unit Reports generated	16	16	16	16	16		16	16
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage road and stormwater infrastructure new/maintained/upgraded	100%	80%	100%	100%	156.44%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage of flexible pavement road infrastructure maintained	100%	100%	100%	100%	136%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Square metre of potholes repaired	5 000	5 000	5 000	5 000	19 151.8		5 000	5 000
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Kilometres of sidewalks maintained	4	4	4	4	4		4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	No of Reports generated (Roads)	40	40	40	40	40		40	40
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage reduction of external and internal audit findings responded to and addressed	100%	100%	100%	100%	100%		100%	100%
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Kilometres of side-walks cleaned and repaired	2	2	2	2	2		2	2
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage internal audit queries responded to and addressed	100%	100%	100%	100%	100%		100%	100%

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Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target	Target	Actual		Target	Actual
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of monthly updates on Audit Action Plan	8	8	8	8	8		8	8
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Number of risk register updated	4	4	4	4	4		4	4
Service Delivery and infrastructure	To promote efficient competitive sustainable economic infrastructure network and service delivery	Percentage external queries responded to and addressed	100%	100%	100%	100%	100%		100%	100%
T 3.7.7										

Chapter 3

EMPLOYEES: ROADS AND STORMWATER: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	2	1	1	50%
4-6	2	4	2	2	50%
7-9	4	4	9	19	53%
10-12	4	6	2	2	50%
13-15	23	33	20	36	45%
16-17	18	37	16	39	59%
Total	52	86	50	99	50%

T 3.7.8

FINANCIAL PERFORMANCE 2017/2018 ROADS AND STORMWATER				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	0	26 741 328	26 528 354	212 974
Employees	1 649	13 850 700	11 743 915	2 106 785
Repairs and Maintenance	1 562	2 286 152	1 041 257	1 244 895
Other	117 452	5 385 192	5 666 176	280 984
Total Expenditure	120 663	21 522 044	18 451 348	3 070 696
Net Operational Expenditure	120 663	21 522 044	18 451 348	3 070 696

T 3.7.9

CAPITAL EXPENDITURE 2017/2018: ROADS AND STORMWATER				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
None				

T 3.7.10

COMMENT ON THE PERFORMANCE OF ROADS OVERALL

The division had not performed well in the year under view based on the budget shortfall allocated to the division, furthermore the cash flow challenges faced by the Municipality had a huge negative impact in the maintenance of roads and stormwater infrastructure. The Project Management Unit (PMU) Division were able to assist with maintaining municipal Tar/Asphalt roads especially in Marquard, Cocolan, and Ficksburg. The challenges of unavailability of material, and shortage of personnel especially the critical post of 2 Supervisors (Ficksburg and Senekal) had impacted negatively on service delivery

• CHALLENGES

The challenges of unavailability of material, and shortage of personnel especially the critical post of 2 Supervisors (Ficksburg and Senekal) had impacted negatively on service delivery

• RISK

- None performance of the department due to lack of vehicles, tools and equipment.
- More delays will result in increased rehabilitation and reconstruction costs, and a risk of increased claims from road users due to damage on their vehicles, and possible public protest against the municipality due to non-performance.

T 3.7.11

Chapter 3

COMPONENT C: PLANNING AND DEVELOPMENT

3.8 INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS

INTRODUCTION TO INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS

The Integrated Development Planning and Performance Management Systems Division is a principal strategic planning instrument which guides and informs all planning, budgeting, management and decision-making processes in a municipality. IDP is a 5 -year development plan directly linked to 5-year term of office for local councillors therefore It means that planning has to be developmental and it has to focus on the needs of the poor. The IDP process can take up to 9 months to complete the cycle, but the process does not affect the implementation of existing projects in a municipality.

Involves entire municipality and its citizens finding the best solutions to achieve sustainable long term development. It's the allocation available and accessible resources around certain development priorities and strategies and focus on service delivery. IDP is drawn up to improve the quality of people's lives through the formulation of integrated and sustainable projects and programmes. Performance Management is a process which measures the implementation of the organisation's strategy. At Local Government level this has become an imperative, with economic development, transformation, governance, and finance and service delivery being the critical elements in terms of Local Government Strategy

Performance Management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met. National Government has also found it necessary to institutionalize and provide legislation on the Performance Management Process for Local Government. The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the Municipal System Act, 32 of 2000 and the Municipal Finance Management Act, 56 of 2003, requires the Integrated Development Plan to be aligned to the municipal budget and to be monitored for the performance of the budget against the Integrated Development Plan via the Service Delivery and the Budget Implementation implemented and monitored. This framework therefore describes how the municipality's performance process, for the Organisation as a whole will be conducted organised and managed.

T 3.8.1

Service Statistics : Integrated Development Planning and Performance Management

	Details	2016/2017		2017/2019		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Adoption of the IDP Review Process Plan 2016/2017 with Program of Action and Budgeted Costs	1	1	1	1	1	1	1
2	Review the IDP	1	1	1	1	1	1	1
3	Review the Organisational Performance Management System Policy Framework 2014/2015	1	1	1	1	1	1	1
4	Development and approval of the SDBIP 2018/2019	1	1	1	1	1	1	1
5	Submission of section 52(d) of the MFMA, 56 of 2003	4	4	4	4	4	4	4
6	Submission of draft Annual Report 2018/2019 to AGSA	1	1	1	1	1	1	1

Chapter 3

Service Statistics : Integrated Development Planning and Performance Management								
	Details	2016/2017		2018/2019		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
7	Tabling of the Annual Report 2018/2019 to Council	1	1	1	1	1	1	1
8	Submission of Mid-Year Performance Assessment Report 2016/2017 to council	1	1	1	1	1	1	1
9	Preparation for MPAC meetings	9	12					
10	Monitor the implementation of Bac to Basic Principles	0	1	1	1	1	1	1
								T 3.8.2

Chapter 3

3.8 Integrated Development Planning and Performance Management Systems Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of meetings held on the development of the IDP Review Process Plan	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of publication of the approval of the IDP review Process Plan	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of uploads of the approved IDP review process Plan on the municipal websites	3	3	3	3	3		3	3
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Integrated Development Community Representative Fora held	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of draft Integrated Development Plan submitted to council for adoption	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of credible and legally compliant Integrated Development Plan submitted to council for approval	1	1	1	1	1		1	1

Chapter 3

3.8 Integrated Development Planning and Performance Management Systems Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Integrated Development Plan Assessment Reports ⁶	6	6	6	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Quarterly Reports submitted to council	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Annual performance Reports submitted to Auditor General of South Africa	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of the Performance Assessment Reports	4	0	4	4	0	No assessments done in the year	4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Annual reports tabled to council	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Annual Reports tabled to council for consideration	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Municipal Public Accounts Committee Consultative meetings held	4	4	4	4	8		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Oversight Reports adopted by council	1	1	1	1	1		1	1

Chapter 3

3.8 Integrated Development Planning and Performance Management Systems Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of progress reports on the implementation of Back to Basic Principles Action Plan	0	0	0	4	1		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of progress reports on the implementation of Audit Action Plan	4	4	4	4	3		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Performance Management Systems approved	1	1	1	1	1		1	1
T 3.8.3										

Chapter 3

EMPLOYEES: IDP/PMS: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1		0	0%
4-6	1	2		1	50%
7-9	2	2		0	0%
10-12	0	0		0	0%
13-15	0	0		0	0%
16-17	0	0		0	0%
Total	4	5		1	20%

T 3.8.4

FINANCIAL PERFORMANCE 2017/2018: IDP/PMS				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue				
Expenditure				
Employees	0.00	1 819 189.85	1 819 189.85	0%
Repairs and Maintenance	0.00	0.00	0.00	0
Other	0.00	0.00	0.00	0
Total Expenditure	0.00	1 819 189.85	1 819 189.85	0
Net Operational Expenditure	0.00	-1 819 189.85	-1 819 189.85	0%

T 3.8.5

CAPITAL EXPENDITURE 2017/2018: IDP/PMS				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No capital projects were implemented in the year under review				

T 3.8.6

COMMENT ON THE PERFORMANCE OF INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE MANAGEMENT SYSTEMS OVERALL

The division is functioning under a high vacancy rate and with more personnel on the same job level. One of the deterrent is the non-implementation of the electronic performance management system that the institution has acquired.

T 3.8.7

MEASURE UNDERTAKEN TO ADDRESS UNDER PERFORMANCE

Management need to ensure that the Performance Appraisal Committee is constituted and meets regularly in terms of the regulations.

T 3.8.8

Chapter 3

3.9 PROJECT MANAGEMENT

INTRODUCTION TO PROJECT MANAGEMENT

The division is located within the Department of Engineering Services

T 3.9.1

Chapter 3

3.9 Project Management Unit Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress made on the Construction of New Multipurpose Indoor Sport Centre in Matwabeng/Senekal	70%	70%	70%	30%	97%		0%	0%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress made on the development of 1 110 sites with water in Marquard/Moemaneng	20%	20%	20%	80%	80%		80%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress made on the 3km paved road and storm water drainage in Marquard/Moemaneng	50%	50%	50%	50%	100%		50%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress made on the 3km paved road and storm water drainage in Clocolan/Hlohlowane	0	0	0	95%	80%	Underground spillages, strikes and poor workmanship	50%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress made on the sewer network on 1 110 ERF stand in Marquard/Moemaneng	10%	10%	10%	90%	69%	Encountered rock on site	95%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress made on Upgrading of Bulk Raw Water supply in Senekal/Matwabeng	50%	50%	50%	50%	0%	The project will be implemented after DWS has approved the implementation plan	50%	100%

Chapter 3

3.9 Project Management Unit Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress made on Upgrading of Van Soelen Sewer Outfall pipeline in Meqheleng/Ficksburg	0%	0%	0%	45%	60%	Quarterly targets are not accumulative whilst the actuals are accumulative. This need to be addressed in the next financial year	50%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage progress made on conversion of 969 VIP toilets into full waterborne sanitation system	0%	0%	0%	50%	0%	The project has been pushed down the priority list due to the absence of Bulk Sewer Infrastructure	50%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage progress made on upgrading the sport facility in Meqheleng/Ficksburg	0%	0%	0%	100%	2%	The delay was as a result of the late approval from the sector	50%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of divisional reports generated	12	12	12	12	3	Lack of leadership as the Director resigned during the course of the financial year	12	12
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of business plans submitted for funding	9	9	9	9	10		12	12
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Assets Management Reports generated	12	12	12	12	1	Lack of leadership as the Director resigned during the course of the financial year	12	12
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of MIG monthly reports generated	12	12	12	12	9	Lack of leadership as the Director resigned during the course of the financial year	12	12

Chapter 3

3.9 Project Management Unit Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of MIG quarterly reports generated	4	4	4	4	3	Lack of leadership as the Director resigned during the course of the financial year	4	4
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of MIG Annual Reports generated	1	1	1	1	1		1	1
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number DWS monthly reports generated	12	12	12	12	7	Lack of leadership as the Director resigned during the course of the financial year	12	12
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of DWS quarterly reports generated	8	8	8	2	3		8	8
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of DWS Annual Reports generated	1	1	1	1	1		1	1
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number signed site visit report	40	73	40	27	31		13	13

Chapter 3

3.9 Project Management Unit Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of employees registered with professional bodies	0	0	0	2	0	Awaiting the LGSETA's approval and implementation schedule	2	2
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of technical reports submitted	6	6	6	9	2	Resignation of the Director hampered the normal reporting processes	9	9
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of EPWP beneficiaries achieved	1 200	1 200	1 200	1 037	362	Business Plans submitted were based on the BEP which then encountered financial constraints	1 037	1 037
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of risk registers updated	4	4	4	4	3	Meeting could not form a quorum	4	4
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of risk assessments conducted on new projects	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage responses to external audit queries within the required timeframe	100%	100%	100%	100%	100%			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage responses to internal audit queries within the required timeframe	100%	100%	100%	100%	100%			

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3.9 Project Management Unit Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage reduction of external and internal audit findings responded to and addressed	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of monthly updates on progress on Audit Action Plan	4	4	4	8	4	Lack of leadership as the Director resigned during the course of the financial year	4	4
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress on capital project implementation (New Infrastructure)	100%	100%	100%	245%	245%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of progress in capital project implantation (upgrading/Refurbishment)	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports generated (project Management)	45	45	45	45	45		45	45
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports generated (DES)	45	45	45	45	45		45	45
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports generated on standing committees	12	12	12	12	12		12	12
T 3.9.2										

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EMPLOYEES: PROJECT MANAGEMENT UNIT: 2017/2018					
Job Level	2016/2017		2017/2018		
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	2		2		
4-6	1	1	1	1	20
7-9	1		1		
10-12					
Total	4	1	4	1	20
<ul style="list-style-type: none"> ➤ PMU division has above the permanent employees ➤ 1 Cuban engineers who is currently deployed in the municipality 					
T 3.9.3					

FINANCIAL PERFORMANCE 2017/2018 PROJECT MANAGEMENT UNIT				
Details	2016/2017		2017/2018	
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue				
Expenditure				
Employees			2 399 211.25	
Repairs and Maintenance				
Other				
Total Expenditure				
Net Operational Expenditure			2 399 211.25	
T 3.9.4				

CAPITAL EXPENDITURE 2017/2018: PROJECT MANAGEMENT UNIT				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
MIG:	45 597 150	47 997 000.00		
RBIG	15 000 000	13 650 000.00	1 350 000.00	13 650 000.00
WSIG	15 000 000	15 000 000.00		
T 3.9.5				

COMMENT ON THE PERFORMANCE OF PROJECT MANAGEMENT OVERALL

The Project Management Unit (PMU) division has met most of their targets and needs to ensure that where target were not met, the action has been implemented to improve performance. The overall performance of the PMU has improved on the 4th quarter from the 3rd Quarter. All the grants allocated to the municipality were 100% spent with an exception of the servings that was incurred from the RBIG allocation as a result of the department not approving any scope.

T 3.9.6

Chapter 3

MEASURES UNDERTAKEN TO ADDRESS UNDER PERFORMANCE					
Key Performance Indicator	Baseline Indicator	Annual Target	Mid-year		Measures to address under performance
			Target	Actual	
Percentage of progress made on the sewer network on 1110 ERF stand in Marquard/ Moemaneng	10%	90%	90%	69%	Rock has been blasted and illegal shacks have been removed from the pipeline servitude. The project will complete in the first quarter of 2018/19 FY.
Percentage progress made on upgrading of the sport facility in Ficksburg/Meqheleng	0%	100%	2%	2%	The contractor has procured the material for the stadium and it is scheduled to be installed and completed on the first quarter of 2018/19.
Percentage of progress made on the Upgrading of the bulk water supply in Senekal/ Matwabeng	50%	50%	45%	0%	The project would be implemented in the next financial year 2018/19 as the department did not approve the scope which resulted in the servings on the RBIG grant.
Percentage of progress made on the 3km paved road and stormwater drainage in Clocolan/ Hlohlohwane	5%	95%	95%	80%	The contractor has doubled the team and production on site. The project would be completed in the first quarter of 2018/19 FY.
Percentage of progress made on Conversion of 969 VIP into waterborne sanitation system	0%	50%	20%	0%	The project will be implemented after the department of water and sanitation has addressed the bulk infrastructure as per their commitment under Bucket Eradication Programme (BEP).

T 3.9.7

Chapter 3

3.10 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

In terms of the Local Economic Development Strategy the approach adopted is towards economic development which allows and encourages local people, business and non-governmental sector to work together to build capacity to ensure achievement of sustainable economic growth and development and bringing economic benefits and improved quality of life for all residents in a municipal space. With the understanding that “Growth” means to get bigger while “Development” means to get better, the focus of the municipal LED programmes is on providing support to existing businesses to multiply the number of times that a rand is spent in the community. The fundamental thinking is that local purchasing is the primary means of accomplishing this and the final result is a more efficient, self-reliant, and economically resilient community.

For the 2016/17 financial year, the LED, Tourism, Sports, Arts and Culture division set itself target and programmes to achieve under the following areas:

- SMME development
- Street Traders support
- Promotion and development of Agriculture
- Tourism development
- Business regulation and compliance
- Sports development

As part of the municipal job creation efforts, there were few capital projects that were undertaken through which 1808 jobs were created. As a further indication of the municipality’s contribution to job creation and local economic empowerment, all procurement activities involving open bids that were awarded during the year under review amounted to R 92 Million.

The Setsoto local municipality LED implementation framework has been designed so to take into account the imperatives of both the 2006-2011 and 2013-2018 National LED Frameworks but due to latest development shifts, the municipality is now striving to align to the new National Framework for LED: Creating Innovation-driven local economies (2018-2028). The framework emphasizes planning based on the following six policy pillars:

Policy Pillar 1: Building diverse & innovation-driven local economies

Policy Pillar 2: Developing inclusive economies

Policy Pillar 3: Developing learning and skilful economies

Policy Pillar 4: Enterprise development and support

Policy pillar 5: Economic governance and infrastructure

Policy Pillar 6: Strengthening local innovation system

Sport, Arts and Culture main objective is to advocate and actively involve communities in Sport and recreation, while promoting healthy and active lifestyle.

T 3.10.1

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SERVICE STATISTICS : LED, TOURISM, SPORTS, ARTS AND CULTURE								
	Details	2016/2017		2018/2019		2017/2018	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of Walk-Ins by SMME's; Street Traders and Cooperatives	200	316	200	264	200	200	200
2	Number of funding applications lodged by SMME's through LED office	0	0	25	30	25	25	25
3	Number of capacity building activities conducted	10	10	8	16	8	8	8
4	Number of investors assisted	1	1	2	1	2	2	2
5	Number of participants: home garden programme	120	39	120	68	120	120	120
6	Number of commonage land assessment conducted	4	4	4	4	4	4	4
7	Number of farmers assisted into mainstream commercial farming	2	2	2	2	2	2	2
8	Number projects initiated for groups to participate in National programmes	2	2	2	2	2	2	2
9	Number of tourism activities supported	3	3	3	3	3	3	3
10	Number of crafters and exhibitors assisted	68	59	50	48	50	50	50
11	Number of businesses issued with licenses	80	219	150	385	150	150	150
12	Number of sports policy approved	1	1	1	1	1	1	1
								T 3.10.2

Economic Employment by Sector		
Sector	Project Name	Work Opportunities
Infrastructure		0
Total		0
Social	1 Household 1 hectare	142
Total	1 Household 1 hectare	142
Environment		0
Total		0
Non State Sector		0
Total	1 Household 1 hectare	142
T 3.10.3		
Jobs creation through EPWP Projects		
Detail	EPWP Projects	Jobs created through EPWP projects
2017/2018	10	448
T 3.10.4		

Chapter 3

3.10 Local Economic Development Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage activities accomplished on the develop of SMME's and Cooperatives	100%	100%	100%	100%	100%		100%	100%
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of SMME's, Street traders and Cooperatives walk-ins for assistance with advice, referrals for finance, skills development support and registrations	200	200	200	200	249		200	200
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of investors and entrepreneurs assisted or supported in development stages	2	2	2	2	39		2	2
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of applications or funding proposals lodged by SMMEs and Cooperatives through LED Offices	25	25	25	25	30	LED could not attend DESTEA Workshop on its Incentive Scheme	25	25
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of capacity building activities offered to beneficiaries in terms of training, workshops, awareness, campaigns , roadshows and seminars conducted	4	4	4	8	16	4 x NLC Workshop and 2 x SEDA/DRDLR trainings	8	8
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of strategic partnerships established	2	2	2	2	0	In pipeline, process takes too long to complete	2	2

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3.10 Local Economic Development Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of households participating in home base garden programme	39	39	39	120	90		120	120
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of assessment conducted on commonages	4	4	4	4	5		4	4
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of small scale farmers assisted in entering the commercial arena	0	0	0	2	1	Two Cooperatives assisted	2	2
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of projects initiated for groups to participate in National/Provincial programmes (e.g. 1HH 1 HA; Ward)	0	0	0	2	2		2	2
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of tourism sector plans developed and approved	0	0	0	1	0		1	1
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of tourism activities marketed	3	3	3	3	2		3	3
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of crafters supported through (trainings, establishment of new businesses and participating in exhibitions)	68	68	68	50	48		50	50

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3.10 Local Economic Development Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of tourism marketing material developed/acquired	1	1	1	1	0		1	1
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of hawkers issued with permits	80	80	80	80	336		80	80
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of businesses issued with licenses	139	139	139	150	300		150	150
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on informal sector development projects carried out	1	1	1	1	1		1	1
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on Agricultural development programmes accomplished	1	1	1	1	1		1	1
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on support projects accomplished towards tourism development	1	1	1	1	1		1	1
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on businesses issued with licenses/permits	1	1	1	1	1		1	1

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3.10 Local Economic Development Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on Sport Council activities	4	4	4	4	2		4	4
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on Sport, Arts and Culture programmes implemented and usage of facilities	1	1	1	1	1		1	1
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of reports on tournaments implemented	4	4	4	4	2		4	4
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of approved Sport Policy	1	1	1	1	0		1	1
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of internal and external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage risk reduction	100%	100%	100%	100%	100%		100%	100%
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of risk registers updated	4	4	4	4	4		4	4

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3.10 Local Economic Development Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Local Economic Development	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of monthly updates of progress on audit action plan	2	2	2	2	1		2	2
T 3.10.5										

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EMPLOYEES: LED, TOURISM, SPORTS, ARTS AND CULTURE: 2017/2018					
Job Level	2016/2017		2017/2018		
	No of Employees	Post	No of Employees	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	1	0	0%
4-6	1	3	1	2	67%
7-9	2	6	2	4	67%
10-12	0	0	0	0	0%
13-15	0	0	0	0	0%
16-17	0	0	0	0	0%
Total	4	10	4	6	60%

T 3.10.6

FINANCIAL PERFORMANCE 2017/2018: LED, TOURISM, SPORTS, ARTS AND CULTURE				
Details	2016/2017		2017/2018	
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	-39 298	-30 963	-189 625	-158 662
Expenditure				
Employees	1054446	2 597 748	175 264	-24 22 484
Repairs and Maintenance	0	0	0	0
Other	42 461	998 166	78035	-920 131
Total Expenditure	1 096 907	3 595 914	253299	-3 342 615
Net Operational Expenditure	1 057 609	3 564 951	63674	-3 501 277

T 3.10.8

CAPITAL EXPENDITURE 2017/2018: LED, TOURISM, SPORTS, ARTS AND CULTURE				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No Capital project implemented				

T 3.10.7

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL

Although the LED Division is responsible for driving local economic development in the municipality, all other municipal departments are also obliged to engage in LED as and when they implement various projects related to their operations. Due to financial constraints however, there has never been capital projects planned to be undertaken by LED unit during the financial year under review.

- During the period of reporting, the division has implemented the following projects successfully:
- SMME Information dissemination: Through office walk-ins, the LED unit has interviewed or conducted consultations to 264 potential entrepreneurs.
- Funding Proposals: As at the end of the financial year, 30 entrepreneurs have been assisted to submit applications to national funding institutions. To DESTEA Tabalaza Programme (12 entrepreneurs) and Department of Small Business Development (DSBD)'s Informal & Micro Enterprise Support Programme (18 entrepreneurs received equipment of a combined value of R 162, 000)
- SMME Trainings: Mostly the trainings were focussed on Business and Financial Management. With the assistance of SEDA; Department of Rural Development & Land Reform; SARS and National Lotteries Commission, a total of 16 trainings were conducted across all four units of Setsoto municipality.
- Strategic Partnerships: There are ongoing negotiations between the municipality and private sector key stakeholders such as Sernick Group. The aim of these partnerships is to expose entrepreneurs to experiences and mentorship by big business.

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- Linkages with National Departments Programmes: The LED unit's Agricultural division has constantly worked with Department of Agriculture (DARD) to ensure local residents also participate in the Re-Kgaba-Ka Diratswana Programme. To this end 68 beneficiaries have been assisted with seeds as well as participating in different competitions.
- Agrarian Transformation and entry into mainstream Commercial farming: With the financial support from Department of Rural Development and Land Reform (DRDLR), 2 of Setsoto municipality based cooperatives have received a combined financial support to the amount of R 8, 6 million through which they will be able to acquire farming implements to improve their productivity and realise profits such that this leap-frog them into competitive commercial farming.
- Tourism promotion: Setsoto municipality is proud to have produced a 1st Prize Winner in the Thabo Mofutsanyana District Fashion & Textile Show, which earned the designer a vouchers to the amount of R15, 000. Besides that, 48 other crafters/exhibitors have been assisted through sponsorship by SEDA to enter the Cherry Festival Show grounds where they were able to display and sell their products. The municipality also provide the famous Cherry Festival and Cherry Jazz with financial and non-financial support.
- Business Compliance and Regulation: The LED unit has designed and implemented a consistent and respectable business licensing and hawker's permitting system. Through this system a total of 368 business licences and 31 hawkers' permits were issued.
- Municipality LED Local Procurement Value
- During the financial year under review, the municipality's total expenditure on procurement of goods and service from the local Service Providers in all four towns of Setsoto amounted to R 16, 9 million. The breakdown in terms of this figure is as follows:

Clocolan	: R 158 750.70
Ficksburg	: R 13 780 152.19
Marquard	: R 1 195 897.93
Senekal	: R 771 864.89

T 3.10.8

MEASURES UNDERTAKEN TO ADDRESS THE UNDER PERFORMANCE

When considering the fact that Setsoto's unemployment rate of 37.7%, which is higher than that of Free State Province (32.6%) and National rate of 25.5%, it is not only a matter of raising recommendations of measures to improve the performance of local economic development services but to actually endeavour to implement such. In order to turn around the down sliding Setsoto economy, the following measures are proposed:

- Introducing a new Performance Measure to measure the scale of Setsoto's expenditure on economic development as a proportion of total rates revenue.

Setsoto Expenditure on Economic Development should be inclusive of the following:

- Annual expenditure on staff resources within the Economic Development Unit
- Annual expenditure on staff resources on tourism and events;

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- Annual expenditure on visitor information services including operating VICs, marketing websites;
- Annual expenditure on LED and Tourism programs, projects and research.
- A formula to calculate this measure is: $\text{Total Rates Revenue} \div \text{Total Council Expenditure on Economic Development}$.

- **Optimum use of Stats SA Economic Data**

This can be achieved by moving current planning and performance measurement (which is largely reporting inputs and outputs) to performance management where the number of performance measures are reviewed and reduced to ensure those reported on are meaningful, useful and sustainable.

- **Establishment of Artisan and Skills Development Centre**

Despite the fact that the institute of this nature requires a fortune to in order to start, it will nevertheless be to the advantage of the municipality to do whatever it takes to ensure it is established. Any thriving economy is underpinned by a skilful labour and nothing else. LED Manager has already drafted a proposal for the establishment of this Centre in Setsoto.

- **Development of a long-term Economic Development Plan**

The municipality needs to engage in earnest into the compiling of a long-term Economic Development Strategy spanning 20-50 years. This is a master plan or blue print which will guide municipality's future economic development plans. The IDP which is a five year strategic plan will draw largely from this document and ensure implementation is based on the master plan

- **Infrastructure development**

This is a critical service and a pre-requisite to any industrial development. Without the right infrastructure in place, the economy will remain stagnated. In every town comprising Setsoto local municipality, there must be substantial infrastructure development undertaken to attract local and foreign investment.

- **Introduction of Business Association**

The role of stakeholder management cannot be over emphasised. These structure are critical in maintaining an informed and innovation-driven SMME ecosystem. Setsoto Sports and Recreation Council was established to improve the relationship between the community and Setsoto Local Municipality to able municipality to execute the intended programmes to the community.

T 3.10.9

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COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.11 PARKS AND CEMETORIES

INTRODUCTION TO CEMETORIES & CREMATORIALS

Parks service is seasonal and the following are covered:

- The maintenance of the municipal gardens, pavements (sidewalks) and open space.
- The maintenance of sport facilities and swimming pool.
- The cleaning of the town halls and community halls.
- The maintenance and management of the caravan park
- Planting and maintaining trees in municipal area

The service regarding the provision of cemetery management is seen as an important part of the service rendered by the municipality to the community and is done with the necessary sensitivity. The section provides graves to communities ensure that the burial registers are indicative of a proper grave number. The section also provides the maintenance of cemeteries.

Destitute families are assisted by the municipality to obtain a grave and services by a funeral undertaker as per approved indigent policy upon approved requests. Information was obtained from service providers to investigate the possible areas for the planning of cemeteries in Setsoto to ensure adequate space for cemetery development.

T 3.11.1

SERVICE STATISTICS : PARKS AND CEMETERIES

	Details	2016/2017		2017/2018		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of trees planted in public places	350	350	150	152	150	150	150
2	Number of parks to be maintained	14	16	16	14	16	16	16
3	Provision of graves	100%	100%	100%	100%	100%	100%	100%
4	Proper cemetery registers	8	8	8	8	8	1	1
5	Number of cemeteries maintained	21	21	21	16	21	21	21

T 3.11.2

Chapter 3

3.11 Parks and Cemeteries Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of parks managed	16	16	16	16	18	Not used as recreational facilities due to vandalism	16	16
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of parks maintained	16	16	16	16	18	Not used as recreational facilities due to vandalism	16	16
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of trees planted in public places	150	150	150	150	152		150	150
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of cemeteries managed	21	21	21	21	898	Could not cut or maintain cemeteries to satisfactory due to lack of resources	21	21
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of Public Awareness campaigns on public safety conducted	100%	100%	100%	100%	100%	Last quarter not done	100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of approved Integrated Environmental Management Plan	1	1	1	1	1		1	1
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage graves prepared and allocated as per request	100%	100%	100%	100%	100%		100%	100%

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3.11 Parks and Cemeteries Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of burial registers monitored	8	8	8	8	8		8	8
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage internal and external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	75%	Some of the audit findings need funding to address and due to financial constraints they could not be addressed	100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage risk reduction	100%	100%	100%	100%	75%	Committee did not form a quorum	100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of risk registers updated	4	4	4	4	4		4	4
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of monthly update of progress on audit action plan	4	4	4	4	4		4	4

T 3.11.3

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EMPLOYEES: PARKS AND CEMETERIES: 2017/2018					
Job Level	2016/2017	2017/2018			
	No of Employees	No of Posts	No of Employees	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	0	1	0	1	100%
4-6	2	6	2	4	67%
7-9	5	8	3	5	63%
10-12	4	9	3	6	67%
13-15	16	27	15	12	44%
16-17	45	77	38	39	51%
Total	72	128	61	67	52%

T 3.11.4

FINANCIAL PERFORMANCE 2017/2018: PARKS AND CEMETERIES				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	-467 234			0
Expenditure				
Employees	7 620 368	17 207 488	0	-17 207 488
Repairs and Maintenance	16 083	2 753		-2 753
Other	1 345 417	31 862 190	11 269 012	-20 593 178
Total Expenditure	43 110 772	49 072 431	11 269 012	- 37 803 419
Net Operational Expenditure	4 836 573	49 072 431	11 269 012	- 37 803 419

T 3.11.5

CAPITAL EXPENDITURE 2017/2018: PARKS AND CEMETERIES				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No Capital project implemented				

T 3.11.6

COMMENT ON THE PERFORMANCE OF PARKS AND CEMETERIES OVERALL

Weather conditions and breakdowns of tractors derailed our programme during the year under review. Additional Expanded Public Works Programme beneficiaries and Community Works Programme employees has brought a major impact in improving the service we render to the community of Setsoto Municipality. A request for the tools such as leaves rakes; chain saw and spades for the procurement to provide the employees with tools of trade is still outstanding.

Development of new cemetery in Ficksburg is underway since the process of appointing service provider to start with development of graveyard has started and awaiting the Bid Adjudication, however the project will be implemented during the financial year of 2018/19 financial year. Mapenyadira and Moemaneng halls are still closed temporarily due to vandalism so processes are under way to repair them. The following table show the state of the grass cutters the municipality is having which also contributed to the huge challenges regarding cutting grass in towns.

Area	Machine	In stock	Operational	Minimum need	To be repaired/ replaced
Ficksburg	Kudus	8	2	6	3
	Weed eaters	9	3	7	4
	Tractor mower	1	0	1	1
Senekal	Kudus	5	1	4	3
	Weed eaters	5	2	5	3

Chapter 3

Area	Machine	In stock	Operational	Minimum need	To be repaired/ replaced
	Tractor mower	1	1	1	0
Clocolan	Kudus	4	0	4	3
	Weed eaters	4	1	4	3
	Tractor mower	1	1	1	1
Marquard	Kudus	2	2	2	0
	Weed eaters	3	2	3	1
	Tractor mower	1	0	1	1

In improving the service delivery, employees have been identified and been sent for training on yellow fleet.

T 3.11.7

MEASURES UNDERTAKEN TO ADDRESS UNDER PERFORMANCW

- **Number of parks managed**

On Parks maintenance, there has been partnership with Itekeng, EPWP and CWP to curb the challenge of high rate of unemployment, tools and increased facilities.

- **Number of cemeteries maintain**

On Cemeteries, the division also embarked on partnership with stakeholders, where Itekeng has developed its beneficiaries to clean and maintain the closed cemeteries.

The division has requested additional lawn mowers (kudus and weed eaters) to curb the backlogs after the current machinery could not manage to attend in the previous financial year.

T 3.11.8

Chapter 3

COMPONENT G: SECURITY AND SAFETY

3.12 SECURITY SERVICES AND PROPERTY MANAGEMENT

INTRODUCTION TO SECURITY SERVICES AND PROPERTY MANAGEMENT

The mandate of the Security Division is to ensure safety of municipal employees and property by means of access control to municipal buildings, implement security measures in the form of counter intelligence and also to represent the municipality at broad security forums and participate in all security related matters of local, provincial and national interest. Facilities management section ensures that facilities are maintained to be at the required standard which will enhance the life span off such facilities.

T 3.12.1

SERVICE STATISTICS : SECURITY SERVICES								
	Details	2016/2017		2017/2018		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of security policy reviewed	1	0	1	1	1	1	1
2	Percentage of personnel vetted	0%	0%	100%	100%	100%	100%	100%
3	Number of Awareness on security conducted	0	0	4	0	4	0	4
4	Number of maintenance plan developed and approved	1	0	1	1	1	1	1
5	Number of properties maintained and repaired	87	87	50%	25%	50%	50%	100%
6	Number of risk registers updated	4	4	4	4	4	4	4
7	Percentage of risk assessment conducted on events hosted	100%	100%	100%	100%	100%	100%	100%
8	Percentage respond (external) within time frame	100%	100%	100%	100%	100%	100%	100%
9	Percentage respond (internal) within time frame	100%	100%	100%	100%	100%	100%	100%
10	Percentage reduction of external and internal audit findings responded to and addressed	75%	90%	100%	100%	100%	100%	100%
11	Number of monthly update of progress on audit action plan	2	2	2	2	2	2	2
								T 3.12.2

Chapter 3

3.12 Security Services and Property Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of properties managed and provided with security services	98	98	98	98	80	Due to financial constraints not all properties were provided with security services	98	98
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of security services provided to municipal properties	50%	50%	50%	50%	50%		50%	50%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of security services provided to personnel	50%	50%	50%	50%	50%		50%	50%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of security services to personnel and municipal properties provided	50%	50%	50%	50%	50%		50%	50%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Security Policies reviewed	1	1	1	1	1		1	1
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage personnel vetted	0%	0%	0%	100%	100%		100%	100%

Chapter 3

3.12 Security Services and Property Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of awareness on security conducted	0	0	0	1	0	Due to financial constraints no campaigns were conducted	0	0
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of properties managed	174	174	174	174	43	Due to financial constraints not all properties were managed	174	174
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of properties maintained	50%	50%	50%	50%	40%	Due to financial constraints not all properties were maintained	50%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of maintenance plan developed and approved	1	1	1	1	0	Due to financial constraints no maintenance plan was developed and approved	1	1
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of internal and external audit queries responded to and addressed within timeframe	100%	100%	100%	50%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of risk reduction	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of monthly updates of progress on audit action plan	4	4	4	4	4		4	4

Chapter 3

3.12 Security Services and Property Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of risk registers updated	4	4	4	4	4		4	4
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of properties provided with security services	100%	100%	100%	100%	100%		100%	100%

T 3.12.3

Chapter 3

EMPLOYEES: SECURITY AND PROPERTY MANAGEMENT: 2017/2018					
Job Level	2016/2017	Fourth Quarter 2017/2018			
	No of Employee	Post	No of Employee	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	1	1	50%
4-6	0	4	0	4	20%
7-9	34	75	35	75	30%
10-12	0	0	0	0	0
13-15	0	0	0	0	0
16-17	0	0	0	0	0
Total	35	80	36	80	100%

T 3.12.4

FINANCIAL PERFORMANCE 2017/2018: PROPERTY MANAGEMENT				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue				
Expenditure				
Employees				
Repairs and Maintenance		783 150	271 676	425 849
Other		4 207 163	21 510 525	4 670 451
Total Expenditure		4 990 313	21 780 201	5 096 300
Net Operational Expenditure				

T 3.12.5

CAPITAL EXPENDITURE 2017/2018: SECURITY SERVICES AND PROPERTY MANAGEMENT				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No Capital projects implemented				

T 3.12.6

COMMENT ON THE PERFORMANCE OF SECURITY AND PROPERTY MANAGEMENT OVERALL

Security services was able to represent the municipality at the following meetings:

- Ficksburg SAPS Cluster Joints.
- Cross Border Crime Prevention Committee.
- Security Managers Forum.

The purpose of the meetings deals with matters relating to security at large such as crime prevention, stock theft, human trafficking and any form of security threats for the well-being of South Africans in particular of Setsoto residents. Employees at managerial level were vetted by State Security Agency to determine their security competency and new applicants to the municipality are checked by conducting criminal record check on them.

Access control is conducted on daily basis where warm bodies are deployed e.g. Head center, stores and water treatment works. Number of operations where conducted by the division relating to illegal occupation of land and camps of the municipality. Due to financial constrains maintenance of municipal properties was done minutest scale. Largely inspections were conducted on municipal properties

T 3.12.7

Chapter 3

MEASURES TO IMPROVE PERFORMANCE IN SECURITY SERVICES AND PROPERTY MAINTENANCE

- **Number of properties managed and provided with security services**

Labour requisition has been submitted to Corporate Service to recruit more staff as there are security conscious identified areas need to be attended to, while other forms of security measures also need to be implemented.

- **Number of awareness on security conducted**

A maintenance of property, the division need more budget to ensure the properties are properly maintained as per maintenance plan. Well skilled personnel should also be recruited to assist the current team on maintenance.

T 3.12.8

3.13 PUBLIC SAFETY, DISASTER MANAGEMENT AND FIRE SERVICES

INTRODUCTION TO PUBLIC SAFETY, DISASTER MANAGEMENT AND FIRE SERVICES

The objective and function of Public Safety Division is law enforcement in respect of the National Road Traffic Act and Municipal bylaws. Safety of all road users is paramount in the approach to Road Safety and operations. Vehicle fitness is part of the division strategy to combat accidents. The personnel in this Section must ensure that all road users abide by the road traffic management regulations and statutes. The division also ensure that road marking are done and clearing of any impediments to road markings are dealt with.

The Fire Brigade Service main objective is to save lives, protect property, conduct awareness and to provide relief during and or after the incident of disaster had occurred. The Disaster Management function is coordinate effective response, recovery, rehabilitation, risk assessment, institutional arrangements and measure of mitigation in relation to incidents. Fire Services is currently utilizing the Traffic Officers and Disaster Coordinator to fight the fire on ad hoc basis. Equipment is obsolete that it does not meet the required standard to fight fire, and does not even measure the turnaround time as required.

T 3.13.1

Chapter 3

SERVICE STATISTICS : PUBLIC SAFETY DISASTER MANAGEMENT AND FIRE SERVICES								
	Details	2016/2017		2017/2018		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of operational plan compiled and approved	1	1	1	1	1	1	1
2	Number of roadblocks conducted	24	41	30	48	30	30	30
3	Percentage on traffic fines issued	100%	100%	100%	100%	100%	100%	100%
4	Rand received from fines issued	127396	286 350	127396	209 190	0	0	0
5	Percentage on point duty and escorts performed	100%	100%	100%	100%	100%	100%	100%
6	Number of Disaster Management Plan reviewed	1	1	1	1	1	1	1
7	Percentage of emergencies incidents reported and attended	100%	100%	100%	100%	100%	100%	100%
8	Percentage of Disaster incidents reported and attended	100%	100%	100%	100%	100%	100%	100%
9	Percentage of fire attended	100%	100%	100%	100%	100%	100%	100%
10	Percentage of accidents reported and attended	100%	100%	100%	100%	100%	100%	100%
								T 3.13.2

Chapter 3

3.13 Public Safety Disaster Management and Fire Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of law enforcement programmes implemented	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of operational plans compiled and approved	1	1	1	1	1		1	1
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of roadblocks conducted	8	8	8	28	45		8	8
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of traffic fines issued	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Rand received from fines issued	194 362	194 362	194 362	0	40 750		0	0
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage emergencies incidents reported and attended	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.13 Public Safety Disaster Management and Fire Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage point duty and escorts performed	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage rand received from escorts performed	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of Public Awareness campaigns on public safety conducted	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage internal and external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage risk reduction	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of risk registers updated	4	4	4	4	4		4	4

Chapter 3

3.13 Public Safety Disaster Management and Fire Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of monthly update of progress on audit action plan	4	4	4	4	4		4	4
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of Disaster Management plan reviewed and approved	1	1	1	1	1	IDP with all sector plans approved by council on 31 May 2018	1	1
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of emergencies incidents reported and attended	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of fire attended	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of risk reduction	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of registers updated	4	4	4	4	4		4	4

Chapter 3

3.13 Public Safety Disaster Management and Fire Services Policy Objectives Taken From IDP

Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of risk assessment conducted on events hosted	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of internal and external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage emergencies incidents reported and attended to	100%	100%	100%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of monthly update of progress on audit action plan	4	4	4	4	4		4	4

T 3.13.3

Chapter 3

EMPLOYEES: PUBLIC SAFETY, DISASTER MANAGEMENT AND FIRE SERVICES 2017/2018					
Job Level	2016/2017	2018/2019			
	No of Employee	No of Posts	No of Employees	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	2	1	1	50%
4-6	4	4	4	0	0%
7-9	10	23	9	14	61%
10-12	0	0	0	0	0%
13-15	0	3	0	3	100%
16-17	10	8	9	0	0%
Total	25	40	23	17	43%

T 3.13.4

FINANCIAL PERFORMANCE 2017/2018: PUBLIC SAFETY, DISASTER MANAGEMENT AND FIRE SERVICES				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	- 351 781,00			0
Expenditure				
Employees	5 721 450,00	12 330 208	7 714 648,91	-4 615 559
Repairs and Maintenance	79 288,00	293 000	138 984,95	-154 015
Other	1 072 187,00	266 134	108 728,00	-157 406
Total Expenditure	6 872 925,00	12 889 342	7 962 361,86	-4 926 980
Net Operational Expenditure	6 521 144,00	12 889 342	7 962 361,86	-4 926 980

T 3.13.5

CAPITAL EXPENDITURE 2017/2018: PUBLIC SAFETY, DISASTER MANAGEMENT AND FIRE SERVICES				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No Capital project implemented				

T 3.13.6

COMMENT ON THE PERFORMANCE OF PUBLIC SAFETY, DISASTER MANAGEMENT AND FIRE SERVICES OVERALL

The Division has successfully conducted the risk assessment for the followings events:

- Heritage celebration September 2017
- Cherry Jazz November 2017, and
- Cherry Festival November 2017

It should also be reported that the local magistrate court had challenges of transferring the funds to municipality after offenders paid fines for municipal traffic fines, however the matter is being addressed as an amount of R 14 600 was transferred in June 2018. In ensuring the proper management of the traffic tickets issued and other service, the municipality should consider acquiring the traffic management system.

The Division has also embarked on operation FIELA2 in partnership with stakeholders like SAPS, SANDF, SARS, Home Affairs and Thabo Mofutsanyana District Municipal Environmental Health Practitioners. That initiative has raised more than R194 490.00, which was as a result of law enforcement other than traffic fines

T 3.13.7

Chapter 3

MEASURES UNDERTAKEN TO ADDRESS UNDER PERFORMANCE

The Division had embark on meetings with Magistrate Courts in order to receive the money that has been collected by the Department of Justice. Such money from traffic fines are paid over to Magistrate Courts but takes time to be transferred over to the municipality as there is challenges within the Justice system.

T 3.13.8

3.14 FLEET MANAGEMENT SERVICES

INTRODUCTION TO FLEET MANAGEMENT SERVICES

With regard to the Fleet Management strategies, it is of great importance to look into the following:

- To manage fleet more efficiently and effectively.
- Ensure that the continuous training of Drivers is held annually.
- Have proper induction of newly appointed Drivers.
- Ensure that our vehicles are roadworthy in terms of licensing as and when required.

T 3.14.1

SERVICE STATISTICS : FLEET AND TRANSPORT DIVISION

	Details	2016/2017		2017/2018		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage to which vehicles are made available for provision of services.	100%	100%	100%	100%	100%	100%	100%
2	Number of vehicles allocated.	89	89	89	98	98	98	98
3	Number of vehicles licensed and registered.	19	10	30	98	98	98	98
4	Number of fuel schedules in all units.	39	39	39	39	39	39	39
5	Percentage of vehicle related insurance claims processed.	100%	100%	100%	100%	100%	100%	100%
6	Percentage on service/maintenance on vehicles.	100%	100%	100%	100%	100%	100%	100%
7	Percentage of risk within a tolerable level.	80%	80%	80%	80%	80%	80%	80%
8	Number of monthly risk reports updated.	1	1	1	1	1	1	1
9	Percentage of internal and external audit queries responded to within the required timeframe.	100%	100%	100%	100%	100%	100%	100%
10	Number of monthly update of progress on audit action plan.	1	0	1	1	1	1	1

T 3.14.2

Chapter 3

3.14 Fleet Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage to which vehicles are made available for provision of services	50%	50%	50%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of vehicles allocated	94	94	94	89	72	Vehicle breakdown and delay in releasing them from service providers	94	94
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of vehicles licensed and registered	94	94	94	89	69			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Number of fuel schedules in all units	94	94	94	156	0	Lack of monitoring and supervision, the matter will be corrected in the next financial year	156	156
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage of vehicle related insurance claims processed	0%	0%	0%	100%	100%		100%	100%
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage on service/maintenance on vehicles	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.14 Fleet Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Service Delivery and Infrastructure	To provide efficient competitive effective sustainable economical infrastructure network and service delivery	Percentage risk reduction	100%	100%	100%	100%	100%		100%	100%

T 3.14.3

Chapter 3

EMPLOYEES: FLEET AND TRANSPORT DIVISION: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	1	0	0%
06-Apr	0	2	0	2	12%
09-Jul	1	4	3	2	12%
12-Oct	0	4	1	3	17%
13-15	0	6	1	4	26%
16-17	0	0	0	0	0%
Total	2	17	6	11	65%

T 3.14.4

FINANCIAL PERFORMANCE 2017/2018: FLEET AND TRANSPORT DIVISION					
Details	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment budget	Actual	Variance to Budget
Total Operating Revenue	0	0	0	0	0
Expenditure					
Employees	0	0	0	0	0%
Repairs and Maintenance	945 013.46	2 585 004.00	-94 328.00	945 013.46	36.56%
Fuel and oil	7 201 295.24	5 699 700.00	7 076 649.00	7 201 295.24	126.35%
Total Expenditure	8 146 308.70	8 284 704.00	6 982 321.00	8 146 308.70	98.33%
Net Operational Expenditure	8 146 308.70	8 284 704.00	6 982 321.00	8 146 308.70	98.33%

T 3.14.5

CAPITAL EXPENDITURE 2017/2018: FLEET AND TRANSPORT DIVISION				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No projects were implemented				

T 3.14.6

COMMENT ON THE PERFORMANCE OF FLEET MANAGEMENT SERVICES OVERALL

- The division is operating with a 65% vacancy rate whereby the problems encountered at the unit level cannot be resolved as soon as possible and that creates a bad impact to the Department.
- In respect of budget performance, 42% expenditure was incurred for repairs and maintenance, which is in line with the plans for the annual target.
- In respect of expenditure on fuel and oil, only 34% expenditure was incurred which reflect that the controls for management of fuel and oil are effective and reflecting definite decreases.

T 3.14.7

MEASURE UNDERTAKEN TO ADDRESS THE UNDER PERFORMANCE OVERALL

- The municipality advertise the tender on repairs and maintenance of all municipal fleet to overcome the problem of Vehicle allocation.
- The municipality will ensure that the vehicles which are sold on an Auction are taken out from our Asset Register.
- The Municipality will ensure that the water supply schedule is adhered to.

T 3.14.8

Chapter 3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.15 ADMINISTRATION AND SUPPORT SERVICES

INTRODUCTION TO ADMINISTRATION AND SUPPORT SERVICES

The Administration and Support Services Division is linked to the IDP Objective through the Key Performance Area of Good Governance and Public Participation. The Division is responsible to provide an effective and efficient Administration and Support Services and comprises of three sections in line with the key focus areas, namely Committee Services, Records and Archive Management as well as the Support Services which is also responsible for Telecommunication and Reprographic Equipment Management, Office Cleaning Services as well as Reception Services. This report reflects the performance of the division for the year 2017/2018.

T 3.24.1

Service Statistics for Administration and Support Services					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Percentage of Planned Records Management Programmes Implemented	100%	100%	100%	100%
2	Number of Awareness Workshop held	0	1	1	1
3	Number of Reports of Records Disposed	1	1	1	1
4	Number of Reports of records Transfer	1	1	1	1
5	Percentage of Resolutions Implemented	100%	100%	100%	100%
6	Number of Year Plans compiled and Circulated	1	1	1	1
7	Number of Council Meetings Co-ordinated	12	4	11	4
8	Number of Mayco Meetings Co-ordinated	10	12	16	12
9	Number of Annual Reports on Attendance of Meeting by Councillors	1	1	1	1
10	Number of Quarterly reports on Absenteeism compiled and submitted to the Speaker	4	4	4	4
11	Number of Digital Recorder and Microphones procured	N/A	1	0	1
12	Number Laptops procured and Replaced foe members of MAYCO and Council	N/A	10	0	10
13	Number of Aircons installed in the Mayco Chamber in Ficksburg	N/A	1	0	1
14	Number of Updated to the Analysis Report	1	4	4	1
15	Percentage of Complaints attended to in respect of Telephone and Reprographic Services and System	100%	100%	100%	100%
16	Number of New Telephones Services obtained and installed	2	2	4	2
17	Number of Deduction Lists submitted to Salary	12	12	12	12
18	Number of Reconciliation reviewed and submitted	N/A	12	12	12
19	Percentage of Cleaning Programmes Implemented	100%	100%	100%	100%
20	Number of Cleaning Services Satisfaction surveys conducted	1	1	1	1
21	Number of Analysis Reports on Satisfaction Survey compiled	1	1	1	1
22	Number of Bylaws / Policies Developed and Reviewed	0	2	0	2
23	Number of Bylaw submitted to Council for final adoption	0	2	0	2
24	Number of Reviewed PAIA Manual compiled and approved	N/A	1	1	1
					T 3.15.2

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3.15.3 Administration and Council Support Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage of planned Records Management programmes implanted	100%	100%	100%	100%	100%	Target met	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of Awareness Workshops held	0	0	1	1	1	Target Met	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of reports of records disposed	1	1	1	1	1	Target met	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of reports of records transfer	1	1	1	1	1	Target Met	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage of resolutions implemented	93.24%	100%	100%	100%	100%	Target Met	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of Year Plans compiled and circulated	1	1	1	1	1	Target Met	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of Council meetings coordinated	4	4	4	4	11	There were Special Council meetings during the year to consider and resolve on special items and motion of no confidence in the Executive Mayor during the year under review.	4	4
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of MAYCO meetings coordinated	12	12	12	2	16	There were Special MAYCo meetings to discuss and recommend on special items and motion of no confidence in the Executive Mayor to Council during the year under review.	12	12
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of annual analysis reports on attendance of meetings by councillors	1	1	1	1	1	Target Met	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of quarterly reports on absenteeism compiled and submitted to the Speaker	4	4	4	4	4	Target Met	4	4

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3.15.3 Administration and Council Support Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of digital recorders and microphones procured	1	1	1	1	0	Financial constraints. Management resolved to intensify the implementation of the Revenue Enhancement Strategy to increase the levels of the collection rate so that the municipality can meet all its obligations.	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of laptops procured and replaced for members of MAYCO and Council	33	33	33	10	0	Financial constraints. Management resolved to intensify the implementation of the Revenue Enhancement Strategy to increase the levels of the collection rate so that the municipality can meet all its obligations	10	10
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of air-cons installed in MAYCo chambers in Ficksburg	0	0	0	1	0	Financial constraints. Management resolved to intensify the implementation of the Revenue Enhancement Strategy to increase the levels of the collection rate so that the municipality can meet all its obligations	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of updates to the analysis report	0	0	0	4	4	Target Met	4	4
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage of complaints attended to in respect of telephone and reprographic services systems	100%	100%	100%	100%	100%	Target Met	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of new telephone services obtained and installed	2	2	2	2	3	Target Well Met	2	2
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of deductions lists submitted to salary	12	12	12	12	12	Target met	12	12

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3.15.3 Administration and Council Support Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of reconciliations reviewed and submitted	12	12	12	12	12	Target Met	12	12
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage cleaning programmes implemented	100%	1005	100%	100%	100%	Target met	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of cleaning services satisfaction surveys conducted	1	1	1	1	1	Target Met	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of analysis reports on satisfaction surveys compiled	1	1	1	1	1	Target Met	1	1
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of Bylaws/Policies developed and reviewed	19	19	19	2	0	Delays from the department to submit inputs. Management resolved that departments should adhere to agreed upon timeline in order to achieve the target and meet deadlines	2	2
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of Bylaws submitted to Council for final adoption	19	19	19	2	0	Delays from the department to submit inputs. Management resolved that departments should adhere to agree upon timeline in order to achieve the target and meet deadlines	2	2
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of reviewed PAIA Manual compiled and approved	1	1	1	1	1	Target Met	1	1

T 3.15.3

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Employees: Administration and Support Service					
Job Level	2016/2017		2017/2018		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	1	3	2	1	33%
7 - 9	4	11	2	9	82%
10 - 12	7	14	11	3	21%
13 - 15	23	24	21	3	13%
Total	36	53	37	16	30%

T 3.15.4

Financial Performance Year 2017/2018: Administration and Support Services					
					R'000
Details	2016/2017		2017/2018		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0!
Expenditure:					
Employees	0	6 970	6 970	0	0!
Repairs and Maintenance	121	85	100	82	-4%
Other	3 549	2 908	4 125	3 975	27%
Total Operational Expenditure	3 670	9 963	11 195	4 057	-146%
Net Operational Expenditure	3 670	9 963	11 195	4 057	-146%

T 3.15.5

Capital Expenditure 2017/2018 : Administration and Support Service					
					R' 000
Capital Projects	2017/2018				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
No capital projects were implemented in the year under review					

T 3.15.6

COMMENT ON THE PERFORMANCE OF THE ADMINISTRATION AND SUPPORT SERVICES

The division is operating with a 30% vacancy rate. We had an official from Registry retire at 28 February 2018 and this has left us with only 2 clerical officials within Records and Archive. This placed extra burden on the division however the recruitment process for the critical position will be finalized early in 2018/2019. Targets not achieved related to procurement of first phase of Laptops for Councillors, procurement of digital record as well as Aircon for MAYCO Boardroom. This was due to financial constraints experienced by the Municipality whereby available funds were used to prioritize essential services.

During the year it was planned that two 2 bylaws would be reviewed and promulgated however focus was redirected to work towards implementation of the already promulgated bylaws whereby the Development Planning and Social Security Director had engaged with Departments towards compilation for fine lists to be endorsed by the Magistrate.

T 3.15.7

Chapter 3

MEASURES TAKEN TO IMPROVE PERFORMANCE OF ADMINISTRATION AND SUPPORT SERVICES

Targets not achieved for the financial year has been incorporated into the SDBIP for 2018/2019 to ensure that they get attended. Where the division is dependent upon other offices to respond to matters, closer monitoring will be done and non-submission will be reported to the relevant Director.

T 3.15.8

3.16 PAYROLL ADMINISTRATION

INTRODUCTION TO PAYROLL ADMINISTRATION SERVICES

The Payroll Administration Division is responsible for processing of salaries, benefits, deductions, payments to third parties, PAYE reconciliations and all other salary related processes. The payroll System follows set regulations to ensure compliance to national legislation. Payroll Administration is also responsible for the processing of all leave transactions and maintaining leave records of each employee. The Division falls within Corporate Services and is linked to the IDP through Organisational Development and Transformation Key Performance Area.

T 3.16.1

Service Statistics for Payroll Administration					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of payroll processed on or before the 25th of every month	12	12	12	12
2	Number of payrolls	12	12	12	12
3	Number of documents received on time to do the capturing of data	12	12	12	12
4	Number of reports on the compilation of documents that proof that balancing of all data are done and filled	12	12	12	12
5	Number of record kept of exported documents and ensure filling of them for further reference and enquires.	12	12	12	12
6	Number of data files transferred to the financial system in Finance	12	12	12	12
7	Number of months that third parties are processed on or before the 3rd of every month	12	12	12	12
8	Number of deduction lists and ensure it balances with our VIP System.	12	12	12	12
9	Number of documents received on time to do the capturing of data	12	12	12	12
10	Number of reports on the compilation of documents that proof that balancing of all data are done and filled	12	12	12	12
11	Percentage of leave processed	100%	100%	100%	100%
12	Number of reports that all leave application are checked and signing off the vouchers for capturing	12	12	12	12

T 3.16.2

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3.16.3 Payroll Administration Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of documents received on time to do the of data	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of reports on the compilation of documents that proof that balancing of all data are done and filed	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of record kept of exported documents and ensure filling of them to further reference and enquiries	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of data files transferred to financial system in Finance	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of months that third parties are processed on or before the 3 rd of every month	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of deductions lists and ensure it balances with our VIP system	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of documents received on time to do the capturing of data	12	12	12	12	12		12	12

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3.16.3 Payroll Administration Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of reports on the compilation of documents that proof that balancing of all data are done and filed	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage leave processed	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of reports that all leave application are checked and signing of the vouchers and take the vouchers for capturing	12	12	12	12	12		12	12

T 3.16.3

Chapter 3

Employees: Payroll Administration					
Job Level	2016/2017		2017/2018		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	1	1	50%
4 - 6	1	1	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	1	1	1	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	5	5	4	1	20%

T 3.16.4

Financial Performance 2017/2018 : Payroll Administration						R'000
Details	2016/2017	2017/2018				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue						
Expenditure:						
Employees						
Repairs and Maintenance						
Other						
Total Operational Expenditure						
Net Operational Expenditure						

T 3.16.5

Capital Expenditure 2017/2018 : Payroll Administration 2017/2018						R' 000
Capital Projects	2017/2018					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
No capital project implemented						

T 3.16.6

COMMENT ON THE PERFORMANCE OF PAYROLL ADMINISTRATION SERVICES OVERALL:

The Division has achieved all targets and the reports were submitted for all four quarters of the financial year 2017/2018. During the year integration between HR and Payroll Administration Systems continued to be monitored and addressed to ensure correctness of information. The Division was fully staffed for the year with no vacancy however the Manager Payroll Administration had retired at the end of May 2018 however the position was advertised and will be filled during the first quarter of the new financial year of 2018/2019.

T 3.16.7

Chapter 3

MEASURES TAKEN TO IMPROVE PERFORMANCE OF PAYROLL ADMINISTRATION

Targets were all achieved, however more focus was given to ensure SMART Targets for 2018/2019.

3.17 HUMAN RESOURCE MANAGEMENT SERVICES

INTRODUCTION TO HUMAN RESOURCE MANAGEMENT SERVICES

During the financial year 2017/2018 the Human Resources Management Division was responsible for the overall management of the two functions, namely; Human Resources Management responsible for administration, benefits administration, recruitment and placement. The second function was the Health and Wellness which is responsible for Employee Wellness and Occupational Health.

T 3.17.1

Service Statistics for Human Resources Management					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Percentage of coordinated positions filled	100%	100%	100%	100%
2	Percentage of labour requisitions finalised	100%	100%	100%	100%
3	Percentage positions filled	100%	100%	100%	100%
4	Percentage of interviews coordinated and finalised	100%	100%	100%	100%
5	Percentage of inductions conducted	100%	100%	100%	100%
6	Percentage of effectiveness on administration of HRM	100%	100%	100%	100%
7	Percentage of policies reviewed	100%	100%	100%	100%
8	Percentage towards completeness of gathering inputs for review and adoption by council	100%	100%	100%	100%
9	Percentage of employee benefits administered	100%	100%	100%	100%
10	Percentage of terminations administered	100%	100%	100%	100%
11	Percentage of employee benefits updated	100%	100%	100%	100%
12	Percentage of employee benefits campaign conducted	100%	100%	100%	100%
13	Percentage towards awareness made on health and safety at workplace	100%	100%	100%	100%
14	Number of assessments conducted	12	16	10	16
15	Number of workshops held	5	4	5	4
16	Percentage risk reduction	100%	100%	100%	100%
17	Number of risk registers updated	4	4	4	4
18	Number of monthly update of progress on audit action plan	6	4	4	4
19	Percentage internal and external audit queries responded to and addressed	100%	100%	100%	100%
20	Percentage of cases managed and submitted to DOL	100%	100%	100%	100%
21	Percentage towards the effectiveness of programmes conducted	100%	100%	100%	100%
22	Percentage programmes conducted	100%	100%	100%	100%
23	Percentage referrals made	100%	100%	100%	100%

T 3.17.2

Chapter 3

3.17.3 Human Resource Management Service Policy Objectives Taken From IDP											
Key Performance Area	Performance	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
				Target	Actual	Target		Actual		Target	Target
						2016/2017	2017/2018				
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage interviews coordinated and finalised	100%	100%	100%	100%	100%	Target Met	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage of inductions conducted	100%	100%	100%	100%	100%	Target Met	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage of the effectiveness on administration of HRM	100%	100%	100%	100%	100%	Target Met	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage of policies reviewed	100%	100%	100%	100%	100%	Target Met	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage towards completeness of gathering inputs for review and adoption by Council	100%	100%	100%	100%	0%	Resignation of Manager Legal Services The process of filling the position is in progress. Advert has been placed and interviews will start shortly s=after the closing date of the advert and the incumbent can finalise the review of the policies process.	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage of employee benefits administered	100%	100%	100%	100%	0%	Tender was advertised for the review of the organisational structure and the process is at the Bid Evaluation Committee stage	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage of terminations administered	100%	100%	100%	100%	100%	Target met	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage of employee benefits updated	100%	100%	100%	100%	100%	Target Met	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellent	Percentage of employee benefits campaigns conducted	100%	100%	100%	100%	100%	Target Met	100%	100%

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3.17.3 Human Resource Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage towards awareness made on health and safety at workplace	100%	100%	100%	100%	100%	OHS Officer position been vacant for a very long time. Management resolved that this is a critical position and must be filled as soon as possible. Awaiting the results of the interview process and appointment	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of assessment conducted	11	11	16	16	10	OHS Officer position been vacant for a very long time. Management resolved that this is a critical position and must be filled as soon as possible. Awaiting the results of the interview process and appointment	16	16
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of workshops held	4	3	4	4	4	Target Met	4	4
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage risk reduction	100%	100%	100%	100%	100%	Target Met	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of Risk Registers updated	4	4	4	4	4	Target Met	4	4
Good Governance and Public Participation	Development of Corporate Services Excellent	Number of monthly update of progress on audit action plan	4	4	4	4	4		4	4
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage internal and external audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%	Target Met	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage of cases managed and submitted to DOL	100%	100%	100%	100%	100%	Target Met	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage towards the effectiveness programmes conducted	100%	100%	100%	100%	0%	No referrals made	100%	100%
Good Governance and Public Participation	Development of Corporate Services Excellent	Percentage progress on programmes conducted	100%	100%	100%	100%	100%	Target Met	100%	100%

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EMPLOYEES 2017/2018: HUMAN RESOURCES MANAGEMENT					
Job Level	2016/2017	2017/2018			
	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	2	4	2	2	50%
7 - 9	3	10	3	7	70%
10 - 12	0	0	0	0	0!
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	8	17	8	9	53%

T 3.17.4

CAPITAL EXPENDITURE 2017/2018: HUMAN RESOURCES MANAGEMENT					R' 000
Capital Projects	2017/2018				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
No capital project implemented for the year under review.					

T 3.17.5

COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE MANAGEMENT SERVICES OVERALL:

As a result of the standing vacancy of the Occupational Health and Safety Officer that affected the performance of the division, some of the targets could not be met. In addition to this the moratorium which was put on filling of vacancies also had a great impact on this issue. During the financial year the Recruitment and Placement Officer was appointed which also had a positive impact on the issues relating to recruitment and placement of employees as well as addressing the findings from the Internal Audit Unit. There were still problems regarding the cash flow situation which led to the division not being able to perform as expected.

T 3.17.6

MEASURES TAKEN TO ADDRESS UNDER PERFORMANCE

The target on the review of policies has also been prioritized for the financial year 2018/2019 as it was not met during the financial year 2017/18 as a result of the resignation of the Legal Manager who was championing the process. The review of the organizational structure could also not be finalized as a result of processes of appointment of the service provider which were still not finalized during the financial year of reporting.

T 3.17.7

Chapter 3

3.18 HUMAN RESOURCE DEVELOPMENT SERVICES

INTRODUCTION TO HUMAN RESOURCES DEVELOPMENT

The Human Resources Development Division derives its mandate from the IDP (Organizational Development). Three top services that are rendered by the Human Resources Development Division are:

- To provide training for Skills Development
- Employment Equity
- To maintain discipline and sound Labour Relations

T 3.18.1

Human Resource Development Service Data					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Percentage of Municipality's budget actually spent on implementing its workplace skills plan	85%	85%	64%	85%
2	Number of WSP Implementation Plans compiled	1	1	1	1
3	Number of the Skills Audit Programmes conducted	1	1	1	1
4	Number of ATR's compiled	1	1	1	1
5	Number of approved Workplace Skill Plan	1	1	1	1
6	Percentage of which employee are trained	100%	100%	100%	100%
7	Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality approved employment equity plan	5	16	3	29
8	Percentage of employment equity target achieved	85%	85%	85%	85%
9	Number of Employment Equity Reports acknowledged by Department of Labour	1	1	1	1
10	Number of the Reports submitted to Management	4	12	9	12
11	Percentage of Reduction in Disciplinary Hearings	5%	5%	5%	5%
12	Number of Awareness Campaigns staged	0	1	1	1
13	Percentage of the Labour Matters that were managed and finalised	100%	100%	100%	100%
14	Number of the Monthly Labour Reports submitted to Management	12	12	12	12
15	Percentage of Risk within a tolerable level	100%	100%	100%	100%
16	Number of Monthly Risk Reports updated	4	4	4	4
17	Percentage of Internal and External audit Queries responded to and addresses within the required timeframe	100%	100%	100%	100%
18	Number of monthly progress report on the audit action plan	2	2	2	2
19	Percentage of cases managed and submitted to DOL	100%	100%	100%	100%
20	Percentage towards the effectiveness programmes conducted				
21	Percentage progress on programmes conducted	100%	100%	100%	100%
22	Percentage referrals made	100%	100%	100%	100%

T 3.18.2

Chapter 3

3.18.3 Administration and Council Support Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage of cases managed and submitted to DOL	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage toward the effectiveness programmes conducted	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage refer referrals made	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of Corporate Risk registers developed	4	4	4	4	4		4	4
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of monthly progress report on risk management	4	4	4	4	4		4	4
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage external and internal audit queries responded to and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of monthly progress report on audit action plan	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage of municipality's budget actually spent on implementing its workplace skills plan	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of WSP implementation plans compiled	1	1	1	1	1		1	1
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of Skills Audit Programmes conducted	1	1	1	1	1		1	1
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of ATR's compiled	1	1	1	1	1		1	1
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage of which employees are trained	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.18.3 Administration and Council Support Service Policy Objectives Taken From IDP

Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality approved employment equity plan	16	16	16	29	3	High vacancy rate still do be filled	29	29
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage of employment equity target achieved	85%	85%	85%	100%	10%	High vacancy rate still to be filled	100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of Employment Equity Reports acknowledged by Department of Labour	1	1	1	1	1		1	1
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of the reports submitted to management	8	8	8	12	9		12	12
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage reduction in Disciplinary Hearings	54%	54%	54%	5%	5%		5%	5%
Organisational Development and Transformation	Development of Corporate Services Excellent	Number of awareness campaigns staged	1	1	1	1	1		1	1
Organisational Development and Transformation	Development of Corporate Services Excellent	Percentage of labour matters that were managed and finalised	100%	100%	100%	100%	100%		100%	100%

T 3.18.3

Chapter 3

EMPLOYEE 2017/2018: HUMAN RESOURCE DEVELOPMENT					
Job Level	2016/2017	2017/2018			
Police	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	3	2	1	33%
4 - 6	1	3	1	2	67%
7 - 9	1	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	7	4	3	43%

T 3.18..4

Capital Expenditure Year 2017/2018: Human Resource Development					R' 000
Capital Projects	2017/2018				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All					

T 318..5

COMMENT ON PERFORMANCE OF HUMAN RESOURCE DEVELOPMENT

The Human Resources Development Division has ensured that there are sound relationships with Government Departments, LGSETA and other Seta's. This enables the Division to obtain strategic partnership with the sectors. These strategic partners provide funding to the programmes that are implemented in the institution. The type of the funding we receives come in the form of the Discretionary Grants that are utilized to implement Learnerships and Internships. These projects requires capital but since we receive Grants, all the programmes that are implemented through those conditional grants.

The compilations of the EEP, WSP, ATR, and Policy Development, which can be classified as the Capital Projects, are not outsourced as the HRD Division has the capacity to do the work internally. The Division will still rely on the Discretionary Grants and in the coming year we have secured funds from LGSETA for implementation of Waste Management Learnership, Department of Treasury for Financial Management Intern Programme and the Office of the Premier (Internships) and placement of Technical and Vocational Education Training (TVET's) Students to acquire workplace experience in the Municipality.

T. 3.18.6

MEASURES TAKEN TO ADDRESS UNDER PERFORMANCE

On targets which the division could not meet, which relates to employment equity this was as a result of positions which the municipality could not feel as a result of financial constraints. The positions of Section 56 were also advertised and were not yet filled at the time of reporting. This also had an effect in terms of percentage or targets to be achieved. Reports submitted to management could not be met as a result of

Chapter 3

Employment Equity Plan of the municipality has to be reviewed. Currently the division is in a process of re-establishing the EE Forum which will also assist in the review of the policy.

T 3.18.7

3.19 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The municipality is committed to providing a reliable and sustainable ICT environment that supports its goals and objectives, as defined in the Integrated Development Plan. The ICT Section is within the office of the Municipal Managers department and is mainly linked to the IDP objective and key performance area off Good Governance & Public Participation.

The strategic goal of the section is to provide strategic leadership to the strategic operational activities of the municipality. The municipality has been successfully transacting in the 2018/2019 financial with MSCOA which was implemented in the 2016/2017 financial year. An Endpoint Data Protection software has also been installed on all PC's to ensure that their data is backed up regularly.

The Security Software to protect PC's from viruses and malware has also been updated. Microsoft Volume Licensing has been reviewed to comply with licensing of all Microsoft products. The Remote Administration Software has also been updated to assist users more efficiently. The following ICT Policies have been developed and reviewed for adoption:

- 1) Disaster Recovery & Business Continuity Plan – Reviewed
- 2) Master Systems Plan – Reviewed
- 3) ICT Security Policy – Reviewed
- 4) ICT Steering Committee Terms of Reference – Reviewed
- 5) ICT Charter – Reviewed
- 6) Municipal Corporate Governance of ICT Policy Framework – Reviewed

T 3.19.1

Service Statistics : Information Communication Technology, Communications and Customer Relations Management

	Details	Quarter 1		Quarter 2		Quarter 3		Quarter 4		2018/2019	2019/2020
		Target	Actuals	Target	Actuals	Target	Actuals	Target	Actuals	Target	Target
1	Percentage effective information communication technologies, communication and customer care relations management systems	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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2	Number of information technology governance reports	1	1	1	1	1	1	1	1	4	4
3	Number of software licenses renewed and procured	2	2	0	0	1	1	2	2	5	5
4	Number of disaster recovery test conducted	1	1	1	1	1	1	1	1	4	4
T 3.19.2											

Chapter 3

3.19.3 Information Communication Technology, Communication and Customer Care Relations Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
					Target		Actual		Target	Target
			Target	Actual	2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Information Communication Technology Steering Committee meeting held	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of security reports produced	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of registers updated	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of email and internet maintenance reports produced	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of information communication technology security policy reviewed	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of software licenses reviewed and procured	5	5	5	5	5		5	5
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number CIBECS license reviewed	200	200	200	200	250		200	200
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of MICROSOFT volume license agreement renew	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of malware and anti-spyware license renewed	200	200	200	200	280		200	200

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3.19.3 Information Communication Technology, Communication and Customer Care Relations Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of IMPERO licenses renewed	200	200	200	200	250		200	200
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of ePMS licenses renewed	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Disaster Recovery tests conducted on HRS-server	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Disaster Recovery tests conducted on Barn-Owl server	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Disaster Recovery tests conducted on TERM server	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of public safety registers updated	4	4	4	4	4		4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage external audit queries responded to and addresses within timeframe	100%	100%	100%	100%	100%		100%	100%
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage internal audit queries responded to and addresses within timeframe	100%	100%	100%	100%	100%		100%	100%
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage reduction of external and internal audit findings responded to and addressed	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.19.3 Information Communication Technology, Communication and Customer Care Relations Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
					Target		Actual		Target	Target
			Target	Actual	2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of monthly updates of progress on audit action plan	2	2	2	2	2		2	2
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage of information uploaded	100%	100%	100%	100%	100%		100%	100%
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage effective communication technologies, communication and customer care relations management systems	100%	100%	100%	100%	100%		100%	100%
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of communication surveys reports submitted	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage of scheduled interviews	100%	100%	100%	100%	100%		100%	100%
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage of media enquiries received	100%	100%	100%	100%	100%		100%	100%
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of media statements issued	12	12	12	12	12		12	12
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Percentage of announcements/ notices issued	100%	100%	100%	100%	100%		100%	100%
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of themed awareness conducted	4	4	4	4	4		4	4
T 3.19.3										

Chapter 3

EMPLOYEES: 2017/2018: INFORMATION COMMUNICATION TECHNOLOGY, COMMUNICATION AND CUSTOMER CARE RELATIONS					
Job Level	2016/2017	2017/2018			
	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	2		2	100%
7 - 9	1	2	1	1	50%
Total	2	5		3	60%

T 3.19.4

FINANCIAL PERFORMANCE 2017/2018: INFORMATION COMMUNICATION TECHNOLOGY, COMMUNICATION AND CUSTOMER CARE RELATIONS					
R'000					
Details	2016/2017	2017/2018			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	3625382,68	3013836,00	2742386,00	1739405,57	-73%
Expenditure:					
Employees	906967,69	930660,00	930660,00	990275,02	6%
Repairs and Maintenance	0,00	0,00	0,00	0,00	0%
Other	2718414,99	2083176,00	1811726,00	749130,55	-178%
Total Operational Expenditure	3625382,68	3013836,00	2742386,00	1739405,57	-73%
Net Operational Expenditure	3625382,68	3013836,00	2742386,00	1739405,57	-73%

T 3.19.5

CAPITAL EXPENDITURE 2017/2018: INFORMATION COMMUNICATION TECHNOLOGY COMMUNICATIONS AND CUSTOMER RELATIONS MANAGEMENT				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No projects were implemented for the year under review				

T 3.19.6

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL

The ICT Section has strived to deliver on the targets set for the 2017/2018 financial year. The challenges that the section is facing, is that we are currently under staffed with only 2 personnel providing support and also dealing with technological issues within the various departments in the municipality. We hope that management can adhere to our call to have the relevant vacant positions filled.

The overall performance of the ICT Section has been excellent and with the support from management and the other departments the section will surely perform in the new financial year by providing excellent services to the various departments within the municipality.

T 3.19.7

Chapter 3

3.20 LEGAL SERVICES AND CONTRACT MANAGEMENT

INTRODUCTION TO LEGAL SERVICES AND CONTRACT MANAGEMENT

The Legal Services and Contracts Management Division mandate is linked to the IDP Objectives and Key Performance Area: Good Governance. The Division is responsible to provide an effective and efficient Legal Services and Contracts Management to the entire Municipality. The services involve legal opinion and advice, labour matters, civil litigation and contracts management.

T 3.20.1

Legal and Contract Management Service Data					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of audit analysis conducted to measure the effectiveness of legal services on contingent liabilities	1	1	1	1
2	Number of Contingent Liability Policy reviewed	1	1	1	1
3	Number of contingent asset and liability registers compiled and reviewed	1	1	1	1
4	Percentage of legal advices and opinions provided timeously within SLM	100%	00%	100%	100%
5	Percentage of negotiated settlement warranted within SLM	100%	00%	100%	100%
6	Percentage of evictions applications made for Setsoto Local Municipality	100%	00%	100%	100%
-75	Number of audit analysis conducted to measure the effectiveness of contract management	1	1	1	1
8	Number of monthly contract registers compiled and updated	12	12	12	12
9	Number of monitoring tools compiled for payment in respect of contracts within SLM	1	0	0	1
10	Number of Corporate Services Policies developed and reviewed	8	8	8	8
11	Number of engagement sessions coordinated	4	4	0	4
12	Number of updates to policy Matrix	4	4	4	4
13	Percentage of risk within a tolerable level	100%	100%	100%	100%
14	Number of quarterly risk reports updated	12	12	12	12
15	Percentage of internal and external audit queries responded to and addressed within required timeframe	100%	100%	100%	100%
16	Number of monthly update of progress on audit action plan	12	12	12	12
					T 3.20.2

Chapter 3

3.20.3 Legal and Contract Management Service Policy Objectives Taken From IDP											
Key Performance Area	Performance	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
				Target	Actual	Target	Actual	Target		Target	
						2016/2017	2017/2018	2017/2018			
Organisational Development and Transformation		Development of Corporate Services Excellence	Number of audit analysis conducted to measure the effectiveness of legal services on contingent liabilities	1	1	1	1	1		1	1
Organisational Development and Transformation		Development of Corporate Services Excellence	Number of Contingent Liability Policy reviewed	1	1	1	1	1		1	1
Organisational Development and Transformation		Development of Corporate Services Excellence	Number of contingent asset and liability registers compiled and reviewed	4	4	4	4	4		4	4
Organisational Development and Transformation		Development of Corporate Services Excellence	Percentage of legal advice and opinions provided timeously within SLM	100%	100%	100%	100%	0%	Legal Manager resigned and Contract management officer vacant	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellence	Percentage of negotiated settlement warranted within SLM	100%	100%	100%	100%	0%	Legal Manager resigned and Contract management officer vacant	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellence	Percentage of eviction applications made for SLM	100%	100%	100%	100%	0%	Legal Manager resigned and Contract management officer vacant	100%	100%
Organisational Development and Transformation		Development of Corporate Services Excellence	Number of audit analysis conducted to measure the effectiveness of contract management	1	1	1	1	1		1	1

Chapter 3

3.20.3 Legal and Contract Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Organisational Development and Transformation	Development of Corporate Services Excellence	Number of monthly contracts registers compiled and updated	12	12	12	12	12		12	12
Organisational Development and Transformation	Development of Corporate Services Excellence	Number of monitoring tools compiled for payment to contracts within SLM	0	0	0	1	0	Legal Manager resigned and Contract management officer vacant	1	1
Organisational Development and Transformation	Development of Corporate Services Excellence	Number of Corporate Services Policies developed and reviewed	27	27	27	8	0	Legal Manager resigned and Contract management officer vacant	8	8
Organisational Development and Transformation	Development of Corporate Services Excellence	Number of engagement sessions coordinated	27	27	27	4	0	Legal Manager resigned and Contract management officer vacant	4	4
Organisational Development and Transformation	Development of Corporate Services Excellence	Number of updates to Policy Matrix	1	1	1	2	0	Legal Manager resigned and Contract management officer vacant	2	2
Organisational Development and Transformation	Development of Corporate Services Excellence	Percentage risk within a tolerable level	100%	100%	100%	100%	100%		100%	100%
Organisational Development and Transformation	Development of Corporate Services Excellence	Number of monthly risk reports updated	4	4	4	4	4		4	4
Organisational Development and Transformation	Development of Corporate Services Excellence	Percentage of internal and external audit queries responded to within the required timeframe	100%	100%	100%	100%	100%		100%	
Organisational Development and Transformation	Development of Corporate Services Excellence	Number of monthly update of progress on audit action plan	12	12	12	12	12		12	12

T 3.20.3

Chapter 3

EMPLOYEES: LEGAL SERVICES AND CONTRACT MANAGEMENT: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	3	1	2	67%
4-6	0	0	0	0	0
7-9	0	1	1	1	100%
10-12	1	1	0	0	0
13-15	0	0	0	0	0
16-17	0	0	0	0	0
Total	2	5	2	3	60%
					T 3.20.4

CAPITAL EXPENDITURE 2018/2019: LEGAL SERVICES AND CONTRACT MANAGEMENT				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No projects were implemented during the year under review				
				T 3.20.5

COMMENT ON THE PERFORMANCE OF LEGAL SERVICES AND CONTRACT MANAGEMENT SERVICES OVERALL:

The Legal Services and Contracts Management comprises of dedicated and committed employees who are prepared to provide an effective and efficient services. The performance is significantly improving despite the challenge of shortage of staff and the vacancy that was left by the Legal Manager. The Acting Contract Officer was left with a huge responsibility of having to carry the load of three positions, Legal Manager, Contracts Management Officer and Litigation Officer.

There are a huge number of contracts that have expired. Some contracts did not have the accounts so that suggest that there had been a number of people occupying our properties without any rental payment. It still remains a challenge to curb the legal expenses but with enough staff this will be achieved. The reduction of the Legal costs will be a priority for the first quarter of the new financial year.

T 3.20.6

MEASURES TAKEN TO ADDRESS UNDERPERFORMANCE

Legal Manager and Contract Management Officer Vacancies were advertised and Legal Division will be able to achieve the targets as set.

T 3.20.7

Chapter 3

3.21 RISK MANAGEMENT SERVICES

INTRODUCTION TO RISK MANAGEMENT SERVICES

The adoption of the Municipal Finance Management Act of 2003 and the Treasury Regulations issued in terms of the Act infused the public service with a Municipality culture, which must add to its emphasis on external sanctions and include stronger internal controls with anticipatory management systems to assess the abuse of power, which is the central principle of risk management. This is why risk management is central to managing the Municipality as a whole, and why risk management is integral to planning, organising, directing and coordinating systems aimed at achieving Municipality's goals and objective

T 3.21.1

SERVICE STATISTICS : RISK MANAGEMENT

	Details	2016/2017		2018/2019		2018/2019	2020/2021	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Installation of Barnowl	1	1	0	0	0	0	0
2	Conducted Trainings	2	2	2	2	2	2	2
3	Risk Assessments	2	2	1	1	1	1	1

T 3.21.2

RISK MANAGEMENT SERVICE DATA

	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of reports t the Risk Management Committee	4	4	2	4
2	Number of assessment reports	1	1	1	1
3	Number of Risk Management Documents approved	5	5	0	5

T 3.21.2

Chapter 3

3.21.3 Risk Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of reports t the Risk Management Committee	4	4	4	4	2	The position of the Chief Risk Officer must be filled so that these activities are attended to.	4	4
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of assessment reports	1	1	1	1	1		1	1
Good Governance and Public Participation	To provide strategic leadership to the strategic operational activities of the municipality	Number of Risk Management Documents approved	5	5	5	5	0	The position of the Chief Risk Officer must be filled so that these activities are attended to.	5	5
										T 3.21.3

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EMPLOYEES 201/2018: RISK MANAGEMENT					
Job Level	2016/2017	2017/2018			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	33,33
4 - 6	1	1	1	0	0
7 - 9	1	1	1	0	0
10 - 12	0	0			
Total	2	3			33.33
					T 3.21.4

CAPITAL PROJECTS 2017/2018: RISK MANAGEMENT						
						R' 000
Capital Projects	Year 2018/2019		Actual Expenditure	Variance from original budget	Total Value	Project
	Budget	Adjustment Budget				
No capital projects implemented for the year under review						
					T 3.21.5	

COMMENT ON THE PERFORMANCE OF RISK MANAGEMENT SERVICES OVERALL:

The Risk Management Division consists of dedicated and skilled personnel. However the division has not performed to its optimal level as opposed to previous years based on the vacancy of the Chief Risk Officer.

T 3.21.6

MEASURES TAKEN TO ADDRESS UNDERPERFORMANCE

The vacancy of the Chief Risk Officer to be filled so that the Division can function to the best of its ability.

T 3.20.7

Chapter 3

3.22 SUPPLY CHAIN MANAGEMENT SERVICES

Supply Chain Management Service Data					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of updated contract register placed on the municipal website	4	4	4	4
2	Number of monthly update on progress on implementation of Audit Action Plan 2016/2017	4	4	4	4
3	Percentage internal and external audit queries responded to and addressed	100%	100%	100%	100%
4	Number of updates on risk register	4	4	4	4
5	Number of workshops held with internal and external stakeholders on Supply Chain management Policy and process	9	9	3	9
6	Number of store rectification plans approved	0	1	0	1
7	Number of stock takes conducted	4	4	4	4
8	Number of quarterly reports on the implementation of Supply Chain management to the Executive mayor and Finance Committee	4	4	4	4
9	Percentage bids administered	100%	100%	100%	100%
10	Number of credible supplier database	1	1	1	1
11	Percentage of assessed vendor performance with project managers	100%	100%		100%
12	Number of quarterly update on credible supplier database	4	4	4	4
					T 3.22.1

Chapter 3

3.22.3 Supply Chain Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of signed off annual procurement plans submitted	1	1	1	1	1		1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of quarterly updates of procurement plans submitted	4	4	4	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of progress reports in respect of tender processes reported monthly to Finance Committee	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of workshops held with internal and external stakeholders on Supply Chain management Policy and process	9	9	9	9	4	External Stakeholders prioritised. Due to strikes only 3 of 4 was conducted	9	9
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of store rectification plans approved	1	1	1	1	0	Cancelled due to cash constraints. A revised approach is discussed with the Internal Audit Unit	1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of stock takes conducted	4	4	4	4	4		4	4

Chapter 3

3.22.3 Supply Chain Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of reports on the implementation of Supply Chain management to the Executive mayor and Finance Committee	16	16	16	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage bids administered	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of credible supplier database	1	1	1	1	1		1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage of assessed vendor performance with project managers	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of quarterly update on credible supplier database	4	4	4	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of updated contract register placed on the municipal website	4	4	4	4	4		4	4

Chapter 3

3.22.3 Supply Chain Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of monthly update on progress on implementation of Audit Action Plan 2016/2017	4	4	4	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage internal and external audit queries responded to and addressed	90%	90%	90%	100%	100%		100%	
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of updates on risk register	4	4	4	4	4		4	4
										T 3.22.3

Chapter 3

EMPLOYEES: SUPPLY CHAIN MANAGEMENT: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	3	1	2	66
4-6	2	4	3	1	25
7-9	5	12	4	8	66
10-12	0	0	0	0	0
13-15	0	2	0	2	100
16-17	0	0	0	0	0
Total	8	21	8	13	61

T 3.22.4

FINANCIAL PERFORMANCE 2017/2018: SUPPLY CHAIN MANAGEMENT				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue				
Expenditure				
Employees	1 966 699	2 0832 048	2 138 026.13	694 021.87
Repairs and Maintenance	0	0	0	0
Other	148 785	744 756	95 051.41	649 704.59
Total Expenditure	2 115 484	3 576 756	2 233 077.54	1 343 726.46
Net Operational Expenditure	(1 583 621)	(3 378 651)	(2 115 484)	

T 3.22.5

CAPITAL EXPENDITURE 2017/2018: SUPPLY CHAIN MANAGEMENT				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
	999 996	0	999 996	0

T 3.22.6

COMMENT ON THE PERFORMANCE OF RISK MANAGEMENT SERVICES OVERALL

The overall performance is satisfactory. Emphasis would however be placed on improving the controls around inventory to reduce the opportunity for theft or possible loss, the faster turnaround of the SCM processes regarding competitive bidding to the point of appointment. Continued effort to educate bidders & potential to assist in the swifter turnaround time must be considered. The signing of invoices to the service quality is still relied on in terms of performance measurement.

T 3.22.7

Chapter 3

3.23 ASSETS MANAGEMENT SERVICES

INTRODUCTION TO ASSETS MANAGEMENT SERVICES

Asset Management is applied to the entire portfolio of assets at all levels of the organization. That seeks to minimize the total cost of acquiring, operating, maintaining and renewing the assets. Within an environment of limited resources, while continuously delivering the service levels customers desire and regulators require. At an acceptable level of business risk to the organization.

T 3.23.1

Asset Management Service Data					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Addressing issues raised on internal control by internal or external Auditors	100%	100%	100%	100%
2	GRAP Compliant Asset Registers	95%	100%	95%	100%
3	Number of assets related policies reviewed and adopted	2	3	3	3
4	Update fixed asset register monthly	12	12	12	12
5	Conduct physical assets verification on the quarterly basis	4	4	4	4
6	Perform reconciliation between fixed assets and GL	12	12	12	12
7	Compile assets maintenance report on quarterly basis	4	4	4	4
8	Mitigate identified assets risks	4	4	4	4

T 3.23.2

Chapter 3

3.23.3 Asset Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018				
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage of compliant Asset Register as per GRAP requirements	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of updates completed	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of verification conducted	1	1	1	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of reconciliations completed	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage of mitigated risks	90%	90%	90%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage internal and external audit queries responded to and addressed	90%	90%	90%	100%	100%		100%	100%

Chapter 3

3.23.3 Asset Management Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of review Capital Infrastructure Investment Policy reviewed and approved	1	1	1	1	0	Approval will only be obtained on 31 July 2018 during the council meeting	1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of Asset Management Policy reviewed and approved	1	1	1	1	0	Approval will only be obtained on 31 July 2018 during the council meeting	1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of Asset Disposal and Laptop and other Electronic Device Policy reviewed and approved	0	0	0	1	0	Approval will only be obtained on 31 July 2018 during the council meeting		
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of reports on the percentage of actual spent on asset over approved budget	0	0	0	4	4		4	4

T 3.23.3

Chapter 3

EMPLOYEES: ASSET MANAGEMENT DIVISION: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	2	2	2	0	0%
4-6	0	1	0	1	100%
7-9	3	7	3	4	57%
16-17	5	10	5	5	50%
T 3.23.4					

FINANCIAL PERFORMANCE 2017/2018: ASSET MANAGEMENT DIVISION				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	0	0	0	0%
Expenditure				
Employees	1 441 105	1 883 340	1 787 829	-5%
Repairs and Maintenance	1 044	10 000	450	-95%
Other	414 341	408 952	222 091	-46%
Total Expenditure	1 856 490	2 302 292	2 010 370	-13%
Net Operational Expenditure	1 856 490	2 302 292	20 10 370	-13%
T 3.23.5				

CAPITAL EXPENDITURE 2017/2018: ASSET MANAGEMENT DIVISION				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Furniture & Equipment	60000	0	100%	60000
T 3.23.6				

COMMENT ON THE PERFORMANCE OF ASSETS MANAGEMENT SERVICES OVERALL

Generally, the Municipality's assets performed badly in meeting the demand for the community services and required service level, due to poor maintenance of infrastructure assets and inadequate budget on the repairs and maintenance of assets. However if proper financial planning can be implemented, the will be tremendous improvement on the performance of assets and delivery of quality services to the community.

T 3.23.7

Chapter 3

3.24 BUDGET AND REPORTING SERVICES

INTRODUCTION TO BUDGET AND REPORTING SERVICES

- Provide budget support to the municipality
- Provide reporting support to the municipality and its steering committees
- Advising the Accounting Officer and Chief Financial Officer on financial related matters

In this report, a financial snapshot was conducted to assess the financial performance for the financial 2017/2018. The actual organisational performance will be measured within the Service Delivery and Budget Implementation Plan for the reporting period, where performance is to be examined against predetermined and defined key performance areas.

T 3.24.1

Budget and Reporting Service Data					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of mSCOA compliant draft budget submitted	1	1	1	1
2	Number of mSCOA compliant final budget submitted	1	1	1	1
3	Number of mSCOA compliant adjustment budget submitted	1	1	1	1
4	Percentage reporting in relation to spending within the approved budget	100%	100%	100%	100%
5	Number of section 71 reports submitted	12	12	12	12
6	Number of Mid-year Budget and Performance Assessment reports submitted	1	1	1	1
7	Number of section 52 (d) submitted	4	4	4	4
8	Number of GRAP compliant Annual Financial Statements compiled and submitted	1	1	1	1
9	Number of Budget related policies reviewed and approved	3	3	3	3
10	Percentage debt coverage ratio	100%	100%	100%	100%
11	Percentage outstanding service debtors ratio	100%	100%	100%	100%
12	Percentage of audit opinion received on clean audit	100%	100%	100%	100%
13	Percentage risk reduction	100%	100%	100%	100%
14	Percentage responded to audit queries and addressed within timeframe	100%	100%	100%	100%

T 3.23.2

Chapter 3

3.24.3 Budget and Reporting Service Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of mSCOA compliant draft budget submitted	1	1	1	1	1		1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of mSCOA compliant final budget submitted	1	1	1	1	1		1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of mSCOA compliant adjustment budget submitted	1	1	1	1	1		1	1
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage reporting in relation to spending within the approved budget	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of section 71 reports submitted	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of Mid-year Budget and performance Assessment Reports submitted	1	1	1	1	1		1	1

Chapter 3

3.24.3 Budget and Reporting Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of section 52(d) submitted	4	4	4	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of GRAP compliant Annual Financial Statements submitted to the Office of the Auditor General	2	2	2	1	1		2	2
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of budget related policies reviewed and approved	3	3	3	3	3		3	3
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage debt coverage ratio	80%	122%	80%	80%	342%	The Final figures will be submitted after the finalisation of the AFS	80%	80%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage outstanding service debtors ration	103%	302%	103%	103%	254%	The Final figures will be submitted after the finalisation of the AFS	103%	103%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage cost coverage ratio	1%	25%	1%	1%	141%	The Final figures will be submitted after the finalisation of the AFS	1%	1%

Chapter 3

3.24.3 Budget and Reporting Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage of audit opinion received	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage risk reduction	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage responded to external and internal audit queries and addressed within timeframe	100%	100%	100%	100%	100%		100%	100%

T 3.24.3

Chapter 3

EMPLOYEES: BUDGET AND REPORTING DIVISION: 2017/2018					
Job Level	2016/2017		2017/2018		
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	2	3	2	2	33%
4-6	1	4	3	3	50%
7-9	0	3	0	0	100%
10-12	0	0	0	0	0%
13-15	0	0	0	0	0%
16-17	0	0	0	0	0%
Total	3	10	5	5	60%

T 3.24.4

FINANCIAL PERFORMANCE 2017/2018: BUDGET AND REPORTING SERVICES				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue		1,900	2,117	11.4%
Expenditure				
Employees		2,194	1,809	17.5%
Repairs and Maintenance		0	0	0%
Other		507	221	56.4%
Total Expenditure		2,701	2,030	24.8%
Net Operational Expenditure		2,R701	2,030	24.8%

T 3.24.5

CAPITAL EXPENDITURE 2017/2018				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
No capital projects were planned for the section				

T 3.24.6

COMMENT ON THE PERFORMANCE OF BUDGET AND REPORTING SERVICES OVERALL:

There is no major deviation to be reported on as the deviation are within an exceptional norm, thus indicating that the section performed as planned.

T 3.24.7

COMMENT ON THE PERFORMANCE OF BUDGET AND REPORTING SERVICES OVERALL:

T 3.24.8

MEASURES UNDERTAKEN TO ADDRESS UNDER PERFORMANCE

Measure to address will be dependent on the actual figures after the finalisation of the AFS

T 3.24.9

Chapter 3

3.25 EXPENDITURE MANAGEMENT SERVICES

INTRODUCTION TO EXPENDITURE MANAGEMENT SERVICES

In terms of the MFMA, sec 65 (c) the municipality must maintain a system of internal control in respect of creditors and payments to ensure that management and other personnel provide reasonable assurance regarding the achievement of objectives in economy, efficiency and effectiveness of operations and compliance with applicable laws, policies and regulations to accomplish a clean audit report. Expenditure Management is an ongoing function with the aim of improving creditor's efficiency by ensuring all creditors are paid within 30 days. More than 79% of all invoices are paid within 30 days with only invoices that are in dispute being paid later.

T 3.25.1

Expenditure Management Service Data					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of Insurance claims reported	12	12	12	12
2	Number of risk registers updated	4	4	4	4
3	Control of documents filed	95%	95%	95%	95%
4	Percentage invoices paid	81%	83%	79%	82%
5	Percentage of creditors accounts reconciled	88%	90%	87%	90%
6	Number of incidents of Irregular, Fruitless and Wasteful Expenditure	12	12	12	12
7	Number of reports printed from the online banking to be cleared	47	48	48	48
8	Number of Cash Flow Reports	12	12	12	12
9	Percentage external and internal audit issues addressed	100%	100%	100%	100%
10	Percentage of external and internal audit issues addressed	100%	100%	100%	100%
11	Number of progress reports on the implementation of the Audit Action plan 2016/17	4	4	4	4

T 3.25.2

Chapter 3

3.25.3 Expenditure Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018				
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage of creditors' accounts reconciled	88%	885	88%	90%	87%		90%	90%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage invoices paid	81%	81%	81%	81%	79%		82%	82%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of incidents of irregular, fruitless and Wasteful expenditure reviewed and refined	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of reports printed from the online banking to be cleared	47	47	47	48	12		48	48
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of cash flow reports	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of risk registers updated	4	4	4	4	4		4	4

Chapter 3

3.25.3 Expenditure Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of insurance claims reported	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage issues responded to and addressed raised by PROPA and MPAC	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage external and internal audit issues addressed	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of Quarterly submission of reports	4	4	4	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of progress reports on the implementation of the Audit Action Plan 2016/2017	4	4	4	4	4		4	4

T 3.25.3

Chapter 3

EMPLOYEES: EXPENDITURE DIVISION: 2018/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	2	2	2	0	0%
4-6	2	4	2	2	50%
7-9	3	7	3	4	58%
10-12	0	0	0	0	0%
13-15	0	0	0	0	0%
16-17	0	0	0	0	0%
Total	7	13	7	6	46%

T 3.25.4

FINANCIAL PERFORMANCE 2017/2018: EXPENDITURE DIVISION				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	0	0	0	0%
Expenditure				
Employees	2 653	3 108	3 169	9%
Repairs and Maintenance	5	10	0	0%
Other	3 464	40 88	4 358	-47%
Total Expenditure	6 177	72 06	7 527	-23%
Net Operational Expenditure	6 177	7 206	7 527	-23%

T 3.25.5

CAPITAL EXPENDITURE 2017/2018: EXPENDITURE MANAGEMENT					
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value	
No capital projects implemented in the year under review					

T 3.25.6

COMMENT ON THE PERFORMANCE OF EXPENDITURE MANAGEMENT SERVICES OVERALL

In accordance to the MFMA, sec 65 (e) all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement. Expenditure section accomplished an actual of 79% of paying creditors within 30 days during this period even in the environment of a negative cash flow. The reconciliation between the supplier's statement and the individual creditor's ledger is also maintained as part of effective internal control within the Expenditure section.

T 3.25.7.

Chapter 3

3.26 REVENUE MANAGEMENT SERVICES

INTRODUCTION TO REVENUE MANAGEMENT SERVICES

The Revenue Division is linked to the IDP Objective through the Key Performance Area of Financial Viability and Management. The Division is responsible to provide an effective and efficient Revenue Management and comprises of three sections in line with the key focus areas, namely Billing Services, Credit Control & Indigent Management and Counter Services that comprises of Cashiers and Customer Care. This report reflects the performance of the Division for the year 2017/2018.

T 3.26.1

Revenue Management Service Data					
	Details	2016/2017	2017/2018		2018/2019
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Percentage payment rate	53%	80%	63%	80%
2	Number of risk reports submitted	4	4	4	4
3	Number of monthly billing conducted	12	12	12	12
4	Number of balanced reports created	12	12	12	12
5	Number of authorized billing runs	12	12	12	12
6	Number of Revenue Enhancement Strategies approved	1	1	0	1
7	Number of reports sent on faulty meters	12	12	12	12
8	Number of Indigents registered	6833	7000	6391	7000
9	Number of meetings	4	4	8	4
10	Percentage of queries resolved	100%	100%	100%	100%
11	Percentage of daily cash banked	100%	100%		100%
12	Percentage implementation of valuation roll	100%	100%	100%	100%
13	Percentage monthly updates according to Deeds office	100%	100%	100%	100%
14	Percentage households disconnected	70%	80%	80%	80%
15	Number revenue policies reviewed	5	5	5	5
16	Percentage external & internal audit queries responded	100%	100%	100%	100%
17	Number of progress report on Audit action plan	4	4	4	4
18	Number of reports on intervention to identify risks	4	4	4	4

T 3.26.2

Debt Recovery								
								R' 000
Details of the types of account raised and recovered	2015/2016		2016/2017			2017/18		
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Actual for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	60 278	119	44 250	62 939		53 262	64 483	81
Electricity - B&C	66 546	82	88 334	66 252		68 486	62 831	89
Water - B&C	47 166	112	63 387	52 210		50 803	55 950	27
Sanitation	22 907	116	21 203	25 368		23 372	28 403	32
Refuse	27 109	104	27 902	33 894		36 364	36345	24

T 3.25.3

Chapter 3

CONCERNING T 3.25.23

The collection rate on the billed amounts for electricity is the highest at 89%. Electricity is supplied in Municipal licensed area of Ficksburg, Senekal, Clocolan and Marquard. The former townships fall within license area of ESKOM. The second highest collection is on rates. Collection on water, refuse and sanitation extremely low and a contributing factor might be the historic non-payment of accounts in the former township

T 3.26.3.1

Chapter 3

3.26.3 Revenue Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018				
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage payment rate on monthly billing	80%	53%	80%	80%	63%	Various strategies will be implemented to collect the outstanding debt.	80%	80%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of quarterly submission of risk report and mitigation	4	4	4	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of monthly billing conducted	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of balanced reports generated	12	12	12	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of authorised billing runs	12	12	12	12	12		121	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of Revenue Enhancement Strategies approved	1	1	1	1	0	Process to be finalised	1	1

Chapter 3

3.26.3 Revenue Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018	2017/2018			
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of reports send to electricity and water divisions on faulty water meters	0	0	0	12	12		12	12
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of indigent registration earning less than 3 200 per month with access to free basic services	7 000	6 833	7 000	7 000	6 391	609 short of the target. Intensified campaign for 2018/21019	7 000	7 000
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of meetings	4	4	4	4	8		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage of customer queries resolved within three working days	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage of daily cash banked	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage implementation of valuation roll	100%	100%	100%	100%	100%		100%	100%

Chapter 3

3.26.3 Revenue Management Services Policy Objectives Taken From IDP										
Key Performance Area	Planning Statement	Key Performance Indicator	2016/2017		2017/2018			Comment on the Variance and steps to be taken to address under performance	2018/2019	2019/2020
			Target	Actual	Target		Actual		Target	Target
					2016/2017	2017/2018				
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage monthly updates according to deeds office	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage households disconnected as per the connection list	80%	70%	80%	80%	80%		80%	80%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of revenue policies reviewed and approved	5	5	5	5	5		5	5
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Percentage external and internal audit queries responded and addressed	100%	100%	100%	100%	100%		100%	100%
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of progress reports on the implementation of audit action plan 2016/2017	4	4	4	4	4		4	4
Financial Viability and Management	Sound financial management (The planning, directing, monitoring and controlling of monetary resources of the municipality)	Number of reports on the enhanced intervention on identified risks to mitigate risks	4	4	4	4	0		4	4

T 3.26.3

Chapter 3

EMPLOYEES: REVENUE DIVISION: 2017/2018					
Job Level	2016/2017	2017/2018			
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	2	4	1	3	75%
4-6	4	9	4	5	56%
7-9	26	35	29	6	17%
10-12	5	13	4	9	69%
13-15	0	0	0	0	0
16-17	0	0	0	0	0
Total	37	61	38	23	38%
					T 3.26.4

FINANCIAL PERFORMANCE 2017/2018: REVENUE DIVISION				
Details	2016/2017	2017/2018		
	Actual	Original Budget	Actual	Variance to Budget
Total Operating Revenue	88 591	80 098	94 508	15%
Expenditure				
Employees	8610	9 676	8 527	-13%
Repairs and Maintenance	0	300	1	-29900%
Other	20 063	17 558	8 892	15%
Total Expenditure	28673	175 58	17 420	-1%
Net Operational Expenditure	59 918	-62 540	-77 088	19%
				T 3.26.5

CAPITAL EXPENDITURE 2017/2018: REVENUE DIVISION				
Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
	266	86	32%	
				T 3.26.6

COMMENT ON THE PERFORMANCE OF REVENUE MANAGEMENT SERVICES OVERALL

Monthly billing was concluded 12 times within the 2017/2018 financial year. The overall average collection rate was 63% which is an improvement of 10% from the previous financial year 2016/2017. The payment rate is still not at the level that was anticipated and one of the contributing factors is low registration figures of indigents resulting in consumers forfeiting grant allocation. The set target for Indigent registration was not reached, even though the target was not reflective of the unemployment figures and poverty levels of the population this municipality.

Despite a vacancy rate of 38% the overall performance of the Revenue Division was satisfactory. As highlighted in the previous annual report the danger that are imminent to be faced by not filling positions vacated due to employees who passed away, retired or resigned is that some employees will be over worked. Critical positions should be filled as a matter of urgency. With the implementation of the pre-paid meters in Ficksburg and Senekal the work load has increased as meters need to be closed and final reading captured by hand. In Ficksburg the one position of Debtor Clerk has not been filled and the other debtor clerk will be on maternity leave from July 2018.

The Debtor Clerk in Senekal has been suspended for 9 month and all debtor related queries, corrections, finalization of meters for pre-paid installation is referred to Ficksburg.

Chapter 3

Without regular monthly billing and collection of outstanding debt the municipality would not have been able to meet its commitments every month, which includes payment of salaries and other operational expenses. The implementation of pre-paid meters ensures that all sites that were transferred to pre-paid pay upfront for electricity. The impact of this will be apparent in the 2018/2019 financial year. It will not reflect as part of the collection rate but the electricity sales will show an increase.

Debt collection should be made a priority in the 2018/2019 financial year to enhance cash flow and thus increasing the spending capacity on the core function – Service Delivery. A Service Provider for Debt Collection was appointed and played a part in the increase in the collection rates. A Service Provider to handle the litigation part of Debt Collection was appointed in the 2016/2017 financial year and will proceed where debt collection processes were not successful. Litigation will commence in the 2018/2019 financial year.

T 3.26.7

MEASURE UNDERTAKEN TO ADDRESS THE UNDER PERFORMANCE

Objective	2017/2018		2018/2019
	Estimate No.	Actual No.	Remedial Action
Percentage payment rate	80%	63%	Various initiatives will be implemented. Relaunch of Operation Patala where as one of the initiatives will be concessions for businesses and farms for limited period; action against state employees with Setsoto accounts; visits to section 21 schools; restriction of electricity on pre-paid for non-payment of other services.
Number of Indigents registered	7000	6391	Quarterly review of progress and interaction with ward councillors.
Percentage of daily cash banked	100%	99%	Strict measures to be implemented for short banking or no banking to be reported timeously

T 3.26.8

Chapter 3

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

Due to a high vacancy rate on the section 56 Managers, no performance assessments were conducted for the year under review, and as such no performance rewards were made out in the year under review.

Chapter 4

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

INTRODUCTION

During the financial year 2017/2018, the Department of Corporate Services continued rendering the support services to the institution in terms of Human Resources Management and Human Resources Development. We had a total of 664 permanent employees. The position or the Section 54A and two positions of section 56 filled and two positions of section 56 vacant. Those vacant were the one for Director Corporate Services and Director Engineering Services, in the interim we had acting persons filling the vacancies.

The institution is still busy with the processes of organisational review and job evaluation. This process commenced towards the end of the year under review and should be completed towards the beginning of the second quarter of the next financial year. Proposals were requested from accredited services providers with clear terms of reference.

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2016/2017	2017/2018			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Council General	10	12	8	4	20%
MM Office	11	14	11	3	15%
IDP/PMS	3	5	4	1	0%
Internal Audit	5	10	5	5	50%
Information Technology	2	11	4	7	36%
Treasury Admin	0	1	1	0	0%
Expenditure	9	13	8	5	38%
Budget & Reporting	5	10	5	5	50%
Supply Chain Management	7	21	9	12	47%
Revenue Services	34	53	36	17	68%
Assets Management	4	10	5	5	50%
Admin and Support	38	51	35	16	69%
Human Resources Management	10	17	10	7	59%
Payroll Administration	5	5	4	1	80%
Legal Services	2	5	1	4	20%
Human Resources Development	4	7	4	3	58%
Community Admin	1	1	1	0	80%
Cemeteries	22	24	5	19	20%
Local Economic Development	3	6	3	3	50%
Sport, Recreation & Parks	62	124	62	62	51%
Traffic	21	41	22	19	55%
Fire Services	1	36	1	35	3%
Disaster Management	1	3	1	2	33%
Security services	31	70	31	39	44%
Waste Management	93	143	77	66	5%

Chapter 4

Employees					
Description	2016/2017	2017/2018			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Engineering Services	2	1	3	0	0%
Project Management Unit	6	8	4	4	50%
Roads and Storm Water	68	125	60	82	52%
Electricity	26	40	24	16	60%
Water	75	103	68	35	65%
Waste Water	96	162	130	61	64%
Housing	19	44	20	24	35%
Fleet Management	2	18	2	16	11%
Totals	678	1 194	664	578	1338%

T 4.1.1

Vacancy Rate: 2017/2018			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
Chief Financial Officer	1	0	0.00
Other S57 Managers (excluding Finance Posts)	4	12	300.00
Other S57 Managers (Finance posts)	5	12	240.00
Police officers	0	0	#DIV/0!
Fire fighters	33	36	109.09
Senior management: Levels 13-15 (excluding Finance Posts)	19	36	189.47
Senior management: Levels 13-15 (Finance posts)	24	36	150.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	38	12	31.58
Highly skilled supervision: levels 9-12 (Finance posts)	52	24	46.15
Total	177	168	94.92

T 4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of 2017/2018	Terminations during 2017/2018	Turn-over Rate*
	No.	No.	
2015/16	6	32	39%
2016/17	42	49	67%
2017/18	12	26	79%

T 4.1.3

Chapter 4

COMMENT ON VACANCIES AND TURNOVER

Two (2) positions of Section 56 Managers and Municipal Manager's position were filled during the financial year under review and there are two (2) vacant positions will be filled in 2018/2019 financial year, 111 positions were earmarked as critical positions to be filled only 12 positions were filled as a result financial constraints. Twenty six 26 terminations occurred during this year,5 was as a result of death cases, 5 as a result of resignations, 14 as a result of retirements .01 was medical unfit and 01 as a results of end of contract.

T 4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality has developed and adopted appropriate systems, policies and practice to ensure that there are fair, efficient, effective and transparent personnel administration. Effective human resource management practices enhance performance by contributing to employees' productivity and development of favorable reputation in the municipality and community.

Training and Development Policy was adopted by council on the 16th October 2014, as the stand alone policy and no more part of Human Resources Policy Manual, The new policy clearly outline how the institution is committed to the structure and systematic training and development of all its Employees on an ongoing basis to enable them to perform their duties effectively and efficiency. The Employees were also inducted on the policy.

The Employment Equity Plan (EEP) and Workplace Skills Plan (WSP) were also complied in order to ensure that the Municipality reached affirmative Action (Numeric Goals) and further ensure that the training of Employees is planned and implemented.

T 4.2.0

Chapter 4

4.2 POLICIES

Human Resources Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Bereavement Policy	100%	100%	Version 1: adopted on 24/02/2011
2	Dress Code Policy	100%	0%	Version 1: adopted on 28/02/2011
3	Employment Equity Policy	100%	0%	Version 1: adopted on 30/05/2013
4	Employee Performance Appraisal System	100%	0%	Version 1: adopted on 30/08/2008
5	Employee Assistance Programme	100%	0%	Version 1: adopted on 30/05/2013
6	HIV/AIDS Policy	100%	0%	Version 1: adopted on 30/05/2013 Version 2: review currently underway
7	Occupational Health & Safety Policy	100%	0%	Version 1: adopted on 10/02/2007
8	Promotion Demotion & Transfer Policy	100%	0%	Version 1: adopted on 24/01/2013
9	Staff Retention Policy	100%	0%	Version 1: adopted on 30/10/2012
10	Remuneration Policy for all Employees	100%	0%	Version 1: adopted on 10/12/2007
12	Remuneration Policy for Senior Managers	100%	0%	Version 1: adopted on 10/12/2007
13	Placement Policy	100%	0%	Version 1: adopted on 27/03/2003
14	Training and Development Policy	100%	100%	Version 2: adopted on 16/10/2014
15	Sexual Harassment Policy	100%	0%	Version 1: adopted on 10/12/2007
16	Recruitment, Selection, Appointment Policy	100%	0%	Version 1: adopted on 10/12/2007
17	Relocation Policy	100%	0%	Version 1: adopted on 10/12/2007
18	Labour Relations & Discipline Policy	100%	0%	Version 1: adopted on 10/12/2007
19	Travelling Allowance Scheme	100%	0%	Version 1: adopted on 10/12/2007
20	Policy on Employee Benefits	100%	0%	Version 1: adopted on 10/12/2007
21	Legal Aid to Employees & Cession of Action	100%	0%	Version 1: adopted on 10/12/2007
22	Smoking Policy	100%	0%	Version 1: adopted on 10/12/2007 Version 2: review progress currently underway
23	Induction Policy	100%	0%	Version 1: adopted on 10/12/2007
24	Use of Municipal Vehicles & Equipment	100%	0%	Version 1: adopted on 10/12/2007
				T 4.2.1

COMMENT ON WORKFORCE POLICY DEVELOPMENT

There are 24 policies in place, which were never being reviewed and intending to review two (2 policies per quarter in the year 2018/2019. The 1st Quarter Bereavement Policy, Staff retention Policy, Second Quarter Occupational Health and Safety and Third Quarter Employee Assistance Programme, HIV and ADIS Policy.

T 4.2.1.1

Chapter 4

4.3 SUSPENSIONS

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Supervisor Waste Management	It is alleged the Employee was negligence of duty, gross negligence and fraudulent entry to the attendance register.	05th September 2017	The Employee was suspended and later furnished with the charge sheet. The Employee was found guilty and the parties to submit aggravating circumstances and mitigating factors.	Awaiting the Presiding Officer's sanction after parties have submitted aggravating circumstances mitigating factors.
Debtors Clerk	It is alleged that the Employee unlawfully and intentionally signed certain Power of Attorney to transfer various properties situated in Senekal to the beneficiaries without the authorisation of the Municipal Manager.	15th February 2018	The disciplinary hearing was scheduled and the Employer called the first witness and there are two more witnesses to call before the Employer closes his case. Request for postponement due to non-availability of Employer's Witness and while the other postponements requested by the Representatives of both the Employer and the Employee	The Disciplinary Hearing scheduled for the 27th July 2018
Grader Operator	It is alleged that during the month of December 2017 the Employee stole diesel and sold it to the businessman	26th February 2018	Non-availability of the Employee Representative led to the postponement requests. Disciplinary Hearing commenced on the 15th June 2018 and the Employer called two witnesses and still have two more to call before closing employer's case.	The Disciplinary Hearing scheduled for the 20th July 2018
Supervisor Waste Management	It is alleged that the Employee brought the name of the Institution into disrepute, neglected his duties and also assisted in the fraudulent activities. It is further alleged that he did not conduct himself with honesty and integrity.	9th March 2018	Matter was scheduled for 27th June 2018, but postponed as per request by the Employee representative.	The Disciplinary Hearing scheduled for the 23rd July 2018

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Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Senior Cashier	It is alleged that there are irregularities in cash that is banked at the Ficksburg Unit. The spreadsheet submitted by Manager revenue clearly outline short banking and undisclosed surplus.	27th June 2018	The Pre-Suspension Hearing was held on the 27th June 2017. Employee suspended pending investigations and disciplinary hearing.	Charge sheet to be compiled upon the receipt of the additional information from Treasury Department
Cashier	It is alleged that there are irregularities in cash that is banked at the Ficksburg Unit. The spreadsheet submitted by Manager revenue clearly outline short banking.	27th June 2018	The Pre-Suspension Hearing was held on the 27th June 2017. Employee suspended pending investigations and disciplinary hearing.	Charge sheet to be compiled upon the receipt of the additional information from Treasury Department
Cashier	It is alleged that there are irregularities in cash that is banked at the Ficksburg Unit. The spreadsheet submitted by Manager revenue clearly outline short banking.	27th June 2018	The Pre-Suspension Hearing was held on the 27th June 2017. Employee suspended pending investigations and disciplinary hearing.	Charge sheet to be compiled upon the receipt of the additional information from Treasury Department

T 4.3.5

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Senior Cashier	It is alleged that there are irregularities in cash that is banked at the Ficksburg Unit. The spreadsheet submitted by Manager Revenue clearly outline short banking and undisclosed surplus. R 2 546.71 shortage and R 254.23	The Pre-Suspension Hearing was held on the 27th June 2017. Employee suspended pending investigations and disciplinary hearing.	Charge sheet to be compiled upon the receipt of the additional information from Treasury Department
Cashier	It is alleged that there are irregularities in cash that is banked at the Ficksburg Unit. The spreadsheet submitted by Manager Revenue clearly outline short banking and undisclosed surplus. R 19 474.00 shortage	The Pre-Suspension Hearing was held on the 27th June 2017. Employee suspended pending investigations and disciplinary hearing.	Charge sheet to be compiled upon the receipt of the additional information from Treasury Department
Cashier	It is alleged that there are irregularities in cash that is banked at the Ficksburg Unit. The spreadsheet submitted by Manager Revenue clearly outline short banking and undisclosed surplus. R 10 998.99 shortage and R 924.00 surplus	The Pre-Suspension Hearing was held on the 27th June 2017. Employee suspended pending investigations and disciplinary hearing.	Charge sheet to be compiled upon the receipt of the additional information from Treasury Department

T 4.3.6

Chapter 4

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

On the suspensions pending the investigations and disciplinary proceedings. The delay to finalise the first suspension involving Supervisor Sewer Services was unavoidable as the Employee Representative was not available due to other commitments and at other times was difficult for the parties to get the date accommodating all. Parties did manage to the date and the hearing commenced to the final introduction of the last witnesses.

The Parties has submitted the Aggravating Circumstances and Mitigating Factors to the Presiding Officer and now awaiting the Sanction. On the matter involving the Debtor's Clerk, there were challenges from the non-availability of both Employer Representative and the Employee's Representative to non-availability of the Employer's main witness and the resignation of the Employer Representative. The aforementioned challenges have led to the postponements and that delayed the completion of the proceedings.

The Parties have agreed on the new date for the Hearing and the Employer will call the last two witnesses and then closed it case. Notice of the Disciplinary Hearing has been issued and the delay in completion of the matter involving the Supervisor was as the results of the request for postponements from the parties and the resignation of the Employer's Representative had negative impact on the proceedings. The new Employer's Representative has been appointed and the Parties have agreed on the new date for the Disciplinary Hearing.

T 4.3.7

4.4 PERFORMANCE REWARDS

No performance rewards were paid during the year under review

COMMENT ON PERFORMANCE REWARDS:

None

T 4.4.1.1

Chapter 4

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Municipality has submitted the Workplace Skills Plan on the 30th April 2018 .Prior to the compilation progress the new Training and Development Policy (TDP) was adopted by Council in October 2014. Training Committee was established (as per the stipulations of the TDP) is it was tasked to deal with all Matters related to Workforce Development and also introduced strict control on the consolidated skills budget. The policy did not just introduced the legal framework but also introduced the Study Grant Regulations for Employees from all Employment Categories.

The challenges that were encountered was some employees are not attending skills audit processes and that implies they do not complete Personal Development Plans. They are not captured as beneficiaries in the Workplace Skills Plan and there are no budget allocations for the training. The Department has also under-budgeted for the trainings that are required to fill the identified skills gap. The internship programmes were introduced for the undergraduates in collaboration with Service Seta is still commencing in this financial year for 2018/2019.

The Municipality have registered employees with accredited Institutions of Higher Learning through Distance Learning and Block system. The other improvements that were made was that the Human Resources Development managed to enroll employees in Treasury Department in order to acquire "Minimum Competency Level". The awareness on the legislative requirements was made to those who were earlier not declared competent and those that will be registering for the first time.

T 4.5.0

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 2018	Number of skilled employees required and actual as at 30 June 2018											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			Actual: End of Year 2016/17	Actual: End of Year 2017/18	Year 2018/19 Target	Actual: End of Year 2016/17	Actual: End of Year 2017/18	Year 2018/19 Target	Actual: End of Year 2016/17	Actual: End of Year 2017/18	Year 2018/19 Target	Actual: End of Year 2016/17	Actual: End of Year 2017/18	Year 2018/19 Target
No.														
MM and s57	Female	1	0	0	0	0	1	1	0	1	1	1	2	2
	Male	4	0	0	0	0	3	3	0	3	3	5	6	6
Councillors, senior officials and managers	Female	19	0	0	0	0	2	2	0	2	2	18	4	4
	Male	35	0	0	0	0	5	5	0	5	5	19	10	10
Technicians and associate professionals*	Female	6	0	0	0	0	2	2	0	2	2	12	4	4
	Male	35	0	0	0	0	3	3	0	3	3	12	6	6
Professionals	Female	17	0	0	0	0	2	2	0	2	2	11	4	4
	Male	14	0	0	0	0	1	1	0	1	1	6	1	1
Sub total	Female	203	0	0	0	0	7	7	0	7	7	42	7	14
	Male	452	0	0	0	0	6	6	0	6	6	42	6	6
Total		786	0	0	0	0	32	32	0	32	32	84	50	57

T 4.5.1

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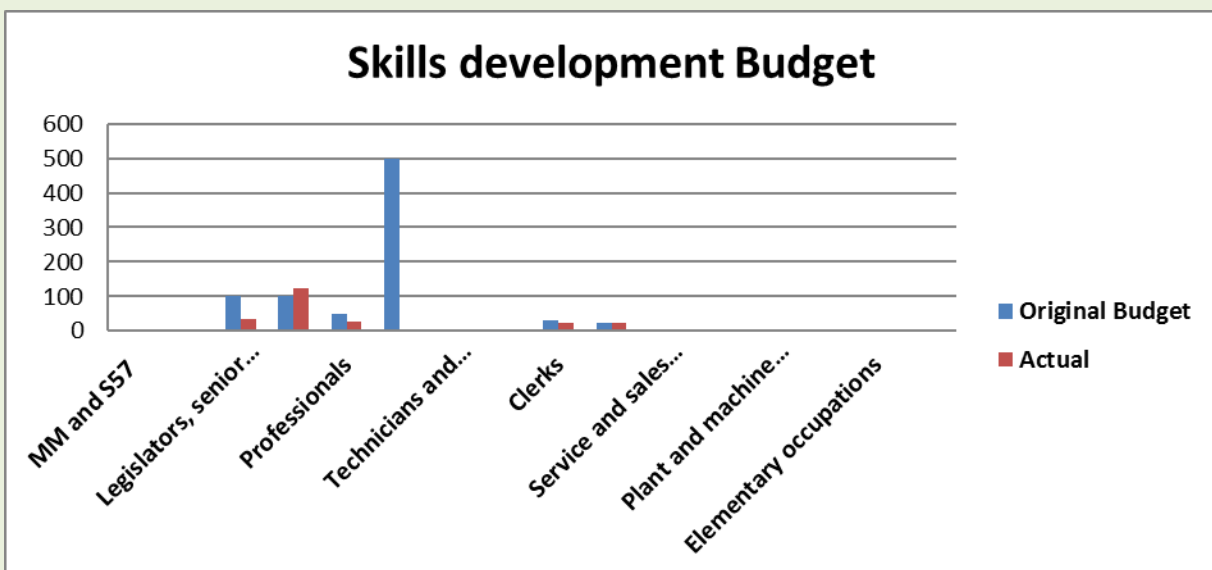
Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
<i>Accounting officer</i>	1	1	2	1	1	1
<i>Chief financial officer</i>	1	1	2	1	1	1
<i>Senior managers</i>	2	2	4	1	1	1
<i>Any other financial officials</i>	46	46	92	0	0	9
Supply Chain Management Officials	4	4	8	1	0	1
<i>Heads of supply chain management units</i>	1	1	2	1	1	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
TOTAL	55	55	110	5	4	14

T 4.5.2

Skills Development Expenditure										
									R'000	
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 2018							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0				
Legislators, senior officials and managers	Female	0	0	0	0	0	100	36	100	36
	Male	0	0	0	0	0	100	122	100	122
Professionals	Female	0	0	0	0	0	50	26	50	26
	Male	0	0	0	0	0	500		500	
Technicians and associate professionals	Female	0	0	0	0	0				
	Male	0	0	0	0	0				
Clerks	Female	0	0	0	0	0	30	24	30	24
	Male	0	0	0	0	0	25	24	25	24
Service and sales workers	Female	0	0	0	0	0				
	Male	0	0	0	0	0				
Plant and machine operators and assemblers	Female	0	0	0	0	0				
	Male	0	0	0	0	0				
Elementary occupations	Female	0	0	0	0	0				
	Male	0	0	0	0	0				
Sub total	Female	0	0	0	0	0	180	86	180	86

Chapter 4

Skills Development Expenditure										R'000
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 2018							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
	Male	0	0	0	0	0	625	146	625	146
Total		0	0	0	0	0	805	232	805	232
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									%*	*R
										T 4.5.3



COMPETENCY REGULATIONS

The Municipality has long embarked on the strategies to ensure that the Employees achieve minimum competency level as enshrined in the Regulation Municipal Finance Management Act. Challenges were encountered in the past whereby some Employees were not declared competency. They (Employee) indicated that the presentation of the subject matter by the Service Provider was too complex to comprehend but since the financial year 2017/18 Employees (in Treasury Department) were registered (those who were never declared competent and those newly appointed).

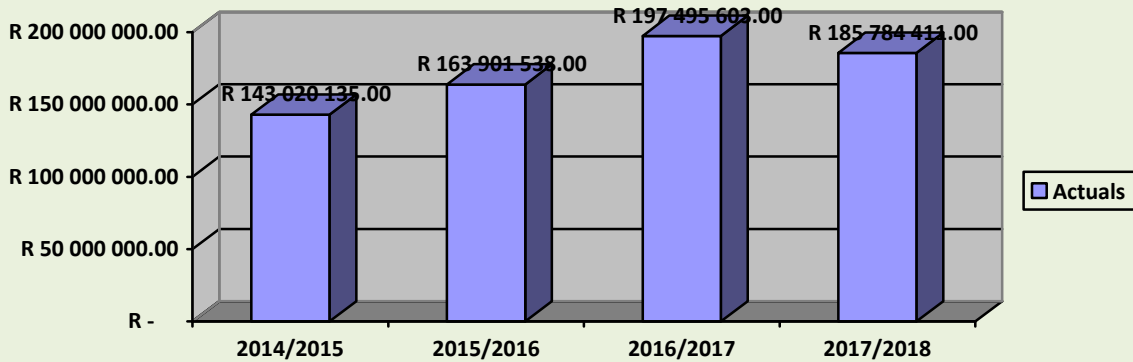
In 2017/18 Senior Managers were registered in MFMP in order to ensure that they are competent as per the Registrations of the MFMA. The Financial Officials were also identified for the competency training for those Employees who are still not developed are still to receive training, their training interventions are reflected within the 2018/19 Workplace Skills Plan (WSP).

Chapter 4

Section 4.5.1 of the Skills Matrix has total number of 702 Employees inclusive of 33 Councilors and 3 MFMP Treasury Interns; therefore, as a result the staff compliment does not tally because the financial year of reporting to the LG SETA is from 01 May 2017 to 30 April 2018 contrary to the financial year of the municipality. The discrepancies is as a result of attrition.

T 4.5.4

WORKFORCE EXPENDITURE TRENDS



T 4.5.5

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded

Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	1
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels 9-12)	Female	0
	Male	2
Senior management (Levels 13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
Total		3

T 4.6.2

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	0	0	0	0
None	0	0	0	0
None	0	0	0	0
None	0	0	0	0
None	0	0	0	0

T 4.6.3

Chapter 4

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
Engineering	5	05 July 2015	1	CCMA Award
Engineering	5	01 September 2007	1	Post was existing in the previous structure
Engineering	2	15 March 2015	1	Promoted
Development Planning and Social Security	5	01 September 2007	1	Post was existing in the previous structure
Development Planning and Social Security	5	01 June 2013	1	Transferred
Treasury	6	01 March 2013	4	Positions were existing in the previous structure
Engineering	8	01 June 2013	2	Positions were existing in the previous structure
Office of the Municipal Manager	9	01 June 2013	1	Transferred
Engineering	1	Amalgamation	1	Positions were existing in the previous structure
Development Planning and Social Security	17	Amalgamation	1	Positions were existing in the previous structure
Development Planning and Social Security	9	Amalgamation	2	Positions were existing in the previous structure

T 4.6.4

Chapter 5

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

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

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

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The Annual financial Statements are done in house and review by external service providers before submission to the Office of the Auditor General of South Africa.

T 5.1.0

Chapter 5

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description R thousands	2017/2018										2017/2018				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates	43 262 792	10 000 000	53 262 792			53 262 792	52 960 740		-302 052	99.43%	122.42%				
Service charges	167 964 777	6 000 000	173 964 777			173 964 777	167 135 018		-6 829 759	96.07%	99.51%				
Investment revenue	1 900 360		1 900 360			1 900 360	2 447 490		547 130	128.79%	128.79%				
Transfers recognised - operational	163 644 850		163 644 850			163 644 850	162 806 008		-838 842	99.49%	99.49%				
Other own revenue	32 130 413	-1 914 580	30 215 833			30 215 833	47 311 876		17 096 043	156.58%	147.25%				
Total Revenue (excluding capital transfers and contributions)	408 903 192	14 085 420	422 988 612			422 988 612	432 661 132		9 672 520	102.29%	105.81%	-	-	-	-
Employee costs	-184 215 909		-184 215 909			-184 215 909	-175 808 088		8 407 821	95.44%	95.44%				
Remuneration of councillors	-11 061 588	-1 500 000	-12 561 855			-12 561 588	-12 747 829		-186 241	101.48%	115.24%				
Debt impairment	-58 014 496		-58 014 496			-58 014 496	-78 138 083		-20 123 587	134.69%	134.69%				
Depreciation & asset impairment	-223 489 980		-223 489 980			-223 489 980	-176 925 653		46 564 327	79.16%	79.16%				
Finance charges	-2 054 004	-2 780 914	-4 834 918			-4 834 918	-5 960 633		-1 125 715	123.28%	290.20%				
Materials and bulk purchases	-64 448 460	-1 816 580	-66 265 040			-66 265 040	-53 990 492		12 274 548	81.48%	83.77%				
Transfers and grants	-894 604	-392 084	-1 285 688			-1 285 688	-2 110 976		-825 288	164.19%	235.97%				
Other expenditure	-76 191 200	-12 300 192	-88 491 392			-88 491 392	-59 207 957		29 283 435	66.91%	77.71%				
Total Expenditure	-620 369 241	-18 789 770	-639 159 011			-639 159 011	-566 474 598		72 684 413	88.63%	91.31%	-	-	-	-
Surplus/(Deficit)												-	-	-	-
Transfers recognised - capital	135 241 004	-33 414 004	101 827 000			101 827 000	83 996 999		-17 830 000	82.49%	62.11%				
Contributions recognised - capital & contributed assets							4 091 554		4 091 554						

Chapter 5

Description R thousands	2017/2018											2017/2018			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Surplus/(Deficit) after capital transfers & contributions	-76 225 045	-38 118 354	-114 343 399			-114 343 399	-47 060 412		67 282 987	41.16%	61.74%				
Share of surplus/ (deficit) of associate															
Surplus/(Deficit) for the year	-76 225 045	-38 118 354	-114 343 399			-114 343 399	-47 060 412		67 282 987	41.16%	61.74%				
Capital expenditure & funds sources															
Capital expenditure															
Transfers recognised - capital	135 241 004	-33 414 004	101 827 000			101 827 000	83 996 999		-17 830 000	82.49%	62.11%				
Public contributions & donations							4 091 554		4 091 554						
Borrowing															
Internally generated funds															
Total sources of capital funds	135 241 004	-33 414 004	101 827 000			101 827 000	88 088 553		-13 738 446	86.51%	65.13%				
Cash flows															
Net cash from (used) operating	147 264 935	-56 082 866	91 182 069			91 182 069	77 977 777		-13 204 292	85.52%	52.95%				
Net cash from (used) investing	-133 755 324		-133 755 324			-133 755 324	-98 742 976		35 012 348	73.82%	73.82%				
Net cash from (used) financing		8 412 662	8 412 662			8 412 662	19 061 811		10 649 149	226.58%					
Cash/cash equivalents at the year end	15 590 514	32 079 690	47 670 204			47 670 204	377 515		-47 292 689	0.79%	2.42%				

T 5.1.1

Chapter 5

Financial Performance of Operational Services						
R '000						
Description	2016/2017	2017/2018			2017/2018 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	34 895	50 452	60 482	65 135	22.54%	7.14%
Waste Water (Sanitation)	23 282	37 783	38 828	33 254	-13.62%	-16.76%
Electricity	78 514	86 618	85 476	68 991	-25.55%	-23.89%
Waste Management	42 732	36 332	38 021	50 643	28.26%	24.92%
Housing	6 586	15 101	14 198	9 044	-66.97%	-56.99%
Component A: sub-total	186 009	226 286	237 005	227 067	0.34%	-4.38%
Waste Water (Stormwater Drainage)	-					
Roads	207 683	234 903	237 245	194 657	-20.68%	-21.88%
Transport	-					
Component B: sub-total	207 683	234 903	237 245	194 657	-20.68%	-21.88%
Planning	-					
Local Economic Development	-					
Component B: sub-total	-					
Planning (Strategic & Regulatory)	-					
Local Economic Development	-					
Component C: sub-total	-					
Community & Social Services	6 460	6 298	6 123	6 194	-1.68%	1.15%
Environmental Protection	-					
Health	509	553	553	1 940	71.49%	71.49%
Security and Safety	19 560	4 118	3 996	590	597.97%	577.29%
Sport and Recreation	10 550	10 621	10 456	9 799	-8.39%	-6.70%
Corporate Policy Offices and Other	115 229	137 654	143 845	176 543	22.03%	18.52%
Component D: sub-total	152 308	159 244	164 973	195 066	18.36%	15.43%
Total Expenditure	546 000	620 433	639 223	616 760	-0.60%	-3.64%

T 5.1.2

COMMENT ON FINANCIAL PERFORMANCE

In this table, operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

T 5.1.3

CHAPTER 5

5.2 GRANTS

Grant Performance							R' 000
Description	2016/2017	2017/2018			2016/17 Variance		
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)	
Operating Transfers and Grants							
National Government:	170 002						
Equitable share	158 775	155 621	157 656	157 656	101.31%	100%	
Municipal Systems Improvement	-						
Finance Management	1 625	1 700	1 700	1 700	100%	100%	
EPWP Incentive	1 908	1 889	1 889	1 889	100%	100%	
Other transfers/grants [insert description]	-			1 561	0%	0%	
Provincial Government:	7 694						
District Municipality:	-						
Other grant providers:	-						
Total Operating Transfers and Grants	170 002	159 210	161 245	162 806	102.26%	100.97%	
							T 5.2.1

COMMENT ON OPERATING TRANSFERS AND GRANTS:

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.

T5.2.2

CHAPTER 5

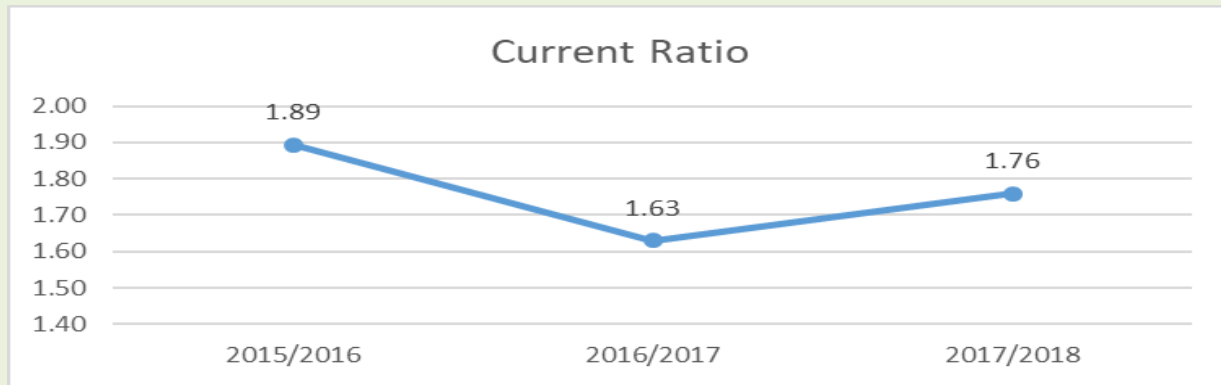
5.3 ASSET MANAGEMENT

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2017/2018				
Asset 1				
Name	UPGRADING OF BULK WATER - MEULSPRUIT TO FTWP			
Description	MAIN WATER PIPE CONNECTION FROM MEULSPRUIT DAM TO WATER PLANT FXB			
Asset Type	WATER SERVICES SUPPLY AND DISTRIBUTION INFRASTRUCTURE			
Key Staff Involved	PMU PERSONNEL AND ASSET MANAGEMENT PERSONNEL			
Staff Responsibilities	PROJECT MANAGEMENT AND RECORD MANAGEMENT FOR CAPITAL PROJECTS			
Asset Value	2014/2015	2015/2016	2016/2017	2017/2018
			52 218 254	59460314
Capital Implications	MONETARY VALUE OF CAPITAL PROJECTS			
Future Purpose of Asset	BULK WATER SUPPLY TO COMMUNITY			
Describe Key Issues	SERVICE DELIVERY- BASIC SERVICES TO COMMUNITY			
Policies in Place to Manage Asset				
Asset 2				
Name	MARQUARD CONSTRUCTION OF 3 KM PAVED ROAD			
Description	MOEMANENG/MARQUARD CONSTRUCTION OF 3 KM PAVED ROAD			
Asset Type	ROADS AND STORM WATER INFRASTRUCTURE			
Key Staff Involved	PMU PERSONNEL AND ASSET MANAGEMENT PERSONNEL			
Staff Responsibilities	PROJECT MANAGEMENT AND RECORD MANAGEMENT FOR CAPITAL PROJECTS			
Asset Value	2014/2015	2015/2016	2016/2017	2017/2018
			14 337 476	24 888 945
Capital Implications	MONETARY VALUE OF CAPITAL PROJECTS			
Future Purpose of Asset	ROADS INFRASTRUCTURE ACCESS			
Describe Key Issues	SERVICE DELIVERY TO COMMUNITY			
Policies in Place to Manage Asset				
Asset 3				
Name	CLOCOLAN CONSTRUCTION OF 3 KM PAVED ROAD			
Description	CLOCOLAN/HLOHLOLWANE CONSTRUCTION OF 3 KM PAVED ROAD			
Asset Type	ROADS AND STORM WATER INFRASTRUCTURE			
Key Staff Involved	PMU PERSONNEL AND ASSET MANAGEMENT PERSONNEL			
Staff Responsibilities	PROJECT MANAGEMENT AND RECORD MANAGEMENT FOR CAPITAL PROJECTS			
Asset Value	2014/2015	2015/2016	2016/2017	2017/2018
			4 352 637	15 684 921
Capital Implications	MONETARY VALUE OF CAPITAL PROJECTS			
Future Purpose of Asset	ROADS INFRASTRUCTURE ACCESS			
Describe Key Issues	SERVICE DELIVERY TO COMMUNITY			
Policies in Place to Manage Asset				
				T 5.3.2

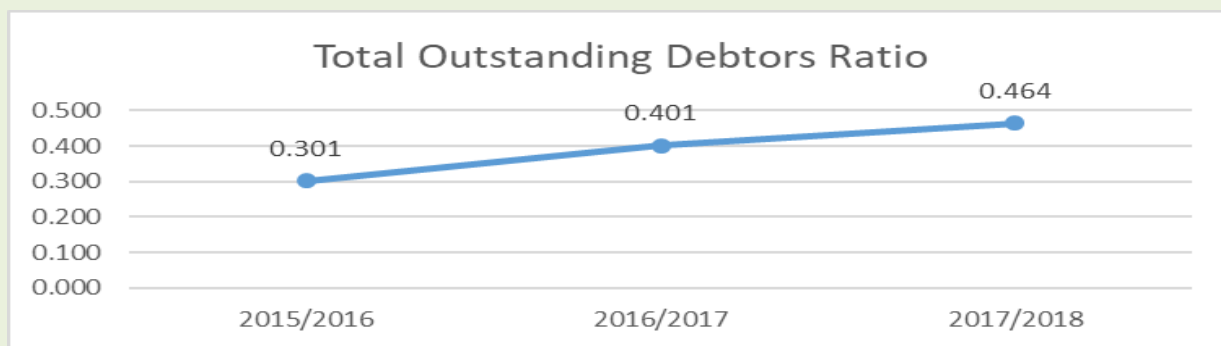
Repair and Maintenance Expenditure: 2017/2018				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance	4 316 116	3 757 780	1 518 870	2 238 910
				T 5.3.3

CHAPTER 5

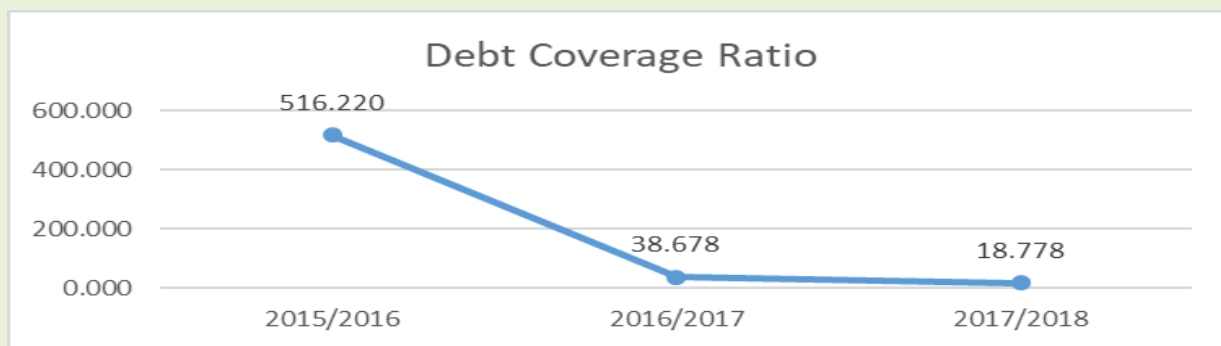
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



T.4.1

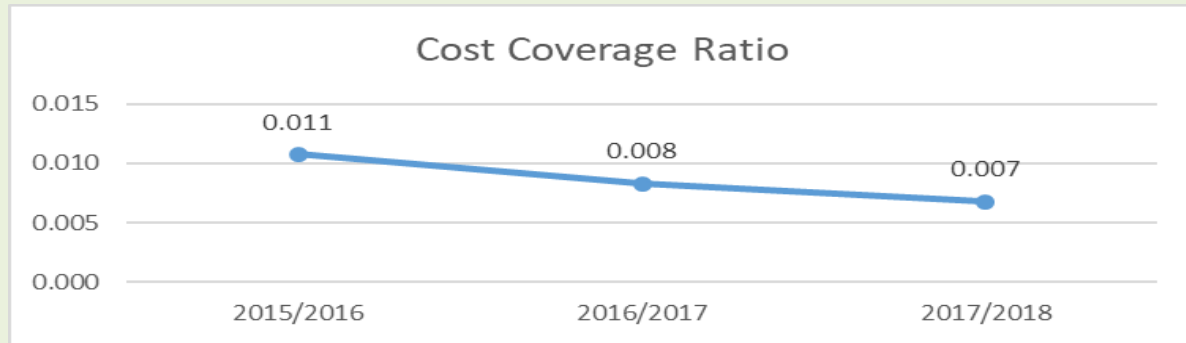


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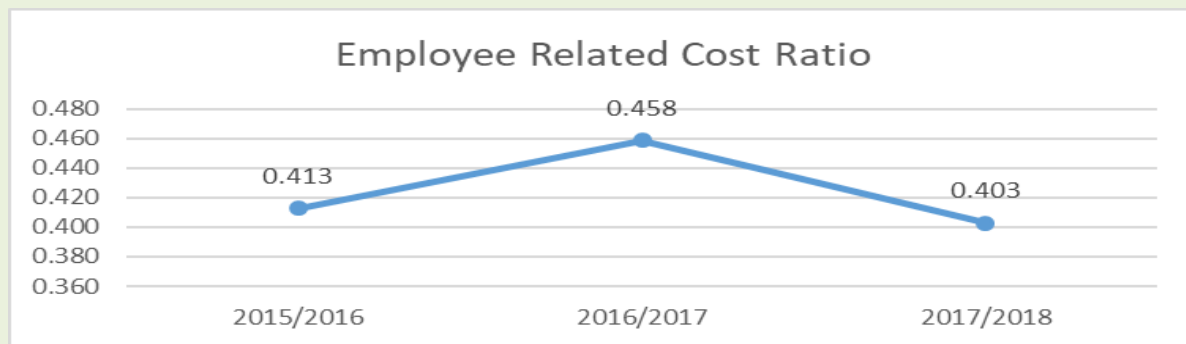


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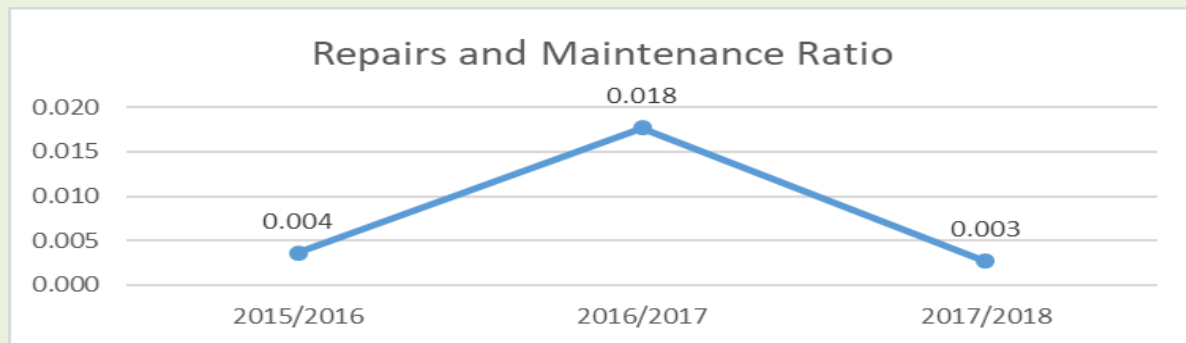
CHAPTER 5



T5.4.4

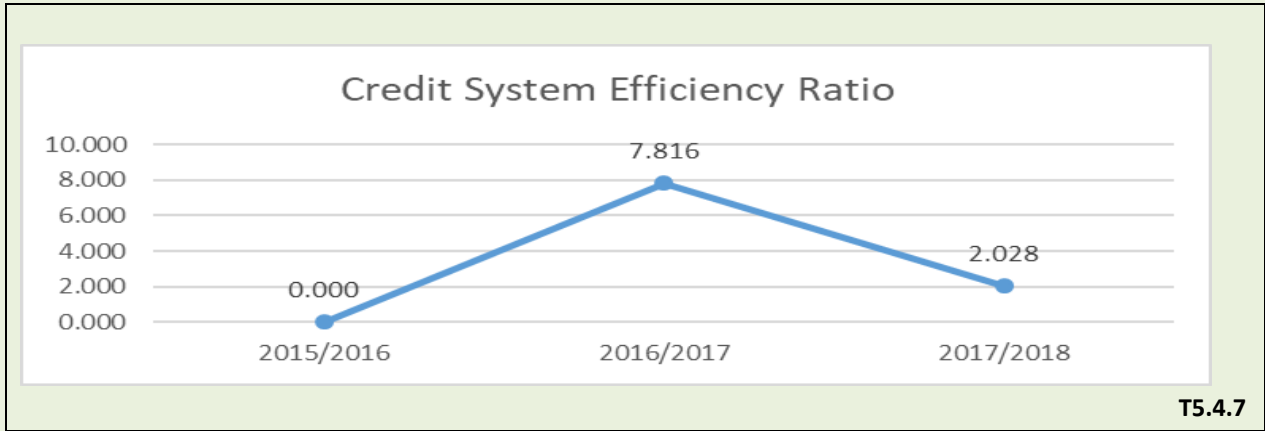


T5.4.5



T5.4.6

CHAPTER 5



CHAPTER 5

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: 2017/2018 to 2018/2019							R' 000
Details	2016/2017	2017/2018					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
Source of finance							
External loans	9 474	31 000	31 000	29 240	0.0%	-6.02%	
Public contributions and donations	0	0	0	4 092	0.0%	100%	
Grants and subsidies	103 969	102 755	102 755	83 997	0.0%	-22.33%	
Other	-						
Total	113 443	133 755	133 755	117 329	0.0%	-14.00%	
Percentage of expenditure							
External loans	8.4%	23.18%	23.18%	24.92%	0.0%		
Public contributions and donations	0.0%	0.0%	0.0%	3.49%	0.0%		
Grants and subsidies	91.6%	76.82%	76.82%	71.59%	0.0%		
Other	0.0%	0.0%	0.0%	0.0%	0.0%		
Expenditure by category							
Water and sanitation	54 617	61 820	61 820	59 460	0.0%	-3.97%	
Electricity	6 974	12 780	12 780	0	0.0%	0.0%	
Housing	0	360	360	0	0.0%	0.0%	
Roads and storm water	38 768	38 141	38 141	23 933	0.0%	59.37%	
Other	13 084	20 654	20 654	33 936	0.0%	39.14%	
Total	113 443	133 755	133 755	117 329	0.0%	-14.00%	

Capital Expenditure - Funding Sources: 2017/2018 to 2018/2019							R' 000
Details	2016/2017	2017/2018					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
Percentage of expenditure							
Water and sanitation	48.1%	46.22%	46.22%	50.68%			
Electricity	6.1%	9.55%	9.55%	0.0%			
Housing	0.0%	0.27%	0.27%	0.0%			
Roads and storm water	34.2%	28.52%	28.52%	20.40%			
Other	11.5%	15.44%	15.44%	28.92%			

T 5.6.1

CHAPTER 5

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.7 CASH FLOW

Cash Flow Outcomes					
Description	2016/2017	2017/2018			R'000
	Audited Outcome	Original Budget	Adjusted Budget	Actual	
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	31 395	210 979	226 979	130 786	
Government - operating	170 002	155 621	157 656	162 806	
Government - capital	103 396	143 265	109 851	83 997	
Interest	21 498	31 821	29 938	2 396	
Dividends	40	40	40	51	
Payments					
Suppliers and employees	(354 541)	(394 025)	(429 442)	(298 111)	
Finance charges	(2 289)	(2 054)	(4 835)	(5 961)	
Transfers and Grants		(864)	(1 456)		
NET CASH FROM/(USED) OPERATING ACTIVITIES	(30 538)	147 265	91 182	77 978	
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	3 345			375	
Decrease (Increase) in non-current debtors					
Decrease (increase) other non-current receivables					
Decrease (increase) in non-current investments					
Payments					
Capital assets		-134	-134	-99 118	
NET CASH FROM/(USED) INVESTING ACTIVITIES	3 345	-134	-134	-98 743	
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans					
Borrowing long term/refinancing			8 413		
Increase (decrease) in consumer deposits					
Payments					
Repayment of borrowing	(560)			19 062	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(560)		8 413	19 062	
NET INCREASE/ (DECREASE) IN CASH HELD	(27 753)	13 510	(34 161)	-1 703	
Cash/cash equivalents at the year begin:	3 656	2 081	2 081	2 081	
Cash/cash equivalents at the year-end:	(24 097)	15 591	(32 080)	378	
Source: MBRR A7				T 5.7.1	

CHAPTER 5

5.8 BORROWING AND INVESTMENTS

Actual Borrowings: Year 2014/15 to Year 2016/17				R' 000
Instrument	2015/2016	2016/2017	2017/2018	
Municipality	6 284	15 141		34 203
Long-Term Loans (annuity/reducing balance)	6 284	5 667		4 963
Long-Term Loans (non-annuity)				
Local registered stock				
Instalment Credit				
Financial Leases		9 474		29 240
PPP liabilities				
Finance Granted By Cap Equipment Supplier				
Marketable Bonds				
Non-Marketable Bonds				
Bankers Acceptances				
Financial derivatives				
Other Securities				
Municipality Total	6 284	15 141		34 203
Municipal Entities				
Long-Term Loans (annuity/reducing balance)				
Long-Term Loans (non-annuity)				
Local registered stock				
Instalment Credit				
Financial Leases				
PPP liabilities				
Finance Granted By Cap Equipment Supplier				
Marketable Bonds				
Non-Marketable Bonds				
Bankers Acceptances				
Financial derivatives				
Other Securities				
Entities Total	0	0		

T 5.8.1

CHAPTER 6

CHAPTER 6 – AUDITOR GENERAL OF SOUTH AFRICA AUDIT FINDINGS

INTRODUCTION

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

The Office of the Auditor general of South Africa of South Africa commenced with the regulatory audit from the 01 September 2017 and completed on the 31 November 2017. The municipality submitted a set of the Annual Financial Statements and the draft Annual Report for the year under review within the required timeframe, which was on the 31st August 2018.

In terms of the audit strategy the municipality was adhering to the response timeframes as agreed with the Auditor general of South Africa of South Africa, for the request for information the turnaround time was three days and for the exceptions issued the turnaround time was five days.

In terms of the Audit Action Plan for the 2016/2017, much progress has been made in addressing those issues raised by the Auditor general of South Africa of South Africa in its Audit Report 2016/2017 and the Management Report 2016/2017. The municipality is commended in a way it has addressed the issues regarding performance information in its draft Annual Report 2017/2018 as there were no findings on the usefulness and reliability of planned performance and reported performance information.

T 6.0.1

CHAPTER 6

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2016/2017

6.1 AUDITOR GENERAL OF SOUTH AFRICA REPORTS 2016/2017

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Setsoto Local Municipality set out on pages ... to ..., which comprise the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2015 (Act No. 1 of 2015) (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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

CHAPTER 6

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Setsoto Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 56 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of reclassifications that had to be made/ errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

Material impairments

8. As disclosed in note 5 to the financial statements, a provision for the impairment of debtors amounting to R148 406 866 (2015: R127 785 657) was made with regard to consumer debts amounting to R291 591 158 (2015: R246 820 305).

Going concern

9. Note 55 to the financial statements indicates that the municipality incurred a deficit of R126 711 817 (2015: R104 623 089). Furthermore, debtors increased from R119 034 648 to R143 184 292 and payables from R52 922 872 to R71 819 017. These conditions, along with other matters as set forth in note 55, 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.

Irregular expenditure

10. As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R2 188 129 (2015: R33 449 533) during the year under review, mainly due to non-compliance with supply chain management requirements.

Additional matters

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

Unaudited supplementary information

12. The municipality provided supplementary information in the financial statements on whether resources were obtained and used according to the legally adopted budget, in accordance with GRAP 1, *Presentation of financial statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2016:
- Key performance area 1: Infrastructure and service delivery on pages ... to ...
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned key performance area. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for Managing Programme Performance Information*.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected key performance area.

Additional matters

19. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected key performance area, I draw attention to the following matters:

Achievement of planned targets

20. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for key performance area 1:

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Infrastructure and service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

22. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance information

23. The key performance indicators set by the municipality did not include indicators on the percentage of households with access to basic levels of water, sanitation and electricity, as required by section 43(2) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 10(a).

Financial statements and annual report

24. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46(1) (c) of the MSA.

Expenditure management

25. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA.
26. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA

Internal control

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

28. Inadequate review and monitoring by management during the preparation of the annual report on predetermined objectives resulted in material findings on predetermined objectives.

Financial and performance management

29. Formal processes to ensure compliance with key legislation did not prevent non-compliance with laws and regulations in certain cases. Consequences management was not adequate in these instances.

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Bloemfontein
30 November 2016



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COMPONENT B: AUDITOR-GENERAL OPINION 2017/2018

6.2 AUDITOR GENERAL OF SOUTH AFRICA REPORT 2017/2018

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE SETSOTO LOCAL MUNICIPALITY REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Report of the auditor-general to Free state legislature and council on the Setsoto Local Municipality Report on the audit of the financial statements

Qualified opinion

2. I have audited the financial statements of the Setsoto Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
3. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Setsoto Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Property, plant and equipment

I was unable to obtain sufficient appropriate audit evidence that Property, plant and equipment for the current year had been properly accounted for, due to the status of the accounting records, supporting schedules and asset register. 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 at R3 041 432 898 in the financial statements.

Investment property

4. I was unable to obtain sufficient appropriate audit evidence that Investment property for the current year had been properly accounted for, due to differences in supporting information and the Investment property register. I was unable to confirm the Investment property by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Investment property stated at R68 198 668 in the financial statements.

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Cash flow statement

5. The municipality did not disclose the cash flow amounts in the financial statements in accordance with GRAP 2, *Cash flow statements*. I identified material differences between the disclosed amounts and the actual amounts according to the accounting records that could not be supported with sufficient appropriate audit evidence. I was unable to confirm the cash flow statement by alternative means.

Context for the opinion

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

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

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

Material uncertainty related to going concern

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

I draw attention to note 53 to the financial statements, which indicates that the municipality incurred a net loss of R47 060 412 during the year ended 30 June 2018. As stated in note 53, these events or conditions, along with other matters as set forth in note 53, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Material losses

As disclosed in note 48 to the financial statements, material water losses of R7 044 679 (2017: R3 747 572) were incurred, which represents 26% (2017: 11%) of the total water purchased. These estimated water losses included distribution to townships with unmetered water.

Material impairment

As disclosed in note 5 to the financial statements, consumer receivables were impaired by R157 730 761 (2017: R165 119 394).

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Unauthorised expenditure

As disclosed in note 44 to the financial statements, non-budgeted expenditure of R17 301 739 (2017: R245 531 480) was incurred during the year under review and previous year, which resulted in unauthorised expenditure.

Irregular expenditure

As disclosed in note 46 to the financial statements, irregular expenditure of R98 765 998 (2017: R32 972 664) was incurred, mainly due to non-compliance with supply chain management (SCM) requirements.

Fruitless and wasteful expenditure

As disclosed in note 45 to the financial statements, fruitless and wasteful expenditure of R3 350 092 (2017: R1 188 124) was incurred mainly due to interest on arrear payments to creditors.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary information

The supplementary information set out on page xx to xx does not form part of the financial statements and is presented as additional information. I have not audited this information and accordingly, I do not express an opinion thereon.

Service delivery and Infrastructure

The audit revealed areas of concern regarding planning, project management and monitoring of infrastructure projects. The required documents could not all be produced but it appears that projects were often not fully completed and that the quality of work was compromised. This has a negative impact on the delivery of services as the funds are not always used effectively and efficiently to provide services and to achieve the desired impact of value for money as indicated in the examples below.

Signs of distress with the construction of a 3 km paved road and storm water drainage in Marquard/Moemaneng were observed. The drainage system was inadequate thus increasing the risk of water seeping into the surface and structural layers causing damage in future. Stone pitching constructed at the drainage outlet deteriorated significantly and is an indication of poor workmanship. This may result in the initial objective being defeated in the longer term if not corrected, resulting in ineffective service delivery to the community. The contractor was not monitored properly, as the instance of poor quality workmanship should have been rectified.

With regard to the upgrading of bulk water supply from Caledon to Meulspruit, Cocolan and Marquard, it was found that the two pumps were installed; however, one pump was faulty and not commissioned. The pumps

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were installed to pump adequate water to supply towns around the municipality; therefore, the pump that is not functional puts pressure on the other pump and may hamper service delivery to the community.

The upgrading of recreational facilities at Meqheleng commenced in the 2010-11 financial year at a total t cost of approximately R68 million according to the asset register and was completed in the 2015-16 financial year. However, the opening of the stadium was delayed resulting in the facility being unused. The municipality started to use the facility on an *ad hoc* basis and more frequently as from July 2018, three years subsequent to completion of the project. The community was deprived of using this facility directly after completion and it does not seem as if the return on this significant investment to benefit the community has been fully obtained.

Responsibilities of the accounting officer for the financial statements

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

In preparing the financial statements, the accounting officer is responsible for assessing the Setsoto 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 appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

In 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 the selected key performance areas (KPA's) presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

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

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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 2018:

KPA	Pages in annual performance report
Service delivery and infrastructure	x – x

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

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

KPA - Service delivery and infrastructure

Reported achievement not supported by sufficient appropriate audit evidence, i.e. not valid and accurate and complete

Percentage of progress on capital project implementation (new infrastructure)

I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 245%. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 245% as reported in the annual performance report.

Reported achievement did not agree with the evidence provided, i.e. not valid and accurate and complete

Number of electricity disconnections and reconnections

The achievement for the target of 100 reported in the annual performance report was 100. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 143.

Performance indicators were not well-defined

Various indicators

The source information or evidence for achieving the following planned indicators was not clearly defined:

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Section	Indicator description
Water and Sewer (Bulk)	Number of Water quality compliance reports
	Number of quality compliance reports
Electricity	Number of reports generated
Water - Operations, Maintenance and Bulk	Number of reports generated
Roads and Stormwater	Number of reports generated
Project Management Unit	Number of reports generated
	Number of reports generated (DES)
Urban Planning and Housing	Number of reports generated
	Number of illegal land use reports
	Number of standing committee reports

Other matters

We draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages x to x; x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified opinion expressed on the usefulness and reliability of the reported performance information in paragraphs 34 to 36 of this report.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Service delivery and infrastructure. As management subsequently corrected only some of the misstatements, we raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Financial statements, performance reports and annual reports

The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, non current liabilities, current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected

CHAPTER 6

material misstatements and/ or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

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

Reasonable steps were not taken to prevent irregular expenditure amounting to R49 637 497 as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the irregular expenditure was caused by non-compliance with SCM regulations mainly in respect of instances where the bid committee did not comply to the composition requirement and where the conditions of local content have not been adhered to.

Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3 350 092 as disclosed in note 45 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the disclosed irregular expenditure was caused by interest and penalties.

Revenue management

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

Asset management

An effective system of internal control for assets (including an asset register), as required by section 63(2)(c) of the MFMA, was not in place.

Procurement and contract management

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

Quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.

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

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 reported in the prior year.

Some of the contracts were awarded to and quotations were accepted from bidders that had not scored the highest points in the evaluation process, in contravention of section 2(1)(f) of the Preferential Procurement Policy Framework Act and the Preferential Procurement Regulations.

CHAPTER 6

Some of the contracts were awarded to and quotations were accepted from bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, in contravention of the Preferential Procurement Regulations.

Bid documentation for procurement of commodities designated for local content and production did not stipulated the minimum threshold for local production and content as required by the Preferential Procurement Regulation 8(2).

Other information

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

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

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected KPAs presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and if I conclude that it contains a material misstatement, 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 reissue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Management did not in all instances exercise oversight to ensure that accurate and reliable information is submitted timeously, as there were material misstatements in the financial statements and annual performance report that required adjustments during the audit.

The formal processes to effectively monitor compliance with key legislation were inadequate, which resulted in non-compliance with legislation in certain cases.

Instability in key management positions contributed to deficiencies in the control environment.

Management did not in certain instances ensure that internal control processes were adequately designed and implemented to ensure cost-effective procurement and to prevent non-compliance with SCM requirements.

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Management relied on internal control processes to ensure compliance with procurement requirements, but it is evident from the amount of irregular expenditure that these internal control processes were ineffective and subject to abuse.

Auditor-General
Bloemfontein
30 November 2018



T 6.2.3

COMMENTS ON AUDITOR-GENERAL'S OPINION 2017/2018

The municipality has regressed from an unqualified audit opinion in 2016/2017 to a qualified audit opinion in 2017/2018

T 6.2.4

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES

All section 71 reports were submitted in time in terms of the requirement.

Signed (Chief Financial Officer) _____ Dated _____

T6.2.5

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 of South Africa 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.

GLOSSARY

Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance 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 Executive 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

GLOSSARY

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:

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

b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

APPENDIX A: COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Speaker K.S Mokhuoane	FT	SPEAKER	PR	100,00%	0,00%
Executive Mayor N.A Mako	FT	EXECUTIVE MAYOR	PR	100,00%	0,00%
MMC N.A Taylor	FT	MMC ADMIN AND HR	PR	90,91%	9,09%
MMC N.P Khitsane	FT	MMC DEVELOPMENT PLANNING AND SOCIAL SECURITY	PR	81,82%	18,18%
MMC M.W Selasi	FT	MMC INFRASTRUCTURE	WARD 6	100,00%	0,00%
MMC K.E Koalane	FT	MMC FINANCE	WARD 11	90,91%	9,09%
MMC M Hlakane	FT	MMC URBAN PLANNING AND HOUSING	WARD 12	81,82%	18,18%
Cllr P.E Kogo	PT	URBAN PLANNING AND HOUSING COMMITTEE	PR	100,00%	0,00%
Cllr E.P Strydom	PT	FINANCE COMMITTEE	PR	100,00%	0,00%
Cllr M.M Mokhele	PT	DEVELOPMENT PLANNING AND SOCIAL SECURITY COMMITTEE	PR	100,00%	0,00%
Cllr P.W De Wet***	PT	ADMINISTRATION AND HUMAN RESOURCES COMMITTEE	PR	0,00%	100,00%
Cllr M J Mathuhle***	PT	ADMINISTRATION AND HUMAN RESOURCES COMMITTEE	PR	100,00%	0,00%
Cllr P.C Schee	PT	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	PR	100,00%	0,00%
Cllr R.S Lipoko	PT	INFRASTRUCTURE COMMITTEE	PR	81,82%	18,18%
Cllr N.S Makhubu	PT	FINANCE COMMITTEE	PR	90,91%	9,09%
Cllr A.M Mohoso	PT	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	PR	54,55%	45,45%
Cllr M.P Matsau	PT	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	PR	100,00%	0,00%
Cllr T.G Makhalanyane	PT	DEVELOPMENT PLANNING AND SOCIAL SECURITY COMMITTEE	PR	81,82%	18,18%
Cllr C.D Moipatli	PT	ADMINISTRATION AND HUMAN RESOURCES COMMITTEE	PR	81,82%	18,18%
Cllr A.C.L Bester	PT	URBAN PLANNING AND HOUSING COMMITTEE	PR	63,64%	36,36%
Cllr M.M Mothibeli	PT	INFRASTRUCTURE COMMITTEE	WARD 1	100,00%	0,00%
Cllr T.S Selikane	PT	URBAN PLANNING AND HOUSING COMMITTEE	WARD 2	100,00%	0,00%
Cllr M.L Mthimkulu	PT	ADMIN AND HR COMMITTEE	WARD 3	90,91%	9,09%
Cllr M.K Ralehlati	PT	DEVELOPMENT PLANNING AND SOCIAL SECURITY COMMITTEE	WARD 4	100,00%	0,00%
Cllr S.J Makobane	PT	FINANCE COMMITTEE	WARD 5	36,36%	63,64%
Cllr N.P Khatlake	PT	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	WARD 7	81,82%	18,18%
Cllr T.B Jakobo	PT	DEVELOPMENT PLANNING AND SOCIAL SECURITY COMMITTEE	WARD 8	63,64%	36,36%
Cllr T.I Mthimkulu	PT	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	WARD 9	100,00%	0,00%
Cllr I Vries	PT	INFRASTRUCTURE COMMITTEE	WARD 10	90,91%	9,09%
Cllr M.H Semahla	PT	INFRASTRUCTURE COMMITTEE	WARD 13	81,82%	18,18%
Cllr P.C Matobako	PT	FINANCE COMMITTEE	WARD 14	90,91%	9,09%
Cllr M.T Sellane	PT	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	WARD 15	90,91%	9,09%
Cllr T.J Mokoena	PT	ADMINISTRATION AND HUMAN RESOURCES COMMITTEE	WARD 16	100,00%	0,00%
Cllr. P.I Mavaleliso	PT	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	WARD 17	90,91%	9,09%

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The above table depicts the list of all Councillors with indication of the respective committees they are allocated to. Attendance of Council Meetings is monitored and the table above reflects attendance breakdowns. Non-attendance is either through approved apology or absence. Where Councillors become guilty of absence without leave the procedures as adopted by Council is implemented. It should be noted that Cllr P de Wet resigned at the end of September 2017 and was replaced by Cllr M J Mathuhle.

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APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Section 79 Committees	
Municipal Audit and Performance Management Audit Committee	To report to Council on issues of Audit and Performance Management
MPAC (Municipal Public Accounts Committee)	To investigate Audit Opinions and Outcomes in the Annual Report and prepare oversight report to Council. Also to investigate and recommend to Council on Irregular Expenditure.
Risk Management Committee	To report to Council on issues of Risk Management
IDP Steering Committee	To lead the IDP process
Section 80 Committees	
Finance Committee	Portfolio Committee with Chairperson as Member of Mayoral Committee.
Infrastructure Committee	Portfolio Committee with Chairperson as Member of Mayoral Committee.
Community Services and Social Development Committee	Portfolio Committee with Chairperson as Member of Mayoral Committee.
Urban Planning and Housing Committee	Portfolio Committee with Chairperson as Member of Mayoral Committee.
Admin & Human Resource Committee	Portfolio Committee with Chairperson as Member of Mayoral Committee.
Internal Committees	
Bid Specification Committees	To develop Terms of Reference and Specifications for Bids – Appointment subject to need by MM. This is not a fixed committee.
Bid Evaluation Committees	To evaluation Bids in line with SCM requirements – Appointment subject to need by MM. This is not a fixed committee.
Bid Adjudication Committee	To adjudicate the Bid Evaluation Reports and either appoint or recommend to MM for appointment in line with Delegations and SCM requirements.
Local Labour Forum	To deal with all issues affecting labour within the Municipality.
Training and Development Committee	To consider the issues of Annual Training Report, Skills Development Plan and Training Interventions.
Employment Equity Forum	To ensure implementation of Affirmative Action Measures as per Employment Equity Plan.
IT Steering Committee	To discuss and be accountable for the municipality's ICT environment and ensure that ICT conforms to legislation.

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APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Manager
Office of the Municipal Manager	Manager in the Office of the Municipal Manager-Vacant
	Manager ICT, Communication and CRM-Vacant
	Chief Audit Executive-Ms D S Lebeko
	IDP Manager-Mr. M S Makhele
Corporate Services	Director Corporate Services Mrs B L Mokoena (Acting)
	Manager Human Resource Management Mrs B L Mokoena
	Manager Human Resource Development Mr S G Skozana
	Manager Administration and Support Services Mrs S Z Mihailescu
	Manager Payroll Administration Mrs A Pieters (Acting)
	Manager Legal Services (Vacant)
Treasury Services	Manager Budget and Reporting- D J Van Tonder
	Manager Revenue Management-Mrs F Viljoen
	Manager Expenditure-Mrs M Marx
	Manager Assets-Mr. T D Tshikundu
	Manager Supply Chain Management-Mr. J Lynch
Development Planning and Social Security	Manager Solid Waste-Mr. L Van Der Merwe
	Manager Security-Mr. M A Mosholi
	Manager Local Economic Development-Mr. M E Fokane
	Manager parks and Cemeteries-Vacant
	Manager Public Safety-Vacant
Engineering Services	Manager Water and Sanitation: Operations and Maintenance-Mr. M J Koalane
	Manager Water and Sewer: Bulk Services-Mr M A Mokhethoa
	Manager Roads and Storm Water-Mr. L G Moreki
	Manager Planning-Mr. M S Radiopane
	Manager Electricity-Mr. W R De Villiers
	Manager project Management Unit-Mr. S S Kunene
<i>Use as a spillover schedule if top 3 tiers cannot be accommodated in chapter 2 (T2.2.2).</i>	

TC

APPENDIX D: DISCLOSURE OF FINANCIAL INTERESTS

APPENDIX D – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2017 to 30 June 2018		
Position	Name	Description of Financial interests* (Nil / Or details)
Speaker	K.S. Mokhuoane	Owns a School House Unit in Senekal - ± R 30 000.00
(Executive) Mayor	A N Maoke	Owns House in Meqheleng - ± R40 000.00
		Owns House in Ficksburg - ± R690 000.00
Member of MAYCO / Exco	M.W. Selasi	Nil
	A N Taylor	20 Shares @ Phuthumanathi - ± R20 000.00
		20 Shares @ Yizani - ± R20 000.00
		Land @ Hlohlolwane - ±R40 000.00
	M. Hlakane	Secoded Councillor to Thabo Mofutsanyana - ± R750.00
		Owns Site in Meqheleng - ± R750 000.00
		Owns Site in Meqheleng - ± R15 000.00
K.E. Koalane	Owns house in Hlohlolwane - ± R280 000.00	
N.P. Khitsane	Nil	
Councillors	T.G. Makhalanyaane	Owns a House in Meqheleng - ± R 500 000.00
		Owns land in Meqheleng - ± R20 000.00
	M.M. Mokhele	Owns a House in Matwabeng - ± R500 000.00
		Works as a Property Agent @ OELOFSE Properties - 7% Commission
	P.I. Mavaleliso	Owns a TAXI - ± R 3000.00
	T.I. Mthimkulu	Owns house in Clocolan - ± R180 000.00
	M H Semahla	Owns a House in Ficksburg - ± R200 000.00
	A.C. Bester	Owns a House in Senekal - ± R800 000.00
	M.J. Mathuhle	Works as a Minister at Global Gate Church - ± R8000.00
	E.P. Strydom	Owns farm in Senekal - ± R9 000 000.00
		Owns Butchery in Marquard - ± R 3 000 000.00
		Owns Abattoir in Marquard - ± R3 000 000.00
		Owns House in Marquard - ± R 1 000 000.00
	R.S. Lipoko	Owns Ebenezer Christian School - ± R7000.00
	C.D. Moipatli	Nil
	T.J. Mokoena	Owns 7 Cows - ± R 12000.00
	M.L. Mthimkhulu	Owns House in Senekal - ± R500 000.00
	P.C. Schee	Nil
	M.M. Mothibeli	Nil
	P.E. Koqo	20% Shares Waste Management 1058 Industrial Area Senekal - ± R0.00
		Director of Ramabalu Cooperative, Palesa Koqo Cooperative, Tumelo Ramabulu Cooperative & Moditsane Thobatse Cooperative
	I. Vries	Owns House in Ficksburg - ± R250 000.00
	T.S. Selikane	Nil
	M.P. Matsau	30% Shares at Royal Leader (PTY) LTD - ± R0.00
		25% Shares at Kgaba la Afrika (PTY) LTD - ± R0.00
		Directorship @ GodSpeed Service Provider; Royal Leader (PTY) LTD; Kgaba la Afrika (PTY) LTD
	A. Mohosho	Nil
	T.B. Jakobo	Owns house in Clocolan - ± R420 000.00
		Land in Hlohlolwane - ± R20 000.00
	N.P. Khatlake	Directorship Mangora Trading; Chozozza Trading; Tswelong Trading & Trucks Hewen Private Company - ± R0.00
	M.Sellane	Owns House in Meqheleng - ± R100 000.00
	P.C. Matobaka	Nil
M.S. Seja	Nil	
S. Makobane	Nil	
M. Ralehlatsi	Nil	

APPENDIX D: DISCLOSURE OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2017 to 30 June 2018		
Position	Name	Description of Financial interests* (Nil / Or details)
Municipal Manager	STR Ramakarane	Owns House in Bloemfontein - ± R 250 000.00
		Owns a Townhouse in Bloemfontein - ±R400 000.00
		Owns a House in QwaQwa - ± R 200 000.00
		Owns a house in Ficksburg - ± R460 000.00
Chief Financial Officer	M. Masisi	100% shares @ Senate (PTY) LTD - ± R0.00
		Consultant @ Senati (PTY) LTD - ±R0.00
		Owns House in Bloemfontein - ± R1 700 000.00
		Owns Block of Flats in Bloemfontein - ± R4 000 000.00
		Owns vacant land in Bloemfontein - ± R400 000.00
Director Development Planning Social and Security	T.R. Zondo	Owns 4 Bedroom house in Bloemfontein - ± R500 000.00
		50% Shares Mathateng Enterprise R 0.00
		Director @ Manthateng Enterprise Disc jockey @ Different Clubs & Parties R2000.00
Acting Directors		
Acting Director Engineering Services (April 2018-June 2018)	T. Mokhetoa	Owns House in Welkom - ± R100 000.00
		Owns House in Clocolan - ± R100 000.00
Acting Director Corporate Services (March 2018 - June 2018)	B.L. Mokoena	Director of Company - KA JBNA Sole Prop
		Owns a House in Ficksburg - ± R820 000.00
Acting Chief Financial Officer (September 2017 - April 2018)	D.J. van Tonder	Director of Company - LEZMIN 1924 Farming / Transport - ± R0.00
		Director of Company - Dwarskloof Boerdery Farming - Deregistered Company
		Owns House in Ficksburg - ± R650 000.00
Acting Director Corporate Services (August 2017 - December 2017)	S.Z. Mihailescu	Owns House in Clocolan - ± R500 000.00
Acting Director Development Planning Social and Security (October 2018 - December 2018)	M.E. Fokane	Owns house in Senekal - ± R220 000.00
* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A		

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VOLUME II: ANNUAL FINANCIAL STATEMENTS

VOLUME II: ANNUAL FINANCIAL STATEMENTS

Provide the Annual Financial Statements (AFS) to the respective financial year as submitted to the Auditor-General. The completed AFS will be Volume II of the Annual Report



Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial statements
for the year ended 30 June 2018
Auditor-General of South Africa (AGSA)

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	A Municipality which is an organ of state within the local sphere of government exercising legislative and executing authority.
Nature of business and principal activities	A Local Authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Systems Amendment Act (No. 44 of 2003) Local Government: Municipal Structures Act (Act 117 of 1998) Local Government: Municipal Structures Amendment Act (No.33 of 2000) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa (Act 108 of 1996) Property Rates Act (Act 6 of 2004) Annual Division of Revenue Act Municipal Demarcation (Act 27 of 1998) Local Government: Transition Act Second Amendment Act (No. 97 of 1996) Water Services Act (No. 108 of 1997) Electricity Act (No. 41 of 1987) Intergovernmental Fiscal Relations Act (No. 97 of 1997) Intergovernmental Relations Framework Act (No. 13 of 2005)
Mayor / Executive Mayor Executive Committee / Mayoral Committee	Maoke, Nthateng Alice Koalane, Komane Elias Taylor, Nnini Annie Hlakane, Moeketsi Selasi, Motsamai William Khitsane, Nthatisi Petronella
Councillors	Speaker - Mokhuoane, Krog Sexton Koqo, Palesa Elizabeth Mokhele, Modise Moses De Wet, Pieter Wouter - Resigned 2017/09/30 Mathuhle Motsamai John - Replaced Cllr De Wet Schee, Pulane Constance Lipoko, Ratsholwane Shadrack Makhubu , Ntali Selina Mohosho, Andronika Modiehi Strydom, Evert Phillip Matsau, Malefane Patrick Makhalanyane, Tieho George Moipatli, Chere Daniel Mothibeli, Moselantja Mercy Selikane , Thabiso Shadrack Mthimkulu, Mamotena Lydia Ralehlatsi, Mahlomola Klaas Makobane, Serame Ishmael Khatlake, Ntema Peter Jakobo, Tsheliso Bernard Mthimkhulu, Thabo Isaac Vries, Isak Semahla, Mookho Hilda

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

General Information

	Matobako, Puseletso Constance Sellane, Matieho Theresia Mokoena, Teboho Jacob Mavaleliso, Paka Isaac Bester, Aletta Catharina
Grading of local authority	06 - Medium Capacity
Accounting Officer	Mr. S T R Ramakarane
Chief Finance Officer (CFO)	Mrs. M Masisi
Registered office	27 Voortrekker Street Ficksburg 9730
Business address	27 Voortrekker Street Ficksburg 9730
Postal address	P O Box 116 Ficksburg 9730
Bankers	First National Bank, a division of First Rand Bank Limited
Auditors	Auditor-General of South Africa (AGSA)
Legal Manager	Post Vacant P O Box 116. Ficksburg, 9730
Telephone Number	(051) 933 9300
Fax Number	(051) 933 9363
Email Address	manager@setsoto.co.za

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretation of the standard of Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COGTA	Department of Cooperative Governance and Traditional Affairs
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
mSCOA	Municipal Standard Chart Of Accounts

Accounting Officer's Responsibilities and Approval

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

The financial statements have been prepared as required in terms of Section 122 of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The financial statements set out on pages 8 to 94, which have been prepared on the going concern basis (Please refer to Note 53), were approved by the accounting officer on 31 August 2018 .

Mr. S. T. R. Ramakarane
Accounting Officer / Municipal Manager

31 August 2018

Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

Name of member	Number of meetings attended
Mr H B Mathibela - Chairperson	7
Mr T Zororo	3
Mr L S Mofokeng	5
Ms F Kobo	5
Mrs S Masite	4

All members are independent, with no interest in the management or conduct of the business of the Municipality and the members of the Audit and Performance Audit Committee were appointed on the 26 June 2017. Their contract was extended as it will end 27 July 2022.

Audit and Performance Committee responsibility

The Audit and Performance Audit Committee reports complies with its responsibilities arising from section 166(2)(a) and (b) of the MFMA.

The Audit and Performance Audit Committee has adopted appropriate formal terms of reference as its Audit and Performance Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation on some entities and this was evident by the reasonable assurance given by the Internal Audit Unit. However, there have been vast improvements on some internal controls. The identification of corrective actions and suggested enhancements to the controls were done through risk management process and interaction with management on the action plan on audited report.

Evaluation of financial statements

The Audit and Performance Audit Committee has:

- reviewed and discussed the unaudited financial statements that will be presented to the Auditor-General South Africa;
- reviewed changes in accounting policies and practices;
- reviewed the adjustment made which appear on notes of prior period error and re-classification;
- reviewed SCM Policy and assets management policy;
- provide assurance on irregular, fruitless and wasteful expenditure;
- provide assurance on the write off on debtors;
- monitors asset management;
- monitor the implementation of the procurement plan;
- monitor the implementation of the SCM policy on deviation;

Internal audit

The Audit and Performance Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

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

Chairperson of the Audit Committee

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

Audit & Performance Audit Committee Report

Date: _____

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 47,060,412 (2017: deficit R 124,580,991).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 3,144,114,600 and that the municipality's total assets exceed its liabilities by R 3,144,114,600.

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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would impact on the financial results as disclosed in these financial statements.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in any contracts.

5. Accounting policies

The financial statements prepared as required in terms of Section 122 of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with the South African Standards of Generally Recognized Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, as the prescribed framework by National Treasury.

6. Retirement benefit obligation

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

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

Refer to note 20 for detail about these valuations.

7. Non-current assets

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

8. Accounting Officer

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

Name	Nationality
Mr. S. T. R. Ramakarane	RSA

9. Auditors

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

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 R
Assets			
Current Assets			
Inventories	3	2,860,937	2,420,121
Receivables from exchange transactions	5&6	181,268,256	146,501,145
Receivables from non-exchange transactions	5&7	60,252,230	58,946,414
Cash and cash equivalents	9	377,515	2,080,903
		<u>244,758,938</u>	<u>209,948,583</u>
Non-Current Assets			
Investment property	10	68,198,668	68,648,208
Property, plant and equipment	11	3,041,432,898	3,114,796,021
Intangible assets	12	1,574,564	2,639,535
Heritage assets	13	15,385,903	15,385,903
Other financial assets	4	3,479,855	3,211,861
		<u>3,130,071,888</u>	<u>3,204,681,528</u>
Total Assets		<u>3,374,830,826</u>	<u>3,414,630,111</u>
Liabilities			
Current Liabilities			
Other financial liabilities	14	7,923,026	2,250,952
Payables from exchange transactions	16	110,158,947	110,538,311
VAT payable	8	8,021,325	1,023,300
Consumer deposits	17	2,787,766	2,513,344
Unspent conditional grants and receipts	18	8,979,260	11,066,877
Provisions	19	1,217,000	1,446,000
		<u>139,087,324</u>	<u>128,838,784</u>
Non-Current Liabilities			
Other financial liabilities	14	26,279,899	12,890,162
Employee benefit obligation	20	45,332,000	63,087,000
Provisions	19	20,017,000	18,596,000
		<u>91,628,899</u>	<u>94,573,162</u>
Total Liabilities		<u>230,716,223</u>	<u>223,411,946</u>
Net Assets		<u>3,144,114,603</u>	<u>3,191,218,165</u>
Accumulated surplus	56	3,144,114,600	3,191,218,166

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

	Note(s)	2018 R	2017 R
Revenue			
Revenue from exchange transactions			
Service charges	21	167,135,018	163,307,063
Rental of facilities and equipment	22	1,191,601	1,901,910
Interest received (trading)		24,176,660	19,524,870
Licences and permits		189,626	39,298
Commissions received		241,353	220,650
Sale of land		109,511	273,674
Other income	23	19,714,297	5,099,251
Interest earned - Investments	24	2,396,348	1,973,314
Dividends received	24	51,142	39,848
Total revenue from exchange transactions		215,205,556	192,379,878
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	52,960,740	44,238,873
Transfer revenue			
Government grants & subsidies	26	246,803,007	273,398,908
Public contributions and donations	50	4,091,554	90,000
Fines, Penalties and Forfeits		1,688,828	2,462,779
Total revenue from non-exchange transactions		305,544,129	320,190,560
Total revenue	27	520,749,685	512,570,438
Expenditure			
Employee related costs	28	175,808,088	187,599,213
Remuneration of councillors	29	12,747,829	9,896,389
Repairs and maintenance		1,518,870	11,258,003
Depreciation and amortisation	31	176,925,653	209,967,015
Impairment loss/ Reversal of impairments	32	1,584,887	2,286,791
Finance costs	33	5,960,633	2,288,707
Lease rentals on operating lease		6,449,012	13,192,410
Debt Impairment	34	78,138,083	69,861,412
Collection costs		1,125,593	613,324
Bulk purchases	35	53,990,492	68,977,949
Contracted services	36	13,380,027	11,473,398
Transfers and Subsidies	37	2,110,976	5,618,338
Assets write-off	38	911,500	6,496,905
Actuarial losses	20	424,000	-
General Expenses	39	36,734,455	37,621,574
Total expenditure		567,810,098	637,151,428
Deficit for the year		(47,060,412)	(124,580,990)

Setsoto Local Municipality
 (Registration number Municipal demarcation code FS191)
 Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2016	3,313,713,230	3,313,713,230
Changes in net assets		
Correction of prior year compensation commissioner expense	(3,206,079)	(3,206,079)
Correction Prior year Retention	5,166,051	5,166,051
Correction of prior period assets	125,954	125,954
Net income (losses) recognised directly in net assets	2,085,926	2,085,926
Surplus/(deficit) for the year	(122,580,990)	(122,580,990)
Total recognised income and expenses for the year	(122,495,064)	(122,495,064)
Total changes	(122,495,064)	(122,495,064)
Balance at 01 July 2017	3,191,426,197	3,191,426,197
Changes in net assets		
Surplus/(deficit) for the year	(47,060,412)	(47,060,412)
Correction Assets previous year	(251,185)	(251,185)
Total changes	(47,311,597)	(47,311,597)
Balance at 30 June 2018	3,144,114,600	3,144,114,600

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Cash Flow Statement

	Note(s)	2018 R	2017 R
Cash flows from operating activities			
Receipts			
Property Rates		55,060,236	31,394,843
Sale of goods and services		75,448,723	107,055,664
Grants		244,715,390	273,398,907
Interest income		2,396,348	21,498,184
Dividends received		51,142	39,848
Other receipts		4,100,628	9,997,562
Other non-cash item		277,440	90,000
		<u>382,049,907</u>	<u>443,475,008</u>
Payments			
Employee costs		(188,555,917)	(197,495,602)
Suppliers		(109,555,580)	(157,045,465)
Finance costs		(5,960,633)	(2,288,707)
		<u>(304,072,130)</u>	<u>(356,829,774)</u>
Net cash flows from operating activities	40	<u>77,977,777</u>	<u>86,645,234</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(99,117,641)	(96,738,543)
Proceeds from the disposal of property, plant and equipment	11	642,659	3,345,215
Proceeds from sale of investment property	10	-	3,151,692
Purchase of other intangible assets	12	-	(192,968)
Proceeds from sale of financial assets		(267,994)	(145,568)
Purchase of biological assets that form part of an agricultural activity		-	-
Proceeds from sale of non-current receivables and loss on sale of assets		-	(6,496,905)
Net cash flows from investing activities		<u>(98,742,976)</u>	<u>(97,077,077)</u>
Cash flows from financing activities			
Taken up/Repayment of other financial liabilities		19,061,811	8,856,823
Net cash flows from financing activities		<u>19,061,811</u>	<u>8,856,823</u>
Net increase/(decrease) in cash and cash equivalents		(1,703,388)	(1,575,021)
Cash and cash equivalents at the beginning of the year		2,080,903	3,655,924
Cash and cash equivalents at the end of the year	9	<u>377,515</u>	<u>2,080,903</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	167,964,777	6,000,000	173,964,777	167,135,018	(6,829,759)	Due to economic constrains the expected income decreased.
Rental of facilities and equipment	5,079,297	(2,892,472)	2,186,825	1,191,601	(995,224)	Income increased due to letting of properties
Interest received (trading)	25,630,364	1,000,000	26,630,364	24,176,660	(2,453,704)	Improved debt collection and written off of bad debt previous year.
Licences and permits	30,960	-	30,960	189,626	158,666	Increase in controls
Commissions received	163,092	-	163,092	241,353	78,261	
Sale of land and erven	-	-	-	109,511	109,511	
Other income - (rollup)	862,380	(22,108)	840,272	19,714,297	18,874,025	Increase in sundry services
Interest received - Investment and Debtors	1,860,360	-	1,860,360	2,396,348	535,988	Increase debtors control resulted in interest
Dividends received	40,000	-	40,000	51,142	11,142	
Total revenue from exchange transactions	201,631,230	4,085,420	205,716,650	215,205,556	9,488,906	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	43,262,792	10,000,000	53,262,792	52,960,740	(302,052)	The effect of the implementation of the new valuation roll
Transfer revenue						
Government grants & subsidies	298,885,854	(33,414,004)	265,471,850	246,803,008	(18,668,842)	Additional Ad Hoc grants received during the year from Government
Public contributions and donations	-	-	-	4,091,554	4,091,554	Assets donated by donors

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Fines, Penalties and Forfeits	364,320	-	364,320	1,688,828	1,324,508	Increase in traffic control
Total revenue from non-exchange transactions	342,512,966	(23,414,004)	319,098,962	305,544,130	(13,554,832)	
Total revenue	544,144,196	(19,328,584)	524,815,612	520,749,686	(4,065,926)	
Expenditure						
Personnel	(184,215,909)	-	(184,215,909)	(175,808,088)	8,407,821	Decrease (gain) in Actuarial value on employee medical benefits
Remuneration of councillors	(11,061,588)	(1,500,000)	(12,561,588)	(12,747,829)	(186,241)	Yearly allowance increase
Repairs and maintenance	(4,316,116)	558,336	(3,757,780)	(1,518,870)	2,238,910	Purchase of new assets contribute to lower spending.
Depreciation and amortisation	(223,489,980)	-	(223,489,980)	(176,925,653)	46,564,327	
Impairment loss/ Reversal of impairments	-	-	-	(1,584,887)	(1,584,887)	Impairment of fines revenue.
Finance costs	(2,054,004)	(2,780,914)	(4,834,918)	(5,960,633)	(1,125,715)	Additional interest paid on overdue accounts.
Lease rentals on operating lease	(7,448,456)	(1,461,084)	(8,909,540)	(6,449,012)	2,460,528	Decrease in renting of additional service delivery equipment.
Debt Impairment	(58,014,496)	-	(58,014,496)	(78,138,083)	(20,123,587)	Increased outstanding debt contribute to additional impairment
Collection costs	(2,000,004)	(249,996)	(2,250,000)	(1,125,593)	1,124,407	Stabilisation of Debt Collectors activities.
Bulk purchases	(64,448,460)	(1,816,580)	(66,265,040)	(53,990,492)	12,274,548	Implementation of prepaid electricity. Lower user consumption.
Contracted Services	(10,322,696)	(3,096,999)	(13,419,695)	(13,380,027)	39,668	Decrease in Repair & Maintenance cost
Transfers and Subsidies	(893,604)	(392,084)	(1,285,688)	(2,110,976)	(825,288)	Additional registration of indigents

Setsoto Local Municipality
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 Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
General Expenses	(52,103,928)	(8,050,449)	(60,154,377)	(36,734,455)	23,419,922	Strict implementation of cost containment measures
Total expenditure	(620,369,241)	(18,789,770)	(639,159,011)	(566,474,598)	72,684,413	
Operating deficit	(76,225,045)	(38,118,354)	(114,343,399)	(45,724,912)	68,618,487	
Loss on disposal of assets and liabilities	-	-	-	(911,500)	(911,500)	
Actuarial gains/losses	-	-	-	(424,000)	(424,000)	
	-	-	-	(1,335,500)	(1,335,500)	
Deficit before taxation	(76,225,045)	(38,118,354)	(114,343,399)	(47,060,412)	67,282,987	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(76,225,045)	(38,118,354)	(114,343,399)	(47,060,412)	67,282,987	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its 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, management 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 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. The write down is included in the operation surplus note.

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 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating and non-cash generating asset 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 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives and residual values of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 will 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 20.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation.

All material differences are explained in the notes/appendices to the annual financial statements.

Operating lease commitments

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

1.3 Investment property

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

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

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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	5 - 30 years

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

Accounting Policies

1.3 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.4 Property, plant and equipment

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

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

- 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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Accounting Policies

1.4 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	10 years
Furniture and Office Equipment	Straight line	7 - 10 years
Transport Assets	Straight line	5 - 20 years
Office equipment	Straight line	3 - 7 years
IT equipment	Straight line	3 years
Computer Equipment	Straight line	3 years
Infrastructure - Electricity	Straight line	20 - 50 years
Buildings & Other Structure (Community)	Straight line	30 years
Other property, plant and equipment	Straight line	3 - 7 years
Infrastructure: Waste Management	Straight line	5 - 40 years
Infrastructure: Road, Pavement, Bridges & Storm water	Straight line	5 - 100 years
Infrastructure: Water	Straight line	5 - 100 years
Infrastructure - Wastewater management	Straight line	10 - 60 years
Work in Process	Straight line	Transfer to asset on completion

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 - 5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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).

Accounting Policies

1.6 Heritage assets

Assets are resources controlled by the 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 the municipality's operations that is shown as a single item for the purpose of disclosure in the 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.

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 the 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.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Recognition

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

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.

Accounting Policies

1.6 Heritage assets (continued)

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.7 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.

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 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.

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.

Accounting Policies

1.7 Financial instruments (continued)

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.

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Accounting Policies

1.7 Financial instruments (continued)

Loans to (from) municipal entities

These include loans to municipal entities and recognised at fair value plus any transaction costs and subsequently measured at cost.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Debtors

Debtors are initially recognised at fair value plus any transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified in the Statement of Financial Performance.

Creditors

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

Cash and cash equivalents

These are initially and subsequently recorded at amortised cost.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other shortterm highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Accounting Policies

1.7 Financial instruments (continued)

Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

1.8 Tax

Current tax assets and liabilities

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.9 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.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessee

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

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

1.10 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost 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.

1.11 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.12 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Accounting Policies

1.13 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 transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity 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 should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be 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. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imburement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

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 shall be recognised as revenue when:

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

1.14 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Accounting Policies

1.14 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.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.15 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.16 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 used 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.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Value in use

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

1.17 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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.

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:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

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 tests 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.

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

Restoration cost approach

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

Service units' approach

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

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.

1.18 Employee benefits

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

Accounting Policies

1.18 Employee benefits (continued)

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.

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 cell phones) 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.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits

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

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

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

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.

Accounting Policies

1.18 Employee benefits (continued)

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.

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 measures the resulting asset at the lower of:

- the amount determined above; and

Accounting Policies

1.18 Employee benefits (continued)

- 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 determines 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 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.

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 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.

Accounting Policies

1.18 Employee benefits (continued)

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.

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.

Accounting Policies

1.18 Employee benefits (continued)

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.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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.

Accounting Policies

1.19 Provisions and contingencies (continued)

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 54.

1.20 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.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

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.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

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.

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

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.

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.

1.21 Revenue from non-exchange transactions

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

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

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

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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Assessment Rates

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Transfers

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.

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.

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

Accounting Policies

1.22 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.

1.23 Comparative figures

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

1.24 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.

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

MFMA Circular No 68 and section 32 of the Municipal Finance Management Act No. 56 of 2003 states the following::

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

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

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

Accounting Policies

1.26 Irregular expenditure (continued)

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

1.27 Use of estimates

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

1.28 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the Standard rate (14%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

1.29 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017-07-01 to 2018-06-30.

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

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

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.30 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Setsoto Local Municipality
(Registration number Municipal demarcation code FS191)
Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

	2018	2017
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 34: Separate Financial Statements

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

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

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

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

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

GRAP 36: Investments in Associates and Joint Ventures

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

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 37: Joint Arrangements

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

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

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

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

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

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

GRAP 38: Disclosure of Interests in Other Entities

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

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

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

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

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

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

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

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

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

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

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

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

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

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

GRAP 20: Related parties

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

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

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

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

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

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

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

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

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

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

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

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

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

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

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 financial statements.

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

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Notes to the Financial Statements

2. New standards and interpretations (continued)

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

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

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

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

3. Inventories

Consumable Stores	2,860,937	2,420,121
Carrying value of inventories carried at fair value less costs to sell	2,195,563	758,519
Inventories recognised as an expense during the year	2,601,472	1,110,335

Items in the store are booked out against the relevant service expenditure .

Obsolete, redundant and slow moving inventory was identified and written down to estimated economic or realisable values to the relevant service through the statement of financial performance.

Inventory pledged as security

No inventory was pledged as security for the year.

4. Other financial assets

Designated at fair value

Listed shares	1,009,779	933,833
Sanlam		
Unlisted shares	1,235,717	1,116,615
OVK / EFC Shares		
	2,245,496	2,050,448

At amortised cost

Other financial assets	1,234,359	1,161,413
Consist of a Sanlam Redemption fund and a housing collateral at ABSA Bank		
Total other financial assets	3,479,855	3,211,861

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	2018 R	2017 R
4. Other financial assets (continued)		
Non-current assets		
Designated at fair value	2,245,496	2,050,448
At amortised cost	1,234,359	1,161,413
	3,479,855	3,211,861
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		
Sanlam	1,009,779	933,833
As at 30 June 2018, the Sanlam share value was: R70.07 (2017: R64.80).		
.		
Level 3		
OVK	1,235,717	1,116,615
As at 30 June 2018, the OVK share value was as follow:		
OVK Operations	R15.20	(2017: R13.20)
OVK Holdings:	R12.90	(2017: R12.15).
	2,245,496	2,050,448
Financial assets at amortised cost		
Fair values of financial assets measured or disclosed at amortised cost		
Class 1	1,234,359	1,161,413

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	2018 R	2017 R
5. Consumer debtors' disclosure		
Gross balances		
Consumer debtors' - Rates	61,444,176	63,543,672
Consumer debtors' - Electricity	36,438,849	47,247,131
Consumer debtors' - Water	154,510,954	140,778,585
Consumer debtors' - Sewerage	58,202,075	46,897,874
Consumer debtors' - Refuse	75,569,252	59,020,540
Consumer debtors' - Other	2,809,974	3,250,735
	388,975,280	360,738,537
Less: Allowance for impairment		
Consumer debtors' - Rates	(11,467,915)	(14,425,675)
Consumer debtors' - Electricity	(12,444,174)	(16,748,523)
Consumer debtors' - Water	(62,047,934)	(64,529,096)
Consumer debtors' - Sewerage	(29,939,465)	(29,156,251)
Consumer debtors' - Refuse	(39,777,038)	(37,193,734)
Consumer debtors' - Other	(2,054,237)	(3,066,116)
	(157,730,763)	(165,119,395)
Net balance		
Consumer debtors' - Rates	49,976,261	49,117,997
Consumer debtors' - Electricity	23,994,675	30,498,608
Consumer debtors' - Water	92,463,020	76,249,489
Consumer debtors' - Sewerage	28,262,610	17,741,623
Consumer debtors' - Refuse	35,792,214	21,826,806
Consumer debtors' - Other	755,737	184,619
	231,244,517	195,619,142
Rates		
Current (0 -30 days)	(2,832,744)	7,704,744
31 - 60 days	2,814,668	2,746,868
61 - 90 days	2,574,250	2,756,915
91 - 120 days	2,654,361	2,566,209
121 - 365 days	56,233,641	47,768,936
> 365 days	(11,467,915)	(14,425,675)
	49,976,261	49,117,997
Electricity		
Current (0 -30 days)	7,972,808	22,052,542
31 - 60 days	2,354,649	2,115,076
61 - 90 days	1,209,621	1,525,845
91 - 120 days	1,591,054	1,318,449
121 - 365 days	23,310,717	20,235,219
> 365 days	(12,444,174)	(16,748,523)
	23,994,675	30,498,608

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Notes to the Financial Statements

	2018 R	2017 R
5. Consumer debtors' disclosure (continued)		
Water		
Current (0 -30 days)	25,435,530	8,650,431
31 - 60 days	5,029,465	4,694,044
61 - 90 days	4,875,423	4,715,618
91 - 120 days	4,751,157	4,631,674
121 - 365 days	114,419,379	118,086,818
> 365 days	(62,047,934)	(64,529,096)
	92,463,020	76,249,489
Sewerage		
Current (0 -30 days)	2,436,411	2,114,609
31 - 60 days	2,307,269	1,904,026
61 - 90 days	2,162,355	1,859,311
91 - 120 days	2,095,229	1,833,195
121 - 365 days	49,200,811	39,186,733
> 365 days	(29,939,465)	(29,156,251)
	28,262,610	17,741,623
Refuse		
Current (0 -30 days)	3,240,205	2,861,648
31 - 60 days	3,004,222	2,609,815
61 - 90 days	2,854,449	2,552,039
91 - 120 days	2,798,300	2,525,404
121 - 365 days	63,672,076	48,471,634
> 365 days	(39,777,038)	(37,193,734)
	35,792,214	21,826,806
Other		
Current (0 -30 days)	240,250	660,065
31 - 60 days	80,796	107,144
61 - 90 days	(134,316)	199,576
91 - 120 days	54,714	142,128
121 - 365 days	2,568,530	2,141,822
> 365 days	(2,054,237)	(3,066,116)
	755,737	184,619

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	2018 R	2017 R
5. Consumer debtors' disclosure (continued)		
Summary of debtors' by customer classification		
Consumers		
Current (0 -30 days)	37,083,852	37,327,959
31 - 60 days	11,926,119	11,132,842
61 - 90 days	10,497,394	10,501,644
91 - 120 days	10,965,863	10,257,990
121 - 365 days	261,838,224	233,535,395
	332,311,452	302,755,830
Industrial/ commercial		
Current (0 -30 days)	2,355,690	4,640,716
31 - 60 days	1,011,009	974,874
61 - 90 days	846,807	1,099,887
91 - 120 days	754,778	940,594
121 - 365 days	18,165,130	12,821,444
	23,133,414	20,477,515
National and provincial government		
Current (0 -30 days)	(2,946,217)	2,021,248
31 - 60 days	2,665,337	2,069,256
61 - 90 days	2,197,580	2,007,773
91 - 120 days	2,224,174	1,818,476
121 - 365 days	29,390,406	29,534,323
	33,531,280	37,451,076
Total		
Current (0 -30 days)	36,493,326	43,989,924
31 - 60 days	15,602,464	14,176,972
61 - 90 days	13,541,781	13,609,303
91 - 120 days	13,944,815	13,017,060
121 - 365 days	309,392,892	275,891,162
	388,975,278	360,684,421
Less: Allowance for impairment	(157,730,761)	(165,119,394)
	231,244,517	195,565,027
Reconciliation of allowance for impairment		
Balance at beginning of the year	(165,119,394)	(148,406,865)
Contributions to allowance	(78,138,083)	(69,861,411)
Debt impairment written off against allowance	85,526,716	53,148,882
	(157,730,761)	(165,119,394)
6. Receivables from exchange transactions		
Consumer debtors' - Electricity	23,994,675	30,498,608
Consumer debtors' - Water	92,463,020	76,249,489
Consumer debtors' - Sewerage	28,262,610	17,741,623
Consumer debtors' - Refuse	35,792,214	21,826,806
Consumer debtors' - Other	755,737	184,619
	181,268,256	146,501,145

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Notes to the Financial Statements

	2018	2017
	R	R

6. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

No consumer debtors' were pledged as security for overdraft facilities.

Credit quality of trade and other receivables

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Furthermore the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Fair value of trade and other receivables

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of consumer debtors has been made for all consumer balances outstanding based on the payment ration over 12 months per service type. No further credit provision is required in excess of the Provision for impairment.

7. Receivables from non-exchange transactions

Fines	216,121	307,238
Cashiers short banking	381,528	-
Sundry Debtors	6,812,522	6,812,522
Prepayments (Eskom and Fuel Deposits)	2,865,798	2,708,657
Rates (Details as per Note 5 above)	49,976,261	49,117,997
	60,252,230	58,946,414

8. VAT payable

VAT payable	11,993,114	5,578,128
VAT receivable	(3,971,789)	(4,554,828)
	8,021,325	1,023,300

The Municipality is registered on the payment basis; therefore VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,207	9,207
Bank balances	292,530	1,089,984
Short-term deposits	75,778	981,712
	377,515	2,080,903

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	2018	2017
	R	R

9. Cash and cash equivalents (continued)

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

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

Credit rating		
BB	368,308	2,088,362

Cash and cash equivalents pledged as collateral

The Municipality has an overdraft facility of R3,000,000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB BANK - Current Account - 620 480 92647	298,587	1,115,314	3,557,178	292,530	1,089,984	3,587,897
FNB BANK - Business Money Market - 621 517 83563	9,245	79,526	33,760	9,245	79,526	33,760
FNB BANK - NSTD Account - 620 490 46205	10,000	837,313	24,561	10,000	837,313	24,561
FNB BANK - Call Account - 623 105 40465	10,000	64,873	1,000	10,000	64,873	1,000
Total	327,832	2,097,026	3,616,499	321,775	2,071,696	3,647,218

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Notes to the Financial Statements

Figures in Rand

10. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	93,982,953	(25,784,285)	68,198,668	93,982,953	(25,334,745)	68,648,208

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	68,648,208	(449,540)	68,198,668

Reconciliation of investment property - 2017

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	74,574,176	(3,151,692)	(1,559,926)	(1,214,350)	68,648,208

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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11. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	56,167,677	(484,898)	55,682,779	56,167,677	-	56,167,677
Furniture and Office Equipment	6,160,599	(5,838,494)	322,105	6,225,073	(5,817,227)	407,846
Transport Assets	47,538,847	(10,360,126)	37,178,721	24,068,915	(10,868,053)	13,200,862
Computer Equipment	7,534,087	(5,372,753)	2,161,334	7,723,920	(5,329,200)	2,394,720
Infrastructure - Electricity	290,745,287	(118,401,663)	172,343,624	285,383,359	(107,907,296)	177,476,063
Buildings & Other Structure (Community)	445,134,290	(144,556,727)	300,577,563	438,738,656	(135,189,475)	303,549,181
Infrastructure: Waste Management	23,736,262	(4,061,113)	19,675,149	23,606,321	(3,026,635)	20,579,686
Infrastructure: Road, Pavement, Bridges & Storm water	2,887,692,059	(1,616,057,518)	1,271,634,541	2,864,398,728	(1,500,191,975)	1,364,206,753
Machinery & Equipment	5,046,628	(3,414,972)	1,631,656	5,357,726	(3,258,827)	2,098,899
Infrastructure - Wastewater management	537,841,101	(134,319,850)	403,521,251	513,866,323	(120,614,976)	393,251,347
Infrastructure - Water	952,476,338	(175,772,163)	776,704,175	939,417,609	(157,954,622)	781,462,987
Total	5,260,073,175	(2,218,640,277)	3,041,432,898	5,164,954,307	(2,050,158,286)	3,114,796,021

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Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Work in Progress - additions / (transfers completed projects)	Depreciation	Impairment reversal	Total
Land	56,167,677	-	-	-	(484,898)	-	55,682,779
Furniture and Office Equipment	407,846	9,606	8,557	-	(103,904)	-	322,105
Transport Assets	13,200,862	26,801,270	(4,655)	-	(2,818,756)	-	37,178,721
Computer Equipment	2,394,720	470,838	(63,422)	-	(640,802)	-	2,161,334
Infrastructure - Electricity	177,476,063	-	-	5,361,935	(10,494,374)	-	172,343,624
Buildings & Other Structure (Community)	303,549,181	550,000	255,300	3,844,516	(8,377,746)	756,312	300,577,563
Infrastructure: Waste Management	20,579,686	-	-	-	(904,537)	-	19,675,149
Infrastructure: Road, Pavement, Bridges & Storm water	1,364,206,753	23,932,758	-	(639,426)	(115,865,544)	-	1,271,634,541
Machinery & Equipment	2,098,899	166,740	(38,271)	-	(595,712)	-	1,631,656
Infrastructure - Wastewater management	393,251,347	-	-	23,974,778	(13,704,874)	-	403,521,251
Infrastructure - Water	781,462,987	59,460,315	(800,168)	(44,815,689)	(18,603,270)	-	776,704,175
	3,114,796,021	111,391,527	(642,659)	(12,273,886)	(172,594,417)	756,312	3,041,432,898

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Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Work in Progress - additions / (transfers completed projects)	Depreciation	Total
Land	54,607,900	-	(149)	1,559,926	-	-	56,167,677
Furniture and Office Equipment	504,406	3,430	(54)	-	-	(99,936)	407,846
Transport Assets	6,736,115	7,903,121	(9,027)	-	-	(1,429,347)	13,200,862
Computer Equipment	2,574,068	1,747,135	(264,418)	-	(1,461,657)	(200,408)	2,394,720
Infrastructure - Electricity	183,859,518	6,974,845	(357,605)	-	(1,315,789)	(11,684,906)	177,476,063
Buildings & Other Structure (Community)	307,813,160	1,683,891	(1,066,825)	-	8,407,666	(13,288,711)	303,549,181
Infrastructure: Waste Management	23,154,852	90,000	(1,646,844)	-	-	(1,018,322)	20,579,686
Infrastructure: Road, Pavement, Bridges & Storm water	1,479,290,473	38,768,914	-	-	(9,948,467)	(143,904,167)	1,364,206,753
Machinery & Equipment	978,764	1,651,257	(293)	-	-	(530,829)	2,098,899
Infrastructure - Wastewater management	402,893,050	-	-	-	5,054,694	(14,696,397)	393,251,347
Infrastructure - Water	751,266,974	-	-	-	51,113,839	(20,917,826)	781,462,987
	3,213,679,280	58,822,593	(3,345,215)	1,559,926	51,850,286	(207,770,849)	3,114,796,021

Pledged as security

Carrying value of assets pledged as security:

Transport Assets	29,612,879	9,417,181
Transport assets purchase as instalment agreement and financed through ABSA and FNB		

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	2018	2017
	R	R

11. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance.

Contracted services - Repair and maintenance	<u>1 518 869</u>	<u>11 258 003</u>
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The repairs and maintenance on the property, plant and equipment incurred as follows in the categories, Buildings & Other structure (Community) R 417 705 (2017: R 5 976 952), Transport Assets R 1 041 871 (2017: R 990 894), Machinery & Equipment R 59 293 (2017: R 1 766 512), Furniture & Equipment R 0 (2017: R 18 818), Infrastructure Water R 0 (2017: R 2 504 825).

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	118,256,924	118,256,924
Additions/capital expenditure	71,119,185	71,119,185
Transferred to completed items	(83,393,072)	(83,393,072)
	<u>105,983,037</u>	<u>105,983,037</u>

Description	Opening Balance	Cost Addition	Transfer Out	Closing Balance
Building and Other structure (Community)	11,343,361	3,844,516	-	15,187,877
Infrastructure Electricity	-	5,361,935	-	5,361,935
Infrastructure Roads, Pavements Bridges	26,733,358	23,293,332	(23,932,758)	26,093,932
Infrastructure Waste Management	1,529,652	-	-	1,529,652
Infrastructure Waste Water Management	5,054,695	23,974,779	-	29,029,474
Infrastructure Water	73,595,858	14,644,624	(59,460,314)	28,780,168
	<u>118,256,924</u>	<u>71,119,186</u>	<u>(83,393,072)</u>	<u>105,983,038</u>

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	2018 R	2017 R
11. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2017		
	Included within Infrastructure	Total
Opening balance	66,406,637	66,406,637
Additions/capital expenditure	99,181,651	99,181,651
Transferred to completed items	(47,331,364)	(47,331,364)
	118,256,924	118,256,924

Description	Opening Balance	Cost Addition	Transfer Out	Closing Balance
Building and Other structure (Community)	2,935,695	8,407,666	-	11,343,361
Computer Equipment	1,461,657	125,957	(1,587,614)	-
Infrastructure Electricity	1,315,789	5,659,047	(6,974,836)	-
Infrastructure Roads, Pavements Bridges	36,681,825	28,820,447	(38,768,914)	26,733,358
Infrastructure Waste Management	1,529,652	-	-	1,529,652
Infrastructure Waste Water Management	-	5,054,695	-	5,054,695
Infrastructure Water	22,482,019	51,113,839	-	73,595,858
	66,406,637	99,181,651	(47,331,364)	118,256,924

Expenditure incurred on halted projects

Clocolan landfill Disposal site	-	1,529,652
Senekal Bulk water upgrade	-	4,555,347
Ficksburg/ Meqheleng Equipment of Boreholes for emergency water supply	783,654	-
Water Demand Management and Water Conservation	3,457,018	-
	4,240,672	6,084,999

Abovementioned project are at design and planning stage. The progress of the projects depend on the availability of funds from the relevant National Department.

With the physical verification process that was done to correct the infrastructure asset register and the movable asset register during the current financial year, new classifications was used and therefore certain figures changed from the prior year to the current year. There were also assets found that were omitted from last year's asset register and these were subsequently added, also resulting in a change of prior period figures.

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

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Figures in Rand

12. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,797,589	(4,223,025)	1,574,564	5,797,590	(3,158,055)	2,639,535

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	2,639,535	(1,064,971)	1,574,564

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	3,190,780	192,968	(44,068)	(700,145)	2,639,535

Details of valuation

The Municipality had assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption because information about the acquisition cost of the assets was not available, and the Municipality applied Directive 7 to those assets. The effective date of the revaluations was . After that date assets are carried at cost.

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

These assumptions were based on current market conditions at the date of recalculation.

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	2018	2017
	R	R
13. Heritage assets		
	2018	2017
	Cost / Valuation	Accumulated impairment losses
	Carrying value	Cost / Valuation
	Accumulated impairment losses	Carrying value
Historical buildings	15,385,903	-
	-	15,385,903
	15,385,903	15,385,903

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical buildings	15,385,903	15,385,903

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	15,385,903	15,385,903

Change in accounting estimate

The annual review of the useful lives and residual values of assets resulted in a decrease of R 33.042 million (2017/2018) in the depreciation charge to the statement of financial performance. It is impracticable to estimate the effect of these changes in estimates on future periods.

14. Other financial liabilities

At amortised cost

Bank loan	4,962,691	5,666,599
Financial liabilities	29,240,234	9,474,515
	34,202,925	15,141,114
Total other financial liabilities	34,202,925	15,141,114

Refer to Appendix A for further details on the borrowings.

Non-current liabilities

At amortised cost	26,279,899	12,890,162
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Current liabilities

At amortised cost	7,923,026	2,250,952
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	2018 R	2017 R
15. Finance lease obligation		
Minimum lease payments due		
- within one year	9,107,194	2,312,200
- in second to fifth year inclusive	28,983,293	7,227,734
- later than five years	-	2,506,155
	38,090,487	12,046,089
less: future finance charges	(8,850,253)	(2,628,908)
Present value of minimum lease payments	29,240,234	9,417,181
 Present value of minimum lease payments due		
- within one year	7,120,706	1,438,609
- in second to fifth year inclusive	22,119,528	5,608,085
- later than five years	-	2,370,487
	29,240,234	9,417,181

Finance lease obligations is included and form part of total financial liabilities disclosed in above note.

It is municipality policy to lease certain vehicles, computers, faxes, equipment and photo copy machines under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2017: 11%).

During the current financial year there were financial leases and new lease agreements entered into.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

16. Payables from exchange transactions

Trade payables	51,075,207	73,608,791
Payments received in advance	17,524,096	13,847,152
Bonus	4,025,646	3,833,938
Accrued leave pay	12,971,939	10,986,559
Salary Control	14,976,672	(714,269)
Retention monies	6,979,276	7,171,899
Unallocated Deposits	1,778,106	1,804,241
Payments received in advance - Prepaid Electricity	828,005	-
	110,158,947	110,538,311

The increase in Trade Payables was due to the non-payment of Creditors at year end.

The Salary control, Unallocated deposits and Other payables has been separately disclosed to provide more detail.

Fair value of trade and other payables

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

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Notes to the Financial Statements

	2018 R	2017 R
17. Consumer deposits		
Electricity	2,540,477	2,350,243
Water	60,760	127,659
Rental Deposits	186,529	35,442
	2,787,766	2,513,344
Guarantees held in lieu of electricity and other deposits		
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Provincial Government - Free State	8,979,260	9,479,260
INEG grant	-	1,351,517
SETA / TETA	-	236,100
	8,979,260	11,066,877
Movement during the year		
Balance at the beginning of the year	11,066,877	952,460
Additions during the year	246,770,007	273,881,246
Income recognition during the year	(247,006,107)	(263,766,829)
Repayment of Unspent Grants	(1,851,517)	-
	8,979,260	11,066,877

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Notes to the Financial Statements

	2018 R	2017 R
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19. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	10,496,000	768,000	-	11,264,000
Long service bonus (short term portion)	1,446,000	-	(229,000)	1,217,000
Long service bonus (long term portion)	8,100,000	653,000	-	8,753,000
	20,042,000	1,421,000	(229,000)	21,234,000

Reconciliation of provisions - 2017

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	9,870,000	626,000	-	10,496,000
Long service bonus (short term portion)	1,278,000	168,000	-	1,446,000
Long service bonus (long term portion)	9,250,136	-	(1,150,136)	8,100,000
	20,398,136	794,000	(1,150,136)	20,042,000

Non-current liabilities	20,017,000	18,596,000
Current liabilities	1,217,000	1,446,000
	21,234,000	20,042,000

1. Long Service Bonus

An actuarial valuation of the liability in respect of the long service awards was performed by an independent company. The primary purpose of this valuation is to enable the Municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future.

Membership Data

Number of current employees	662	678
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The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value long service awards liability - wholly unfunded	(9,546,000)	(10,528,000)
Service Cost	(914,000)	(1,278,000)
Interest Cost	(769,000)	(1,054,000)
Actuarial Benefits paid	1,446,000	1,287,000
Actuarial gains/(losses)	(187,000)	2,027,000
As at 30 June	(9,970,000)	(9,546,000)

Valuation Assumptions

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2018
R

2017
R

19. Provisions (continued)

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value at 30-06-2018 (Current Valuation)	Assumed Value at 30-06-2017 (Preceding Valuation)
Discount Rate	8.75%	8.72%
CPI (Consumer Price Inflation)	5.36%	6.01%
Normal Salary Increase Rate	6.36%	7.01%
Net Effective Discount Rate	2.25%	1.60%

Discount Rate

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2017 the duration of liabilities was 5.96 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2018 is 8.75% per annum, and the yield on inflation linked bonds of a similar term was about 2.74% per annum. This implies an underlying expectation of inflation of 5.36 % per annum $([1 + 8.75\%] / [1 + 2.74\%] - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 6.36% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.25% per annum $([1 + 8.75\%] / [1 + 6.36\%] - 1)$.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%.

The salaries used in the valuation include an assumed increase on 01 July 2017 of 6.36%. The next salary increase was assumed to take place on 01 July 2018.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

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	2018	2017
	R	R

19. Provisions (continued)

Promotional Salary Increase Rates:

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

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	2018	2017
	R	R

19. Provisions (continued)

2. Environmental Rehabilitation (Landfill Sites)

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal. Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- Total area expected to be rehabilitated: 329 000 square metres;
- Average rate per square metre: R45 escalating every year by 6.4%;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

Ficksburg	98 000
Senekal	153 000
Marquard	17 000
Clocolan	61 000

Each of the landfill sites have a different lifespan for rehabilitation ranging from 5 years to 10 years and are best estimates provided for by the respective Manager waste management, parks and properties.

Ficksburg	10 Years
Senekal	10 Years
Marquard	3 Years
Clocolan	3 Years

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2018	2017
R	R

20. Employee benefit obligations

Defined benefit plan

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below and which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans. The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers
- Municipal Employees Pension Fund
- South African Municipal Workers Union Provident Fund
- Municipal Councillors Pension Fund.

The following are defined benefit plans

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi-employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund are R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund were on 30 June 2015. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund are R1 308 million which is adequately financed by assets of R 1 531 million.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post-retirement medical aid plan

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	2018	2017
	R	R
20. Employee benefit obligations (continued)		
The Post-retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	534	529
Continuation members (e.g. Retirees, widows, orphans)	41	41
Total Members	575	570

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme;
- Bonitas Medical Scheme;
- Hosmed Medical Scheme;
- Samwumed Medical Scheme; and
- KeyHealth Medical Scheme

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

Present value of the defined benefit obligation - wholly unfunded -	(63,087,000)	(47,224,000)
Service Cost	(3,602,000)	(2,178,000)
Interest Cost	(5,044,000)	(4,716,000)
Actuarial Benefits paid	1,612,000	1,704,000
Actuarial gains/(losses)	24,789,000	(10,673,000)
As at 30 June	(45,332,000)	(63,087,000)

Valuation Assumptions

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP 25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2017 the duration of liabilities was 15.89 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2018 is 9.80 % per annum, and the yield on the inflation linked bonds of a similar term was about 2.96% per annum, implying an underlying expectation of inflation of 6.64% per annum $([1 + 9.80\%] / [1 + 2.96\%] - 1)$.

A healthcare cost inflation rate of 7.64% was assumed. This is 1.00% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.01% per annum $([1 + 9.80\%] / [1 + 7.64\%] - 1)$. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

Financial Variables

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20. Employee benefit obligations (continued)

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variable	30-06-2018 Valuation	30-06-2017 Valuation
Discount rate	9.80%	8.10%
Consumer price inflation	6.64%	5.40%
Medical aid Inflation	7.64%	6.40%
Net effective discount rate	2.01%	1.60%

Discount Rate

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

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

*Statement of Financial Position (herein referred to as the “balance sheet”).

We used the nominal and real zero curves as at 30 June 2018 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

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	2018 R	2017 R
20. Employee benefit obligations (continued)		
The report is available for inspection at the Municipality.		
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Plan assets	424,000	982,136
21. Service charges		
Sale of electricity	68,344,966	62,934,974
Sale of water	46,965,004	49,378,958
Sewerage and sanitation charges	20,930,724	25,373,925
Refuse removal	30,564,815	25,366,875
Other service charges	329,509	252,331
	167,135,018	163,307,063
22. Rental of facilities and equipment		
Rental of facilities	1,191,601	1,901,910
23. Other income		
Sundry income	1,259,207	3,649,880
Cemetery Fees	700,090	467,235
Post-retirement Medical Actuarial Gain	17,755,000	982,136
	19,714,297	5,099,251
Unallocated deposits older than 3 years has been receipted as Sundry income in terms of the implementation of the Council policy		
24. Interest and Dividends received - investment		
Dividend revenue		
Unlisted financial assets - Local	51,142	39,848
Interest revenue		
Interest earned on cash and bank	185,229	141,160
Investments and short term deposits	2,211,119	1,832,154
	2,396,348	1,973,314

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	2018 R	2017 R
25. Property rates		
Rates received		
Residential	40,544,501	39,078,856
State	23,943,120	23,860,350
Less: Income forgone	(11,526,881)	(18,700,333)
	<u>52,960,740</u>	<u>44,238,873</u>
Valuations		
Residential	2,386,124,260	2,365,220,999
Commercial	342,612,400	339,327,400
State	306,721,600	307,850,500
Municipal	5,550,100	40,550,100
Small holdings and farms	2,250,847,220	2,431,877,220
Churches	46,134,000	44,284,000
	<u>5,337,989,580</u>	<u>5,529,110,219</u>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.04 (2017: R0.04) is applied to property valuations to determine assessment rates of residential. A general rate of R0.08 (2017: R0.08) is applied to property valuations to determine assessment rates of business.

Rebates of 80.2% (2017: 82%) are granted to residential, commercial and small holdings and farm property owners.

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

The general valuation was implemented on 1 July 2014.

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	2018 R	2017 R
26. Government grants and subsidies		
Operating grants		
Equitable share	157,656,001	158,775,000
EPWP Grant	1,889,000	1,908,000
Financial Management Grant (FMG)	1,700,000	1,625,000
Provincial Government - Free State	-	6,473,200
SETA Funding	1,561,007	1,221,225
	<u>162,806,008</u>	<u>170,002,425</u>
Capital grants		
MIG Grant	47,996,999	49,091,001
Department of Water Affairs Grant	30,000,000	49,656,999
INEG Grant	6,000,000	4,648,483
	<u>83,996,999</u>	<u>103,396,483</u>
	<u>246,803,007</u>	<u>273,398,908</u>
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Equitable Share		
Current-year receipts	157,656,000	158,775,000
Conditions met - transferred to revenue	(157,656,000)	(158,775,000)
	<u>-</u>	<u>-</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 337 (2017: R 413), which is funded from the grant.		
MIG Grant		
Current-year receipts	47,997,000	49,091,000
Conditions met - transferred to revenue	(47,997,000)	(49,091,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 18).		
In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.		
The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants were used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.		
EPWP Grant		
Current-year receipts	1,889,000	1,908,000
Conditions met - transferred to revenue	(1,889,000)	(1,908,000)
	<u>-</u>	<u>-</u>

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Notes to the Financial Statements

	2018 R	2017 R
26. Government grants and subsidies (continued)		
This grant is used in respect of job creation projects and programmes. Above the grant received, the Council contribute an additional amount of R50 123 towards the said project out of own income.		
Financial Management Grant (FMG)		
Current-year receipts	1,700,000	1,625,000
Conditions met - transferred to revenue	<u>(1,700,000)</u>	<u>(1,625,000)</u>
	<u>-</u>	<u>-</u>
The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.		
Department of Water Affairs Grant		
Current-year receipts	15,000,000	49,656,999
Conditions met - transferred to revenue	<u>(15,000,000)</u>	<u>(49,656,999)</u>
	<u>-</u>	<u>-</u>
This grant were used to address water loss control and assisting with water shortages in Clocolan, Marquard and Senekal during drought period.		
Provincial Government - Free State		
Balance unspent at beginning of year	9,479,260	952,460
Current-year receipts	-	15,000,000
Conditions met - transferred to revenue	-	(6,473,200)
Repayment of Unspent Grant	<u>(500,000)</u>	<u>-</u>
	<u>8,979,260</u>	<u>9,479,260</u>
Conditions still to be met - remain liabilities (see note 18).		
Provincial Treasury give a R10 000 000 for the replacement of a sewer pipeline where only an amount of R1 473 200 was expensed. An additional R 5 000 000 was given towards drought relief which was spent in total in the 2016/17 financial year.		
COGTA also contributes R500 000 per year towards the Municipal Manager's salary. This grant allocation was stopped from 1 July 2016 and re-instated from 1 April 2018 amounting to R700 000 per year.		
INEG Grant		
Balance unspent at beginning of year	1,351,517	-
Current-year receipts	6,000,000	6,000,000
Conditions met - transferred to revenue	(6,000,517)	(4,648,483)
Amount repaid due to under spending of grant	<u>(1,351,000)</u>	<u>-</u>
	<u>-</u>	<u>1,351,517</u>
Conditions still to be met - remain liabilities (see note 18).		
This grant is provided by the Department of Energy to upgrade the electric network.		
SETA Funding		
Balance unspent at beginning of year	236,100	-
Current-year receipts	1,324,907	1,457,325

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Notes to the Financial Statements

	2018 R	2017 R
26. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(1,561,007)	(1,221,225)
	-	236,100

Conditions still to be met - remain liabilities (see note 18).

SETA will ensure that the skill requirements sector is identified and that adequate and appropriate skills are readily given to staff of the Municipality.

Rural Bulk Infrastructure Grant

Current-year receipts	15,000,000	-
Conditions met - transferred to revenue	(15,000,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 18).

The amount received was spent in full during the financial year.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, applicable for the financial year, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Revenue

Service charges	167,135,018	163,307,063
Rental of facilities and equipment	1,191,601	1,901,910
Interest received (trading)	24,176,660	19,524,870
Licences and permits	189,626	39,298
Commissions received	241,353	220,650
Sale of land	109,511	273,674
Other income	19,714,297	5,099,251
Interest received - investment	2,396,348	1,973,314
Dividends received	51,142	39,848
Property rates	52,960,740	44,238,873
Government grants & subsidies	246,803,008	273,398,908
Public contributions and donations	4,091,554	90,000
Fines, Penalties and Forfeits	1,688,828	2,462,779
	520,749,686	512,570,438

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

Service charges	167,135,018	163,307,063
Rental of facilities and equipment	1,191,601	1,901,910
Interest received (trading)	24,176,660	19,524,870
Licences and permits	189,626	39,298
Commissions received	241,353	220,650
Sale of land	109,511	273,674
Other income	19,714,297	5,099,251
Interest received - investment	2,396,348	1,973,314
Dividends received	51,142	39,848
	215,205,556	192,379,878

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	2018	2017
	R	R
<hr/>		
27. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	52,960,740	44,238,873
Transfer revenue		
Government grants & subsidies	246,803,008	273,398,908
Public contributions and donations	4,091,554	90,000
Fines, Penalties and Forfeits	1,688,828	2,462,779
	<u>305,544,130</u>	<u>320,190,560</u>

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	2018 R	2017 R
28. Employee related costs		
Basic	103,592,298	104,631,082
Medical aid - company contributions	11,908,195	28,270,206
UIF	1,076,686	1,091,321
WCA	755,213	903,550
SDL	1,520,098	1,480,100
Leave pay provision charge	3,739,189	2,591,968
Defined contribution plans	20,638,471	17,074,387
Travel, motor car, accommodation, subsistence and other allowances	12,005,225	10,158,914
Overtime payments	8,527,445	8,670,255
Long-service awards	789,976	646,664
Acting allowances	1,236,156	762,157
Housing benefits and allowances	545,468	1,580,468
Holiday Bonus	8,692,672	8,430,726
Casual wages	-	27,102
Allowance - Telephone	715,120	545,500
Industrial Council Levies	65,876	734,813
	175,808,088	187,599,213

Remuneration of Municipal Manager - Mr STR Ramakarane

Annual Remuneration	2,115,471	1,530,960
Travel, accommodation, motor car and other subsistence allowances	173,805	244,449
Other	103,273	92,374
	2,392,549	1,867,783

COGTA financed an annual amount of R500,000.00 towards the salary of the Municipal Manager. This grant allocation was stopped from 1 July 2016 and re-instated from 1 April 2018 amounting to R700 000 per year for the duration of the Municipal Manager's contract. Please refer to note 26

Remuneration of Chief Finance Officer - Mr GT Banda

Annual Remuneration	275,106	1,216,049
Travel, accommodation, motor car and other subsistence allowances	84,282	78,370
	359,388	1,294,419

Mr GT Banda resigned on 30 September 2017.

Remuneration of Acting Chief Financial Officer - Mr D J van Tonder

Acting allowance	199,321	-
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Mr van Tonder was acting CFO for the period 1 October 2017 till 30 April 2018.

Remuneration of Chief Financial Officer - Mrs M O Masisi

Annual Remuneration	111,978	-
Contributions to UIF, Medical and Pension Funds	25,386	-
Travel, accommodation, motor car and other subsistence allowances	23,634	-
	160,998	-

Mrs Mathapelo Masisi was appointed on 1 May 2018.

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	2018 R	2017 R
28. Employee related costs (continued)		
Remuneration of Director Corporate Services - Mr M Ntheli		
Annual Remuneration	228,966	-
Travel, accommodation, motor car and other subsistence allowances	63,719	-
	292,685	-
Mr M Ntheli was appointed as the Director Corporate Services from 1 January 2018 and resigned the position at 28 February 2018.		
Remuneration of Acting Corporate Services Director - Mrs S Mihailescu		
Acting allowance	163,732	-
Mrs Mihailescu was acting Director Corporate Director for the period 1 August 2017 till 31 December 2017.		
Remuneration of Corporate Services Director - Mr T Masejane		
Annual Remuneration	85,797	1,143,654
Travel, accommodation, motor car and other subsistence allowances	20,355	172,941
	106,152	1,316,595
Mr T Masejane ended his contract on 31 July 2017		
Remuneration of Acting Corporate Services Director - Mrs B L Mokoena		
Acting allowance	106,252	-
Mrs Mokoena was acting Director Corporate Director from the period 1 March 2018.		
Remuneration of Director Development, Planning, Security Services - Mr M Ntheli		
Annual Remuneration	397,534	1,162,735
Travel, accommodation, motor car and other subsistence allowances	59,741	192,795
	457,275	1,355,530
Mr M Ntheli ended his contract on 30 November 2017.		
Remuneration of Acting Director Development, Planning, Security Services - Mr M E Fokane		
Acting allowance	57,480	-
Mr M E Fokane act as Director Development, Planning, Security Services for the period 1 November 2017 till 31 December 2017.		
Remuneration of Director Development, Planning, Security Services - Mr T Zondo		
Annual Remuneration	397,163	-
Contributions to UIF, Medical and Pension Funds	78,611	-
Travel, accomodation, motor car and other subsistence allowances	4,796	-
	480,570	-

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	2018 R	2017 R
28. Employee related costs (continued)		
Mr T Zondo was appointed as Director Development, Planning, Security Services from 1 January 2018.		
Remuneration of Engineering Services Director - Mrs TF Zondi		
Annual Remuneration	711,449	918,951
Travel, accommodation, motor car and other subsistence allowances	226,983	282,920
Other	240,672	90,071
	1,179,104	1,291,942
Mrs TF Zondi ended her contract on 31 March 2018.		
Remuneration for Technical Services Director (Acting) - Mr MA Mokhethoa		
Acting allowance	85,625	-
Mr T Mokhethoa was appointed as Acting Director Engineering Services from 1 April 2018		
29. Remuneration of councillors		
Mayor/Executive Mayor	871,526	937,944
Speaker	683,212	590,897
Councillors	7,502,901	5,813,665
Executive/Mayoral Committee Members	3,690,188	2,553,883
	12,747,827	9,896,389
30. Administrative expenditure		
The Executive Mayor, Speaker and Mayoral Committee are appointed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and Speaker has use of a Council owned vehicle for official duties.		
31. Depreciation and amortisation		
Property, plant and equipment	176,195,937	206,880,480
Investment property	574,875	1,600,762
Intangible assets	154,841	1,485,770
	176,925,653	209,967,012

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	2018 R	2017 R
32. Impairment of assets		
Impairments		
Other financial assets	-	33,711
The impairment are due the the decrease in share price in relation to non listed shares.		
Impairment Fines Debtors	1,584,887	2,253,080
During the period ending 30 June 2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.		
The change in accounting policy did result in a fair presentation of financial information.		
Also refer to Note 4 & 7.		
	1,584,887	2,286,791
33. Finance costs		
Trade and other payables	3,310,448	1,469,705
Bank	13,392	-
Current borrowings	2,636,793	819,002
	5,960,633	2,288,707
34. Debt impairment		
Contributions to debt impairment provision	(7,388,633)	69,861,412
Bad debts written off	85,526,716	-
	78,138,083	69,861,412
35. Bulk purchases		
Electricity	53,990,492	68,977,949
36. Contracted services		
Information Technology Services	627,084	69,296
Fleet Services	428,291	152,243
Operating Leases	26,195	28,784
Specialist Services	10,979,434	11,223,075
General Valuation Roll Cost	1,319,023	-
	13,380,027	11,473,398
37. Transfers and subsidies		
Other subsidies		
Distitutional help	2,110,976	5,618,338
38. Assets write-off		
Assets write-off during the year	911,536	6,496,905

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	2018 R	2017 R
38. Assets write-off (continued)		
During the current year the Municipality disposed of old and redundant asset.		
There were also assets that were destroyed due to a fire and were paid out through insurance.		
Also refer to Note 12.		
39. General expenses		
Advertising	587,865	759,048
Audit and Performance Audit Committee Expenses	529,941	476,266
Bank charges	570,291	702,313
Entertainment	27,467	33,387
Insurance	1,029,328	1,206,677
Town planning	1,453,330	365
Conferences and delegations	1,722,260	1,631,032
IT expenses	1,948,588	59,681
Fuel and oil	5,213,003	3,955,127
Mail and Postage	925,334	1,242,924
Printing and Stationery	162,618	501,724
Protective clothing	810,176	162,924
License Fees	573,682	1,942,957
Security (Guarding of municipal property)	1,024,532	769,967
Pauper funerals	1,893,679	1,741,098
Telephone and fax	967,027	692,456
Travel and subsistence	1,538,350	2,110,130
Tourism development	200,000	3,000
Analysis	393,989	8,853
Departmental consumption	4,206,116	4,122,662
Ward committee expenses	2,115,475	631,170
Water & Chemicals	8,802,118	6,390,839
Other expenses	39,286	8,476,974
	36,734,455	37,621,574
40. Cash generated from operations		
Deficit	(47,060,412)	(124,580,990)
Adjustments for:		
Depreciation and amortization	176,925,653	209,967,015
Assets write-off	911,536	6,496,905
Impairment deficit	1,584,887	2,286,791
Debt impairment	78,138,083	69,861,412
Movements in retirement benefit assets and liabilities	(17,755,000)	15,862,195
Movements in provisions	1,192,000	(356,136)
Prior year correction of Compensation Commissioner expense	-	(4,648,139)
Corrections of Asset Register	-	1,294,052
Changes in working capital:		
Inventories	(440,816)	(533,361)
Receivables from exchange transactions	(119,017,804)	(121,534,789)
Other receivables from non-exchange transactions	(1,305,816)	(11,779,549)
Payables from exchange transactions	(379,364)	34,039,863
VAT	6,998,025	163,651
Unspent conditional grants and receipts	(2,087,617)	10,114,417
Consumer deposits	274,422	(8,103)
	77,977,777	86,645,234

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	2018 R	2017 R
41. Capital commitments		
Commitments in respect of capital expenditure		
Already contracted		
• Property, plant and equipment	<u>97,599,130</u>	<u>92,521,019</u>
Not yet contracted		
• Property, plant and equipment	<u>13,797,100</u>	<u>17,030,284</u>
Total capital commitments		
Already contracted	97,599,130	92,521,019
Not yet contracted	13,797,100	17,030,284
	<u>111,396,230</u>	<u>109,551,303</u>
Property plant and equipment contracted will be expensed in the following year, R 43 950 400 (2018/19), R 39 817 565 (2019/20) and R 2 888 665 (2020/21)		
This expenditure will be financed from:		
Grants, subsidies and own funding	<u>111,396,230</u>	<u>109,551,303</u>

42. Related parties

Related party transactions

Purchases from (sales to) related parties

ERB Marketing	135,000	195,000
Itumeleng Building & Training	82,105	255,913
Selane Transport	2,000	42,300
Mohautse Taxis	7,000	-
Mthembana Construction	11,070	-

The IT Specialist have close family relations with the management of ERB Marketing that maintains the web site of Council.

The owner of Itumeleng Building and Training has close relations with the: Manager Human Resources.

The owner of Mthembana Construction has close family relations to Me. S Metithafa in Corporate Services

The owner of Selane Transport is an employee (Me. N M A Selane) in the Traffic division of the Municipality.

The owner of Mohautse Taxis has close family relations to Mr S Mohautse in Finance Services.

43. Comparative figures

Setsoto Municipality was one of the Municipalities selected to implement the newly Municipal Standard Chart of Accounts (mSCOA) introduced by National Treasury. Certain comparative figures have been reclassified to meet with this new chart of accounts and to comply in terms of GRAP 1.

The effects of the reclassification are as follows:

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Notes to the Financial Statements

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43. Comparative figures (continued)

Statement of financial position - extract

	Restatement	After restatement
	-	-
	-	-
Correction Assets previous year	(251,185)	(251,185)
Trade payables	(687,154)	(687,154)
Unallocated deposits	1,804,241	1,804,241
Total	865,902	865,902

Statement of financial performance - extract

	Comparative figures previously reported	Restatement	After restatement
Salary Control	402,818	(1,117,087)	(714,269)

44. Unauthorized expenditure

Opening balance	483,061,977	237,530,497
Unauthorized expenditure	17,301,739	245,531,480
Unauthorized expenditure approved/condoned by Council	(237,530,497)	-
	262,833,219	483,061,977

Unauthorized expenditure derived mainly from depreciation on revalued assets which is a non-cash financial entry against the accumulated surplus account.

Details of unauthorized expenditure

Overspending of expenditure votes, mainly contributed by depreciation on revalued assets (current replacement cost basis).	-	-	17,301,739	245,531,480
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45. Fruitless and wasteful expenditure

Opening balance	723,342	131,799
Fruitless and wasteful expenditure	3,350,092	1,188,124
Less: Amounts written off.	(3,450,224)	(596,581)
	623,210	723,342

Due to the fact that the elections was held on 3 August 2016, a council meeting could not be held to condone the expenditure above before submission of the AFS 2015/16.

Details of fruitless and wasteful expenditure

Payments made on interest and penalties	-	-	301,701	675,012
Interest paid on VAT submission 2017/2018	-	-	273,179	-
Interest paid on VAT submission 2016	-	-	48,330	48,330
	-	-	623,210	723,342

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46. Irregular expenditure

Opening balance	30,737,009	731,338
Add: Irregular Expenditure - current year	98,765,998	32,972,664
Add: Cashiers short banking - Under investigation	381,527	-
Less: Amounts written off (Previous year)	(26,603,022)	(531,701)
Less: Amounts written off (Current year)	(53,468,378)	(2,435,292)
	<u>49,813,134</u>	<u>30,737,009</u>

Overpayments of Councillors to be recouped

Opening balance	531,145	532,145
Less: Amount collected during the year	-	(1,000)
	<u>531,145</u>	<u>531,145</u>

During the 2010/11 and 2011/12 financial year Councillors were overpaid and Council's decision were to recouped this money.

Details of irregular expenditure – current year

Details of irregular expenditure

Variation order against other contractor due to tender price	-	1,373,696
Expenditure items identified where the SCM processes and procedures were not followed	9,740,224	1,058,095
Short comings on SCM committee	52,570,892	-
Deviations not approved by the Municipal Manager	2,040,487	3,500
Expenditure still under investigation. No final outcome from MPAC	3,190,349	149,636
Short comings on SCM committee identified during the audit	31,605,573	30,387,737
	<u>99,147,525</u>	<u>32,972,664</u>

47. Auditors' remuneration

Audit and Performance Audit Committee	<u>529,941</u>	<u>476,266</u>
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48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organized local government (SALGA)

Opening balance	(13,613)	(31,184)
Current year subscription / fee	1,829,080	1,757,654
Amount paid - current year	(1,829,080)	(1,740,083)
	<u>(13,613)</u>	<u>(13,613)</u>

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

The implementation of prepaid electricity meters contributed positively to the decrease in electricity losses.

The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%

Estimated electricity losses	2,871,219	11,819,161
Electricity		
Percentage loss	4%	15%

Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses included distribution to townships with unmetered water.

The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%.

Water		
Estimated water losses	7,044,679	3,747,572
Water		
Percentage loss	26%	11%

Audit fees

Opening balance	212,750	138,142
Current year subscription / fee	5,690,211	5,252,980
Amount paid - current year	(5,602,802)	(5,178,372)
	300,159	212,750

PAYE and UIF

Opening balance	1,582,328	1,462,612
Current year subscription / fee	20,875,962	19,829,037
Amount paid - current year	(15,678,175)	(19,709,321)
	6,780,115	1,582,328

Pension and Medical Aid Deductions

Opening balance	4,687,384	3,621,798
Current year subscription / fee	46,566,915	42,378,285
Amount paid - current year	(47,220,941)	(41,312,699)
	4,033,358	4,687,384

Skills Development Levy

Opening balance	234,016	117,020
Current year subscription / fee	1,520,318	1,480,842
Amount paid - current year	(1,138,610)	(1,363,846)
	615,724	234,016

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TB Jakobo	8,574	48,162	56,736
Councillor PC Matobako	1,903	22,851	24,754
Councillor EM Makobane	1,501	17,315	18,816
Councillor KE Koalane	1,447	17,116	18,563
Councillor TI Mthimkhulu	4,158	16,345	20,503
Councillor RS Liphoko	2,327	15,109	17,436
Councillor TG Makhalanyane	1,399	11,225	12,624
Councillor PE Koqo	1,326	7,331	8,657
Councillor MK Ralehlatsi	3,320	1,410	4,730
Councillor AN Maoke	1,257	3,104	4,361
Councillor CD Moipatli	1,224	3,132	4,356
Councillor A Taylor	1,116	2,420	3,536
	29,552	165,520	195,072

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A Taylor	1,313	13,103	14,416
Councillor T B Jakobo	10,262	40,908	51,170
Councillor P E Koqo	1,151	3,316	4,467
Councillor R S Liphoko	2,089	6,258	8,347
Councillor T G Makhalanyane	1,277	8,807	10,084
Councillor A N Maoke	492	581	1,073
Councillor T J Matobako	2,215	17,269	19,484
Councillor C D Moipatli	1,316	9,265	10,581
Councillor M M Mokhele	1,443	13,451	14,894
Councillor T I Mthimkulu	4,031	3,119	7,150
Councillor M K Ralehlatsi	3,583	4,275	7,858
	29,172	120,352	149,524

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2018	Highest outstanding amount	Aging (in days)
Councillor TB Jakobo	62,843	650
Councillor PC Matobako	25,775	1,175
Councillor TI Mthimkhulu	21,273	472
Councillor EM Makobane	19,814	1,214
Councillor KE Koalane	19,327	1,229
Councillor MM Mokhele	18,470	4,980
Councillor RS Liphoko	17,436	499
Councillor TG Makhalanyane	14,250	922
Councillor CD Moipatli	11,487	807
Councillor MK Ralehlatsi	10,944	274
Councillor MM Khatlake	9,413	581
Councillor PE Koqo	9,158	643

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillor A Taylor	5,552	442
Councillor AN Mako	4,361	320
	250,103	14,208

30 June 2017

	Highest outstanding amount	Aging (in days)
Councillor A Taylor	15,385	1,200
Councillor T B Jakobo	54,093	1,260
Councillor C	14,172	1,260
Councillor P E Koqo	4,467	1,230
Councillor R S Liphoko	8,346	360
Councillor T G Makhalanyane	10,084	1,140
Councillor A N Mako	1,073	90
Councillor T J Matobako	19,484	1,260
Councillor C D Moipatli	13,459	1,140
Councillor M M Mokhele	14,894	1,230
Councillor T I Mthimkulu	7,150	180
Councillor M K Ralehlatsi	7,858	210
	170,465	10,560

49. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of Council.

50. Public contributions and donations

Assets donated

Refuse skip bins X 4	-	90,000
Tipper truck X 2	1,895,578	-
Hyundai bakkies X 4	939,616	-
Land and Building Erf 132/3 Ficksburg	550,000	-
Furniture and Equipment	3,500	-
Printers X 25, Fax machines X 5	122,860	-
Red Cross/Eskom monetary donation	580,000	-
	4,091,554	90,000

The Municipality received in-kind donations and assistance during the financial year from various institutions. These donations were mostly of a capital nature and were accordingly capitalised in Property, Plant and Equipment. The monetary donation was received unconditionally.

51. Events after the reporting date

There are no significant matters to report after reporting date.

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52. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a risk management unit under Municipal Manager Department and policies are approved by Council. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

Liquidity risk

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

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	7,923,026	-	-	26,279,899
Consumer deposits	2,787,766	-	-	-
Unspent conditional grants and receipts	8,979,260	-	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2,250,952	-	-	12,890,162
Consumer deposits	2,513,344	-	-	-
Unspent conditional grants and receipts	11,066,877	-	-	-

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52. Risk management (continued)

Credit risk

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

With the exception of trade receivables, the economic entity only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the economic entity uses other publicly available financial information and its own trading records to rate its major customers.

The entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the entity's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Financial instrument	2018	2017
FNB BANK - Current Account - 620 480 92647	1,115,314	1,106,650
FNB BANK - Business Money Market - 621 517 83563	9,245	79,526
FNB BANK - Savings Account - 620 490 46205	10,000	837,313
FNB BANK - Call Account - 623 105 40465	10,000	64,873
Sanlam Shares	1,009,779	933,833
OVK / EFC Shares	1,235,717	1,116,615
Other Financial Assets	1,234,359	1,161,413
Receivables from Exchange and Non - exchange transactions	241,520,486	205,447,559

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2018 and 2017, the municipality's borrowings at variable rate were denominated in the Rand.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

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53. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 3,144,114,600 and that the municipality's total assets exceed its liabilities by R 3,144,114,600.

Although the municipality incur a deficit to the amount of R 47 060 412 during the current year, it relates to the implementation of GRAP 17 and the depreciation regarding assets taken into account. This non-cash related deficit will however not have an impact on the going concern as indicated.

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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

54. Contingencies

From information received from the municipality's Legal section they indicate that the municipality has outstanding claims that could result in a possible contingent liability of R6 746 029. Legal costs to defend these court cases may be in the region of R 722 659. A register is available at the municipality.

Contingent Liabilities - Pending claims

Damage to property - register available at Municipality	6,746,029	10,957,934
Cost to defend these cases	722,659	773,000
	7,468,688	11,730,934

Contingent assets

There is a civil claim against Sharp Connect a service provider whose contract was terminated in July 2015. They continued deducting money form the municipality's bank account until December 2015. Civil proceedings have commenced against the Service provider concerned to recover an amount of R 208 280.

55. Operating lease

The municipality have the following significant leasing arrangements:

- Nashua - photocopiers and printers
- there are no existing terms of purchases options on these contracts;
- Leases are negotiated for an average term of 3 years. No sublease contracts exist and no contingent rent is payable for the reporting period. There are no renewal and/or purchase options. The Municipality opt to continue with the lease for another financial year based on the existing conditions.

Operating leases - as lessee (expense)

Within one year	505,490	505,490
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Certain of the municipality's property is held to generate rental income. Rental of property is expected to generate rental yields of 5% on an ongoing basis.

Operating leases - as lessor (income)

Within one year	797,637	759,655
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56. Accumulated surplus

Changes to Accumulated Surplus

	Balance	Total
Opening balance	3,191,426,197	3,191,426,197
Correction error	(251,185)	(251,185)
Surplus/(Deficit) for the year	(47,060,412)	(47,060,412)
	<u>3,144,114,600</u>	<u>3,144,114,600</u>

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2018											
Financial Performance											
Property rates	43,262,792	10,000,000	53,262,792	-		53,262,792	52,960,740		(302,052)	99 %	122 %
Service charges	167,964,777	6,000,000	173,964,777	-		173,964,777	167,135,018		(6,829,759)	96 %	100 %
Investment revenue	1,900,360	-	1,900,360	-		1,900,360	2,447,490		547,130	129 %	129 %
Transfers recognised - operational	163,644,850	-	163,644,850	-		163,644,850	162,806,008		(838,842)	99 %	99 %
Other own revenue	32,130,413	(1,914,580)	30,215,833	-		30,215,833	47,311,876		17,096,043	157 %	147 %
Total revenue (excluding capital transfers and contributions)	408,903,192	14,085,420	422,988,612	-		422,988,612	432,661,132		9,672,520	102 %	106 %
Employee costs	(184,215,909)	-	(184,215,909)	-		(184,215,909)	(175,808,088)	-	8,407,821	95 %	95 %
Remuneration of councillors	(11,061,588)	(1,500,000)	(12,561,588)	-		(12,561,588)	(12,747,829)	-	(186,241)	101 %	115 %
Debt impairment	(58,014,496)	-	(58,014,496)			(58,014,496)	(78,138,083)	17,301,739	(20,123,587)	135 %	135 %
Depreciation and asset impairment	(223,489,980)	-	(223,489,980)			(223,489,980)	(178,510,540)	-	44,979,440	80 %	80 %
Finance charges	(2,054,004)	(2,780,914)	(4,834,918)	-		(4,834,918)	(5,960,633)	-	(1,125,715)	123 %	290 %
Materials and bulk purchases	(64,448,460)	(1,816,580)	(66,265,040)	-		(66,265,040)	(53,990,492)	-	12,274,548	81 %	84 %
Transfers and grants	(893,604)	(392,084)	(1,285,688)	-		(1,285,688)	(2,110,976)	-	(825,288)	164 %	236 %
Other expenditure	(76,191,200)	(12,300,192)	(88,491,392)	-		(88,491,392)	(60,543,457)	-	27,947,935	68 %	79 %
Total expenditure	(620,369,241)	(18,789,770)	(639,159,011)	-		(639,159,011)	(567,810,098)	17,301,739	71,348,913	89 %	92 %
Surplus/(Deficit)	(211,466,049)	(4,704,350)	(216,170,399)	-		(216,170,399)	(135,148,966)		81,021,433	63 %	64 %

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	135,241,004	(33,414,004)	101,827,000	-		101,827,000	83,997,000		(17,830,000)	82 %	62 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	4,091,554		4,091,554	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(76,225,045)	(38,118,354)	(114,343,399)	-		(114,343,399)	(47,060,412)		67,282,987	41 %	62 %
Surplus/(Deficit) for the year	(76,225,045)	(38,118,354)	(114,343,399)	-		(114,343,399)	(47,060,412)		67,282,987	41 %	62 %

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Appendix A

June 2018

Schedule of external loans as at 30 June 2018

Loan Number	Redeemable	Balance at 30 June 2017	Interest for the period	(Addition) / Redeemed written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa							
DBSA Loan @ 16.75%	13457	2020-06-30	999,389	-	281,207	718,182	-
DBSA Loan @ 11.36%	101389	2024-12-31	4,667,210	-	422,701	4,244,509	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			5,666,599	-	703,908	4,962,691	-
Bonds			-	-	-	-	-
Other loans							
ABSA @ 10%	89514989, 89515381, 89515861, 89516256, 89516272, 89516779, 89516795, 89644009, 89644076, 89645110, 89882457, 89862260, 89645145	2022-06-01	9,474,514	-	(6,219,834)	15,694,348	-
			-	-	-	-	-
			-	-	-	-	-

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Appendix A

June 2018

Schedule of external loans as at 30 June 2018

Loan Number	Redeemable	Balance at 30 June 2017	Interest for the period	(Addition) / Redeemed written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
WESBANK @ 12.25%	85265501996 2022-09-01 , 8526547849 0, 852646936 09, 85646943 08, 85266334 384, 8526628 3448, 852662 84159, 85265 374058	-	-	(13,545,896)	13,545,896	-	-
		-	-	-	-	-	-
		9,474,514	-	(19,765,730)	29,240,244	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
Total external loans							
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		5,666,599	-	703,908	4,962,691	-	-
Bonds		-	-	-	-	-	-
Other loans		9,474,514	-	(19,765,730)	29,240,244	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

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Appendix A

June 2018

Schedule of external loans as at 30 June 2018

Loan Number	Redeemable	Balance at 30 June 2017	Interest for the period	(Addition) / Redeemed written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		15,141,113	-	(19,061,822)	34,202,935	-	-

**Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2018**

	2017/2018										2016/2017				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Executive & COUNCIL	44,548,469	3,092,513	47,640,982	-	-	47,640,982	45,597,726	-	(2,043,256)	96 %	102 %	-	-	-	73,727,183
Budget and Treasury office	66,237,804	15,559,808	81,797,612	-	-	81,797,612	93,394,707	-	11,597,095	114 %	141 %	-	-	-	52,844,365
CORPORATE SUPPORT SERVICES	1,373,914	-	1,373,914	-	-	1,373,914	2,652,581	-	1,278,667	193 %	193 %	-	-	-	399,702
COMMUNITY SERVICES	3,149,937	(2,444,963)	704,974	-	-	704,974	785,817	-	80,843	111 %	25 %	-	-	-	186,054
Sport and Recreation	58,128	(30,896)	27,232	-	-	27,232	16,044	-	(11,188)	59 %	28 %	-	-	-	33,289
Public Safety	-	-	-	-	-	-	6,500	-	6,500	DIV/0 %	DIV/0 %	-	-	-	1,458,499
Housing	487,102	27,887	514,989	-	-	514,989	17,814	-	(497,175)	3 %	4 %	-	-	-	3,979,835
Road Transport	29,549,956	(2,400,004)	27,149,952	-	-	27,149,952	28,462,850	-	1,312,898	105 %	96 %	-	-	-	25,754,400
Electricity	86,236,160	6,549,928	92,786,088	-	-	92,786,088	93,624,906	-	838,818	101 %	109 %	-	-	-	97,338,205
Water	179,101,483	(10,010,670)	169,090,813	-	-	169,090,813	157,840,701	-	(11,250,112)	93 %	88 %	-	-	-	138,999,943
Waste Water management	82,440,323	(32,642,485)	49,797,838	-	-	49,797,838	54,618,530	-	4,820,692	110 %	66 %	-	-	-	26,533,927
Waste management	54,131,488	872,730	55,004,218	-	-	55,004,218	58,210,986	-	3,206,768	106 %	108 %	-	-	-	33,721,904
Total Revenue by Vote	547,314,764	(21,426,152)	525,888,612	-	-	525,888,612	535,229,162	-	9,340,550	102 %	98 %	-	-	-	2,150,394,597
Expenditure by Vote to be appropriated															
Executive and council	38,653,718	3,384,576	42,038,294	-	-	42,038,294	40,035,483	-	(2,002,811)	95 %	104 %	-	-	-	55,074,137
Budget and treasury office	43,837,995	1,782,117	45,620,112	-	-	45,620,112	48,992,069	3,371,957	3,371,957	107 %	112 %	-	-	-	39,535,930
Corporate services	41,496,000	(7,453,000)	34,043,000	-	-	34,043,000	26,219,994	-	(7,823,006)	77 %	63 %	-	-	-	43,115,477
Community and social services	10,248,555	(324,147)	9,924,408	-	-	9,924,408	6,194,275	-	(3,730,133)	62 %	60 %	-	-	-	10,186,334
Sport and recreation	10,620,593	(164,684)	10,455,909	-	-	10,455,909	9,803,500	-	(652,409)	94 %	92 %	-	-	-	33,599,193
Public safety	4,118,283	(122,707)	3,995,576	-	-	3,995,576	591,657	-	(3,403,919)	15 %	14 %	-	-	-	12,044,693
Housing	14,869,469	(671,640)	14,197,829	-	-	14,197,829	9,043,653	-	(5,154,176)	64 %	61 %	-	-	-	6,912,430
Road transport	31,951,592	222,309,612	254,261,204	-	-	254,261,204	254,261,204	-	-	100 %	796 %	-	-	-	15,567,763
Electricity	87,100,451	(1,624,653)	85,475,798	-	-	85,475,798	74,687,270	-	(10,788,528)	87 %	86 %	-	-	-	69,285,450
Water	48,231,005	12,251,337	60,482,342	-	-	60,482,342	63,812,634	3,330,292	3,330,292	106 %	132 %	-	-	-	261,771,316
Waste water management	39,410,791	(582,471)	38,828,320	-	-	38,828,320	29,999,281	-	(8,829,039)	77 %	76 %	-	-	-	29,442,542
Waste management	38,343,741	1,002,638	39,346,379	-	-	39,346,379	48,559,608	9,213,229	9,213,229	123 %	127 %	-	-	-	39,260,833
Health	553,440	-	553,440	-	-	553,440	1,939,701	1,386,261	1,386,261	350 %	350 %	-	-	-	-
Total Expenditure by Vote	409,435,633	229,786,978	639,222,611	-	-	639,222,611	614,140,329	17,301,739	(25,082,282)	96 %	150 %	-	-	-	615,804,102
Surplus/(Deficit) for the year	137,879,131	(251,213,130)	(113,333,999)	-	-	(113,333,999)	(78,911,167)	-	34,422,832	70 %	(57)%	-	-	-	1,534,590,495

ACTION PLAN ON THE ANNUAL REPORT 2017/2018

Functional Area	Audit Finding for the financial year ended 30 June 2016	Audit Finding for the financial year ended 30 June 2017	Audit Finding for the financial year ended 30 June 2018	Root-Cause	Remedial Actions		Completion date	Responsible Manager	Responsible Head of Department
					Intervention to correct	Action/Activities			
Qualification Matters	None.	None.	I was unable to obtain sufficient appropriate audit evidence that Property, plant and equipment for the current year had been properly accounted for, due to the status of the accounting records, supporting schedules and asset register. 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 at R3 041 432 898 in the financial statements.	Lack of oversight. No proper controls by management over (i) the preparation of financial information for the purpose of financial reporting, (ii) the maintenance of the asset register and (iii) insufficient reconciliation between supporting documents / register and the GL.	Monthly reconciliation between asset register and the general ledger. Continuous updating the assets register.	Monitoring on reconciliation performed on monthly basis. To add the additions, correct the descriptions and locations and finally to run the depreciation on the system.	28-Feb-19	Asset Manager	Chief Financial Officer
Qualification Matters	None.	None.	I was unable to obtain sufficient appropriate audit evidence that Investment property for the current year had been properly accounted for, due to differences in supporting information and the Investment property register. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Investment property stated at R68 198 668 in the financial statements.	Lack of oversight in the preparation of the annual financial statements and regular reconciliation between the supporting documents / registers and the GL. By force balancing the current year reconciliation of the carrying value of investment included in note 11 misleading information is presented to the users of the annual financial statements.	Match/align the investment register to the valuation roll. Verify all the properties that belong to the municipality. Continuous updating the assets register.	Monitoring on reconciliation performed on monthly basis. To add the additions and remove properties that do not belong to the municipality. Reclassification on the assets and finally to run the depreciation on the system.	28-Feb-19	Asset Manager	Chief Financial Officer
Qualification Matters	None.	None.	The municipality did not disclose the cash flow amounts in the financial statements in accordance with GRAP 2, <i>Cash flow statements</i> . I identified material differences between the disclosed amounts and the actual amounts according to the accounting records that could not be supported with sufficient appropriate audit evidence. I was unable to confirm the cash flow statement by alternative means.	A proper review not being done of the financial statements before submission for audit purposes. Supporting schedules not kept for amounts disclosed in the financial statements.	Properly review of the cash flow statement.	Review of the cash flow statement	25-Aug-19	Manager Budget & Financial Reporting	Chief Financial Officer
Restatement of corresponding figures	As disclosed in note 56 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of reclassifications that had to be made/ errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.	As disclosed in note 54 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.	As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018	(a) A proper review not being done of the financial statements before submission for audit purpose (b) Supporting schedules not kept for amounts disclosed in the financial statements	Review to be done with compilation of AFS. Supporting schedules will be kept to substantate amounts.	Review to be done with compilation of AFS. Supporting schedules will be kept to substantate amounts.	25-Aug-19	Manager Budget & FS	Chief Financial Officer

Material impairments	As disclosed in note 5 to the financial statements, a provision for the impairment of debtors amounting to R148 406 866 (2015: R127 785 657) was made with regard to consumer debts amounting to R291 591 158 (2015: R246 820 305).	As disclosed in note 5 to the financial statements, consumer debtors were impaired by R165 119 394 (2016: R148 406 865), which the municipality deemed would not be recoverable from debtors.	As disclosed in note 5 to the financial statements, consumer receivables were impaired by R157 730 761 (2017: R165 119 394).	Historic culture of non-payment.	Extract the prescript list from the system and hand it to the litigation.	Constantly engaging with the litigator and monitoring of internal debt collections.	30-Mar-19	Revenue Manager	Chief Financial Officer
	None.	None.	As disclosed in note 48 to the financial statements, material water losses of R7 044 679 (2017: R3 747 572) were incurred, which represents 26% (2017: 11%) of the total water purchased. These estimated water losses included distribution to townships with unmetered water.	Old infrastructure and lack of water flow meter	Development of water conservation water demand management.	installation of bulk flow meter and zonal flow meter.	30-Aug-19	Manager Water & Sewer Operation and Maintenance	Director Engineering Services
Going concern	Note 55 to the financial statements indicates that the municipality incurred a deficit of R126 711 817 (2015: R104 623 089). Furthermore, debtors increased from R119 034 648 to R143 184 292 and payables from R52 922 872 to R71 819 017. These conditions, along with other matters as set forth in note 55, 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.	Note 53 to the financial statements indicates that the municipality incurred a net deficit of R124 580 991. The municipality owed Eskom R28 919 532 as at 30 June 2017 of which R13 088 931 was overdue. These conditions, along with other matters set forth in note 53, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern and to achieve its service delivery objectives as outlined in the annual performance plan.	I draw attention to note 53 to the financial statements, which indicates that the municipality incurred a net loss of R47 060 412 during the year ended 30 June 2018. As stated in note 53, these events or conditions, along with other matters as set forth in note 53, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.	Depreciation and provision on debtors.	No intervention need.	No activity.	25-Aug-19	Revenue Manager	Chief Financial Officer
Irregular expenditure	As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R2 188 129 (2015: R33 449 533) during the year under review, mainly due to non-compliance with supply chain management requirements.	As disclosed in note 46 to the financial statements, irregular expenditure of R32 972 664 (2016: R2 188 129) was incurred during the year, mainly due to the correct supply chain management (SCM) processes that had not been followed. In addition the full extent of irregular expenditure is still in the process of being determined.	As disclosed in note 46 to the financial statements, irregular expenditure of R98 765 998 (2017: R32 972 664) was incurred, mainly due to non-compliance with supply chain management (SCM) requirements.	Supply chain management requirement were not fully met.	Correct processes will be followed. BAC will be compiled as per the requirements of the SCM regulations	Monitoring of processes followed with SCM procurement	30-Mar-18	Manager Supply Chain Management	Chief Financial Officer
Unauthorised expenditure	None.	As disclosed in note 44 to the financial statements, unauthorised expenditure of R245 531 480 was incurred during the year. This was due to overspending on the budget as a result of non-cash items, mainly depreciation charges on property, plant and equipment.	As disclosed in note 44 to the financial statements, non-budgeted expenditure of R17 301 739 (2017: R245 531 480) was incurred during the year under review and previous year, which resulted in unauthorised expenditure.	No controls are in place to ensure that the reports are submitted as required	Report submitted to Provincial Treasury and National treasury. Awaiting outcome on technical issues raised. Report to be submitted to the Executive Mayor and Council.	Report submitted to Provincial Treasury and National treasury. Awaiting outcome on technical issues raised. Report to be submitted to the Executive Mayor and Council.	30-Aug-18	Manager Supply Chain Management	Chief Financial Officer

Fruitless and wasteful expenditure	None.	None.	As disclosed in note 45 to the financial statements, fruitless and wasteful expenditure of R3 350 092 (2017: R1 188 124) was incurred mainly due to interest on arrear payments to creditors.	Cashflow challenges faced by the municipality	Enhancement of revenue strategy.	Constantly implement credit and debt collection policy. Monitoring of internal debt collections.	31-Mar-19	Manager Revenue	Chief Financial Officer
Service delivery and Infrastructure	None.	None.	Signs of distress with the construction of a 3 km paved road and storm water drainage in Marquard/Moemaneng were observed. The drainage system was inadequate thus increasing the risk of water seeping into the surface and structural layers causing damage in future. Stone pitching constructed at the drainage outlet deteriorated significantly and is an indication of poor workmanship. This may result in the initial objective being defeated in the longer term if not corrected, resulting in ineffective service delivery to the community. The contractor was not monitored properly, as the instance of poor quality workmanship should have been rectified.	None	the statement made on the report is not a true reflection of the road condition. Any infrastructure that is constructed can be sustained through maintenance. The road was constructed in line with the specifications as per the designs.	No Activity would be required	Completed	PMU Manager	Director Engineering Services
Service delivery and Infrastructure	None.	None.	With regard to the upgrading of bulk water supply from Caledon to Meulspruit, Cloccolan and Marquard, it was found that the two pumps were installed; however, one pump was faulty and not commissioned. The pumps were installed to pump adequate water to supply towns around the municipality; therefore, the pump that is not functional puts pressure on the other pump and may hamper service delivery to the community.	None	The design and operation of the pumpstation requires that there must be two pumps, a duty pump and the standby pump and therefore only one pump must operate at a time not both. Each pump is designed with the same capacity which is according to the discharge required.	No Activity would be required	Completed	PMU Manager	Director Engineering Services
Service delivery and Infrastructure	None.	None.	The upgrading of recreational facilities at Megheleng commenced in the 2010-11 financial year at a total t cost of approximately R68 million according to the asset register and was completed in the 2015-16 financial year. However, the opening of the stadium was delayed resulting in the facility being unused. The municipality started to use the facility on an <i>ad hoc</i> basis and more frequently as from July 2018, three years subsequent to completion of the project. The community was deprived of using this facility directly after completion and it does not seem as if the return on this significant investment to benefit the community has been fully obtained.	Non-utilisation of the stadium immediately after completion	Continuous utilisation of the facility	Quarterly Usage Reports of the Facility	31-Jan-19	Manager Parks	Director Development Planning and Social Security

Predetermined Objectives	None.	None.	I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 245%. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 245% as reported in the annual performance report.	No proper record was done	Continuous monitoring to be implemented and proper record management upheld	Submission of monthly, quarterly and annual reports	31-Jan-19	PMU Manager	Director Engineering Services
Predetermined Objectives	None.	None.	The achievement for the target of 100 reported in the annual performance report was 100. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 143.	No proper record was done	Continuous monitoring to be implemented and proper record management upheld	Submission of monthly, quarterly and annual reports	30-Jun-19	Manager Electricity	Director Engineering Services
Predetermined Objectives	None.	None.	The source information or evidence for achieving the following planned indicators was not clearly defined:	Directors and Managers submitting Indicators in the SDBIP that are not well-defined	Manager IDP to assist in ensuring that indicators are well defined and consistent between the planning documents and reported information	Continuous monitoring of quarterly reports	31-Mar-19	Manager IDP	Municipal Manager
Financial statements, performance reports and annual reports	None.	None.	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, non current liabilities, current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and/ or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.	(a) A proper review not being done of the financial statements before submission for audit purpose (b) Supporting schedules not kept for amounts disclosed in the financial statements	Review to be done with compilation of AFS. Supporting schedules will be kept to substantate amounts.	Review to be done with compilation of AFS. Supporting schedules will be kept to substantate amounts.	25-Aug-19	Manager Budget and Financial Reporting	Chief Financial Officer
Expenditure management		Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA	The above-mentioned suppliers not being paid within 30 days is as a result of cash flow difficulties experienced by the municipality to ensure that payments are made within the prescribed period.	Enhancement of revenue strategy.	Constantly implement credit and debt collection policy. Monitoring of internal debt collections.	31-Mar-19	Manager Revenue	Chief Financial Officer
Expenditure management	Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA.	Effective steps were not taken to prevent irregular expenditure amounting to R32 972 664, as disclosed in note 46 to the financial statements, as required by section 62(1)(d) of the MFMA.	Reasonable steps were not taken to prevent irregular expenditure amounting to R49 637 497 as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the irregular expenditure was caused by non-compliance with SCM regulations mainly in respect of instances where the bid committee did not comply to the composition requirement and where the conditions of local content have not been adhered too.	Non compliance include issues of composition of the bid adjudication committee, non mentioning of local content as well as threshold and functionality objectivity.	Improve on the application of prescripts on composition of the bid adjudication committee, non mentioning of local content as well as threshold and functionality objectivity.	Implement compliant composition of the bid adjudication committee, non mentioning of local content as well as threshold and functionality objectivity.	02-Jan-19	Manager SCM	Chief Financial Officer

Expenditure management	Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA	Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 188 124, as disclosed in note 45 to the financial statements, as required by section 62(1)(d) of the MFMA.	Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3 350 092 as disclosed in note 45 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the disclosed irregular expenditure was caused by interest and penalties.	Cashflow challenges faced by the municipality	Enhancement of revenue strategy.	Constantly implement credit and debt collection policy. Monitoring of internal debt collections.	31-Mar-19	Manager Revenue	Chief Financial Officer
Revenue management		None.	An effective system of internal control for revenue, as required by section 64(2)(f) of the MFMA, was not in place.	Shortage of staff in the revenue section and policy not implemented to the later.	Filing of vacancies and constant monitoring of procedures.	Monthly monitoring of deviation report on meter reading and quarterly review of valuation roll.	31-Mar-19	Manager Revenue	Chief Financial Officer
Asset management		None.	An effective system of internal control for assets (including an asset register), as required by section 63(2)(c) of the MFMA, was not in place.	Lack of oversight. No proper controls by management over (i) the preparation of financial information for the purpose of financial reporting, (ii) the maintenance of the asset register and (iii) insufficient reconciliation between supporting documents / register and the GL.	Monthly reconciliation between asset register and the general ledger. Continuous updating of the assets register. Constant communication with the SCM Unit and Project Management Unit.	Monitoring on information received from the various units and then amending the assets register to reflect the correct status.	28-Feb-19	Asset Manager	Chief Financial Officer
Procurement and contract management	None.	Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c).	Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was reported in the prior year.	Non compliance by omission or using the alternative value estimation of the transaction (prior transaction)	Introduce a control that will include the required quotation prior to the advert be approved.	No seven (7) day tender must be presented without required three quotations be attached.	21-Jan-19	Manager SCM	Chief Financial Officer
Procurement and contract management	None.	None.	Quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.	The database was not updated due to supplier changed tax status and function of database management be vacant.	Filing of database vacancy and monitoring of suppliers tax status.	Database vacancy has been filed for better monitoring of supplier tax status. Communicate with project managers client tax status relating to their function.	31-Jan-19	Manager SCM	Chief Financial Officer
Procurement and contract management	None.	None.	Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.	Non compliance and communication of the supplier changed tax status with the supplier and project managers concern.	monitoring and communication of supplier tax status.	Effective communication of tax status with suppliers were required.	31-Jan-19	Manager SCM	Chief Financial Officer
Procurement and contract management	None.	Some of the competitive bids were adjudicated by a bid adjudication committee that did not meet in all aspects the composition requirements of its members as required by SCM regulation 29(2).	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 reported in the prior year.	Non presence of SCM personnel and directors on the bid adjudication committee.	Review of composition of bid adjudication committee to include SCM personnel as well of complement of directors.	Composition compliance are adhered to.	02-Jan-19	Manager SCM	Chief Financial Officer
Procurement and contract management	None.	None.	Some of the contracts were awarded to and quotations were accepted from bidders that had not scored the highest points in the evaluation process, in contravention of section 2(1)(f) of the Preferential Procurement Policy Framework Act and the Preferential Procurement Regulations.	The functionality requirement was deemed not been ob	The Bid Evaluation Committee to apply the requirements of the bid document consistency correctly.	Quality check the point scoring on evaluation.	02-Jan-19	Manager SCM	Chief Financial Officer
Procurement and contract management	None.	None.	Some of the contracts were awarded to and quotations were accepted from bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, in contravention of the Preferential Procurement Regulations	Omission on the compilation on the tender not including the threshold limit.	The Bid Specification Committee to pertinently check on prescriptive matters.	Bid document to include prescriptive matters covered by Bid Specification Committee.	02-Jan-19	Manager SCM	Chief Financial Officer

Procurement and contract management	None.	None.	Bid documentation for procurement of commodities designated for local content and production did not stipulated the minimum threshold for local production and content as required by the Preferential Procurement Regulation 8(2).	Omission on the compilation on the tender not including the threshold limit.	The Bid Specification Committee to pertinantly check on prescriptive matters.	Bid document to included prescriptive matters covered by Bid Specification Committee.	02-Jan-19	Manager SCM	Chief Financial Officer
Internal control deficiencies	Inadequate review and monitoring by management during the preparation of the annual report on predetermined objectives resulted in material findings on predetermined objectives.	Management did not in all instances exercise oversight, to ensure that accurate and reliable information is submitted timeously, as there were material misstaterenmts in the financial statements and annual performance report that required adjustments during the audit.	Management did not in all instances exercise oversight to ensure that accurate and reliable information is submitted timeously, as there were material misstatements in the financial statements and annual performance report that required adjustments during the audit.	Lack of review of the reported information before submission	Ensure that the Chief Financial Officer review the AFS and the Municipal Manager review the Annual Report before submission	Continous review of the quarterly reports during the year	31-Mar-19	Municipal Manager	Council
Internal control deficiencies	Formal processes to ensure compliance with key legislation did not prevent non-compliance with laws and regulations in certain cases. Consequences management was not adequate in these instances.	The formal processes to effectively monitor compliance with key legislation were inadequate, which resulted in non-compliance with legislation in certain cases.	The formal processes to effectively monitor compliance with key legislation were inadequate, which resulted in non-compliance with legislation in certain cases.	Non-submission of a list of compliance requirements implemented as per the compliance checklist	Ensure that compliance checklist is completed and submitted	Submission of quarterly reports on compliance checklist and be a standing agenda item in Management Committee Meetings	31-Mar-19	Directors	Municipal Manager
Internal control deficiencies	None.	None.	Instability in key management positions contributed to deficiencies in the control environment.	Key position being vacant for a long period of time	Ensure that key positions are filled as soon as possible after being vacant	Submission of a list of appointed employees on key positions as per Regulation 17 as soon as possible within required timeframe	31-Mar-19	Municipal Manager	Council
Internal control deficiencies	None.	None.	Management did not in certain instances ensure that internal control processes were adequately designed and implemented to ensure cost-effective procurement and to prevent non-compliance with SCM requirements. Management relied on internal control processes to ensure compliance with procurement requirements, but it is evident from the amount of irregular expenditure that these internal control processes were ineffective and subject to abuse.	Deviation from SCM processes	Ensure that all the requirement of SCM Regulation and Policy are adhered to	Update the database and ensure that the procurement is able to assist the institution to access the market for calling of quotations and proposals that meet the requirements	31-Jan-19	Manager SCM	Chief Financial Officer

EDITORIAL

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Draft Annual Performance Report 2018/2019**

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